

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

STANDARD ECONOMIC APPRAISAL MODEL

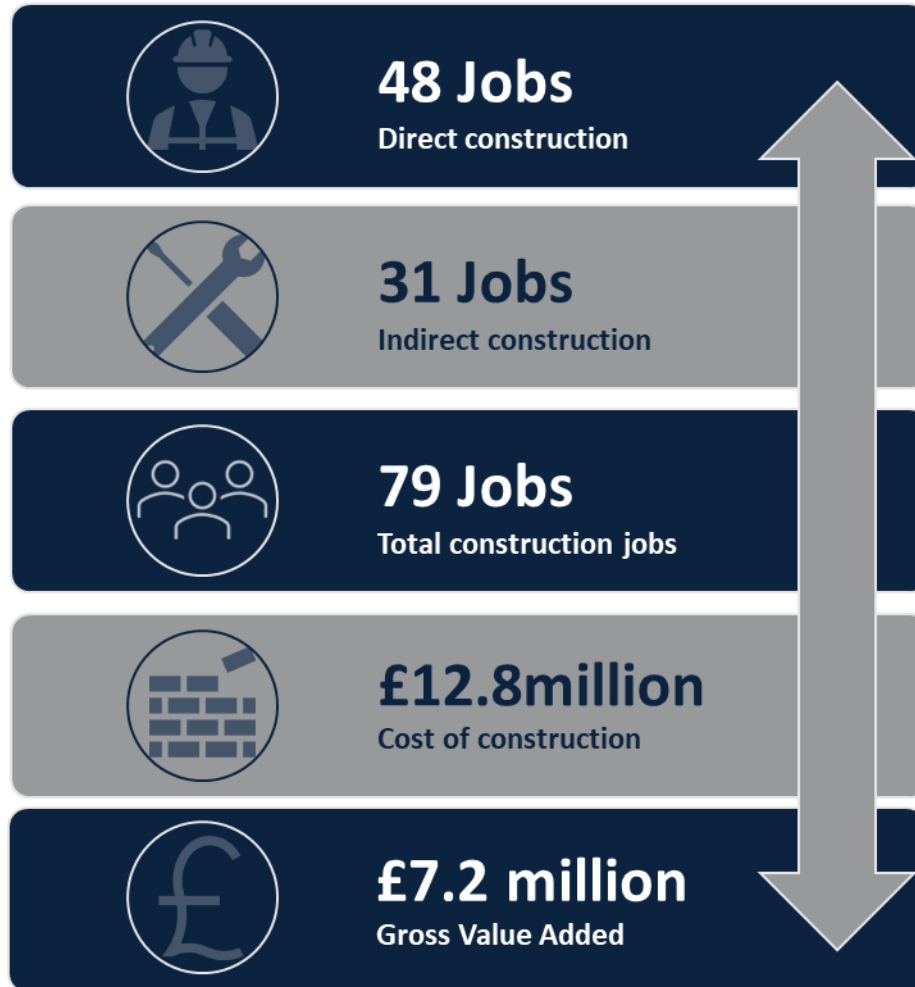
A Report for The Jessica Buttons Factory site, 30-36
Clarendon Road, London N8 0DJ.

On behalf of
Paul Simon Magic Group LLP

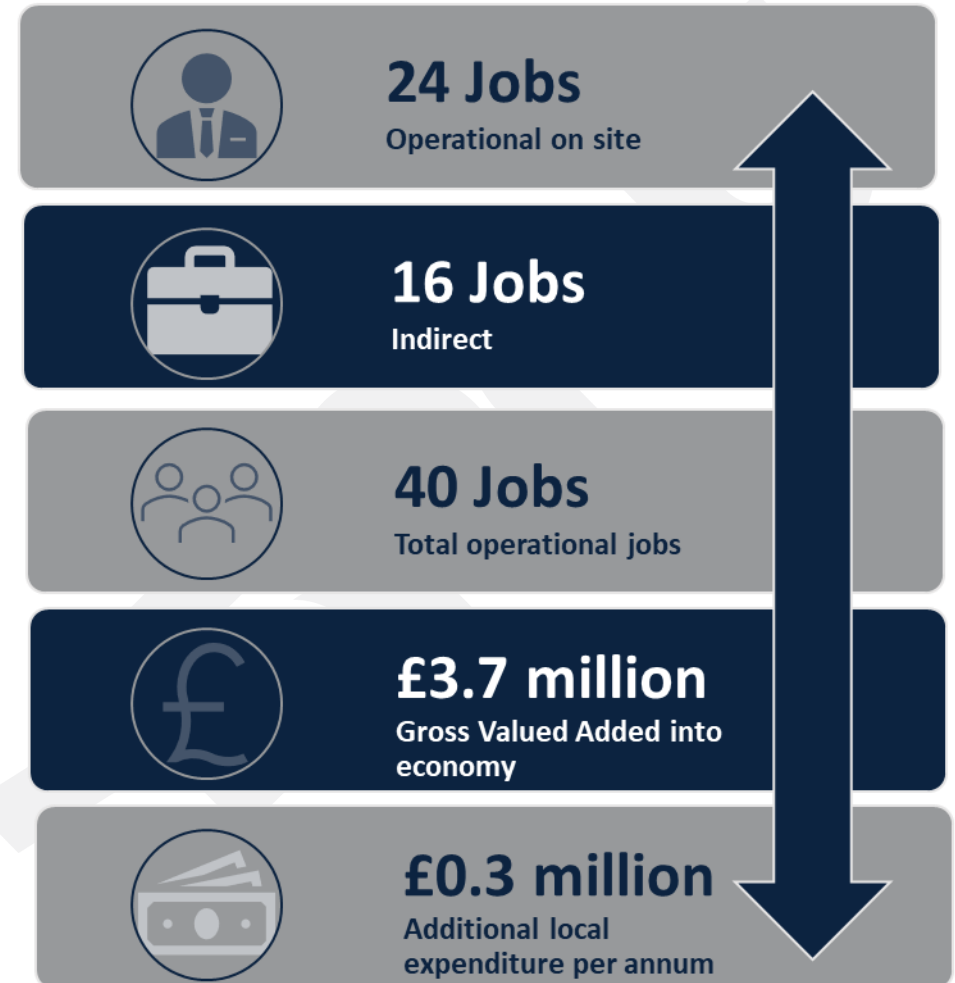
29 September 2022

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Construction Benefits



Net Annual Operational Benefits



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Introduction to the site and proposal

This Economic Assessment has been prepared by SPRU of DLP Planning Ltd on behalf of Paul Simon Magic Group LLP in support of a planning application for the redevelopment of The Jessica Buttons Factory site, 30-36 Clarendon Road, London.

The site measures approximately 0.06 hectares in size and is currently in commercial use:

- B1c Commercial (595 sqm) including:
 - * The Jessica Button Factory (3 employees)
 - * Temporary use as Children's Nursey (11 employees)

The site's allocation (SA23) promotes an employment-led mixed-use development which incorporates the re-provision of the West Indian Cultural centre and also creates a new mixed-use development including community, employment and residential uses.

In summary, the application is for the redevelopment demolition of just part of the larger allocation and is part of a larger master plan proposal for this allocation. The proposed redevelopment of this element of the site will provide:

- E(g) Commercial (560 sqm)
- 51 residential units comprising of which
 - * 10 Affordable
 - * 7 Intermediate
 - * 34 Private

Figure 1: The Proposed Development Site



The National Planning Policy Framework has three overarching objectives: economic, social and environmental (Paragraph 8) and this Economic Assessment provides an assessment of the economic benefits that the application proposal delivers both during the development phase through the creation of construction jobs, and also the economic benefits derived from the operation and occupation of development through the jobs generated and the use of local services and further indirect expenditure from workers and occupants.

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

The Master Plan and the detailed proposal

This site is part of a larger site that is subject to a master plan which also includes the Clarendon Recovery College and the West Indian Cultural Centre. The master plan area sits within the wider context of as illustrated below.



The detail of the residential accommodation is set out below.

Site/Tenure	Affordable	Intermediate	Market
1 bed 50 sqm	4	2	13
2 bed 61 sqm	2	1	7
2 bed 70 sqm	1	3	12
3 bed 74 sqm	2		
3 bed 86 sqm	1	1	2
Total	10	7	34

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Calculating Economic Impact

There are two major components to valuing the economic benefits of development proposals – those associated with the construction phase and those with its subsequent operation or use.

The suppliers and other services that are engaged in the delivery of the scheme are described in terms of both direct, indirect and induced jobs and resultant GVA. **Gross value added (GVA)** is the measure of the value of goods and services produced in an area, industry or sector of an economy.

Each is summarised as follows:

- **The direct impact:** Wage income and profit generated in the construction sector, plus spend on non-labour input.
- **Indirect impact:** The supply chain impacts of construction and their knock on effects, i.e., an increase in output and income up and down the supply chain.
- **Induced impact:** An increase in household income as a result of increased employment/income in construction and other sectors leads to an increase in spending and demand/output in the overall economy.

Construction Impacts

During the construction phase a considerable number of direct jobs will be created locally and regionally. It should be noted that

investment in production-type activity rather than consumption, brings significant long-term economic and social benefits.

The construction industry is also a driver of growth in other sectors due to its heavy reliance on an extended and varied supply chain. It uses a wide range of inputs from many industries to produce its goods and services. Investment in the sector therefore indirectly supports a broad set of industries as the increase in final demand filters through to key industries which supply the sector.

Construction also has one of the lowest levels of imports, so the stimulus spending stays within the local or national economy.

The following sectors are amongst those that benefit most from increases in construction activity: aggregates, renting of machinery, real estate; professional consultants; plastic, wood and metal products.

Jobs created during the construction phase only last as long as the construction takes place (estimated currently at 2 years) and are described in terms of job years. A composite multiplier was applied from the HCA Additionality Guide Fourth Edition (2015). The gross figures have also been adjusted to net figures to take account of the true added value of the investment (See **Annex One** technical note on impact assumptions).

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Calculating Economic Impact (Continued)

Operational Impacts

For operational impacts, the number of new jobs expected to be generated from the proposals has been calculated. This is then discounted against the jobs currently supported at the site to identify the net benefits of the scheme.

Direct Jobs

To calculate the direct jobs at the sites, employment densities (floorspace per job) for the existing and proposed uses have been identified:

Use	Employment Density	Jobs	Source
Existing E(c) (iii) (formerly B1c)	43 sqm / job (combined)	3	Primary research - see below
Existing E(f) Childrens Nurse (temporary)	43 sqm / job (combined)	11	Primary research - see below
Proposed E(g) Commercial	11 sqm / FTE job	51	HCA

The HCA Employment Densities Guide (3rd Edition) provides industry standard employment densities for many uses. These have been used

for the commercial floorspace. For the new E(g) class we have assumed 11 sqm per job which is the same as normal office densities reflecting the urban London location and the nature of the floorspace being provided.

For the existing Jessica Button are a wholesaler the number of employees has been confirmed from the agent as being 3 jobs. The building is also being used on a temporary basis as a children's nurse employing 11 persons caring for 44 children. Overall this results in a combined job density for the building of 43sqm/job (595/14).

Indirect and Induced Impacts

Composite multipliers were used to calculate the indirect and induced effects (from the HCA Additionality Guide Fourth Edition (2015)). We have calculated resultant GVA per head by sector using BRES (The Business Register and Employment Survey) and ONS (Office of National Statistics), 2020 data for the London.

The Treasury's Green Book offers some useful principles in assessing the true impact of investments. In line with these the several steps have been taken to assess gross and net GVA and employment impacts and net present value. These are summarised in **Annex One** (Technical Note on Impact Assumptions).

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Summary Impact of the Proposal

We have calculated that the existing site supports the following number of jobs:

- 20 total net FTE jobs, comprised of:
 - ⇒ 12 direct jobs (net)* Assumes leakage of 10%
 - ⇒ 8 indirect and induced jobs (net)

The proposed scheme will result in the following construction impacts:

- **79 total net construction jobs** comprised of:
 - ⇒ 48 direct construction jobs (net)
 - ⇒ 31 indirect and induced construction jobs (net)
- The construction phase will generate a total **GVA of £6.8m**

The proposed scheme will result in the following net operational

impacts taking into account the loss of 7 on site jobs:

- **40 total FTE jobs (net)** comprised of:
 - ⇒ 24 operational jobs on site (net)
 - ⇒ 16 indirect/induced jobs (net)
- The operational phase will generate a total net **GVA of £3.7m**

Taking account of existing uses at the site as the base case, the proposal will result in the following combined construction and operational benefits:

- **40 additional net operational jobs**
- **79 construction jobs**
- **Net GVA of £10.9m**
- **Net Present Value over 10 years 27.8m**
- **A 1 : 2.51 cost benefit ratio (each £1.00 will generate £2.4)**

Summary impact tables appear in **Annex Two**.

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Annex One: Technical Note on Impact Assumptions

When calculating jobs and GVA we have taken account of:

- Direct construction jobs for the proposal were calculated by dividing construction expenditure by GVA per FTE average for construction (for London).
- Applying composite employment multipliers from the HCA Additionality Guide Fourth Edition (2015) (Table 4.14: Multiplier Effects). Medium level multipliers have been used: 1.5 at regional level.
- To ensure the true added value of a development is assessed appropriate adjustments are required to alter the impacts from gross to net. These account for displacement (assumed medium at 50%), and leakage based on existing workflow patterns (10%).
- The persistence of the benefits i.e. how many years the benefits are expected to persist and the period over which benefits will accrue until they reach their full potential. In this instance, a ten year time frame has been chosen based on experience of the time taken for previous facilities to bed in. This make allowance for the 2 year construction period with benefits phased accordingly.
- The rate at which benefits will decay i.e. the proportion of annual benefits expected to be lost from one year to the next due to economic changes, other investment decisions etc. A decay of 10% per annum has been used.

- Calculation of the Net Present Value (NPV) of the GVA benefit stream over the appropriate persistence time period by discounting back utilising an appropriate discount rate. HM Treasury Green Book guidance has been followed which recommends discounting by 3.5% in order to determine NPV. (Net present value is a calculation that compares the amount invested today to the present value of the future cash receipts from the investment. In other words, the amount invested is compared to the future cash amounts after they are discounted by a specified rate of return).
- A cost benefit ratio calculated by Net Present Cost (NPC) against NPV i.e. the amount each £1 of investment generates.
- The estimates for GVA per FTE do not account for self-employment.

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Annex Two: 10 Year Impact of Proposal

Base Case - Existing Use

	Jobs (net)	GVA (net)	NPV over 10 years
Operational	20	1,813,708	10,467,971
Direct Jobs	12	1,099,217	6,344,225
Indirect and Induced Jobs	8	714,491	4,123,746
Construction	0	0	0
Direct Jobs	0	0	0
Indirect and Induced Jobs	0	0	0
Total	20	1,813,708	10,467,971
Direct Jobs	12	1,099,217	6,344,225
Indirect and Induced Jobs	8	714,491	4,123,746

Net Impact of Proposed Redevelopment

	Jobs (net)	GVA (net)	NPV over 10 years
Operational	40	3,695,601	20,977,733
Direct Jobs	24	2,239,758	12,713,778
Indirect and Induced	16	1,455,843	8,263,956
Construction	79	7,247,455	6,776,828
Direct Jobs	48	4,392,397	4,107,169
Indirect and Induced Jobs	31	2,855,058	2,669,660
Total	119	10,943,057	27,754,562
Direct Jobs	72	6,632,156	16,820,946
Indirect and Induced Jobs	47	4,310,901	10,933,615

2022 Economic Impact Assessment for The Jessica Buttons Factory , Clarendon Road, Hornsey

Annex Two: 10 Year Impact of Proposal

Lifetime cost benefit

Lifetime cost benefit	Financial costs	GVA impacts	BCR
Gross	12,530,655	38,227,548	3.1
NPC/NPV	11,716,953	27,754,562	2.4

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