

Appendix H: Strategic Sites Testing July 2014 Assumptions and Inputs

<u>Assumption</u>	<u>Wood Wharf</u>	<u>Bishopsgate Goods Yard</u>	<u>Westferry Printworks</u>
Floorspace/No. of Units	<p><u>Residential</u> No. of units = 3,104 (based on application) Unit Mix/sizes: Floor area in accordance with indicative scheme in latest planning application, permitted by the Council's SDC on the 21st July 2014.</p> <p><u>Commercial</u> Size: In accordance with application.</p> <p><u>Car parking:</u> Assumes 1,000 spaces.</p> <p>Please refer to Appendix J for more detailed information in respect of the unit numbers and floor areas assumed.</p>	<p><u>Residential</u> No. of units = 1,464 (based on pre-application) Unit mix: In accordance with policy DM3. Unit sizes: - In accordance with the GLA's housing design guide.</p> <p><u>Commercial</u> Size: In accordance with pre-application.</p> <p><u>Car parking:</u> Assumes 50 spaces.</p> <p>Please refer to Appendix J for more detailed information in respect of the unit numbers and floor areas assumed.</p>	<p><u>Residential</u> No. of units = 800 (based on published EIA) Unit mix: In accordance with policy DM3. Unit sizes: - In accordance with the GLA's housing design guide.</p> <p><u>Commercial</u> Size: Assumption of likely uses that will come forward.</p> <p>Please refer to Appendix J for more detailed information in respect of the unit numbers and floor areas assumed.</p>
Affordable Housing	Levels tested: 35%, 25%, 20%, 15% and 10% Tenure Split: In accordance with Core Strategy policy SP02: - Social Rent: 70% Intermediate: 30%	Levels tested: 35%, 25% & 20% Tenure Split: In accordance with Core Strategy policy SP02: - Social Rent: 70% Intermediate: 30%	Levels tested: 35%, 25%, 20%, 15%, 10% and 6% Tenure Split: In accordance with Core Strategy policy SP02: - Social Rent: 70% Intermediate: 30%
Phasing	In accordance with application.	In accordance with application.	An assumption relating to four equal phases has been assumed.
External Costs	15% of build costs	15% of build costs	15% of build costs
Revenue	Derived from comparable transactions in the relevant area and BNPPRE's knowledge of the market having undertaken site specific viability assessments on behalf of the Council:	Derived from comparable transactions in the relevant area and BNPPRE's knowledge of the market having undertaken site specific viability assessments on behalf of the Council:	Derived from comparable transactions in the relevant area and BNPPRE's knowledge of the market having undertaken site specific viability assessments on behalf of the Council:

<u>Assumption</u>	<u>Wood Wharf</u>	<u>Bishopsgate Goods Yard</u>	<u>Westferry Printworks</u>
	<p><u>Residential</u>: £865 per sq ft</p> <p><u>Affordable Housing</u>: blended rate of £200 per sq ft</p> <p><u>Office</u> Rent: £40 per sq. ft Yield: 5.5% Rent free/Void: 36 months</p> <p><u>Retail</u> Rent: £30 per sq. ft Yield: 6% Rent free/void: 24 months</p> <p><u>Hotel</u>: £225,000 per room cap value (based on Raddisson Hotel deal)</p> <p>Car parking: £25,000 per unit</p> <p>Ground rents: £4,500 per unit</p>	<p><u>Residential</u>: £900 per sq ft</p> <p><u>Affordable Housing</u>: blended rate £200 per sq ft</p> <p><u>Office</u> Rent: £35 per sq. ft Yield: 5.75% Rent free/Void: 24 months</p> <p><u>Retail</u> Rent: £30 per sq. ft Yield: 6% Rent free/void: 24 months</p> <p>Car parking: £25,000 per unit</p> <p>Ground rents: £4,500 per unit</p>	<p><u>Residential</u>: £650 per square foot</p> <p><u>Affordable Housing</u>: blended rate £185 per sq ft</p> <p><u>Office</u>: Rent: £25 per sqft Yield: 6.25% Rent free/Void: 30 months</p> <p><u>Retail</u> Rent: £20 per sq. ft Yield: 6.5% Rent free/void: 24 months</p> <p>Ground rents: £4,500 per unit</p>
Maturity Factor	A 10% maturity factor in relation to sales values has been accounted for the third and fourth phases.	A 10% maturity factor in relation to sales values has been accounted for the third and fourth phases.	A 10% maturity factor in relation to sales values has been accounted for the third and fourth phases.
Build costs	Residential : An overall cost, including an allowance for external works and for the code for sustainable homes, will be adopted = £235 per sq. ft GIA. This is to reflect the mid-point of a range of costs proposed by Canary Wharf Group in their representations	Residential : An allowance of £275 per sq. ft has been made. This reflects the bottom of the range stated in Bishopsgate Goods Yard submission to the Examiner's Questions, specifically the Gardiner and Theobold cost benchmark document. The bottom of the range has been assumed as this report also	Residential : An allowance of £215 per sq. ft has been made. This reflects the 'Canary Wharf 32 Storeys – Mid Quality' scheme set out in the Gardiner and Theobold cost benchmark document submitted by Bishopsgate Goods Yard in their response to the Examiner's questions. The Westferry

<u>Assumption</u>	<u>Wood Wharf</u>	<u>Bishopsgate Goods Yard</u>	<u>Westferry Printworks</u>
	<p>at the Revised Draft Charging Schedule Stage.</p> <p>An additional £46 per sq. ft has been allowed for to account for the additional costs of constructing basements. This is in accordance with the representation made by Express Newspapers at the Revised Draft Charging Schedule Stage.</p> <p>Office: £200 per sq. ft</p> <p>Retail: £185 per sq. ft</p> <p>Community: £184 per sq ft (based on mean BCIS cost of community centre generally)</p>	<p>directs that there are other plots within the development with lower build costs.</p> <p>An additional £46 per sq. ft has been allowed for to account for the additional costs of constructing basements. This is in accordance with the representation made by Express Newspapers at the Revised Draft Charging Schedule Stage.</p> <p>Office: £200 per sq. ft</p> <p>Retail: £185 per sq. ft</p> <p>Community: £184 per sq ft (based on mean BCIS cost of community centre generally)</p>	<p>Printworks scheme is close to Canary Wharf and as such this is the most useful benchmark.</p> <p>An additional £46 per sq. ft has been allowed for to account for the additional costs of constructing basements. This is in accordance with the representation made by Express Newspapers at the Revised Draft Charging Schedule Stage.</p> <p>Office: £200 per sq. ft</p> <p>Retail: £185 per sq. ft</p> <p>Community use: £184 per sq ft (based on mean BCIS cost of community centre generally)</p>
Contingency	5%	5%	5%
Abnormal costs	£150 million (as advised by DS2)	<p>£7.320 million (£5,000 per unit for de-contamination)</p> <p>£4.392 million (£3,000 per unit for additional abnormal factors)</p> <p>£20 million (Allowance for east London Line as advised by DS2)</p>	£5 million (£5,000 per unit for de-contamination)
Fees	12%	12%	12%
Gross to Net Ratios	A 70% gross to net ratio has been assumed in compliance with TfL's response to the	A 70% gross to net ratio has been assumed in compliance with TfL's response to the examiner's questions.	A 70% gross to net ratio has been assumed in compliance with TfL's response to the examiner's questions.

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	examiner's questions.		
Existing Floorspace	<p>The existing floorspace which has been discounted is as follows: -</p> <p>Residential: 2,634 sq. m</p> <p>Commercial: 16,691 sq. m</p> <p>Total: 19,325 sq. m</p> <p>This information was derived from the publicly available CIL additional information form.</p>	<p>Assumption that there is no existing floorspace occupied as the existing box park is a temporary use on the site.</p>	<p>The existing floorspace of the printworks has been discounted. The GIA of this area according to the Rating list is 28,530 sq. m. This figure so the CIL liability has been accordingly discounted.</p>
Mayoral CIL, Crossrail S106 and Borough CIL	<p>Borough CIL rates in accordance with submitted schedule with modifications.</p> <p>The CIL charges will be split equally between phases and included as a cost and applied in accordance with the phasing assumptions. The Mayor's CIL instalment policy will be applied where appropriate.</p> <p>Mayoral CIL and Crossrail S106 - £47,839,830</p> <p>Borough CIL - £45,337,908</p> <p>See below for calculations.</p>	<p>Borough CIL rates in accordance with submitted schedule with modifications.</p> <p>The CIL charges will be split equally between phases and included as a cost and applied in accordance with the phasing assumptions. The Mayor's CIL instalment policy will be applied where appropriate.</p> <p>Mayoral CIL and Crossrail S106 - £14,211,247</p> <p>Borough CIL - £19,878,082</p> <p>See below for calculations.</p>	<p>Borough CIL rates in accordance with submitted schedule with modifications.</p> <p>The CIL charges will be split equally between phases and included as a cost and applied in accordance with the phasing assumptions. The Mayor's CIL instalment policy will be applied where appropriate.</p> <p>Mayoral CIL - £3,250,227</p> <p>Borough CIL - £10,931,692</p> <p>See below for calculations.</p>
Residual S106	Residual S106 based on calculation of £1,220 per residential unit and £5 per sq ft	Residual S106 based on calculation of £1,220 per residential unit and £5 per sq ft	Residual S106 based on calculation of £1,220 per residential unit and £5 per sq ft

<u>Assumption</u>	<u>Wood Wharf</u>	<u>Bishopsgate Goods Yard</u>	<u>Westferry Printworks</u>
	commercial and basement uses. See below for calculations. Residual S106 - £25,156,542	commercial and basement uses. See below for calculations. Residual S106 -£ 6,299,961	commercial and basement uses. See below for calculations. Residual S106 -£ 3,844,746
Current Use Values	As per Revised Draft Charging Schedule CIL Viability Study ED 2.2, industrial use value of £5.3 million per Ha adopted. This includes a 20% premium. Based on site area of 7.26 Ha this amounts to £38.48 million. Allowing for an additional 20% buffer over and above this to account for individual site constraints and unknown factors in line with the other strategic site benchmarks. Benchmark = £46.176 million	Current use value + premium of 20% and buffer of 20% allowed for as per Revised Draft Charging Schedule CIL Viability Study ED 2.2. Benchmark = £17.808 million	Current use value + premium of 20% and buffer of 20% allowed for as per Revised Draft Charging Schedule CIL Viability Study ED 2.2. Benchmark = £51.744 million
Construction Period	Phase 1 Pre-construction: 18 months Construction: 86 months Phase 2 Pre-construction: 9 months Construction: 64 months Phase 3 Pre-construction: 9 months Construction: 59 months Phase 4 Pre-construction: 9 months	Phase 1 Pre-construction: 21 months Construction: 42 months Phase 2 Pre-construction: 9 months Construction: 64 months Phase 3 Pre-construction: 9 months Construction: 37 months Phase 4 Pre-construction: 9 months	Phase 1 Pre-construction: 18 months Construction: 24 months Phased 2, 3 & 4 Phase 1 Pre-construction: 9 months Construction: 24 months

<u>Assumption</u>	<u>Wood Wharf</u>	<u>Bishopsgate Goods Yard</u>	<u>Westferry Printworks</u>
	Construction: 67 months	Construction: 41 months	
Sales rate	<u>Residential</u> : 12 units per month with 30% off plan sales.	<u>Residential</u> : 12 units per month with 30% off plan sales.	<u>Residential</u> : 12 units per month with 30% off plan sales.
Letting Fees	Agent: 10% Legal: 5%	Agent: 10% Legal: 5%	Agent: 10% Legal: 5%
Sales Fees	<u>Residential</u> Agent: 1.5% Legal: 0.25% <u>Commercial</u> Agent: 0.5% (due to quantum) Legal: 0.25% (due to quantum)	<u>Residential</u> Agent: 1.5% Legal: 0.25% <u>Commercial</u> Agent: 1% Legal: 0.5%	<u>Residential</u> Agent: 1.5% Legal: 0.25% <u>Commercial</u> Agent: 1% Legal: 0.5%
Marketing	<u>Residential</u> : 2% <u>Commercial</u> : £1.50 per sq ft	<u>Residential</u> : 2% <u>Commercial</u> : £1.50 per sq ft	<u>Residential</u> : 2% <u>Commercial</u> : £1.50 per sq ft
Profit Measure	Developers identify that they target IRRs of 20%, however in BNPPRE's experience; developers have agreed to proceed with large development schemes in London at much lower IRRs in the expectation of growth in the market over the life of their development increasing the profitability of their scheme significantly.		
Growth Assumption	BNP Paribas Real Estate have undertaken an assessment of the growth in sales values in the London Borough of Tower Hamlets using the Land Registry website (available from January 1995). This notional growth has been adjusted by including inflation in build costs as identified by the BCIS database over the corresponding period. BNP Paribas Real Estate's calculations identify an average annual growth of sales values of 8.24% and a 3.34% average annual increase in build costs. These growth figures have been factored into the appraisals to assess the likely viability of the sites tested over the delivery of the developments.		

Wood Wharf S106, Crossrail S106, Mayoral CIL and Borough CIL calculations

				Split equally between phases	
S.106 Assumptions (residential)	£1,220	per unit	£	3,786,880	
S.106 Assumptions (commercial)	£5	per sq ft	£	21,369,662	
Total residual S106			£	25,156,542	£ 6,289,135.39
Mayoral CIL (residential)	£35	per sq m (GIA)	£	5,380,750	
Mayoral CIL & Crossrail S106 (office)	£190	per sq m (GIA)	£	43,861,212	
Mayoral CIL & Crossrail S106 (retail)	£121	per sq m (GIA)	£	3,100,255	
Mayoral CIL & Crossrail S106 (hotel)	£84	per sq m (GIA)	£	878,362	
Basements	£35	per sq m (GIA)	£	4,071,842	
Gross Mayoral CIL and Crossrail Top up			£	53,220,580	
Less discount for top up due to mixed use i.e. resi mayoral CIL			-£	5,380,750	
Payable Mayoral CIL and Crossrail Top up			£	47,839,830	£ 11,959,957.39
LBTH CIL (Resi)	£200	per sq m (GIA)	£	30,747,144	
LBTH CIL (Office)	£50	per sq m (GIA)	£	11,542,424	
LBTH CIL (Hotel)	£120	per sq m (GIA)	£	1,254,804	
LBTH CIL (Retail)	£70	per sq m (GIA)	£	1,793,536	
LBTH CIL Total			£	45,337,908	£ 11,334,477.05

Bishopsgate Goods Yard S106, Crossrail S106, Mayoral CIL and Borough CIL calculations

				Split equally between phases	
S.106 Assumptions (residential)	£1,220	per unit	£	1,786,080	
S.106 Assumptions (commercial)	£5	per sq ft	£	4,513,881	
Total residual S106			£	6,299,961	£ 1,574,990.37
Mayoral CIL (residential)	£35	per sq m (GIA)	£	2,750,076	
D1/D2	£35	per sq m (GIA)	£	301,769	
Basements	£35	per sq m (GIA)	£	4,377,159	
Mayoral CIL & Crossrail S106 (office)	£140	per sq m (GIA)	£	7,728,000	
Mayoral CIL & Crossrail S106 (retail)	£90	per sq m (GIA)	£	1,804,320	
Gross Mayoral CIL and Crossrail Top up			£	16,961,324	
Less discount for top up due to mixed use i.e. resi mayoral CIL			-£	2,750,076	
Payable Mayoral CIL and Crossrail Top up			£	14,211,247	£ 3,552,811.81
LBTH CIL (Resi)	£200	per sq m (GIA)	£	15,714,722	
LBTH CIL (Office)	£50	per sq m (GIA)	£	2,760,000	
LBTH CIL (Retail)	£70	per sq m (GIA)	£	1,403,360	
LBTH CIL Total			£	19,878,082	£ 4,969,520.60

Westferry Print Work S106, Crossrail S106, Mayoral CIL and Borough CIL calculations

				Split equally between phases	
S.106 Assumptions (residential)	£1,220	per unit	£	976,000	
S.106 Assumptions (commercial & basements)	£5	per sq ft	£	2,259,905	
Total residual S106			£	3,235,905	£ 808,976.21
Mayoral CIL	£35	per sq m (GIA)	£	2,524,563	£ 631,140.79
LBTH CIL (Resi)	£200	per sq m (GIA)	£	8,232,762	
LBTH CIL Total			£	8,232,762	£ 2,058,190.52