



DJC HOUSING CONSULTANTS LTD

Prepared for Progress Planning
on behalf of

Westcombe Developments Ltd

Viability report update

**Kingston Bridge House
Church Grove
Kingston-Upon-Thames
KT1 4AG**

(London Borough of Richmond upon Thames)

November 2023

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Introduction

DJC Housing Consultants have been instructed by Progress Planning Ltd and the applicant, Westcombe Developments Ltd to advise on the **viability case** of the proposed development at Kingston Bridge House.

Our most recent report was dated February 2023 and in response to our report BNP Paribas provided a response report (on behalf of the Council) which had the following conclusion:

"In summary, our proposed scheme appraisal generates a residual land value of c. £6.27m and when benchmarked against a site value of c. £5.57m the proposed scheme generates a surplus of c. £0.70m. Consequently, the proposed scheme can support a payment towards affordable housing."

Since the last report from BNP the Council have expressed a preference for the affordable housing provision to be 4 social rented units on site rather than the £700,000 contribution.

In addition, it is also the case that the scheme is no longer except from CIL. The Council have said the following:

The correct CIL figures are below. Please can you adjust the Viability Report accordingly:

Community Infrastructure Levy (CIL) estimate		
	Pre-relief	Post-relief
Mayoral CIL	£496,793.45	£471,181.81
Borough CIL	£1,629,129.16	£1,545,141.21
Total	£2,125,922.61	£2,016,323.02

This report is an updated desktop assessment that includes the 4 units of affordable housing and the CIL payment.

Viability Guidance

In advising the Council in respect of viability, we need to have regard to published guidance. In this respect, we are considering in particular the National Planning Policy Framework (NPPF) July 2021; The Planning Practice Guidance, updated June 2021; the RICS publication "Assessing Viability in Planning under the NPPF 2019 for England" March 2021.

With regard to NPPF, we believe that paragraph 58 is particularly relevant. It states:

58. Where up-to-date policies have set out the contributions expected from development, planning applications that comply with them should be assumed to be viable. It is up to the applicant to demonstrate whether particular circumstances justify the need for a viability assessment at the application stage. The weight to be given to a viability assessment is a matter for the decision maker, having regard to all the circumstances in the case, including whether the plan and the viability evidence underpinning it is up to date, and any change in site circumstances since the plan was brought into force. All viability assessments, including any undertaken at the plan-making stage, should reflect the recommended approach in national planning guidance, including standardised inputs, and should be made publicly available.

The Planning Policy Guidance goes on to say the following:

"Such circumstances could include, for example where development is proposed on unallocated sites of a wholly different type to those used in viability assessment that informed the plan; where further information on infrastructure or site costs is required; where particular types of development are proposed which may significantly vary from standard models of development for sale (for example build to rent or housing for older people); or where a recession or similar significant economic changes have occurred since the plan was brought into force."

and

"Any viability assessment should reflect the government's recommended approach to defining key inputs as set out in National Planning Guidance."

The updated PPG goes on to say the following:

"Standardised inputs to viability assessment

What are the principles for carrying out a viability assessment?

Viability assessment is a process of assessing whether a site is financially viable, by looking at whether the value generated by a development is more than the cost of developing it. This includes looking at the key elements of gross development value, costs, land value, landowner premium, and developer return.

This National Planning Guidance sets out the government's recommended approach to viability assessment for planning. The approach supports accountability for communities by enabling them to understand the key inputs to and outcomes of viability assessment."

It also goes on to look at the following:

- *How should gross development value be defined for the purpose of viability assessment?*
- *How should costs be defined for the purpose of viability assessment?*
- *How should land value be defined for the purpose of viability assessment?*
- *What factors should be considered to establish benchmark land value?*
- *What is meant by existing use value in viability assessment?*
- *How should the premium to the landowner be defined for viability assessment?*
- *Can alternative uses be used in establishing benchmark land value?*
- *How should a return to developers be defined for the purpose of viability assessment?*

Between NPPF and RICS the guidance presents a case for requiring flexibility in the face of changing market conditions, whilst affirming that development will entail an element of risk for the developer. A viability assessment needs to take both these positions into account.

The ability of the site to contribute a level of affordable housing needs to be assessed through a consideration of the various inputs into the development appraisals.

Appraisal Inputs

We have considered the main inputs into the development appraisal as follows:

Sales Values

The sales values adopted in our previous report have been adopted by BNP.

It should be noted that in their report they say the following:

"We have considered the pricing schedules submitted by the Applicant and highlight that no valuation rationale has been submitted by any of the agents. Whilst the subject site is located on the edge of Kingston town centre we highlight that a number of the units will have views across Bushy Park and Hampton Court Park (Home Park). As a result there remains the opportunity that the scheme could achieve higher values than those suggested by the local agents. For the purpose of this assessment, we have adopted the Applicant's sales values (which are based upon Chesterton's pricing schedule).

However, we recommend that the Council implements a review mechanism in the S106 agreement so that the viability of the scheme can be reconsidered at an agreed point in the future based upon achieved sales values."

The schedule below shows all the units priced individually as follows:

Plot No	Floor	No of beds	Sq M	Sq Ft	Price	£psqft
1	Ground	3	86.7	933	£630,000	£675
2	Ground	1	55.6	598	£415,000	£694
3	Ground	2	67.9	731	£510,000	£698
4	Ground	1	65.5	705	£460,000	£653
5	Ground	2	61.4	661	£460,000	£696
6	Ground	1	51.2	551	£385,000	£699
7	Ground	1	50	538	£355,000	£660
8	Ground	1	51.5	554	£365,000	£659
9	Ground	1	50	538	£355,000	£660
10	Ground	2	63.4	682	£450,000	£660
11	1st	3	86.2	928	£660,000	£712
12	1st	1	60.5	651	£460,000	£707
13	1st	2	74.9	806	£570,000	£707
14	1st	1	65.2	702	£490,000	£698
15	1st	3	86	925	£660,000	£713
16	1st	2	63.9	688	£485,000	£705

17	1st	2	61	656	£465,000	£708
18	1st	1	51.1	550	£390,000	£709
19	1st	1	50	538	£370,000	£688
20	1st	1	50	538	£370,000	£688
21	1st	1	50	538	£370,000	£688
22	1st	1	38.3	412	£290,000	£704
23	1st	1	55.9	601	£425,000	£707
24	2nd	3	86.2	928	£670,000	£722
25	2nd	1	60.5	651	£460,000	£707
26	2nd	2	74.9	806	£575,000	£713
27	2nd	1	65.2	702	£495,000	£706
28	2nd	3	86	925	£670,000	£724
29	2nd	2	63.9	688	£490,000	£713
30	2nd	2	61	656	£470,000	£716
31	2nd	1	51.1	550	£395,000	£718
32	2nd	1	50	538	£370,000	£688
33	2nd	1	50	538	£370,000	£688
34	2nd	1	50	538	£370,000	£688
35	2nd	1	38.3	412	£295,000	£716
36	2nd	1	55.9	601	£430,000	£715
37	3rd	3	86.2	928	£680,000	£733
38	3rd	1	60.5	651	£465,000	£714
39	3rd	2	74.9	806	£580,000	£720
40	3rd	2	65.2	702	£510,000	£727
41	3rd	3	86	925	£680,000	£735
42	3rd	2	63.9	688	£490,000	£713
43	3rd	2	61	656	£475,000	£724
44	3rd	1	51.1	550	£400,000	£727
45	3rd	1	50	538	£375,000	£697
46	3rd	1	50	538	£375,000	£697
47	3rd	1	50	538	£375,000	£697
48	3rd	1	38.3	412	£300,000	£728
49	3rd	1	55.9	601	£430,000	£715
50	4th	2	61	656	£480,000	£731
51	4th	1	51.1	550	£400,000	£727
52	4th	1	50	538	£380,000	£706
53	4th	1	50	538	£380,000	£706
54	4th	1	50	538	£380,000	£706
55	4th	1	38.3	412	£305,000	£740
56	4th	1	55.9	601	£435,000	£723
57	5th	2	61	656	£485,000	£739
58	5th	1	51.1	550	£405,000	£737
59	5th	1	50	538	£385,000	£716
60	5th	1	50	538	£385,000	£716
61	5th	1	50	538	£385,000	£716

62	5th	1	38.3	412	£310,000	£752
63	5th	1	55.9	601	£440,000	£732
64	6th	2	61	656	£490,000	£747
65	6th	1	51.1	550	£410,000	£746
66	6th	1	50	538	£390,000	£725
67	6th	1	50	538	£390,000	£725
68	6th	1	50	538	£390,000	£725
69	6th	1	38.3	412	£310,000	£752
70	6th	1	55.9	601	£415,000	£690
			4051.1	43590	£30,935,000	£710

Affordable units

The 4 rented units to be provided are as follows:

- No 1 3B4P 87 m²
- No 2 1B2P 56 m²
- No 3 2B3P 68 m²
- No 4 1B2P 66 m²

We have assumed a value of £1,900 per m² which reflects the social rented tenure.

Build Costs

In our previous report the applicant provided a build cost report compiled by Fulkers Bailey Russell.

The comments from BNP were as follows:

The proposed scheme costs are c. £15.18m equating to a cost rate of c. £260. In support of the costs the Applicant has submitted a Construction Cost Report and Review prepared by Fulkers Bailey Russell. The Council has instructed Concert to review the scheme costs and we attach as Appendix 2 their cost review. In summary, Concert have assessed the scheme costs at c. £15.25m and therefore the Applicant's costs fall within Concerts cost assessment. We have subsequently adopted the Applicant's costs of c. £15.18m in our appraisal.

Professional Fees & Contingency

The Applicant has advised that the allowances previously adopted for professional fees and the construction cost contingency are now reflected in the construction costs. However, Concert have identified that the Fulkers Bailey Russell cost review excludes professional fees. We have therefore adopted a professional fee allowance of £700,000 which is referenced in the Fulkers Bailey Russell cost review.

Following instruction from the applicant we have removed the costs for the Gym of £35,000 resulting in a total build cost of £15,145,000. We have adopted this total build cost figure in our appraisal.

Sales Fees (agent's fees & marketing costs)

We have made an allowance for the sales and marketing fees at 2% of open market value for the open market units. We have not, at this stage made any allowance for the cost of disposal of the affordable units but reserve the right to revisit this cost element if required.

We have made an allowance of £1,000 per unit for legal fees for the open market units.

This allowance is agreed with BNP.

Timings

In our previous we said the following:

"We have assumed a start on site in August 2023 and a construction period of 18 months.

Open market sales – we have assumed a sales period of 10 months which is optimistic but allows for any "off-plan" sales that may occur."

In their report BNP say the following:

The Applicant has assumed that construction will start on site in November 2022 followed by 18 months of construction and a 10 month sale duration. We do not consider that the project programme is unreasonable; however, we have assumed that the scheme will achieve 30% off-plan sales, with sales receipts for these units received at practical completion.

We agree with BNP that the applicant should apply 30% sales off plan.

We have adjusted the timings in our appraisal so that the reduced finance cost is the same as the BNP appraisal.

Interest

In our previous report we said the following:

HCA DAT recognises that finance costs would include an arrangement fee payable to a bank for arranging finance for the scheme, interest payable on the loan typically around 4-6% above 3 month LIBOR rate and miscellaneous fees such as monitoring surveyors.

This would suggest that a figure of 7% is in line with current lending rates. This figure includes arrangement fees and surveyor fees that are normally applied by banks.

This is the figure we have used in our appraisal. We have applied a credit balance rate of 4%.

This is now agreed with BNP.

CIL / S106

We have included a CIL payment of £2,016,323.02 made up of the following:

Mayoral CIL - £471,181.81 and Borough CIL - £1,545,141.21

The S106 payments are as follows:

- Air Quality: £16,900
- Carbon Off Set Fund: £14,130
- 4 affordable units (social rent) on-site
- Play Space Contribution: Total £30,175
- HUDU: £49,000

Profit

The profit level is agreed with BNP at 17.5%. For the 4 affordable units we have assumed a profit level of 6%.

Benchmark Land Value

In BNP's most recent report they say the following:

The Applicant's viability assessment states that we have previously agreed an existing use value for the site of c. £7.90m and with the addition of a 10% landowner's premium the Applicant's site value is c. £8.69m.

During further discussions with the Applicant following our draft report in July 2022, the Applicant submitted a report prepared by Medhursts Commercial Surveyors dated August 2022 that supported an existing use value of c. £9.59m together with a 20% premium and a site value of c. £11.25m.

Following further discussions with Medhursts the following EUV of c. £7.90m was agreed:

46 letting weeks x £100 rent per week = Gross Rent £4,600 per room

£4,600 per room x 218 rooms = Total Gross Rent of £1,002,800

Less 30% Operational Costs = Net Rent of £701,960

Capitalised at 8.28% = £8,477,778

Less Purchaser's Costs of 6.8% = £7,901,289.

We previously applied a 10% landowner's premium and agreed with Medhursts that a site value of c. £8.69m was not unreasonable.

However, given the timeframe that has subsequently passed since we previously discussed the site value benchmark with Medhursts we have reflected on the previously agreed site value and we consider, with hindsight, that the costs for the replacement cladding should be reflected within the site value benchmark.

The Applicant has previously cited a cost of £2.5m for the replacement of the cladding and we have reflected this within our updated site value as in the absence of accounting for this cost, the existing use value of the site would be reflected as our previously adopted nominal site value of £1 as the site would not be operational.

We summarise our revised site value benchmark valuation below:

46 letting weeks x £100 rent per week = Gross Rent £4,600 per room

£4,600 per room x 218 rooms = Total Gross Rent of £1,002,800

Less 30% Operational Costs = Net Rent of £701,960

Capitalised at 8.28% = £8,477,778

Less costs for cladding = £2,500,000

Sub-Total = £5,977,779

Less Purchaser's Costs of 6.8% = £5,571,289

Say = £5,570,000

We have subsequently adopted a site value benchmark of £5.57m.

It should be noted that the BLV figure above does not include the previously agreed uplift of 10% over EUV.

We have at this stage, adopted the BLV of £5,570,000.

Conclusions

We have carried out a revised financial appraisal of the scheme using the HCA Development Appraisal Tool which includes the BLV and the 4 affordable units.

The appraisal shown at Appendix 1 shows a **deficit of £1,270,630**.

Whilst the scheme does show a large deficit the applicant has indicated that they would proceed on this basis.

It is our opinion, therefore, that the applicant should only be required to provide 4 affordable housing units on site.

End of Report
DJC Housing Consultants Ltd
November 2023

Appendix 1 – HCA DAT Appraisal



D J C Housing Consultants Ltd

APPENDIX 1

Surplus (Deficit) from Input land valuation at 25/9/2023 -1,270,630

HCA Development Appraisal Tool
INPUT SHEET 1 - SITE DETAILS

Basic Site Details

FULL VIABILITY ASSESSMENT

Site Address	Kingston Bridge House
OS X coordinate	
OS Y coordinate	
Site Reference	Appendix 1
File Source	
Scheme Description	70 New Flats (4 affordable units)
Date of appraisal	25/09/2023
Gross Site Area (hectares)	
Net Residential Site Area (hectares)	
Author & Organisation	David Coate - DJC Housing
Local Planning Authority	Richmond Upon Thames
Land Purchase Price	5,570,000
Land Purchase date	25/09/2023
Most recent valuation of the site £	5,570,000
Basis of valuation	Existing Use
Date of valuation	25/09/2023
Any note on valuation	
Developer of sale units	
Developer of affordable units	
Manager of affordable units	
Registered Provider (where applicable)	
Note on applicant (eg sub partner status)	

Date of scheme appraisal **25-Sep-23** from Site Sheet

Use any valid Excel Date format (eg DD/MM/YY)

Build Period	Construction Start Date	Construction End Date
Tenure phases display for date input only after transfer from Input 2 sheet		
Affordable Low rise flats ph 1	01-Mar-24	01-Sep-25
OM 1:Phase 1	01-Mar-24	01-Sep-25

RP Purchase from Developer	Purchase start date	Purchase end date
AH phases display for date input only after transfer from Input 2 sheet		
Social Rented	01-Mar-24	01-Sep-25

Open Market Sale	Sale Start Date	Sale End Date
OM phases display for date input only after transfer from Input 2 sheet		
OM Sales1:Phase 1	01-Jun-25	01-Sep-26

Private Rental Units	First Rental Start Date	Final Rental Start Date
PR phases display for date input only after transfer from Input 2 sheet		

Monthly Sales rate

High Sales rate ass

4.13

		Building Cost £ per Sq m GROSS area	Net to Gross Adjustment	Maximum height in floors (flats only)	Avg Cost pu	
Social Rented	Low rise flats	2,793	25%		192,530	
Open Market Phase 1:	Low rise flats	2,793	25%		159,786	
Fees & Contingencies as % of Building Costs		%		£ Total		
Design and Professional Fees % (Architects, QS, Project Management)		0.00%		-		
Residential Building Contingencies (% of Building Costs)		0.00%		-		
* This section excludes Affordable Housing section 106 payments		All dates must be between		25-Sep-23	20-Sep-43	
		'Historic' costs incurred earlier may be entered as		25-Sep-23 PROVIDED they are not taken into account in the site valuation (& hence double counted)		
External Works & Infrastructure						Cost per unit (all tenures)
Costs (£)	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date		
Phase 1						
Site Preparation/Demolition						
Gym costs						
Exxtermanl façade						
Services (Power, Water, Gas, Telco and IT)						
NHBC						
Public Open Space						
Site Specific Sustainability Initiatives						
Plot specific external works						
Other 1						
Other 2						
Site Abnormals (£)						Cost per unit (all tenures)
	Comment on nature of issue	Cost (£)	Payment Start Date	Payment end date		
De-canting tenants						
Decontamination						
Other						
Other 2						
Other 3						
Other 4						
Other 5						
		Building Costs (£ / car parking space)		Payment Date		
Residential Car Parking Building Costs (average cost / car parking space)		£0				

Total number of residential car parking spaces (Open Market and Affordable)

Statutory Payments (£)	Additional information	Cost (£)	Payment start date	Payment end date	Per unit
Education					
Sport & Recreation					
Social Infrastructure					
Public Realm					
Affordable Housing					
Transport					
Highway					
Health					
Public Art					
Air Quality		£16,900	01-Sep-25	01-Sep-25	241
Community Infrastructure Levy	per sq metre				
Other Tariff	per unit				
CIL		£2,016,323	01-Sep-25	01-Sep-25	28,805
S106		£30,175	01-Sep-25	01-Sep-25	431
Carbon Off Set Fund		£14,130	01-Sep-25	01-Sep-25	202
HUDU		£49,000	01-Sep-25	01-Sep-25	700

OTHER COSTS

SITE PURCHASE COSTS

	%
Agents Fees (% of site cost)	1.00%
Legal Fees (% of site cost)	0.75%
Stamp Duty (% of site cost)	4.00%

Other Acquisition Costs (£)	Comment on nature of issue	Cost (£)	Payment start date	Payment end date

FINANCE COSTS

Arrangement Fee (£)	£0
Interest Rate (%)	7.00%

Misc Fees - Surveyors etc (£)
 Credit balance reinvestment %

7.00%

MARKETING COSTS

Affordable Housing Marketing Costs

	Cost (£)	Payment start date	Payment end date
Developer cost of sale to RP (£)	£0		
RP purchase costs (£)	£0		
Intermediate Housing Sales and Marketing (£)	£0		

Open Market Housing Marketing Costs

Sales Fees (agents fees & marketing fees) - %	2.00%
Legal Fees (per Open Market unit) - £	£1,000
Agents Private Rental Intial Letting fees - %	

DEVELOPER'S OVERHEAD AND RETURN FOR RISK (before taxation)

Developer O/head (£) Return at Scheme end

Open Market Housing (% GDV)	17.50%	17.5%	inc Overheads per open market home
Private Rental (% Cost)		76,682	
Affordable Housing (% Cost)	6.00%		

Car Parking Build Costs £0

Ground rent

	Capitalised annual ground rent
Social Rented	£0
Shared Ownership	£0
Affordable Rent	£0

Open market (all phases) £0

Capitalised Annual Ground Rents

£0

TOTAL CAPITAL VALUE OF RESIDENTIAL SCHEME**£29,443,830****TOTAL BUILD COST OF RESIDENTIAL SCHEME****£15,149,998****TOTAL CONTRIBUTION OF RESIDENTIAL SCHEME****£14,293,832****Non-Residential**

	Cost	Values
Office	£0	£0
Retail	£0	£0
Industrial	£0	£0
Leisure	£0	£0
Community Use	£0	£0
Community Infrastructure Levy	£0	£0

CAPITAL VALUE OF NON-RESIDENTIAL SCHEME**£0****COSTS OF NON-RESIDENTIAL SCHEME****£0****CONTRIBUTION TO SCHEME COSTS FROM NON-RESIDENTIAL****£0****GROSS DEVELOPMENT VALUE OF SCHEME****£29,443,830****TOTAL BUILD COSTS****£15,149,998****TOTAL CONTRIBUTION TO SCHEME COSTS****£14,293,832****External Works & Infrastructure Costs (£)**

	Per unit	% of GDV	per Hectare
Site Preparation/Demolition	£0		
Gym costs	£0		
Exxtermanl façade	£0		
Services (Power, Water, Gas, Telco and IT)	£0		
NHBC	£0		
Public Open Space	£0		
Site Specific Sustainability Initiatives	£0		
Plot specific external works	£0		
Other 1	£0		
Other 2	£0		

Other site costs

Fees and certification	0.0%	£0
Other Acquisition Costs (£)		£0

Site Abnormals (£)

De-canting tenants	£0
Decontamination	£0
Other	£0
Other 2	£0
Other 3	£0
Other 4	£0
Other 5	£0

Total Site Costs inc Fees**£0****Statutory 106 Costs (£)**

Education	£0	
Sport & Recreation	£0	
Social Infrastructure	£0	
Public Realm	£0	
Affordable Housing	£0	
Transport	£0	
Highway	£0	
Health	£0	
Public Art	£0	
Air Quality	£16,900	241
Community Infrastructure Levy	£0	
Other Tariff	£0	
CIL	£2,016,323	28,805
S106	£30,175	431
Carbon Off Set Fund	£14,130	202
HUDU	£49,000	700

Statutory 106 costs**£2,126,528**

30,379

Marketing (Open Market Housing ONLY)

		per OM unit
Sales/letting Fees	2.0%	£578,400 8,764
Legal Fees (per Open Market unit):	£1,000	£66,000 1,000

Marketing (Affordable Housing)

	per affordable unit
Developer cost of sale to RP (£)	£0
RP purchase costs (£)	£0
Intermediate Housing Sales and Marketing (£)	£0

Total Marketing Costs**£644,400****Total Direct Costs****£17,920,926****Finance and acquisition costs**

Land Payment	£5,570,000	84,394 per OM home	#DIV/0!	#DIV/0!
Arrangement Fee	£0	0.0% of interest		

Misc Fees (Surveyors etc)	£0	0.00% of scheme value
Agents Fees	£55,700	
Legal Fees	£41,775	
Stamp Duty	£222,800	
Total Interest Paid	£2,057,591	

Total Finance and Acquisition Costs **£7,947,866**

Developer's return for risk and profit

Residential

Market Housing Return (inc OH) on Val	17.5%	£5,061,000	76,682 per OM unit
Affordable Housing Return on Cost	6.0%	£61,863	15,466 per affordable unit
Return on sale of Private Rent	0.0%	£0	#DIV/0! per PR unit

Non-residential

Office	£0	
Retail	£0	
Industrial	£0	
Leisure	£0	
Community-use	£0	£0

Total Operating Profit **£5,122,863**

(i.e. profit after deducting sales and site specific finance costs but before deducting developer overheads and taxation)

TOTAL COST **£30,991,655**

Surplus/(Deficit) at completion 1/9/2026 **(£1,547,825)**

Present Value of Surplus (Deficit) at 25/9/2023 **(£1,270,630)**

Scheme Investment MIRR **12.9%** (before Developer's returns and interest to avoid double counting returns)

Site Value as a Percentage of Total Scheme Value 18.9% Peak Cash Requirement -£18,676,706

Site Value (PV) per hectare No area input per hectare No area input per acre