

London Borough of Lambeth,
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219-223 Coldharbour Lane, London, SW9 8RU

We are writing to you in response to the applicant's email from the 8th June, which was in reply to our recent review of their submitted Financial Viability Assessment (FVA) of the proposed scheme from May 2020. Within their initial submission, the applicant was unable to offer any form of financial contribution. We recommended that the applicant was able to make an off-site affordable housing contribution of £35,981.

We arrived at this figure largely due to the applicant's retained position on a developer's profit equating to a combination of 17.5% of the residential GDV and 15% of the commercial GDV. They have now responded by saying that they have revisited their position on this margin due to the current market climate and will now require a 20% return on the residential element. We consider this to not be unreasonable in the current circumstances.

Should a 20% developer's return be incorporated within the 'Small Sites Calculator' then no financial contribution would be possible.

Notwithstanding this, the applicant has offered a financial contribution of £10,000 on a without prejudice basis. Based on their revised position on developer's profit (which removes any contribution) we consider this proposal to be reasonable. However, we consider that such a contribution does not fully reflect the development potential of this site.

Therefore, we are of the opinion that the Council should introduce a review mechanism for this scheme. This is due to the fact that when this scheme is likely to be delivered, there may be scope for cost savings and for further growth in the commercial and residential values. It is worth noting that at this stage there is ambiguity as to the potential impact upon the property market in London from Covid 19. The review mechanism will ensure that the Council benefit from any potential uplift in market performance, and are protected accordingly.

Yours sincerely