

## TO DARE IS TO DO

16 December 2015

Stephen Kelly  
Assistant Director for Planning  
Haringey Council  
River Park House  
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By Email

Dear Mr Kelly

### **Northumberland Development Project Application Refs: HGY/2015/3000/3001/3002**

Section 10.1.44 of the Committee report onwards deals with affordable housing. It refers to and summarises advice officers have received from KPMG (dated 15<sup>th</sup> December 2015) on the financial viability of the project. We understand that KPMG's advice has now been shared with Planning Sub Committee Members and it has also been made available to the Club.

The affordable housing section of the Committee report concludes at paragraphs 10.1.56 to 10.1.58 by recommending that an affordable housing review mechanism is imposed on the Club based upon the Club receiving a cross funding amount equivalent to up to 20% of the residential gross development value. This would equate in today's values to an amount of £48.4m.

The KPMG report concludes that the business plan, capital cost and funding assumptions adopted by the Club are all entirely appropriate. The report notes that excluding Wembley, there have only been three large football stadia built over the last twenty years, largely because of the lack of commercial viability and the availability of funding. The report advises that:

*"...a prudent third party investor typically investing in large complex present schemes such as this would typically require an internal rate of return of at least 10% and potentially significantly higher."*

The current post debt equity internal rate of return on the project is currently only 1.2%.

The report states in the first full paragraph on page 15 that:

*"If the full £48.4m was received in 2023 the IRR [Internal Rate of Return] of the Project would still be approximately 2.1% and while this is only one of many factors required to make the project fundable lessening its contribution (below the previously agreed cross funding principle with the Club) will make the project less fundable."*

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Put simply, the imposition of *any* review mechanism would serve only to reduce the viability of a scheme that is already unviable.

Furthermore, the history of unforeseen delays on this project suggests that it would be prudent to make provision for any significant delays to the project, which would further impact upon its deliverability.

The Club respectfully requests therefore that if Members resolve to approve the application subject to the review mechanism as set out in the Committee report (i.e. based upon 20% of the residential gross development value and no earlier than Stadium opening) that they also do so subject to a short-stop date of 31<sup>st</sup> December 2018, i.e. the affordable housing review cannot be carried out until the stadium is open, or by 31<sup>st</sup> December 2018, whichever is the earlier. On the one hand this provides the Club's funders with the necessary degree of certainty, but from the Council's perspective, locks in a minimum of three years of value growth and a corresponding increase in the prospect of affordable housing being secured.

Yours sincerely

Richard Serra  
**Head of Planning**