



DEVELOPMENT VIABILITY REVIEW – BRAEMAR AVENUE BAPTIST CHURCH, LONDON N22 7BY

In March 2023, London Borough of Haringey (“the Council”) commissioned BNP Paribas Real Estate to advise on a viability assessment of the redevelopment (“the Development”) of Braemar Avenue Baptist Church, London N22 7BY (“the Site”) submitted by Redloft LLP (“RL”) on behalf of Spacelab (“the Applicant”).

Our report provided an independent assessment of RL’s Viability Assessment Report to determine whether the affordable housing offer and Section 106 contributions as proposed have been optimised.

RL concluded that the proposed Development incorporating 100% private housing generated a deficit of -£686,040. We stated in our conclusion that given the purpose of the Development is to fund the re-provision of the church facilities, the outcome of the RL FVA indicates that this re-provision will not be possible, as there is unlikely to be any land payment. RL have not responded to this point in their most recent correspondence.

After review of the RL submission, we concluded that the proposed Development with 100% private housing generates a surplus of £33,196 against the viability benchmark. This surplus could be used as a commuted sum payment; or further Section 106 payments (should this be justifiable in planning terms).

For the reasons outlined in Section 5.4 of our original report, we recommended the Council include both early and late stage review mechanisms within the Section 106 Agreement.

RL further correspondence

RL have provided a response dated 11 April 2023 within which they have sought to provide further justification / evidence in support of their viability conclusion. We have reviewed the additional information provided and have responded in the same structure for ease of reference:

- **Professional fees:** In our March 2023 report, we reduced the professional fees allowance from 12% to 10%. We took into account factors such as site constraints and scheme complexity and did not consider a 12% allowance to be required for this scheme. We also took into account the monetary value of the percentage included within the appraisal.

In their most recent correspondence, RL have referred to their experience of ‘similar projects’ they are working on. Further, RL have included a list of required consultants as well as an estimation for their fees in percentage terms. For the avoidance of doubt, we could also prepare a list of consultants and their respective fee requirements that results in a 10% allowance.

Our experience supports our assumed professional fees allowance of 10% of construction costs. RL have not provided any further information as to what elements of this scheme make it more complex than other similar schemes. RL have not provided any justification / evidence that would warrant a change in our assumed allowance. We have therefore maintained our 10% professional fees allowance in our appraisal.

- **Construction programme:** In our original report, we reduced the construction period from 22 months to 15 months. RL had not provided any evidence to support their assumed programme timetable; therefore, we based our assumption upon the RICS Build Cost Information Service (“BCIS”) Duration Calculator.

In their most recent correspondence, there is no site specific analysis; rather merely an unsupported assertion that the scheme would require a longer construction period. RL refer to site constraints and complexity but do not reference which particular elements would result in a prolonged timetable.



In contrast, as mentioned above, we have undertaken a benchmarking process which has resulted in our assumed construction period. RL have not provided any justification that would warrant a change in our position.

- **Planning obligations:** RL included the following planning obligations within their original appraisal for a 100% private housing scheme:

- Borough CIL: £261,697; and
- Mayoral CIL: £68,466.

We adopted the above planning obligations on a 'subject to confirmation' basis.

In their most recent correspondence, RL have provided updated planning obligation payments "on the basis of excluding the church extension, which is in use and therefore does not fall under Haringey CIL payment obligations." We have summarised the revised CIL payments below:

- Borough CIL: £220,335.91; and
- Mayoral CIL: £69,714.

The total CIL payment is therefore £290,049.91. We have adopted the above payments in our appraisal on a 'subject to confirmation' and 'without prejudice' basis pending discussions with the Council.

- **Enabling costs:** In their original report, RL stated that there were 15 residential units within the proposed Development. However, it was also noted that "*as part of the enabling costs agreement between the applicant and the Church, Unit 1.2 will be assigned as a manse/vicar's residence and to be used at the Church's discretion.*"

RL had originally included this unit as a private tenure apartment "*for the purpose of [the] viability assessment and in order to promote viability*". However, in their most recent correspondence, RL have stated that "*in light of progression on the commercial matters and discussions between the Applicant and Church, it has been confirmed the manse unit will not be income generating*". Therefore, RL have removed the unit from their appraisal resulting in a reduction to their GDV.

We recommend the Council include provisions with the Section 106 Agreement preventing Unit 1.2 from being revenue generating. If this provision is not agreed to by the Applicant, we reserve the right to revisit our assumption of removing the unit from our assessment.

As a result of removing Unit 1.2 from our appraisal, the total GDV has reduced from £7,068,880 to £6,502,080.

Updated Appraisal Results and Conclusion

In our original report, we concluded that the proposed Development with 100% private housing generated a surplus of £33,196 against the viability benchmark. This was in contrast to the deficit of -£686,040 concluded in the original RL assessment.

In their most recent correspondence, RL have updated their conclusion to report that the scheme with 100% private housing generates a deficit of -£628,042.

We have undertaken an updated appraisal, taking into account the amendments identified above. The proposed Development with 100% private housing generates a RLV of -£377,616 providing a deficit of -£377,616 against the viability benchmark.

We have maintained our recommendation that the Council include provisions for a review mechanism within the Section 106 Agreement.



In addition, we recommend the Council include provisions within the Section 106 Agreement preventing Unit 1.2 from being revenue generating. If this provision is not agreed to by the Applicant, we reserve the right to revisit our assumption of removing the unit from our assessment.

3 May 2023