

PRIVATE & CONFIDENTIAL

Haringey Council
10 Station Road
Wood Green
London
N15 4JA

11th April 2023

Dear Sir/Madam

Braemar Avenue Baptist Church, Haringey, London, N22 7BY

London Borough of Haringey planning application reference: HGY/2022/4552

Further to correspondence in relation to the above planning application, we have reviewed BNP Paribas Real Estate's (BNP) viability comments set out in the financial viability review dated March 2023 (the viability review), which responds to our financial viability assessment dated October 2022 (the original assessment). The assessments consider Spacelab's (the applicant) proposals at Braemar Avenue Baptist Church, and the viable planning gain attributable to the scheme.

We set out our response to the viability review below, providing further evidence and consideration of our original assessment assumptions and BPS's views.

Introduction

There are a few principal inputs where there remains a disparity between consultants, set out below:

- Professional fees
- Construction Programme
- Residential Manse Unit (enabling cost)
- Planning Obligations

The subsequent sections of this letter will discuss these inputs in detail, elaborating on our reasoning and where relevant providing additional evidence to support our position, in light of current market conditions.

Professional fees

We note that BNP disagreed with our professional fees' assumption of 12% of construction cost, and instead adopted a 10% of construction costs, noting the consideration of site constraints and scheme complexity.

We note an allowance of 10% as insufficient for the professional design team, and particularly in light of the increasing number of surveys and reports required to support the planning process. Currently allowances for projects we are working on, as project managers, are 12%-14% of build costs. Accordingly, we maintain our position that 12% allowance for professional fees is appropriate, as this reflects the current market conditions and requirements to deliver the scheme. These fees will cover all professional fees associated with the design and procurement of the development, including demolition, church works and contingency.

To further evidence the appropriateness of a 12% allowance the project team for this scheme have provided below an elemental note of the professional fee costs. The professional fees cost for this project equates to

16% of build costs, which illustrates our initial assumption as conservative. However, in order to promote viability, we are happy to maintain the original 12% of construction cost assumption.

Role/Discipline	Fee
Architects	6%
Structural Engineer	2%
QS	2%
M+E Consultant	1.5%
Project manager/Employer's agent	2%
Total	13.5%
Additional costs (e.g. Planning, Building Control, Fire Adviser, CDM and NHBC Building Warranty, etc)	2.5%

Construction Programme

BNP have assumed a 15-month construction period within their appraisal, which is based off a BCIS Duration Calculator. However, this is not a realistic construction period given the site constraints and complexity. The applicant has recently completed works on a similar scheme in Stratford which required 26 months to complete. The current programme assumed the following:

- 2 months – site set up and demolition
- 6 months – pilings and basement
- 14 months – above ground builds
- Total – 22 months.

Therefore, we maintain our position of a 22-month construction period, however we are happy to include a 6-month pre-construction period, as noted within the BNP viability report.

Planning Obligations

Please note we have amended the planning obligation payment, on the basis of excluding the church extension, which is in use and therefore does not fall under any Haringey CIL payment obligations. The revised CIL payment is detailed below.

- Borough CIL - £220,335.91 (£245.09 per sqm)
- Mayoral CIL - £69,714 (£64.55 per sqm)
- Total - £290,049.91

Enabling Costs

In our original report, we acknowledged there were 15 residential units within the development. However, we 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. Although for the purpose of promoting viability, we had included this unit within the development GDV, as a private unit.

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. Accordingly, we update our appraisal and assessment, removing **Unit 1.2** from the development's GDV. It is acknowledged the Council are consequentially likely to require a restriction on the use of this unit through the S106 agreement for the scheme.

This results in a revised development GDV position of **£6,499,065**.

Conclusions

Therefore, in the interest of reaching an agreement, we are happy to agree to BNP's overall position, with the exception of the inputs noted above.

The revised appraisal generates a residualised land value of **-£628,042** which is below the benchmark land value of Nil, as stated within BNP's viability report. This shows that it is not financially viable for the proposed scheme to support any additional affordable housing, additional section 106 obligations, or other planning gain contributions. The revised viability appraisal can be found at **Appendix 1**.

Yours Sincerely,



Geena Bains
Development Surveyor
For and on behalf of Red Loft LLP

Appendix 1 – Financial viability appraisal

Braemar Avenue
Wood Green
Financial Viability Appraisal
Draft

Development Appraisal
Red Loft LLP
13 March 2023

APPRAISAL SUMMARY**RED LOFT LLP**

**Braemar Avenue
Wood Green
Financial Viability Appraisal**

Appraisal Summary for Phase 1

Currency in £

REVENUE

Sales Valuation	Units	ft²	Sales Rate ft²	Unit Price	Gross Sales
Private - 14 units	1	9,091	714.89	6,499,065	6,499,065

NET REALISATION**6,499,065****OUTLAY****ACQUISITION COSTS**

Residualised Price (Negative land)	(628,042)	(628,042)
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CONSTRUCTION COSTS**Construction**

	ft²	Build Rate ft²	Cost
Church community space	2,271	342.40	777,598
Construction Costs	<u>12,292</u>	290.44	<u>3,570,044</u>
Totals	14,563 ft²		4,347,642

Haringey CIL	220,336	
Mayoral CIL	69,714	
		290,050

PROFESSIONAL FEES

Professional fees	12.00%	521,717	521,717
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MARKETING & LETTING

Marketing	1.50%	97,486	97,486
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DISPOSAL FEES

Sales Agent Fee	1.50%	97,486	
Sales Legal Fee		11,200	
			108,686

Additional Costs

Works to church		206,325	206,325
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TOTAL COSTS BEFORE FINANCE**4,943,864****FINANCE**

Debit Rate 7.000%, Credit Rate 0.000% (Nominal)			
Land		(56,526)	
Construction		237,981	
Other		236,409	
Total Finance Cost			417,864

APPRAISAL SUMMARY**RED LOFT LLP**

**Braemar Avenue
Wood Green
Financial Viability Appraisal**

TOTAL COSTS **5,361,729**

PROFIT **1,137,336**

Performance Measures

Profit on Cost%	21.21%
Profit on GDV%	17.50%
Profit on NDV%	17.50%
IRR% (without Interest)	24.81%
Profit Erosion (finance rate 7.000)	2 yrs 9 mths