



Plymouth City Council

Response to Developer's comments

November 2017

RE: Viability Assessment Cost Review

(East Devon District Council - 16/0872/MFUL August 2017)

Cost Review

Introduction

Following receipt of GL Hearn's letter to East Devon District Council dated 6th October 2017, Mace Cost Consultancy has considered PMP's "Report on Mace Viability Assessment Cost Report," and provide the following response to each item raised by PMP.

For clarity, the response is numbered in reference to the numbering in PMP's report.

Response

Benchmarking

4.1.1:

BCIS is an industry standard benchmarking service and the comparison used by Mace for PLK provided a benchmark range, (this was provided within Appendix A of the Cost Review). The range accounts for the differences in projects against the samples used for benchmarking. As provided in the Appendix, the range for a project of this nature is £860 to £1,900 per square metre.

Mace have taken into account the specification for PLK's high standard of finishes and fitout, and considered that the proposed development was likely to result in a construction cost exceeding the median price of £1,258/m². Due to the limited project specific details included in the BCIS data, Mace undertook further benchmarking against Mace projects for increased accuracy of benchmarking.

4.1.2.1: PMP have request clarity of the "nature of the comparable projects." Further detail is summarised below.

Project 1: 170 home retirement village consisting of one and two bedroom apartments, with central facilities including wellness centre and spa, bistro, juice bar, delicatessen, general store, craft room and care services in extensive grounds. The project consisted of multiple 2 & 3 storey buildings on a sloping site. The finishes, fixtures and fittings were to a high specification. This project was located in Hampshire.

Project 2: Residential community consisting of a village centre with 36 care bedrooms, 24 extra care units and 17 close care units, wellness centre and spa, bistro, juice bar, delicatessen, craft and reading rooms. A further 33 apartments are located around the site with extensive ground and woodland with soft and hard landscaping. The project consisted of multiple 2 & 3 storey buildings. This project was located in Wiltshire.

Project 3: 133 assisted living units, including restaurant, library and a wellness centre and energy facility. The project consisted of multiple 3 storey buildings, which required extensive piling. The project also included asbestos removal and demolition of existing buildings. The finishes, fixtures and fittings were to a high specification. This project was located in Hampshire. We note that this was incorrectly noted as Devon in the initial report. Mace confirm that this was simply a typographical error in the report, however the benchmarking analysis is not affected by this as the database information is based on the correct location of Hampshire, and the rebasing of the benchmark costs in line with this also.

With regard to PMP's reference to the nature of the project (ie including multiple building of mixed use, with phased completion to accommodate the sales and construction markets) impacting the project costs, Mace have do not consider that this will affect the overall £/m2 given the benchmarked projects are of this nature also.

4.1.2.1: PMP have suggested that projects in Devon may be exponentially higher than the BCIS factor. This statement by PMP is reliant on the typographical error as noted above. Further to this, Mace reiterate the fact that project 3 had extensive groundworks, which we believe to be the cause of the higher than average unit cost.

For clarity, the location factors (compared to the UK mean) provided by BCIS are 90% for Devon, 90% for Wiltshire and 108% for Hampshire. Mace have no reason to believe that these factors cannot be reasonably relied upon. Regardless of this, Mace also note that the benchmarked rates have been adjusted for these location factors.

4.1.3 and 4.2.6: PMP's justification of high fitout costs based on level of finish not considered to be justified, as the comparison projects are also of high standard of finish.

4.2.2: PMP's comment that the detail relating to the soakaways is in abeyance suggests this may not be required and should therefore be treated as a risk item, as allowances have already been made for general site drainage.

4.2.3: PMP's note of different dimensions for the pad foundations to blocks C & D, compared to A & F, brings into question the basis for the depths assumed by PMP given they have noted the lack of detail, and subsequently provided allowances on a pro-rata basis against Blocks A&F. 1.8m deep pad and strip footings appears excessive, especially considering the extra over allowances for ground conditions and enhanced foundations for LBM frame system.

4.2.4: Mace are still of the opinion that substructure costs are excessive based on the design detail and GI report provided.

4.2.5: PMP's reduction is reasonable, although Mace maintain that this could have been reduced further.

4.2.7: PMP have not addressed the inclusion of the vehicle / pedestrian restraints. Mace' previous comment that this appears to have been allowed for twice remains unchanged.

4.2.10: PMP appear to have interpreted our comment that the allowances for foundations to un-designed blocks is "considered to be conservative" as Mace suggesting an additional contingency, however the use of the word conservative should be read as "risk adverse" and thus, our recommendation that these cost could be reduced stands.

4.2.12: Mace stand by previous assessment of this item, but note that a compromise has been provided by PMP.

4.2.13: PMP's explanation of letting the project as separate packages is considered to be disadvantageous to the scheme. Mace would suggest the procurement strategy is reviewed if the current strategy does not provide value to the project.

4.2.14: Mace acknowledge that PMP's cost plan reflects a price obtained. We still maintain our previous comments that this allowance does not reflect the market for available solutions within the project's high quality finishes.

4.2.15: PMP’s response does not provide any further justification to the costs. Mace’s previous comments and proposed savings remain unchanged.

4.2.16: PMP’s response does not reflect the design provided. Based on the information provided there doesn’t appear to be a requirement for an additional retaining wall between buildings D & E. We note that Appendix B provided with PMP’s response is in conflict with the details of the Retain quote (extract provided below) and the site layout plans provided in the viability assessment report. Mace’s previous comments and proposed savings remain unchanged.

Wall	Location	Length	Height	Buried depth	Area
1	Wall and associated ramp walls opposite block A/	170m	3.0m (max)	450mm	324 m ² of Allan Block
2	Curved wall at north west boundary	16m	1.3m (max)	450mm	16 m ² Allan Block
3	Wall at car parking bays 28-34	23m	1.3m (max)	450mm	30 m ² Allan Block
4	Wall between apartment D-E	26m	4.0m (max)	450mm	84 m ² Allan Block
5	Wall at South West boundary car park	16m	1.0m (max)	450mm	16 m ² Allan Block

Figure 1 Extract from Retain Quote identifying quantities and locations allowed for retaining walls within the quote.

4.2.17: PMP’s response that this item is for “strategic importance for stakeholder management and local planning” is not supported by any specific requirement for this item (eg. Planning condition) Mace’s comments and proposed savings remain unchanged.

4.2.18: We note that PMP’s response is with regard to marketability. Mace cannot comment on this, however note that in our experience there may be an alternative solution and recommend a independent fire strategy assessment is undertaken.

4.2.20: PMP’s comments regarding the Ginko tree are appreciated for the basis of their allowances, however in consideration of the cost impact of this item for viability purposes, the justification of this as an essential scope item is questionable. It is Mace’s view that the allowance for the tree relocation may be removed from the cost plan in its entirety for viability assessment purposes. As a minimum, additional risk allowances as per Mace’s previous comment should be reduced, as per Mace’s previous comments.

4.2.20: Although PMP have provided preliminaries and OH&P percentages from previous projects, no detail has been provided in relation to these projects (site conditions, construction durations, number of storeys, phasing etc) which impact the preliminaries and OH&P costs. Mace reiterate the previously expressed opinion that based on the design and site information provided, this site is not considered to be excessively complex and is not likely to require the level of preliminaries indicated by PMP.

We note that the adjustments that PMP have made to their Cost Estimate Nr 9 have been adjusted against the total Works Cost Estimate, however these adjustments should be made against the Building Works Elements to which they apply. This has resulted in PMP’s adjustments not allowing for the adjustment of Preliminaries, OH&P or risk (although the heading implies that they have, the reductions have not been adjusted for these).

Summary

Proposed Development

Following review of PMP’s response to Mace’s initial Cost Review for the proposed development of The Knowle, Sidmouth, Mace believe that there are still additional areas for potential reduction to the construction costs.

Based on the current design, the total of the proposed reductions to the construction cost remains at [REDACTED] excluding the reduction for preliminaries and overhead & profit which we would recommend the percentage is adjusted, and then applied to the revised construction cost estimate. This extra reduction is expected to be in the region of £1 million to £2 million.

For reference the summary of the benchmarking provided previous is provided again in Table 1 below. Based on benchmarking against floor area and type of development, we would expect the total construction cost to be between [REDACTED] and [REDACTED] however for the proposed design, our opinion would expect the total construction cost to be [REDACTED].

Table 1 Proposed Development Construction Cost Summary

Proposed Development The Knowle, Sidmouth				
	PMP Estimate	Mace Detailed Review	BCIS Benchmark	Mace Internal Benchmark
Elemental Rate / m ²				
Total Construction Cost	[REDACTED]	[REDACTED]	£1,613	[REDACTED] to [REDACTED]
Total Construction Cost (excl. demolitions & externals)	[REDACTED]	[REDACTED]	£1,258	[REDACTED] to [REDACTED]
Construction Cost (£)				
Total Construction Cost	[REDACTED]	[REDACTED]	£20,667,873	[REDACTED] to [REDACTED]
Total Construction Cost (excl. demolitions & externals)	[REDACTED]	[REDACTED]	£16,120,000	[REDACTED] to [REDACTED]

*All costs have been adjusted for the base date index of 3Q2019 and BCIS location factor for East Devon.

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