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Affordable  
Housing  
Solutions

# **Riverside Studios and Queen's Wharf Financial Viability Assessment**

For: Mount Anvil  
September 2013

## **Confidentiality statement**

This report is strictly confidential to Mount Anvil.

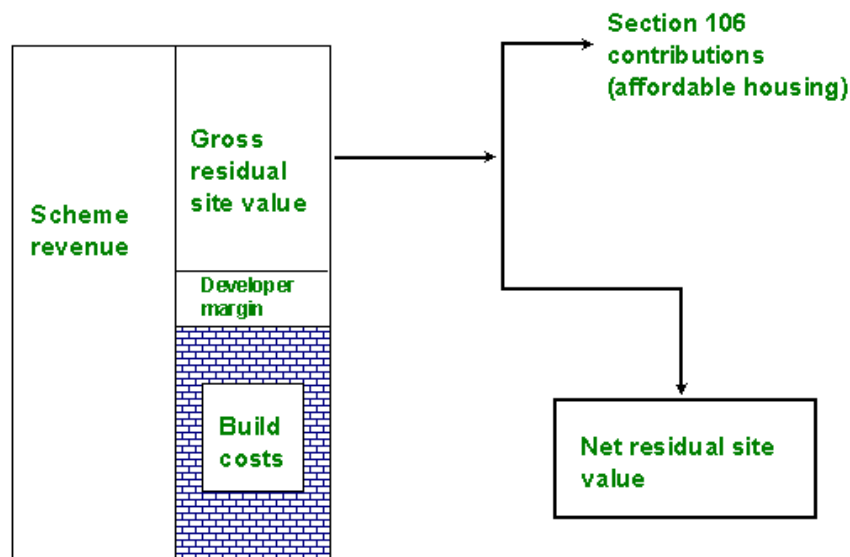
It contains commercially sensitive information.

Accordingly, this report should not be disclosed (in whole or in part) to any person, or used for any purpose, unless consent to such disclosure or such use has been given by Mount Anvil.

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**1.0 Introduction.**

- 1.1 Affordable Housing Solutions, (AHS), have been appointed by the Applicant, Mount Anvil, to advise in relation to the affordable housing content of the Proposed Scheme at Riverside Studios and Queen’s Wharf, located in the London Borough of Hammersmith and Fulham.
- 1.2 This explanatory report and the accompanying economic viability assessment data, comprising appendices 1 to 8, contain strictly private, confidential, and commercially sensitive information.
- 1.3 The Proposed Scheme has been appraised employing the GLA’s recommended financial model; specifically, the GLA’s Development Control Toolkit Model (2012). We understand that this model is acceptable to Hammersmith & Fulham Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential accommodation and is, therefore, appropriate for the purpose in relation to the Proposed Scheme.
- 1.4 The purpose of this report is to provide an easily understandable and detailed review of the current cost and revenue implications of the Proposed Scheme which drive the Toolkit model outputs. Our intention is to offer full transparency as regards the ability of the project to subsidise affordable housing contributions, and s106 contributions generally.
- 1.5 The Toolkit is founded on the calculation of a residual land value for the Proposed Scheme. Residual valuation is a frequently used method for appraising the financial viability of development schemes, whether new developments, or refurbishment of existing buildings. The residual valuation can be expressed as a simple diagram:



- 1.6 In essence, the viability model compares the residual land value of the proposed scheme (RV) with a benchmark against which the viability of the scheme can be appraised. In this regard, the comparator can be any of the following: the Existing Use Value of the site (EUV); any Alternative Use Values, (AUV); the Open Market Value of the site (OMV) or the price paid for the site may also be considered.
- 1.7 Clearly, Hammersmith and Fulham's affordable housing targets are not intended to be applied on a site by site basis, but should be considered as 'long term' strategic target which relates to units delivered from all sources of supply, including 100% affordable housing schemes.
- 1.8 Indeed, this approach has been tested at appeal (decision reference APP/G5180/A/08/2084559), where the Inspector interpreted the similar previous London Plan Policy 3A.10 dealing with strategic affordable housing targets as follows: *"Moreover, policy 3A.10 of the LP makes clear that Boroughs 'should seek the maximum reasonable amount of affordable housing when negotiating on individual private residential...schemes', concluding that Boroughs should have regard to the need to encourage rather than restrain residential development, and to the individual circumstances of each site. In my view, both policies seek such provision through negotiation, and the acceptance of specific site circumstances. I conclude, as the Council did at the Inquiry, that in negotiating a figure of affordable housing below 35%, such 'provision', assuming specific circumstances are demonstrated, could encompass '0', or no affordable units."* (Ref: Beckenham: APP/G5180/A/08/2084559)
- 1.9 If the residual value of a proposed scheme is reduced to significantly below an appropriate viability benchmark sum, it follows that it is commercially unviable to pursue such a scheme, and the scheme is unlikely to proceed. If a scheme is being rendered unviable because of Section 106 requirements, it is appropriate to reduce the burden of those requirements in order to facilitate viability.
- 1.10 On a project specific basis, the Toolkit demonstrates that any addition of affordable housing will result in the Proposed Scheme becoming unviable. Consequently, in relation to the specifics of the Proposed Scheme, nil affordable housing is the 'maximum reasonable amount' that the Proposed Scheme can support without becoming unviable.

## **2.0 The Proposed Development**

2.1 The Applicant considers the site to have the potential to make an important contribution to the physical and land use based regeneration of this part of the river frontage, and to deliver significant benefits to the communities living in Hammersmith and Fulham. This is consistent with the site's identification as part of a Key Location for Comprehensive Regeneration.

2.2 The Applicant's intention is to seek a planning permission for the quantum of development and land uses detailed below. This is the subject of a Planning Application to the Council which has been submitted under separate cover.

2.3 The Applicant's proposals include demolition of the existing buildings and the redevelopment of the site via a comprehensive proposal comprising the erection of a six to eight storey building with balconies and roof terraces and the provision of 165 residential units (Class C3) and 8,633m<sup>2</sup> of commercial floor space for television and film recording studios, storage, dressing rooms, offices, theatre, cinema and other facilities ancillary to those uses including cafe, restaurant, bar and other uses for the sale of food and drink, together with car and cycle parking, storage and plant space and the creation of a riverside walk along the frontage of the site facing the River Thames (1,442m<sup>2</sup>).

The production studios and ancillary space will be transferred to the Riverside Trust at a peppercorn and the river walkway to the Council at nil cost.

<b>Use</b>	<b>GIA m<sup>2</sup></b>	<b>NIA m<sup>2</sup></b>
Riverside Studios	8,071	
Residential Market (C3)	19,188.7	15,010.1
Car park	2,674.3	
Plant	491.9	
<b>Total</b>	<b>30,425.9</b>	

2.4 The planning consent must of course deliver a financially viable project in order to provide a suitable foundation for subsequent project delivery.

2.5 Some of the key features of the proposals are:

- 165 homes to suit the housing market.
- A state of the art production studios and theatre, a cinema, restaurant, studios and ancillary accommodation for the Riverside Trust on a long lease at a peppercorn rent. Riverside Studios is at the heart of this vibrant mixed community. Riverside work closely with local children particularly

those from low income families to give them a chance to visit take part in a broad range of arts activities. In the past 12 months these have included:

- Kids' Movie Club – Weekly film season on Saturday mornings.
- Competitions for creative flyers and posters which were exhibited at Riverside Studios
- Kids' Arts Club, part of the Shakespeare Schools Festival, LAMDA Autumn season and the W11 Opera
- The London International Animation Festival in March 2013. Riverside Studios hosted workshops over 4-days to give the children the chance to learn the basics of animation
- Film workshops with children teaching them about filming, production, editing, sounds etc
- Healthy Living Open Day at Wormholt Park Primary School to promote healthy living and the best use of leisure time for local children and their families
- “How to Film” event at the BFI, Southbank to support and inspire people hoping to start community cinemas and film clubs Riverside Studio Building
- Riverside Studios is an employment generator and its specialist facilities are important for the local economy.
- There will be new opportunities for work experience and apprenticeships for both Riverside, in media and hospitality, and Mount Anvil in construction during the build period.
- Riverside Studios provides affordable workspace to media companies
- A river walkway, meeting the Council's specification and comprising a site area of 1442m<sup>2</sup>, will be constructed by Mount Anvil and transferred to the Council on completion.

### **3.0 Appraisal Methodology: Viability Benchmarks**

3.1 The accepted industry standard method of appraising the capacity of a proposed project to deliver affordable housing is founded on the appropriate model being populated with cost and valuation data current at the date of the Application. The net residual land value which results from the model is then compared to a selected suitable benchmark.

- 3.2 The appropriate viability benchmark sum demands consideration in the light of national planning guidance, which requires that appropriate land for housing should be 'encouraged' to come forward for development. The HCA and the National Planning Policy Framework (NPPF) provide guidance on viability benchmarks and we are also aware that the Royal Institution of Chartered Surveyors (RICS) has issued a guidance note on 'Financial Viability in Planning'. Drawing on the above the industry standard appropriate viability benchmark are outlined below.
- 3.3 In 2009, the Homes and Communities Agency published a good practice guidance manual 'Investment and Planning Obligations: Responding to the Downturn'. This defines viability as follows: *"a viable development will support a residual land value at level sufficiently above the site's existing use value (EUV) or alternative use value (AUV) to support a land acquisition price acceptable to the landowner"*.
- 3.4 In "Ensuring viability and deliverability" the NPPF (paragraph 173) states that *"to ensure viability, the costs of any requirements likely to be applied to development, such as requirements for affordable housing, standards infrastructure contributions or other requirements should, when taking account of the normal cost of development and mitigation, provide competitive returns to a willing land owner and willing developer to enable the development to be deliverable"*.
- 3.5 Existing Use Value (EUV): The EUV refers to the value of the asset at today's date on the basis of the adopted planning use. EUV refers to the Market Value of the asset on the special assumption that it reflects the current use of the property only and disregards any prospect of development other than for continuation/expansion of the current use.
- 3.6 In line with paragraph 173 of the NPPF, a landowner premium should be applied to this figure. This is to reflect the fact that planning cost requirements should still allow competitive returns to a willing land owner and that those sites will not be encouraged to come forward for residential led re-development potential if vendors cannot secure a premium above the EUV levels. Having consideration to planning appeal precedents we understand a widely accepted level of land owner premium to be at least 15% – 30%. The premium is also reflected in guidance provided by appeal cases such as APP/L5810/A/05/1181361, (High Street, Hampton Hill, Hampton, 2007) and APP/G5180/A/08/2084559, (Croydon Road, Beckenham, Kent, 2009).
- 3.7 As a consequence, we are of the opinion that a premium of 10-30% as a minimum should be applied to a EUV figure. Nonetheless, we consider that EUV is unlikely to provide a suitable benchmark for the viability assessment since the existing buildings clearly demonstrate an underdevelopment of the land.



- 3.9 Alternative Use Value (AUV): The AUV refers to the net value of the asset under an alternative planning use, either consented or for which permission might reasonably be expected to be obtained.

The use of a suitable AUV as a viability benchmark is supported by the Guidance Notes to the GLA's Development Control Toolkit which confirm that AUV may be selected as one benchmark against which the viability of a scheme can be appraised. The Guidance Notes state that it is significant: *'where an alternative planning permission has been granted, or might realistically be granted: for example where retail or hotel use might also be developed on the site.'*

The AUV has been used as a benchmark as it is likely to deliver as a benchmark the value that a landowner would be seeking for the site.

The alternative uses for the site have been considered by the Applicant's Planning Consultants, Rolfe Judd in relation to the Borough's land use policies. In the professional opinion of Rolfe Judd, a mixed use scheme comprising restaurant / retail, gym, office and residential elements are appropriate in relation to the GLA definition of Alternative Use.

The alternative development proposals have been prepared by Assael Architecture and in consultation with the project team. The alternative uses replace the studios and ancillary accommodation featured in the proposed scheme. The affordable housing accommodation, forming part of the residential element of the alternative use scheme, has been included at the Borough's strategic target level of a minimum of 40%.

The alternative development proposal occupies a similar massing envelope to the proposed scheme and, therefore, provides a realistic and comparable assessment of the accommodation that could be provided on site.

The AUV of the site has also been appraised using GLA's Development Control Toolkit Model, (2012) for consistency. The resultant alternative use value is supported by detailed cost and valuation reports prepared by the applicants' professional team, which are included as appendices to this report, and discussed more fully in Section 6.

- 3.10 Market Value: RICS guidance contained within their publication 'Financial Viability in Planning' (2012) states that when considering the value of the development site for planning purposes the *'Site value should equate to the Market Value subject to the following assumption; that the value has regard to development plan policies and all other material planning considerations and disregards that which is contrary to the development plan.'* The Market Value as defined by the RICS is *'the estimated amount for which the asset should exchange on the valuation date between a willing buyer and a willing seller in an*

*arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.'* As such we understand that, in having regard to the development plan the Market Value of a site should reflect a financially viable scheme.

- 3.12 Purchase Price Paid: There is a debate as regards the extent to which purchase price paid (and rolled up debt associated with the site) should influence the choice of viability benchmark sum. In a London setting, the GLA seem to have de-emphasised the relevance of purchase price paid in their latest Toolkit guidance notes, (2012), although previous versions indicated purchase price to be a valid benchmark, and has been widely used in the industry for many years. We see no reason for this change and, in fact, we see sensible reason for taking purchase price paid into greater account given recent land value falls and reductions in HCA grant funding as, without doing so, land will not be 'encouraged' to come forward for 'development'. Indeed, developers will be faced with unviable and blighted planning consents. As such, to ignore purchase price paid (unless unreasonable as at the time of purchase based upon prevailing market conditions and planning policies) would be unwelcome for all stakeholders interested in the delivery of new housing.

#### **4.0 Proposed Scheme: Affordable Housing Content**

- 4.1 The viability assessment clearly demonstrates that the proposed scheme cannot support any affordable housing if it is to remain viable. The proposed scheme includes the provision of a cinema, three production studios and associated ancillary accommodation for Riverside Studios, as well as a riverside walkway to be transferred to the Council.

- 4.2 The developer will receive no return for the accommodation to be transferred to Riverside Studios and the Council (which totals 8,633 m<sup>2</sup>) and hence there is no revenue stream to capitalise. Therefore, the market residential accommodation solely has to support the cost of these facilities. As the full cost of this provision is borne by the scheme, without any balancing return, the consequence is that there is no remaining capacity to support affordable housing provision.

- 4.3 The accommodation to be provided to Riverside Studios will be of considerable benefit to the Borough as set out in section 2.5 above.

#### **5.0 Proposed Scheme: Appraisal Inputs: Revenues**

##### **5.1 Residential Market Values**

- 5.1.1 dpa<sup>2</sup> has been appointed by the Applicant to provide independent valuation advice for the Proposed Scheme, and the Alternative Use Scheme. In the experienced and professional opinion of dpa<sup>2</sup> the current value of the proposed market sale residential units for the Proposed Scheme is c£143.39m, representing an average value of £888psf NIA.

5.1.2 The accommodation has been valued on unit specific basis, taking account of the aspect, amenity, unit size, and other variables which have an effect upon value. dpa<sup>2</sup> has drawn upon relevant local comparable evidence, as set out in their report. The total completed value for each unit is attached in the form of a pricing schedule of accommodation to accompany this report (Appendix 2).

## 5.2 Ground Rents

dpa<sup>2</sup> has advised the following ground rents per annum:

- studio £150
- 1 bed £250
- 2 beds £350
- 3 beds £450

The ground rents have been capitalised at a 4.75% yield.

## 5.3 Car parking

There are 82 spaces of car parking assumed to attract revenue. (5 spaces will be transferred at nil cost as part of the Riverside Studios). The car parking spaces have been valued by dpa<sup>2</sup> at £20k per space. A capital contribution of £1.74m has therefore been applied as a toolkit input.

## 6.0 **Proposed scheme: Appraisal inputs: Costs**

### 6.1 Construction Costs

The project's cost consultants, Faithful & Gould, have provided content specific construction costs for the proposed scheme. Faithful & Gould have assessed the total construction cost on the basis of a detailed elemental cost plan containing an assessment of the quantity and current cost of materials, labour, and fixtures required to deliver the proposed scheme to completion. Their Summary Elemental Cost Plan for the proposed scheme is included as Appendix 3. The full cost plan is available on request.

This shows a total construction cost of c£68.4m exclusive of fees but inclusive of a 5% contingency.

It is recognised that the build cost estimate is in advance of the default inputs within the Toolkit for the residential element. The Proposed Scheme is, however, of the high quality necessary to generate the property values required to deliver a viable project.

Faithful & Gould has separated out the build costs for the residential and non-residential elements. The cost analysis is project specific and takes into account the following features of the scheme:

- The proposed development aims to create a building of architectural excellence in line with current national, strategic and local planning policy. The cost plan therefore reflects this objective.
- The apartments are to be built and finished to a high specification, in order to support the sales valuation.
- A basement has been provided. This will contain car parking, a cinema and ancillary accommodation and will accommodate the plant required to service the Proposed Scheme.
- Specialist acoustic works are required to accommodate the requirement to re-provide the studios on site
- There are considerable abnormal costs, including the repair and reinforcement of the river wall, bridging over the Thames storm sewer which bisects the site, realignment of UKPN Power Network's electricity cable running under the existing building and re-use of required materials for basement construction adjacent to the river..

A contingency allowance of 5% has been included by Faithful & Gould, which is considered appropriate, given the stage of the design and the nature of the buildings to be constructed.

## 6.2 Professional Fees

The professional fees have been input at 12% of build costs in line with the Toolkit default level. However, the scheme is a complex one. The Applicant, therefore, reserves the right to adjust their position in this respect should unforeseen professional costs commitments be required.

## 6.3 Interest Rate

An interest rate at the default rate of 6.75% of build costs has been employed.

It should be noted that over the past two years debt funding for property development has become harder to obtain, is more expensive, and is available only at lower loan to value ratios. The overall percentage of lower cost senior debt has been reduced by lenders and, by necessity, has been replaced by more expensive junior debt/mezzanine funds.

The general economic climate linked to the increased demand for mezzanine funding has resulted in mezzanine lenders demanding relatively high interest rates and fees, currently equating to 15% pa. The resultant cost consequences of debt funding have been further exacerbated by the higher proportion of mezzanine finance now required. On this basis, in practice, interest rates are commonly higher than the Toolkit default level and we reserve our position in relation to this issue.

#### 6.4 s106 Contributions and CIL payments

On the advice of the Applicant's planning consultants, Rolfe Judd, the S106 contributions and CIL payments have been assessed at £4,281,450. This total sum has been included within the submitted Toolkit. This total is broken down as follows

<i>Item</i>	<i>Cost</i>
S106 financial contributions (£18k x 165)	£2,970,000
Affordable housing financial contribution	£230,000
Mayoral CiL	£1,081,450
<b>Overall Total</b>	<b>£4,281,450</b>

The s106 contributions have been based upon the agreed s106 contributions for the consented Queen's Wharf scheme which amounted to £18k per unit of private accommodation.

It should be noted that the agreement with the Council assumes a figure of £6.5m for both their interest in the site and the financial contributions for s106 and affordable housing. The Toolkit assumes £3.2m for the financial contributions and £3.3m for the land interest (the latter is not shown in the Toolkit inputs as the Toolkit is based upon a Residual Land Value)

#### 6.5 Land Financing Costs

Land financing costs have been included on the basis of the Residual Land Value of the AUV scheme (£23.5m) plus site acquisition costs over the development period. This has been assessed at 41 months.

#### 6.6 Internal Overheads

The Toolkit provides a default level of development cost for Internal Overheads of 6% of the total residential construction costs. For present purposes we have omitted any costs in this regard, however, we reserve our position in relation to this area to cover such costs as legal and bank monitoring, arrangement and completion fees. It should be noted that site acquisition costs of 5.8% of the AUV of £23.5m have been included within the Exceptional Costs field.

#### 6.7 Developers' Profit

For the purposes of the Toolkit we have allowed a level of 20% profit on GDV. It should be noted that in the current fiscal climate the providers of debt finance may require higher profit levels in order to provide additional risk coverage for loans. The raised expectations of financial institutions as regards the risk and return profile of development projects of this nature may now generally reflect in a higher level than the toolkit default of 17%.

**6.8 Production studios and ancillary accommodation**

The build cost of c£12.4m has been applied to this element plus fees of 10% and an interest rate of 6.75%. The total cost of the production studios and ancillary accommodation is in the order of £14.5m.

**7.0 The AUV Scheme**

7.1 The Applicant has selected an alternative use for the site which employs a similar massing envelope to that of the Proposed Scheme as its basis. This provides a suitable comparator which will deliver a land value in line with the reasonable expectations of any landowner.

7.2 In addition, by employing the same massing envelope as the Proposed Scheme it can be seen that the AUV scheme is equally acceptable in terms of bulk and mass. On this basis the AUV scheme is not considered controversial in planning terms.

7.3 For the AUV scheme office, restaurant / retail and gym accommodation has replaced the production studio and ancillary accommodation in the Proposed Scheme. Please note that the studio accommodation in the proposed scheme is up to 11metres in height but the office accommodation within the AUV scheme only requires standard heights and so a larger floor area can be provided.

7.4 The mixes proposed for the AUV are as follows:

Use	GIA m <sup>2</sup>	NIA m <sup>2</sup>
Residential Market (C3)	12,876	10,254.3
Residential Affordable (C3)	6,134.3	4,657.1
Restaurant / café / retail (A3, A1)	1,266.1	
Office (B1)	9,100.8	
Car Park	2,286.4	
Plant	610.8	
Gym (D2)	1,243.3	
<b>Total</b>	<b>33,517.7</b>	

7.5 For the purposes of an AUV benchmark the affordable housing element contained in the AUV scheme has been included on the basis of a scheme compliant with the Council's strategic target of 40% of the residential units as affordable housing. The total number of residential units is 161 flats. This comprises 96 flats for market sale and 65 affordable housing units (40%).

- 7.6 It should be noted that the mix of affordable accommodation has been designed to meet the stated needs of the Borough and thus the overall number of apartments in the AUV has reduced to 161, as studios are not acceptable as affordable housing.
- 7.7 For the purposes of the AUV the affordable element comprises intermediate accommodation. There is no tenure preference within the Council's policy. Recent schemes have provided Discounted Market Sale (DMS) units as affordable. Indeed, the consent at Queen's Wharf provided for DMS units as the affordable component.
- 7.8 For ease of comparison separate toolkit models have been produced for both the Proposed Scheme and the AUV Scheme. In this way the data is compatible and provides a clear analysis between the schemes.

## **8.0 AUV scheme: Appraisal Inputs: Revenue**

### **8.1 Residential Market Values**

It should be noted that the units on the riverfront are unchanged from Proposed Scheme, and therefore their value is identical. dpa<sup>2</sup> has valued the private element at c£101.5m. This represents an average of £920psf. The individual flat based valuation is attached as Appendix 2.

### **8.2 Ground rents**

Identical unit value based inputs have been employed as for the Proposed Scheme. The capital sum employed as a toolkit input is therefore £1,186,316.

### **8.3 Car parking**

Identical unit value based inputs have been employed as for the Proposed Scheme. The capital sum employed as a toolkit input is therefore is £1.64m

### **8.4 Affordable housing**

The AUV scheme comprises a compliant 40% as affordable housing. This is situated in the three cores overlooking Crisp Road.

The values attributed to the DMS units have been based upon the following:

8 x 3 / 4 bed flats £280k (income level £80k)

9 units £105k (income level £30k)

10 units £122.5k (income level £35k)

9 units £140k (income level £40k)

10 units £157.5k (income level £45k)

9 units £206k (income level £59k)

10 units £225k (income level £64k)

Other than for the 3 bed flats the income levels are not based upon unit type. For purposes of inputting into the Toolkit we have shown the 3 and 4 bed flats at

a value of £280k each but have averaged out the values for the 1 and 2 bed flats, from the income levels above, at £159,895 each (average income level £46k for a mix of 61% 1 bed and 39% 2 bed).

It should be noted that the DMS units in the recently signed s106 at Queen's Wharf for a mix of 1 (87.5%) and 2 bed flats comprised:

7 x 1 bed units at £187,500 (income level £54k)

1 x 2 bed unit at £200,000 (income level £57k)

Therefore, the DMS units have been valued at the lower end of the range of acceptable values to the Borough.

## 8.5 Commercial

The Alternative Use Value Scheme features restaurant / retail units, a gym and office accommodation. These have mainly replaced the production studio accommodation in the Proposed Scheme. dpa<sup>2</sup> has valued the commercial element as set out in their report as Appendix 2.

## 9.0 **AUV scheme: Appraisal inputs: Costs**

### 9.1 Build costs

The AUV construction costs have been assessed by the project's costs consultants, Faithful & Gould. They have applied current rates and preliminary, overhead and profit levels to reflect consistency between the Proposed Scheme cost plan and current market condition.

The total AUV construction cost is c£67.8m, inclusive of 5% contingency. This cost analysis is attached as an appendix, (Appendix 4). As in the case of the Proposed Scheme, the build cost estimate is in advance of the default inputs.

### 9.2 Fees

The professional fees have been input at the toolkit default level of 12% to cover construction fees, surveys and associated costs, in line with the Proposed Scheme.

### 9.3 Interest rate

The toolkit default rate of 6.75% has been applied, consistent with the Proposed Scheme.

### 9.4 Land financing costs

Land financing costs have been included on the same basis as for the Proposed Scheme.

### 9.5 s106

The s106 costs and CIL payment have been estimated by Rolfe Judd and inputted into the Toolkit at c£2.9m. These are broken down as follows:



<i>Item</i>	<i>Cost</i>
S106 contributions (£18k x 96)	£1,728,000
Mayoral CiL	£1,205,827
<b>Overall Total</b>	<b>£2,933,827</b>

9.6 Internal Overheads

As with the Proposed Scheme toolkit, no allowance has been made at this stage to reflect internal overheads such as bank monitoring fees, and internal management costs. Site acquisition costs have been included within the Exceptional costs field as for the Proposed Scheme.

9.7 Developer's Profit

The developers' profit of 20% of GDV for the residential element has been employed as a toolkit input. This is consistent with the Proposed Scheme.

9.8 Contractor's return

The default contractor's return of 6% has been employed as an input to the Toolkit.

9.9 Commercial element

Purchasers' costs of 5.8% have been inputted into the Exceptional costs field, as the Toolkit does not have a field for them in the Commercial section.

For constancy, the following on-costs have been allowed for the commercial element as for the Proposed Scheme:

On-costs applied to build costs:

- Professional fees at 10%
- Finance at 6.75%
- Total: 16.75%

On-costs applied to value:

- Developers profit at 17%
- Marketing at 1.5%
- Total: 19.5%

**10.0 Appraisal Outputs**

Residual Land Valuation

The residual land value resulting from the Proposed Scheme toolkit is c£21m, whilst the residual land value resulting from the AUV toolkit is c£23.6m. The variance is therefore c£2.6m.

## **11.0 Conclusions**

- 11.1 The Proposed Scheme and the AUV have been appraised employing the GLA's recommended financial model; specifically, the GLA's Development Control Toolkit Model, (2012). We understand that this model is acceptable to Hammersmith & Fulham Council for the purposes of determining the maximum viable quantum of affordable housing in mixed use projects containing an element of residential use and is therefore, appropriate for the purpose in relation to the Proposed Scheme.
- 11.2 The AUV scheme has been based on an alternative mix of uses, providing a policy compliant scheme as a benchmark. The residential accommodation remains unchanged in most of the building, except where changed to provide affordable housing, but it provides a similar number of flats. The production studios and ancillary accommodation has changed use to provide an alternative mix of office, restaurant / retail and gym.
- 11.3 The Applicant has employed independent suitably experienced and professional consultants to robustly analyse the costs and value implications of both the Proposed Scheme and the AUV and thus deliver robust data to populate the economic viability assessments.
- 11.4 The economics of affordable housing provision, as detailed in the attached GLA Development Control Toolkits, provide compelling evidence that the Proposed Scheme is not capable of delivering any additional affordable housing beyond the proposed £230k if the Proposed Scheme is to remain viable.
- 11.5 The scheme delivers considerable benefits to the Borough:
- £230k affordable housing contribution
  - £2.97m s106 financial contributions
  - 1,442m<sup>2</sup> of river walkway to be transferred to the Council with all the required street furniture at nil cost
  - 8,633m<sup>2</sup> of accommodation to be transferred to the Riverside Trust at a peppercorn.
  - Opportunities for a range of activities for local children
  - Opportunities for apprenticeships
  - Delivering employment opportunities in the Borough