

# VIABILITY STATEMENT

## The Battleaxes, Wraxall





**Table of Contents**

<b>1. EXECUTIVE SUMMARY .....</b>	<b>3</b>
<b>2. METHODOLOGY .....</b>	<b>5</b>
<b>3. VIABILITY APPRAISALS .....</b>	<b>9</b>
<b>4. CONCLUSIONS .....</b>	<b>10</b>



## 1. EXECUTIVE SUMMARY

- 1.1 This viability assessment is submitted to North Somerset Council as the local planning authority (LPA) in support of the planning application submitted by Studio HIVE Properties Ltd for the:

*Retention of ancillary bed & breakfast accommodation and part retention of licenced space, change of use of remainder to multi-use business and local community hub (including office and flexible work/collaboration/shop/café space falling within use class E and F(2)), internal re-configuration, internal and external fabric repairs and window refurbishment, refurbishment of boundary walls and out-buildings, hard and soft landscaping, circulation and car and cycle parking, together with rear two-storey extension with rooftop solar PV panels and the provision of modular 'pod' building and residential development at The Battleaxes, Wraxall.*

- 1.2 The existing building was built in 1882 having originally been split in to three separate buildings serving as a village temperance inn, estate club house and caretaker's house. In the early 1900's a range of additions were made to the buildings to merge the multi-use functions into a single building for use as a public house, initially called the Widdicombe Arms before later being renamed The Battleaxes.
- 1.3 The use as a public house continued for the rest of the 20<sup>th</sup> century and until February 2020 when it became vacant after the operator ran in to financial difficulties, this was exacerbated by the Covid-19 pandemic (from March 2020) before eventually going into administration in August 2020.
- 1.4 Since then, the property has been marketed by Fleurets and despite an extensive market campaign only four offers were made, including that of the applicant. All of these were on the basis that for their proposals to be viable they would need to introduce an alternative use.
- 1.5 It is evident from the extensive market testing and financial review that the retention of the operation of the existing building as a single public house is untenable and a viable alternative is essential to bring the vacant listed building back into sustainable, beneficial use.
- 1.6 The existing public house is too large to be served by the small community surrounding the property and the inefficient layout and additional costs post Covid add have added to the pubs demise. A trend which has fallen to a number of similar properties across North Somerset.
- 1.7 Studio HIVE Properties Ltd will provide a multi-use hub for business and community use, securing the long-term protection of the Listed Building, and delivering economic resilience for the site and buildings.
- 1.8 The economic and community benefits of the proposals are significant. The scheme provides a mix of community, retail, and workspaces for use by local people and businesses, importantly spaces that are flexible and meet the needs of the changing environment following the coronavirus pandemic, particularly with the onset of Hybrid working and the need for local business hubs to serve the rural workforce who now are not required to travel into their office everyday .In addition, the quality amenity and accommodation offering will attract a range of visitors to the local area.
- 1.9 Following a general lack of maintenance over many years and prolonged period of vacancy the existing building now requires a comprehensive scheme of repairs and upgrade measures. Given the scale and complex nature of the building, the latter owing to its historic

fabric, the costs associated are substantial and cannot be delivered solely by the projected income of the existing building or new proposed uses set within the existing building.

- 1.10 Following an extensive financial review of all potential options, it has been concluded that to bridge the viability gap, the proposed refurbishment and redevelopment of the existing building needs to be supported by the development of new dwellings on the existing hardstanding areas to the rear of main building to the rear of the site.
- 1.11 This report sets out the methodology of the viability process undertaken by the Applicant, and their consultant team, and details the findings of the resulting financial viability appraisals.
- 1.12 This report should be read in conjunction with the other documents submitted in support of the planning application, in particular the Marketing Report and the Building Survey undertaken by Hartnell Taylor Cook (HTC) and the Built Heritage Statement provided by RPS.
- 1.13 Please note this report contains commercial sensitive information so should only be used of the purposes of this viability assessment.

## 2. METHODOLOGY

- 2.1 To assess the viability of the existing building and its surrounding grounds, both for its most recent use as a public house and the proposals submitted by the applicant, several industry professionals have been employed.
- 2.2 A series of studies have been undertaken, namely a Building Survey, Marketing & Viability Report, and Built Heritage Statement, to inform the production of a series of financial viability appraisals.
- 2.3 Building Survey
- 2.2.1 A building survey was carried out by Hartnell Taylor Cook (HTC) in July 2022 to ascertain the existing condition of the Listed building and determine the scope and extent of repairs required to the building fabric.
- 2.2.2 This was supported by a full drone survey of the building to verify the observations and findings of the survey report.
- 2.2.3 The summary findings of the survey report identify a need for certain immediate repairs and provision for the future replacement and implementation of a comprehensive planned preventative maintenance strategy to maintain the integrity of both the external and internal elements of the building. The building has suffered to date from a general lack of repair and maintenance (over a 20 year period) critically in respect of the envelope including the roof, windows and doors.
- 2.2.4 In addition to immediate actions, for the building to be made fit for purpose and fit for the future other repair/overhaul measures will be required soon. These include, but are not limited to, a complete overhaul of the building services systems; electrics, plumbing and heating system. For example, heating is currently provided by gas fired boilers supplied by two large LPG cylinders. With the ongoing changes to Part L of the Building Regulations it is likely that these will need to be replaced in the relatively near future by a renewable source such as a centralised heat pump system.
- 2.2.5 Further detailed specification and a comprehensive Schedule of Works will be developed for the whole building in due course, but the critical aspects identified above have already been surveyed further and a detailed scope of works identified, and budget costs determined.
- 2.2.6 The following budget costs have been ascertained to date:
- Repairs to roof, rainwater goods, chimney stacks - £250,000
  - Repairs to existing sash and casement windows - £50,000
  - Repair and replacement of selected doors -£12,000
  - Redecoration of all existing external timberwork including windows and doors - £10,000
  - Repairs to stonework due to general weathering, surface water run-off, and previous alterations such as perforations from services/flues - £17,500- £25,000

- Repairs and localised renewal of external timberwork including the mock Tudor detailing - £15,000
- Installation of secondary glazing to meet the current acoustic standards required under Part E of the Building Regulations - £50,000
- Overhaul of existing building services to ensure safe operation, bring up to modern standards and meet requirements under Part L of the Building Regulations - £300,000
- Clearance works to external areas and repairs to existing stone boundary walls, timber fences and steps - £10,000
- General internal refurbishment, redecoration works and fit-out of the internal spaces in the building:
  - Office space - £230,000
  - Co-working space - £90,000
  - Café/farm shop - £70,000
  - Community hub/reception area/breakout space - £70,000
  - Bed & breakfast rooms - £40,000

NB: Not all of these works and repairs will be completed in one step, some of the items will form the basis of a planned maintenance programme, once the building is occupied and other items will be required ahead of occupation for the relevant part of the estate.

## 2.4 Marketing Report

2.3.1 A marketing report was carried out by Hartnell Taylor Cook (HTC) in February 2023 to consider the viability of the proposals for the refurbishment and redevelopment of the existing building in the context of current market conditions, the most recent use as a public house and the proposals for a multi-use business and local community hub.

2.3.2 This was informed by Fleurets, the agent that has marketed the building from October 2020 to present, setting out the marketing history of the property including the campaign undertaken to sell the property, the interest generated by that process and any subsequent offers to purchase on a leasehold or freehold basis received.

2.3.3 The report demonstrates a general lack of interest in the property and despite an extensive market campaign only four offers were made, including that of the applicant. All of these were on the basis that for their proposals to be viable they would need to introduce an alternative use in the building or on the site to bridge the viability gap.

2.3.4 The summary findings and conclusions from the report were as follows:

- The most recent use as a pub has proved unviable over a number of different occupiers and in differing market conditions which indicates that the building in its current format is no longer fit for purpose from a

commercial perspective meaning that repeated and extended periods of void are likely.

- The periods of vacancy and inactivity within the building have exacerbated the poor condition of the premises as they currently stand, meaning that significant investment is required to bring them back into operational use. In order to move away from this pattern of activity it is important to establish a number of different viable uses within the accommodation and across the site to generate enough value to trigger the initial phase of refurbishment activity.
- The proposals incorporate several uses within the same building footprint including lower ground floor retail and cafe, ground floor office incorporating a licensed café use and first floor accommodation use. The building will be owned and managed under a single umbrella and this cohesive ownership will allow for management of the areas co-existing within the building.
- The proposed office and managed business hub use at ground floor level is supportable in context of the market activity and creates an exciting opportunity for companies struggling to obtain space for their business growth. The proposals also offer the opportunity to consolidate currently disjointed spaces into usable accommodation that more accurately reflects the current style and configuration of offices demanded by the market.
- Similarly, the lower ground floor café with the incorporation of retail uses provides for accommodation which will appeal to a wider market and should enable a viable long-term use of that part of the building.
- Retaining the existing first floor letting accommodation is sensible given the positive experience the previous owner/operator had with these spaces, however with the introduction of the business hub and commercial use on the lower ground floor the accommodation retained in the first floor of the building will provide a good and viable use.
- The proposals for the wider site in the grounds of the listed building provide an opportunity to introduce a landscape led solution to support the refurbishment of the main building. The introduction of the garden space to the rear of the existing building will provide social and economic benefit to the project. The introduction of the housing which will help underpin the extraordinary cost of the listed building refurbishment and deliver a commercial return that will support the refurbishment and manage the estate in the long run.

## 2.5 Built Heritage Statement

- 2.4.1 A built heritage statement has been produced by RPS, dated February 2023, which assesses the likely impacts of the proposals for redevelopment on the Listed building.
- 2.4.2 The conclusion of the report is that whilst there are a range of impacts, both enhancement and harm, as an aggregate the proposals will result in less than substantial harm to the listed building, specifically negligible within the spectrum of less than substantial harm, therefore at the lowest end of that spectrum.

- 2.4.3 It is determined that the impact on the Listed building is outweighed by the public benefit, namely the community and business hub, being provided by the proposals and there should be no objection from a heritage perspective to the planning application.
- 2.4.4 The above findings demonstrate that from a heritage perspective the proposals provide an optimum viable use for an ailing Listed building which will continue to deteriorate in the absence of investment and occupation.



### 3. VIABILITY APPRAISALS

- 3.1 A series of viability appraisals have been produced that set out a financial assessment of several different options for development of the existing building and its surrounding hardstanding areas.
- 3.2 The options modelled range from refurbishment of the existing building and retaining the existing use, as one large public house, which you will note demonstrates the economic challenge of the existing use, through to the planning application proposals for the refurbishment and redevelopment of the existing building into a multi-use business and community hub, including a modern office extension to the rear, and development of 9 new dwellings in the grounds.
- 3.3 The full list of options modelled is as follows:
- Refurbishment of the existing building and retain existing use as one large public house (Retain as public house)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub. (Base Appraisal)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub including a modern office extension to the rear. (Base Appraisal + Extension)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub and the sale of 9 housing plots for development. (Land sale appraisal)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub including a modern office extension to the rear and the sale of 9 housing plots for development. (Land sale appraisal + extension)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub, development of a new office building a terrace of 6 new dwellings in the grounds. (Large office appraisal)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub and development of 9 new dwellings in the grounds. (Full site appraisal)
  - Refurbishment and redevelopment of the existing building into a multi-use business and community hub, including a modern office extension to the rear, and development of 9 new dwellings in the grounds. (Full site Appraisal + extension) – **(As Planning Application proposals)**

	Retain as public house	Base Appraisal	Base Appraisal + Extension	Land sale appraisal	Land sale appraisal + extension	Large office appraisal	Full site appraisal	As per planning application
								Full site appraisal + extension
<b>TOTAL GDV</b>	£ 750,000	£ 2,215,120	£ 2,381,932	£ 3,115,120	£ 3,281,932	£ 7,732,540	£ 8,543,390	£ 8,710,202
<b>TOTAL COSTS</b>	£ 1,404,900	£ 2,795,840	£ 2,945,121	£ 2,991,140	£ 3,140,421	£ 7,873,702	£ 7,693,846	£ 7,843,127
<b>PROFIT MARGIN</b>	-£ 654,900	-£ 580,720	-£ 563,189	£ 123,980	£ 141,511	-£ 141,162	£ 849,543	£ 867,075
<b>%</b>	-87%	-26%	-24%	4%	4%	-2%	10%	10%

#### 4. CONCLUSIONS

- A financial model was produced to evaluate the viability of the building should it be retained as a public house. This demonstrates that the value associated with the income of the building as a single entity public house is significantly less than the total costs that will be incurred to bring it back in to a reasonable state of repair and this generates a significant financial loss overall. The viability of refurbishing and operating the existing building as a new multi-use business and community hub without the new build dwellings still generates a significant loss although it is a better overall position than maintaining the existing use. An option to repair and refurbish the main building and support this with the sale of 9 new build development plots was modelled but demonstrates that only with the applicant developing and constructing these can a viable return be achieved. The final option modelled is that of the scheme put forward in this application which includes a small contemporary extension to the existing building and the development of the 9 new dwellings in the grounds. This provides a viable option for the site and delivers a margin that allows a sustainable future for the site with the income generated from its new uses.
- The refurbishment of the existing building and retention of its existing use as a public house is financially unviable due to the extra ordinary costs which will not be recouped with ongoing operation as a single entity public house. The grounds, if not redeveloped, require extensive work which will never be able to be supported by the public house as a single entity. The planning application proposals for the refurbishment and redevelopment of the existing building into a multi-use business and community hub, including a modern office extension to the rear, and development of 9 new dwellings in the grounds is the most viable option and demonstrates the case for it being the optimum viable use from a heritage perspective.
- The viability gap is driven by the significant scale of the repair & restoration works required. The total cost of the works to the main building is estimated to be in the region of £1.2m with the key elements including repairs to the existing fabric such as the roof and windows, the installation of secondary glazing to meet current building regulations, and an overhaul of the existing building services systems to ensure safety and meet modern standards. All of these works are necessary to ensure that the listed building is enhanced and protected for the future.
- The development of 9 new dwellings in the grounds is required to bridge the viability gap for the refurbishment and redevelopment of the existing building and site, the landscape led solution is not viable without the introduction of the new homes to support the level of investment required for the repair and refurbishment and ensure the sustainable future of the listed building.