

Delivering Mixed Tenure Communities via JV's

Aldwyck Housing Group and Mears New Homes

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Tim Carpenter – Managing Director – Mears New Homes

Vanessa Dockerill – Executive Director of Development – Aldwyck Housing Group



New Homes

Mears Group PLC. - An overview

Mears Group PLC.

- Established 30 years ago from a Gloucestershire base
- Organic and acquisition growth
- Annual turnover of £930m in 2017
- Projected revenues of 985m in 2018

Core Business Services

- Responsive and Planned Repairs and Maintenance (62%)
- Care services (14%)
- Public sector customers & long term contracts of 3-15 years

Our Newer Businesses

- Mears New Homes (7%)
- Mears Housing Management (17%)
- TerraQuest/24-7



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Mears New Homes - An overview

Our Business Plan

- Established to provide a mixed tenure new build service to the public sector
- Established in 2013 with revenues in 2018 of £60m (300 units)
- We assemble land and build packages with RP's
- Based in offices in Welwyn Garden City and Milton Keynes
- Expand on positive Group relationships with RP's and LA's.
- Blended returns from contracting and development



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Primary Work Streams

Design and Build Contracting

- Public Sector Clients
- Housing focussed although beginning to diversify
- Competitive at £4 – 15m +
- Geographically targeted

Joint Venture Development

- Working with RP partners to share risk and reward
- Focused on schemes with at least outline consent for relative certainty
- Partner and Geographically targeted

Land-led Development

- Targeted site finding for both Mears or our clients

Aldwyck Housing Group - An overview

- Aldwyck Housing Group were established in Harpenden in 1968
- Aldwyck has a long track record of delivering affordable homes to rent or buy and providing supported housing and care services to our customers in communities across the south east and east of England.
- Over 11,000 homes and management services for around 25,000 people in a variety of tenures
- We offer specialist support and accommodation for young people, those with disabilities and older people.
- Supply a wide variety of services to other organisations in the housing sector, from Development, Maintenance and Housing Management.



Homes

Aldwyck Housing Group - An overview

Development Programme

- Build 1096 new homes 2016-2021
- Herts, Beds, Bucks, Cambs, Northants
- Tenure mix; 45% AHO, 25% AR, 30% MS



Homes

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The Background

- Worked successfully on traditionally procured contracting projects
- Both businesses wanted to work in similar areas on similar size projects
- Agreement in principle to share skills and risk.
- Culturally aligned and financially strong.
- Early recognition that we could make our investment budgets go further by a joint venture approach
- Trust at senior level.



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Design & Build Contracting - Holme Close, Cheshunt

12 apartments for shared ownership and rent

PROFILE PROJECT



The Project

Mears New Homes were appointed by Aldwyck Housing Group to design and build 23 new units across two phases on the Russell's Ride estate in Cheshunt, Hertfordshire.

Client	Contract	Duration	Value
Aldwyck Housing Group	Design and Build	24 Months	£2,220,000

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First project – 24 units, Cambridge Road, Puckeridge

- Mears identified the site and put together an initial development appraisal
- Agreed to put a joint bid for the site
- Utilised Development Agreement format Mears had used with another RP
- Simplicity of the DA meant we could move quickly
- Not highest bid but within 2 weeks we were 'preferred bidder'
- Site was acquired 6 weeks after putting in the initial offer



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The Structure of the first Joint Development approach

- Aldwyck purchase land and Mears invest in all construction cost- 'Land Loan Model'
- Sales and build risk remained with Mears
- Development Agreement defines all inputs and outputs and avoids the need for an SPV or a more complex arrangement.
- Aldwyck repaid from affordable units and a proportion of each sales unit
- Long-stop date gives Aldwyck a finite repayment window.



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Shared Risk Model

- Joint bid submission
- Lea Valley Developments Limited acquired land
- MNH provide development expertise and WIP fund build
- Development agreement with defined investment levels
- Transparent cost reporting for both parties
- Shared risk = shared profit

Joint Development - The Paddocks, Bourne End, Hemel

45 unit development of 2, 3 and 4 bedroom homes

PROFILE PROJECT



The Project

Mears New Homes and Lea Valley Developments Limited have secured a new development site in the Village of Bourne End, Hemel Hempstead.

Partner
Lea Developments

Contract
Design and Build

Duration
16 Months

GDV
£22.5m

Current Shared Pipeline

Project	Form of Contract	HA Units	MNH Sale	Project Start
Hunters Grove, Puckeridge, Herts	Land Loan with DA	10	14	May 2017
The Paddocks, Bourne End, Herts	J.V with DA	0	45	October 2017
Midsummer Vale, Walkern	J.V with DA	34	51	March 2018
Fenny Road, Stoke Hammond	J.V with DA	20	50	April 2018
Longwick Road, Princes Risborough	JCT D&B	74	0	November 2017
Cheshunt	JCT D&B	23	0	Ongoing
<u>Total AHG Contract Value with Mears - £15,500,000</u>	<u>Total Units</u>	76	0	
Total Combined Cost Investment - £75,815,000	Total Units	64	160	
Total Land Investment (exc Interest) AHG - £29,315,000	39%			
Total WIP Investment AHG - £7,500,000	10%			
Total WIP Investment Mears (exc Interest) - £39,000,000	51%			

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Some Challenges to Consider

- 'Project First' mentality key to successful outcomes
- Staff of both businesses often have to work on contracting and JV projects which isn't always easy.
- Shared drivers are essential
- Training staff for open book accounting, shared outcomes and how to react when things don't go to plan.
- Both teams at all levels need reminding of principles – maximise values and control costs
- Sales teams have to work collaboratively.



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Some Issues to Consider

- Need to keep both businesses engaged at highest level
- Strategic Overview Meetings
- Share news both positive and negative
- Look out for each others interests



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Questions?



Vanessa Dockerill
Executive Director of
Development



Tim Carpenter
Managing
Director



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