



# Income Generation

## 0-5 year proposals 2017-2021 Providing Income during first 12 months

### Overview/Examples:

- 'Oven ready' property or project that is let or generating immediate returns, or can soon be let for a rental income /return within first 12 months – ie houses/offices/industrial/land/PV panels
- Managed property fund giving immediate returns over 5 years
- Costs savings made from existing assets by improved asset management/alternative use
- Short term investment or grant funded projects= income in under 1 year

Example Cartgate: TIC advertising panels. Nil cost as grant funded at c.£10k income in year one once installed/adverts sold, estimated sales £50-£100k per annum.

## Is it an Income Generation Project?

### Check Stage 1 Criteria

- **Target 7% + income (net initial yield) years 1-5**  

$$\frac{(\text{Value} \times \text{Acquisition Costs})}{\text{Net Income}} \times 100$$
- **Minimum "Net, Net" income target years 1-5: Business case -** estimate ALL costs, staff time, interest on loans, covenant strength, management and maintenance: what is true residual net return after all deductions, needs to average 7% + over first 5 years. However, it may not achieve this in year one (Rent free periods, stepped rental increase)
- **No major capital expenditure on asset in first 5 years**, detracts from returns and value/income objectives. Full repairing and Insuring leases.
- **Income for a 'term certain' (if let) of at least 5 years**, short leases and terminations do not offer income security

## Second Stage Criteria for IG?

- **What is the lot size and risk in £'s? Finance review:**  
£10k's, £100k's, £10m+ Financial review of risk/liquidity/security 'fit' with balance of overall portfolio
- **Does it 'fit' with our 'balanced portfolio' brief in terms of use?**  
Property Project Plan recommendations to be considered ie not all assets in one use class or high % – such as too many offices/shops, and geographical location and sector
- **Does it achieve any other strategic objectives if proposal doesn't 'quite meet' full criteria?**  
e.g New housing development 50 houses. = 5.5% net return, 10% of portfolio, fit with liquidity, risk, security measures – also meets housing shortfall and gives council tax, NHB = 6.95% overall returns from a number of sources and meets housing need objective.

## Is it a Regeneration Project?

5-10 year income proposals 2022-27

Project Business Plans Implemented 0-4 years  
Completed & Providing Income from years 5-10

### Example: Houndstone Business Units

- Yr 1-2 Assessed viability & purchased Land
- Yr 2 Worked up detailed plans & planning application
- Yr 2-3 Undertake construction
- Yr 4 Complete and commence letting
- Yr 5 - 10 Rental flow and maximise letting income
- Yr 10 – or earlier, profitable Income Generating asset

# Criteria for Regeneration

What is the lot size in £'s in comparison to portfolio?

£10k's, £100k's, £10m+ (Eggs in one basket!)

Does it fit with a 'balanced portfolio' for use type?

(Property Project recommendations ie not all assets in one class – ie offices)

Does it meet Income Generation Targets by years 5-10?

7%+ achieved over first five years on average

Does it achieve any other strategic objectives if proposal doesn't quite meet full criteria?

**Lufton 2000- e.g. Regeneration of land, profitable and grew local economy**

Released development land, providing market choice to end users, built out over a period of time.

Delivered: Jobs (Toolstation), local business support, upskilling workforce, profit by year 5 (by onward sale of development land) and business rates income - ongoing revenue

## Major Regeneration Projects

### 10 years + Phased Development

### Specific PFH, Sponsors & Project Teams for Delivery

Examples: Projects that will take longer than 5-10 years to develop/complete; are multi-faceted projects; meeting many objectives - social, economic, infrastructure etc in the longer term. For example:

- Chard Regeneration Scheme – Town Centre and Millfield/Eastern Development Area.
- Yeovil Refresh
- Property Project Plan – ongoing property strategy
- Ilminster Employment Land
- CLR Crewkerne
- Major Housing and Employment Land in Market Town/Rural Areas

## Other Council Strategic Objectives Proposals and projects that may also produce regeneration and income

Proposals for which the Primary Objective is not Income Generation or Regeneration, but provide service delivery, social or community benefits that the Council sees as it's responsibility under its agreed Strategic Objectives.

They may also cover some or all of their costs, be funded through grants or be cost neutral within a payback period. Or simply Strategic Objectives that do not produce any financial return. E.g. Housing need, amenity, leisure or welfare, economic development ....

These projects initially sit under Strategy projects and are considered with the relevant service, with input from Commercial Services as and where required.

E.g. YIC 2 –LEP part funded, making YIC 1 more profitable by lowering central overheads, giving additional business rates, profitable within 5 years of completion (excluding LEP and grant funding for construction).

In order to do these projects other income targets will need to keep increasing!

## Anything Else?

At present, other proposals and suggested projects that do not meet any of the forgoing, will need to be considered as non-priority, particularly during the course of Transformation.

Therefore, the proposal will not be considered any further at this time, until resource is available and other objectives have been met, at this time the proposal can be reviewed.

Then, where appropriate, further investigation can be undertaken to determine if the proposal now meets any of the forgoing criteria and should be progressed or dismissed.