

1 Addendum

- 1.1 This document is an addendum to the main report produced for Mott Macdonald to assess the viability of various options for the redevelopment of Redditch Library.
- 1.2 This addendum covers a fourth option as proposed by Mott Macdonald. Option 3 is a three-storey building of 204sqm footprint with Food and Beverage space on the ground floor and a flexible office offering on the upper floors. This would involve the demolition of the existing structure, whilst some basement space would be retained to accommodate kitchens.
- 1.3 Option 3 proposes the construction of an 612sqm mixed use unit with food and beverage premises on the ground floor and flexible office space across two upper floors. In addition, the scheme proposes retention of a proportion of the existing library basement for use as kitchens. Whilst the scale of this space is not made clear we have assumed three kitchen spaces at 20sqm each will be housed in the existing basement. This gives a total GEA for the proposal of 672sqm. Based on a 5% reduction from GEA to GIA, this gives a total lettable area of 638.4sqm.

Gross Development Value

1.5 We have listed the value assumptions for Option 3 below.

These are:

- F&B rental rates of £15.50psf & office rental rates of £14.50psf
- Investment yield of 6% for F&B and gymnasium areas and 6.5% for office space.
- Annual management and lettings costs of 10% for F&B space and 7.5% for office space.

1.6 The GDV assumptions and outputs for both Option 3 are summarised in Table 1.1

below. **Table 1.1 - GDV Summary**

Rental Rate (psf)	Option 3
Gross Revenue	£102,810
Net Revenue	£94,042
Capital Value/GDV (inc 12-month rent free)	£1,407,141

1.7 It should be noted however, that should the F&B space be let to local independent operators, investors would seek to realise a higher yield of circa 8% - therefore reducing the capital value of the scheme.

Cost Assumptions

- 1.1 A cost plan has been produced for the scheme by Mott Macdonald (Appendix 1) and is summarised in Table 1.2 below.

Table 1.2 - Cost Plan Summary

Item	Option 3
Facilitating Works Estimate	£505,000.00
Building Works Estimate	£2,066,322.50
Main Contractor's Preliminaries @ 20%	£463,000.00
Main Contractor's OH&P @ 8%	£152,000.00
Project / Design Team Fees @ 7.5%	£239,000.00
Risk Allowance @ 10%	£343,000.00
Total (excluding inflation)	£3,768,322.50
Inflation Allowance @ 6.58%	£248,000.00
Total (including inflation)	£4,016,322.50

Source: Mott Macdonald, 2022

- 1.2 We have also included the following cost allowances:
- £50,000 to secure planning for the scheme
 - Project financing at a rate of 3.5% applied to spends over the £4,200,000 grant allocation.
 - We expect this minimal fee is reasonable given works will be undertaken by the public sector with grant funding and any funding necessary will likely be attained on favourable rates from the Public Works Loans Board (PWLB).
 - Sales agents and Legal fees at 1% and 0.5% respectively
 - Marketing at 0.5% - as this is a council-led scheme, we assume a proportion of marketing will be accounted for through existing budgets and as such have included a marginal cost.
 - Development Management fee at 3% of cost (in lieu of dev profit).

2 Appraisal

- 2.1 A summary of the financial appraisal outputs for redevelopment option 3 are shown in Table 2.1 below. A full appraisal summary can be found in Appendix 2.

Table 2.1 - Appraisal Output Summary

Item	Total
Total Costs (excl land)	£4,197,494
GDV	£1,407.141
Residual Sum	(-) £2,790,353

- 2.2 The financial appraisal for shows that redevelopment option 3 is unviable with a residual sum of -£2,790,353. The appraisal shows that, with a total works cost of £4,197,494, this redevelopment option could be brought forward in its entirety under the £4.2m funding already available.

Appendix 1 – Cost Plans

Redditch Library Demolition and New Build (30% smaller)

Order of Cost Estimate

15 September 2022

Issue and Revision Record:					
Rev	Issue Date	Originator	Checker	Approver	Notes
0	13/09/2022	A.Sridhara	M.Mazzuchelli	P.Tan	
A	15/09/2022	A.Sridhara	S.Fiqow	P.Tan	Development cost added

Disclaimer:

This document is issued for the party which commissioned it and for specific purposes connected with the captioned project only. It should not be relied upon by any other party or used for any other purpose. We accept no responsibility for the consequences of this document being relied upon by any other party, or being used for any other purpose, or containing any error or omission which is due to an error or omission in data supplied to us by other parties.

Redditch Library Demolition and New Build (30% smaller)

Order of Cost Estimate

15/09/2022



ASSUMPTIONS & EXCLUSIONS

Assumptions and Notes

- 1 The base date of this estimate is 3Q 2022
- 2 Construction is assumed to start in 3Q 2023
- 3 Contingency has been assumed at 10%.
- 4 Main Contractor's preliminaries have been assumed at 20%
- 5 Main Contractor's overheads and profit have been assumed at 8%
- 6 Project/Design Team fees have been assumed at 7.5%.
- 7 All building works are undertaken separately from this contract by others.
- 8 Works are completed within normal working hours.
- 9 The Main Contractor will be given possession of the whole of the site and there will be no phasing restrictions.
- 10 There is adequate access to site.
- 11 There are no onerous restrictions imposed by neighbouring parties.
- 12 There is no contaminated ground or asbestos on site.
- 13 The GIA for the scheme is assumed at 70% of 874.5 m2 as a new build with an existing basement to be refurbished for 3 kitchen spaces of 20 m2 each, excluding fitting out of kitchen. This has been agreed with the Client and Professional team in order to bring the overall project costs within the budget (£4.2m). It was recognised and agreed with the Client and Professional team that we are at RIBA Stage 0, the team will look at achieving the Client's requirement such as:
 - a) Opening up the floor area for Kingfisher mall
 - b) Increasing the external area to attract footfall into the town centre
- 14 Demolition costs assume a building height of 10m.
- 15 Demolition costs assume a building volume of 10,000m3.
- 16 Where noted sub-totals are rounded up to the nearest £1,000
- 17 This estimate should be viewed with an estimating tolerance of +/- 20% due to the high level nature of the information available at this point of time.
- 18 Assuming mid point of construction would be 4Q 2024
- 19 Based on the internal Benchmark data for Operational Costs, it is assumed that the new Building with a GIFA of 612 m2 plus a basement of 690 m2 would incur an annual Operational Cost of £170k. The current library Operational Costs was calculated to be c. £266k which is approximately £96k more than the new build option with a reduced footprint. The Operational Costs include renewal and maintenance cost (fabric, services and decorations), and operation cost (cleaning and utilities).
- 20 Please note that the Urban Development Team requested for the development costs to be included (c. £180k) within the £4.2m budget during a meeting on 14.09.2022. The development costs consisted of Planning Fees (£50k), a 3% fee on construction cost + inflation (c. £101k), 1% fee on GDV sale in agent fees (c. £14k), 0.5% fee on GDV in legal fees (c. £7k), 0.5% fee on GDV in marketing (c. £7k).

Exclusions

- | | |
|---|--|
| 1 Value Added Tax | 18 Out of hours working |
| 2 Legal fees | 19 Upgrade to off-site utilities (unless stated) |
| 3 Planning fees | 20 Service diversions (unless stated) |
| 4 Statutory fees | 21 Heritage consents and approvals |
| 5 Finance charges | 22 Arbicultural surveys |
| 6 Surveys and subsequent works required as a result, including: | 23 Relocation of wildlife |
| 7 Existing building site investigation / asbestos | 24 Highway improvements outside of site boundary |
| i) Services / drainage etc. | |
| ii) Works beyond boundary of the site | |
| 8 Special equipment (unless stated) | |
| 9 Main contractor pre-construction fee | |
| 10 Spoil disposed as contaminated (unless stated) | |
| 11 Adoption Costs | |
| 12 Consents | |
| 13 Land purchase costs / CPO etc. | |
| 14 Payments to third parties | |
| 15 Project Insurances | |
| 16 Funding or interest costs | |
| 17 Working capital, marketing, legal, pre-launch fees | |

Redditch Library Demolition and New Build (30% smaller)

Order of Cost Estimate

15/09/2022



APPENDIX 1 - COST BREAKDOWN - REDDITCH LIBRARY DEMOLITION AND NEW BUILD COSTS

Redditch Library Demolition and New Build (30% smaller)

Order of Cost Estimate

15/09/2022



EXECUTIVE SUMMARY

	Total
Facilitating Works Estimate	£505,000.00
Building Works Estimate	£2,066,322.50
Building Works Total	£2,571,322.50
Main Contractor's Preliminaries @ 18%	£463,000.00
Sub-total	£3,034,322.50
Main Contractor's OH&P @ 5%	£152,000.00
Works Cost Estimate	£3,186,322.50
Project / Design Team Fees @ 7.5%	£239,000.00
Sub-total [2]	£3,425,322.50
Risk Allowance @ 10%	£343,000.00
Cost Limit (excluding inflation)	£3,768,322.50
Inflation @ 6.58 %	£248,000.00
Cost Limit (including inflation)	£4,016,322.50
Additional Development Cost:	
Allowance for planning	£50,000.00
3% on construction cost plus inflation (not including design team fees and risk contingency)	£101,881.65
1% on the GDV for sales agent fees	£14,071.00
0.5% on the GDV for legal fees	£7,036.00
0.5% on the GDV for marketing	£7,036.00
Cost Limit (including inflation + Development Cost)	£4,196,347.15

RIBA Stage		Tolerance	
0	Strategic Definition	Order of Cost Estimate	+/- 20%
1	Preparation & Briefing	Order of Cost Estimate	+/- 20%
2	Concept Design	Formal Cost Plan 1	+/- 15%
3	Spatial Coordination	Formal Cost Plan 2	+/- 10%
4	Technical Design	Formal Cost Plan 3	+/- 5%

Redditch Library Demolition and New Build (30% smaller)

Order of Cost Estimate

15 September 2022



	Quantity	Unit	Base Rate	Rate	Total	Notes
Allowance for asbestos survey	1	item		£5,000.00	£5,000.00	
Demolition of existing building	10,000	m3		£50.00	£500,000.00	
Allow for Strip out existing FFE for Basement to prepare for Kitchen Area	1	item		£10,000.00	£10,000.00	
Removal of Existing hard surfaces; including excavation to reduce level where required	600	m2		£35.00	£21,000.00	
Allow for Air conditioned Low rise Building construction (3 storeys)	612	m2		£1,900.00	£1,163,085.00	Rates have been reduced to fit client budget
Basement Kitchens - Allow for internal finishing only	60	m2		£200.00	£12,000.00	
Ground Floor - F&B (Allow for CAT A Finishing)	204	m2		£900.00	£183,645.00	
Ground Floor - F&B (Allow for FFE)	204	m2		£150.00	£30,607.50	
First and Second Floor (Allow for CAT A Finishing)	408	m2		£700.00	£285,670.00	Rates have been reduced to fit client budget
First and Second Floor (Allow for Furniture)	408	m2		£150.00	£61,215.00	
Allow for Tree Planting	8	nr		£2,200.00	£17,600.00	Rates have been reduced to fit client
Allow for screen	1	item		£10,000.00	£10,000.00	
Allow for Water Fountain	1	item		£75,000.00	£75,000.00	Rates have been reduced to fit client budget
Allow for Public Seating	10	nr		£1,000.00	£10,000.00	Assumed allowance only
Allow for table and chairs to F&B (external area)	1	item		£10,000.00	£10,000.00	Rates have been reduced to fit client budget
Allow for street signage	1	item		£5,000.00	£5,000.00	
Allow for Catenary Lighting	1	item		£10,000.00	£10,000.00	
Allow for connection of lighting to existing power supply	1	item		£15,000.00	£15,000.00	
Allow for New Hard surfacing	1,172	m2		£125.00	£146,500.00	VE: reduce footprint of building as agreed on 02/08/2022
BUILDING WORKS TOTAL					£2,571,322.50	
Main Contractor's Preliminaries @ 18%					£463,000.00	
Main Contractor's OH&P @ 5%					£152,000.00	
TOTAL					£3,186,322.50	

Appendix 2 – Financial Appraisal Summaries

Redditch Lib_MottMac_Option 3

Development Appraisal
Prepared by RCG
AspinallVerdi
15 September 2022

Redditch Lib_MottMac_Option 3

Appraisal Summary for Phase 1

Currency in £

REVENUE

Rental Area Summary

	Units	m ²	Rent Rate m ²	Initial MRV/Unit	Net Rent at Sale	Initial MRV	Net MRV at Sale
Ground Floor F&B	1	193.80	166.84	32,300	29,070	32,300	29,070
Basement Kitchens	1	60.00	166.84	10,010	9,009	10,010	9,009
Offices	1	387.60	156.07	60,500	55,963	60,500	55,963
Totals	3	641.40			94,042	102,810	94,042

Investment Valuation

Ground Floor F&B

Market Rent	29,070	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	457,075

Basement Kitchens

Market Rent	9,009	YP @	6.0000%	16.6667	
(1yr Rent Free)		PV 1yr @	6.0000%	0.9434	141,651

Offices

Market Rent	55,963	YP @	6.5000%	15.3846	
(1yr Rent Free)		PV 1yr @	6.5000%	0.9390	808,415

Total Investment Valuation

1,407,141

NEGATIVE LAND ALLOWANCE

Residualised Price			2,790,353		
				2,790,353	

NET REALISATION

4,197,494

OUTLAY

ACQUISITION COSTS

Negative Land Allowance	(2,790,353)				
Town Planning			50,000		50,000

CONSTRUCTION COSTS

Construction	m ²	Build Rate m ²	Cost	
Ground Floor F&B	204.00	15,619.23	3,186,322	3,186,322
Contingency			343,000	343,000
Other Construction Costs				
Inflation Allowance			248,000	248,000

PROFESSIONAL FEES

Project / Design Team Fees			239,000	
Development Management Fee	3.00%		103,030	342,030

MARKETING & LETTING

Marketing	0.50%		7,036	7,036
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DISPOSAL FEES

Sales Agent Fee	1.00%		14,071	
Sales Legal Fee	0.50%		7,036	21,107

TOTAL COSTS

4,197,494

PROFIT

0

Performance Measures

Redditch Lib_MottMac_Option 3

Profit on Cost%	0.00%
Profit on GDV%	0.00%
Profit on NDV%	0.00%
Development Yield% (on Rent)	2.21%
Equivalent Yield% (Nominal)	6.29%
Equivalent Yield% (True)	6.54%
IRR% (without Interest)	0.00%
Profit Erosion (finance rate 0.000)	N/A

Redditch Lib_MottMac_Option 3

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