

King's Cross Methodist Church, 58a
Birkenhead Street, WC1H 8BW

Independent Viability Review

Prepared on behalf of The London Borough of
Camden

24 February 2017



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1.0 INTRODUCTION

- 1.1. BPS Chartered Surveyors has been instructed by The London Borough of Camden ('the Council') to review a viability assessment prepared by HEDC on behalf of Kings Cross Methodist Church ('KXMC') ('the applicant') in respect of the proposed redevelopment of 58a Birkenhead Street, WC1H 8BW.
- 1.2. The site is located to the south east of King's Cross Station and is within the King's Cross & St Pancras Conservation Area and adjacent to the Bloomsbury Conservation Area. The site fronts both Birkenhead Street to the east and Crestfield Street to the west.
- 1.3. The site composition can be split by frontage with the Birkenhead Street element currently comprises of a three storey building containing the Chapel element which was originally built in the 1820s and redeveloped in the 1950s and 1970s. The Crestfield Street element is two storeys in height and contains the Mission House constructed in the 1950s.
- 1.4. The application is for;
'Demolition and redevelopment to provide replacement church facilities (Use Class D1); Community Facilities (Use Class Sui Generis); replacement on-site Methodist Chaplaincy House (Sui generis) and No. 11 residential apartments (Use Class C3) including the installation of the necessary plant, ventilation and extraction, cycle storage and refuse and waste facilities.'
- 1.5. The 11 units comprise 6 x one bedroom units and 5 x two bedroom units. The new church and community space will total 2,107m² (22,680 ft²) (GIA).
- 1.6. The viability assessment seeks to demonstrate that the scheme in its current form cannot support any affordable housing given the cost of the provision of the D1 and Sui Generis elements of the scheme.
- 1.7. Our review has sought to scrutinise the costs and value assumptions that have been applied in the HEDC viability appraisal in order to determine whether the current affordable housing offer represents the maximum that can reasonably be delivered given the viability of the proposed development.

2.0 CONCLUSIONS & RECOMMENDATIONS

- 2.1 Based upon our review of the HEDC viability assessment we are of the view that the scheme currently produces a small surplus of £45,707 when compared to our benchmark land value of £1,254,000.
- 2.2 The table below shows a number of scenarios. We have tested the scheme if the value of the D1 and Sui Genres use were also included in the viability appraisal along with the inclusion of the additional £[REDACTED] in costs outlined, but not evidenced, by HEDC.

Scenario	Residual	Benchmark	Surplus/(Deficit)
HEDC	[REDACTED]	-	None Viable
BPS - Original	[REDACTED]	£1,254,000	[REDACTED]
BPS - Including D1	£2,188,613	£1,254,000	£934,613
BPS - Including D1 and additional costs	£1,299,707	£1,254,000	£45,707

- 2.3 No benchmark land value was supplied by HEDC and as such we have sought to identify an existing use value of the site. Overall we are of the view that although the subject site is relatively large a proportion of this space is either accommodation on the upper floors or basement floor space. As such we are of the opinion that the existing use value of the site would equate to a sum of approximately £1,140,000. We have allowed for a further land owners premium of 10% to this figure, resulting in a benchmark of £1,254,000.
- 2.4 Our Cost Consultant, Neil Powling, has reviewed the cost information, provided by HEDC, for the application scheme. Neil's findings are summarised below and his full report can be found at Appendix A;

'Our benchmarking yields an adjusted benchmark of £2,347/m² compared to the Applicants total (with 5% contingency only) of £2,277/m². We therefore consider the Applicant's costs to be reasonable - indeed rather on the low side.'

- 2.5 We note that there are circa [REDACTED] of additional costs that would be incurred by KXMC but have not been included in their appraisal. We appreciate that the inclusion of these costs would further increase the scheme costs and negatively impact upon viability. These costs including fees CIL and other normal development costs that are normally included within the applicant's costs.
- 2.6 With regards to the residential values we note that it might appear that the unit values are somewhat optimistic, especially when compared to second hand stock however the proposed scheme is well situated close to transport links yet not on a main road. As such the values applied are, in our view, appropriate.

- 2.7 Residential ground rental income has been included at a rate of £■■■ for one bedroom units and £■■■ for two bedroom units. The total annual income has been capitalised at a yield of 5% resulting in a capital value of £■■■■■ from which purchasers costs of 5.8% have then been deducted.
- 2.8 Given our analysis of the entire development it would appear that the proposed scheme could potentially break-even or even generate a small surplus, but this is highly dependent on exploring valuations of the church, both existing and proposed as these are crucial components to understanding the viability of the scheme which have not been adequately referenced in the HEDC submission.

3.0 PRINCIPLES OF VIABILITY ASSESSMENT

- 3.1 Development appraisals work to derive a residual value. This approach can be represented by the simple formula below:

$$\text{Gross Development Value} - \text{Development Costs (including Developer's Profit)} \\ = \text{Residual Value}$$

- 3.2 The residual value is then compared to a benchmark land value. Existing Use Value (EUV) and Alternative Use Value (AUV) are standard recognised approaches for establishing a land value as they help highlight the apparent differences between the values of the site without the benefit of the consent sought.
- 3.3 The rationale for comparing the scheme residual value with an appropriate benchmark is to identify whether it can generate sufficient money to pay a realistic price for the land whilst providing a normal level of profit for the developer. In the event that the scheme shows a deficit when compared to the benchmark figure the scheme is said to be in deficit and as such would be unlikely to proceed.
- 3.4 We note the GLA prefer EUV as a basis for benchmarking development as this clearly defines the uplift in value generated by the consent sought. We find the Market Value approach as defined by RICS Guidance Viability in Planning 2012 if misapplied is potentially open to an essentially circular reasoning. The RICS Guidance promotes use of a modified standard definition of "market Value" by reference to an assumption that the market values should reflect planning policy and should disregard that which is not within planning policy. In practice we find that consideration of compliance with policy is generally relegated to compliance somewhere on a scale of 0% to the policy target placing land owner requirements ahead of the need to meet planning policy.
- 3.5 There is also a high risk that the RICS Guidance in placing a very high level of reliance on market transactions is potentially exposed to reliance on bids which might a) represent expectations which do not mirror current costs and values as required by PPG. b) May themselves be overbids and most importantly c) need to be analysed to reflect a policy compliant position. To explain this point further, it is inevitable that if site sales are analysed on a headline rate per acre or per unit without adjustment for the level of affordable housing delivered then if these rates are applied to the subject site they will effectively cap delivery at the rates of delivery achieved of the comparable sites. This is an essentially circular approach which would effectively mitigate against delivery of affordable housing if applied.
- 3.6 The NPPF recognises at 173, the need to provide both land owners and developers with a competitive return. In relation to land owners this is to encourage land owners to release land for development. This has translated to the widely accepted practice when using EUV as a benchmark of including

a premium. Typically, in a range from 5-30%. Guidance indicates that the scale of any premium should reflect the circumstances of the land owner. We are of the view that where sites represent an ongoing liability to a land owner and the only means of either ending the liability or maximising site value is through securing a planning consent this should be a relevant factor when considering whether a premium is applicable.

4.0 VIABILITY BENCHMARK

- 4.1 HEDC has not provided a benchmark land value for the proposed scheme on the basis that the scheme produces a negative residual value before additional costs identified by KXMC are taken into account. Had the scheme generated a surplus value it is reasonable to assume that a land value would have been allowed for in the submission which would have reduced overall scheme viability.
- 4.2 The existing floor area comprises 1,588 m² (17,093 ft²) of D1 use space. Limited evidence has been provided concerning the quality and state of repair of this space other than in the design and access statement which highlights that the facility is nearing the end of its economic life and is need of major works.
- 4.3 To assess the potential impact on viability through including a land value we have sought sales evidence of other D1 Space which is summarised in the table below.

Address	Area m ² (ft ²)	Sale date	Sale price	£ per m ² (ft ²)
Principle Church and Church Hall, Two Church Buildings, Tubbs Rd, NW10 4SD	586 (6,308)	01/12/14	£2,000,000	£3,413 (€317)
Churchill Hall, Hawthorne Avenue, Kenton Rd HA3 8AG	1,858 (19,999)	08/11/14	£3,000,000	£1,615 (€150)
Upton House, 14-16 Kenworthy Road, E9 5RB	437 (4,704)	01/02/15	£600,500	£1,374 (€128)
Balham Community Centre, 91 Bedford Hill, SW12 9HE	319 (3,434)	03/05/16	£825,000	£2,586 (€240)

- 4.4 Principle Church is formed of two Church buildings; the principal building comprises a large open plan room with male, female WCs, offices and other rooms over two levels at the rear. The smaller building comprises a Church hall with kitchen and WCs accommodation.
- 4.5 Churchill Hall is Former Conservative Club arranged over three floors with kitchen and parking available. The property was sold with vacant possession. We consider that the subject site would achieve values marginally lower than this property.
- 4.6 Upton House is a crèche and child care centre located within a residential area with parking available and sold with vacant possession.
- 4.7 Balham Community centre is a local community centre providing family services, counselling services and school holiday camps.

- 4.8 In our view Principle Church and Church Hall is a relatively good comparable for valuing the ground floor church space in this case. We have applied a rate of £3,250 per m² to the ground floor space with a discount of 35% for the basement space and 80% for the first and second floor ancillary space.

Level	Floor Area m ² (ft ²)	Sales Rate m ² (ft ²)	Total
Basement	305 (3,283)	£2,167 (£201)	£660,833
Ground Floor	503 (5,414)	£3,250 (£302)	£1,634,750
First Floor	522 (5,619)	£650 (£60)	£339,300
Second Floor	258 (2,777)	£650 (£60)	£167,700
Total Area	1,588 (17,093)		£2,802,583

- 4.9 It is clear however that the space would require refurbishment for continued use to be possible. As such we have examined BCIS rates for rehabilitation of Religious Space. The BCIS data splits Religious space into Churches and Mission Halls/Meeting Houses. We have applied the rate for Churches to the ground floor and the rate for Mission Halls/Meeting Houses to all other floors. Our opinion is that refurbishment costs would amount to approximately £1,590,750.

- 4.10 Our opinion of EUV is therefore;

Capital Value	£2,802,583
<i>Less refurb</i>	<i>-£1,590,750</i>
Gross Value	£1,211,833
<i>Less Purchasers Costs</i>	<i>-£68,680</i>
Net Value (EUV)	£1,142,153

- 4.11 Overall we are of the view that although the subject site is relatively large, a proportion of this space is either accommodation on the upper floors or basement floor space. The result is an existing use value of approximately of £1,140,000. We have allowed for a further land owners premium of 10% to this figure, resulting in a benchmark of £1,254,000.

5.0 CONSTRUCTION COSTS

5.1 Our Cost Consultant, Neil Powling, has reviewed the cost information, provided by HEDC, for the application scheme. Neil's findings are summarised below and his full report can be found at Appendix A;

'Our benchmarking yields an adjusted benchmark of £2,347/m² compared to the Applicants total (with 5% contingency only) of ██████/m². We therefore consider the Applicant's costs to be reasonable - indeed rather on the low side.'

5.2 Developers Profit has been included at a rate of 20% on the GDV of the private sales. We agree that this assumption is in line with common expectations.

5.3 Professional Fees have been included at a rate of 7% which is towards the lower end of the scale of commonly accepted figures. We would normally expect professional fees of between 8-12%.

5.4 Contingency have been included at 5% of construction costs, we agree that this figure is appropriate.

5.5 Disposal Fees have been included at a rate of 3% and 0.25% on marketing fees and legal fees respectively. We agree that these figures are in line with current market expectations.

5.6 The HEDC report also includes over £██████ of additional costs which have not been included in the appraisal. These additional costs are listed but not well evidenced but nonetheless the inclusion of any of these costs would further increase the negative land value indicated by HEDC. These costs are;

• Camden CIL	£126,900
• Mayoral CIL of	£42,300
• Planning application costs	£██████
• S278 costs	£42,000
• Right of Lights consultancy	£██████
• Temporary relocation	£██████

5.7 In our view it would be reasonable to include these costs within the assessment.

5.8 Finance has been included at a rate of 7%. This is in line with current market expectations.

6.0 RESIDENTIAL VALUES

6.1 The residential sales values applied by HEDC have been determined by Cushman and Wakefield with the averages as follows;

	Count	Average Area m ² (ft ²)	Average Value	£/m ² (ft ²)
1 Bed	6	52 (560)		
2 Bed	5	75 (803)		

6.2 These values have been provided with no supporting evidence and given that the initial report is now somewhat dated we have conducted our own research and analysis to ensure that the residential sales values are examined on a present day basis.

6.3 There is limited evidence of sales figures for new build units in the local area. However we have found a number of listings of local units which, in our opinion, are relevant to consider.

6.4 St Pancras Place is a Regal Homes development approximately 0.1 miles to the southeast of the subject site. A number of two bed units have recently been released on to the market with asking prices of £1,200,000 to £1,300,000. We appreciate that these are asking prices and as such are not likely to be indicative of achieved values but none the less give an indication as to the expectations of new build units in the local area.

6.5 Pentagon Apartments at 266 Pentonville Road have recently been released to the market with asking prices ranging from £895,000 for the smaller two bed units increasing to £1,080,000 for the larger two bed units. It should be noted that these units are situated on a busy main road and over retail, both of which we would expect to have a detrimental impact on values.

6.6 North One is a small development of 6 apartments situated close to Kings Cross station. The one bedroom unit has been sold subject to contract with an asking price £685,000 equating to a rate of £14,836 per m² (£1,378/ft²). The two bed units start at £950,000 which reflects a rate of £13,782 per m² (£1,280/ft²).

6.7 We have also collated evidence of second hand one and two bedroom flat sales in the local area. It should be noted that we have adjusted the actual sales values in line with the Land Registry HPI for the locality.

6.8 The following transactions of one bedroom flats have occurred within half a mile of the subject site in the previous six months;

Address	Price inc. HPI	Sale Date	Area m ² (ft ²)	£/m ² (ft ²)
45A Lloyd Baker St WC1X	£599,950	07/10/16	66 (708)	£9,118 (£847)
Flat 65 Foundling Court WC1N	£555,379	21/07/16	50 (538)	£11,108 (£1,032)
Flat D 2 Calthorpe St WC1X	£469,582	12/08/16	36 (388)	£13,044 (£1,212)
29A Purchase St NW1	£423,645	12/08/16	51 (549)	£8,307 (£772)
Flat 1 30 Swinton St WC1X	£500,000	16/09/16	42 (452)	£11,905 (£1,106)
Flat 52 Sandwich House WC1H	£586,978	01/09/16	45 (484)	£13,044 (£1,212)
18A Wharton St WC1X	£560,569	12/07/16	44 (474)	£12,740 (£1,184)
Average	£528,015		48 (513)	£11,324 (£1,052)

- 6.9 The value of the local one bedroom flats equates to an average value of £528,015 with a rate of £11,324 per m² (£1,052/ft²). We note that the units at the proposed scheme are slightly larger and we would expect new build units to command a premium over this second hand stock.
- 6.10 The following transactions of two bedroom flats have taken place within half a mile of the subject site in the previous year;

Address	Price inc. HPI	Sale Date	Area m ² (ft ²)	£/m ² (ft ²)
Flat 5 28 St Pancras Chambers NW1	£882,979	14/06/16	69 (743)	£12,797 (£1,189)
Flat 81 Sandwich House WC1H	£725,000	10/10/16	62 (667)	£11,694 (£1,086)
Flat 117 Queen Alexandra Mansions WC1H	£688,263	30/03/16	62 (667)	£11,101 (£1,031)
Flat 7 Northiam Cromer St WC1H	£645,000	07/09/16	66 (710)	£9,773 (£908)
Flat 13 Moatlands House Cromer St WC1H	£656,979	29/06/16	55 (592)	£11,945 (£1,110)
Flat 22 Henley Prior Collier St N1	£581,874	01/09/16	74 (794)	£7,884 (£732)
Flat 11 156 Caledonian Road N1	£867,707	11/08/16	86 (926)	£10,090 (£937)
Flat 9 Northiam Cromer Street WC1H	£563,165	01/08/16	67 (721)	£8,405 (£781)
Flat 9 156 Caledonian Road N1	£800,000	13/10/16	82 (883)	£9,756 (£906)
Flat 5 The Ironworks Albion Walk N1	£726,664	22/07/16	63 (678)	£11,534 (£1,072)
Average	£713,763		69 (738)	£10,498 (£975)

- 6.11 The value of the local two bedroom flats equates to an average value of £713,763 with a rate of £10,498 per m² (£975/ft²). Again the units at the proposed scheme are, on average, larger than the evidence collated. Larger units generally achieve higher sales values overall compared to units offering the same basic accommodation but in a smaller unit. The additional floor area is seen as worth paying for but as it does not represent additional rooms it attracts a low sales rate reflecting its limited additional

utility which can have the effect of bringing the overall sales rate down below smaller units.

- 6.12 We note that the unit values are potentially optimistic especially when compared to second hand stock however the proposed scheme is well located close to transport links without being on a main road. As such the values applied are potentially achievable.

7.0 GROUND RENTS

7.1 The ground rental income has been included at a rate of ■■■ for one bedroom units and ■■■ for two bedroom units. The total annual income has then been capitalised using a yield of ■■■ resulting in a capital value of ■■■ from which purchasers costs of 5.8% are deducted.

8.0 CHURCH AND COMMUNITY FACILITIES

8.1 The scheme includes 1,263m² (13,595ft²) of church space and 844m² (9,085ft²) of designated sui generis space comprising the replacement Methodist Chaplaincy House. Values for these elements have not been included in the appraisal yet the costs have. We are of the view that the value of these elements should be included.

8.2 We have collated the following evidence of both D1 and D2 use lettings in the wider local area.

Address	Date	Use Type	Area m ² (ft ²)	Rent	£/m ² (ft ²)
66 Prescott St, E1 8HG	01/10/16	Sports & Health Club D2	887 (9,553)	£238,823	£269 (£25)
245 Pentonville Rd, N1 9NG	05/09/16	Clinic/Health Centre D1	71 (760)	£28,000	£397 (£37)
114 Vallance Rd, E1 5BW	15/02/16	Sports & Health Club D2	721 (7,763)	£155,259	£215 (£20)
Part, 179 Haggerston Rd, E8 4JA	15/02/16	Clinic/Health Centre D1	151 (1,622)	£39,999	£265 (£25)
Church Hall, Carnegie St, N1 9QW	12/02/16	Church/Church Hall D1	238 (2,567)	£48,000	£201 (£19)
Part, 70 Exmouth Market, EC1R 4QP	12/02/15	General Leisure D2	242 (2,600)	£73,000	£302 (£28)

8.3 We do not that the above sales evidence does not include sui generis use but we are of the opinion that this would achieve a similar overall rate. The only Church transaction is on Carnegie Street which is approximately half a mile from the subject site.

8.4 We have collated the following evidence of D1/D2/Sui Generis use sales;

Address	Date	Use Type	Area m ² (ft ²)	Price	£/m ² (ft ²)
62-66 Highbury Grove, N5 2AD	29/07/16	School/College D1	8,669 (93,312)	£33,500,000	3,864 (359)
Unit 5, 15 Ramsgate St, E8 2NA	09/03/16	School/College D1	312 (3,358)	£1,600,000	5,129 (476)
95-99 Holloway Rd, N7 8LT	03/02/16	Sui Generis	502 (5,400)	£1,250,000	2,492 (231)
27 Essex Road, N1 2SD	11/12/15	Sports & Health Club D2	1,794 (19,310)	£5,850,000	3,261 (303)
347-349 Goswell Rd, EC1V 7JN	15/11/15	General Leisure D2	3,865 (41,603)	£5,900,000	1,527 (142)

- 8.5 We appreciate that the above comparable evidence does not include any specific D1 Place of Worship use, but we nonetheless we do consider that they carry some relevance and we have considered them in determining a suitable investment value for this element given the permitted change allowed .
- 8.6 Having regard to the fact much of the floor space is either at basement level or sui generis accommodation we are of the opinion that a blended rental rate of £122.71 per m² (£11.40/ft²) is appropriate. We have capitalised this at 7% to give an investment rate of £1,753 per m² (£163/ft²).

BPS Chartered Surveyors

Project: 58a Birkenhead St, Camden (Kings Cross Methodist Church, Crestfield St WC1)

Appendix A Cost Report

1 SUMMARY

- 1.1 The cost plan is the Elemental Cost Plan Rev 5 dated 25th November 2015 issued by Calford Seaden. The Cost Plan includes an allowance for tender inflation defined in the document as “inflation from the estimate date to the anticipated tender return date”. Note 13 under “Assumptions” refers to an allowance made to update 3Q2014 to 4Q2015 - if this allowance is the 6.2% described as “Tender inflation” then the note and the definition are in conflict. The appraisal does not include the Tender inflation amount of [REDACTED] in the construction costs which is correct if the item is tender inflation. However the cost plan is apparently at 4Q2015 rates and a TPI of 271 compared to the current TPI 1Q2017 of 288 - an increase of 6.3%. Our benchmarking uses current (1Q2017) BCIS data which is on a current tender firm price basis.
- 1.2 The cost plan includes an allowance of 15% for preliminaries and 6% for overheads and profit (OHP). We consider both of these % additions reasonable. The allowance for Design Development and Construction risk is 5% combined. The cost plan includes a further 2% for Employer change risks - the appraisal includes a 5% total contingency only which we consider reasonable.
- 1.3 The cost plan includes an allowance of 7% for Main Contractors Design fee. This is treated as a “below the line” item for comparison to BCIS construction costs. It has apparently been included in the appraisal as Professional fees - contractors design and other fees at 7%. As such the cost is correctly dealt with in the appraisal and in line with the fees for design and build procurement; traditional procurement would require a higher % allowance.
- 1.4 The building on Birkenhead St is a five storey building of flats and on Crestfield St a six storey building of the Church and Manse. Our benchmarking yields an adjusted benchmark of £2,347/m² compared to the Applicants total (with 5% contingency only) of [REDACTED]. We therefore consider the Applicant’s costs to be reasonable - indeed rather on the low side.

2 METHODOLOGY

- 2.1 The objective of the review of the construction cost element of the assessment of economic viability is to benchmark the Applicant’s costs against RICS Building Cost Information Service (BCIS) average costs. We use BCIS costs for benchmarking because it is a national and independent database. Many companies prefer to benchmark against their own data which they often treat as confidential. Whilst this is understandable as an internal exercise, in our view it is insufficiently robust as a tool for assessing viability compared to benchmarking against BCIS. A key characteristic of benchmarking is to measure performance against external data. Whilst a company may prefer to use their own internal database, the danger is that it measures the company’s own projects against others of it’s projects with

no external test. Any inherent discrepancies will not be identified without some independent scrutiny.

- 2.2 BCIS average costs are provided at mean, median and upper quartile rates (as well as lowest, lower quartile and highest rates). We generally use mean or occasionally upper quartile for benchmarking. The outcome of the benchmarking is little affected, as BCIS levels are used as a starting point to assess the level of cost and specification enhancement in the scheme on an element by element basis. BCIS also provide a location factor compared to a UK mean of 100; our benchmarking exercise adjusts for the location of the scheme. BCIS Average cost information is available on a default basis which includes all historic data with a weighting for the most recent, or for a selected maximum period ranging from 5 to 40 years. We generally consider both default and maximum 5 year average prices; the latter are more likely to reflect current regulations, specification, technology and market requirements.
- 2.3 BCIS average prices are available on an overall £ per sqm and for new build work on an elemental £ per sqm basis. Rehabilitation/conversion data is available on an overall £ per sqm and on a group element basis ie. substructure, superstructure, finishings, fittings and services - but is not available on an elemental basis. A comparison of the applicants elemental costing compared to BCIS elemental benchmark costs provides a useful insight into any differences in cost. For example: planning and site location requirements may result in a higher than normal cost of external wall and window elements.
- 2.4 If the application scheme is for the conversion, rehabilitation or refurbishment of an existing building, greater difficulty results in checking that the costs are reasonable, and the benchmarking exercise must be undertaken with caution. The elemental split is not available from the BCIS database for rehabilitation work; the new build split may be used instead as a check for some, but certainly not all, elements. Works to existing buildings vary greatly from one building project to the next. Verification of costs is helped greatly if the cost plan is itemised in reasonable detail thus describing the content and extent of works proposed.
- 2.5 BCIS costs are available on a quarterly basis - the most recent quarters use forecast figures, the older quarters are firm. If any estimates require adjustment on a time basis we use the BCIS all-in Tender Price Index (TPI).
- 2.6 BCIS average costs are available for different categories of buildings such as flats, houses, offices, shops, hotels, schools etc. The Applicant's cost plan should ideally keep the estimates for different categories separate to assist more accurate benchmarking. However if the Applicant's cost plan does not distinguish different categories we may calculate a blended BCIS average rate for benchmarking based on the different constituent areas of the overall GIA.
- 2.7 To undertake the benchmarking we require a cost plan prepared by the applicant; for preference in reasonable detail. Ideally the cost plan should be prepared in BCIS elements. We usually have to undertake some degree of analysis and rearrangement before the applicant's elemental costs can be compared to BCIS elemental benchmark figures. If a further level of detail is available showing the build-up to the elemental totals it facilitates the review of specification and cost allowances in determining adjustments to benchmark levels. An example might be fittings that show an allowance for kitchen fittings, bedroom wardrobes etc that is

in excess of a normal BCIS benchmark allowance.

- 2.8 To assist in reviewing the estimate we require drawings and (if available) specifications. Also any other reports that may have a bearing on the costs. These are often listed as having being used in the preparation of the estimate. If not provided we frequently download additional material from the documents made available from the planning website.
- 2.9 BCIS average prices per sqm include overheads and profit (OHP) and preliminaries costs. BCIS elemental costs include OHP but not preliminaries. Nor do average prices per sqm or elemental costs include for external services and external works costs. Demolitions and site preparation are excluded from all BCIS costs. We consider the Applicants detailed cost plan to determine what, if any, abnormal and other costs can properly be considered as reasonable. We prepare an adjusted benchmark figure allowing for any costs which we consider can reasonably be taken into account before reaching a conclusion on the applicant's cost estimate.
- 2.10 We undertake this adjusted benchmarking by determining the appropriate location adjusted BCIS average rate as a starting point for the adjustment of abnormal and enhanced costs. We review the elemental analysis of the cost plan on an element by element basis and compare the Applicants total to the BCIS element total. If there is a difference, and the information is available, we review the more detailed build-up of information considering the specification and rates to determine if the additional cost appears justified. If it is, then the calculation may be the difference between the cost plan elemental £/m² and the equivalent BCIS rate. We may also make a partial adjustment if in our opinion this is appropriate. The BCIS elemental rates are inclusive of OHP but exclude preliminaries. If the Applicant's costings add preliminaries and OHP at the end of the estimate (as most typically do) we add these to the adjustment amounts to provide a comparable figure to the Applicant's cost estimate. The results of the elemental analysis and BCIS benchmarking are generally issued as a PDF but upon request can be provided as an Excel spreadsheet.

3 GENERAL REVIEW

- 3.1 We have been provided with and relied upon the Affordable Housing Viability Submission prepared by Dexter Moren Associates dated January 2016; the Design & Access Statement and the Planning Statement.
- 3.2 The cost plan is the Elemental Cost Plan Rev 5 dated 25th November 2015 issued by Calford Seaden. The Cost Plan includes an allowance for tender inflation defined in the document as "inflation from the estimate date to the anticipated tender return date". Note 13 under "Assumptions" refers to an allowance made to update 3Q2014 to 4Q2015 - if this allowance is the 6.2% described as "Tender inflation" then the note and the definition are in conflict. The appraisal does not include the Tender inflation amount of [REDACTED] in the construction costs which is correct if the item is tender inflation. However the cost plan is apparently at 4Q2015 rates and a TPI of 271 compared to the current TPI 1Q2017 of 288 - an increase of 6.3%. Our benchmarking uses current (1Q2017) BCIS data which is on a current tender firm price basis.
- 3.3 The cost plan includes an allowance of 15% for preliminaries and 6% for overheads and profit (OHP). We consider both of these % additions reasonable. The

allowance for Design Development and Construction risk is 5% combined. The cost plan includes a further 2% for Employer change risks - the appraisal includes a 5% total contingency only which we consider reasonable.

- 3.4 The cost plan includes an allowance of 7% for Main Contractors Design fee. This is treated as a “below the line” item for comparison to BCIS construction costs. It has apparently been included in the appraisal as Professional fees - contractors design and other fees at 7%. As such the cost is correctly dealt with in the appraisal and in line with the fees for design and build procurement; traditional procurement would require a higher % allowance.
- 3.5 We have used the same GIAs as those scheduled in the cost plan and described as: residential, church, MCH, circulation and other - a total 3,025m². For benchmarking we have treated the residential as 3-5 storey flats, the church as churches and chapels, the MCH as a hotel and circulation and other at a build cost rate of £1,500/m² that we consider appropriate for this project. Our calculation of the blended rate used for benchmarking is shown in the table below.

3.6

	GIA m ²	%	BCIS £/m ²	Blended £/m ²
Flats	785	26.0%	1,649	428
Church	996	32.9%	2,704	890
MCH/Manse/ hostel/ hotel	528	17.5%	2,183	381
Circulation	637	21.1%	1,500	316
Other	79	2.6%	1,500	39
	<u>3,025</u>	<u>100.0%</u>		<u>2,054</u>

- 3.7 Sales have been included in the Appraisal at average figures of £1,354/ft² (Net Sales Area).
- 3.8 We have downloaded current BCIS data for benchmarking purposes including a Location Factor for Camden of 125 that has been applied in our benchmarking calculations.
- 3.9 Refer to our attached file “Elemental analysis and BCIS benchmarking”.
- 3.10 The building on Birkenhead St is a five storey building of flats and on Crestfield St a six storey building of the Church and Manse. Our benchmarking yields an adjusted benchmark of £2,347/m² compared to the Applicants total (with 5% contingency only) [REDACTED] We therefore consider the Applicant’s costs to be reasonable - indeed rather on the low side.

BPS Chartered Surveyors
Date: 24th January 2017