Chartered Surveyors,
Project Managers, CDM Coordinators
Sustainability Consultants, CAD Design Services

trinity construction consultancy ltd

1-4 Church Close: Financial Viability Assessment

Addendum following omission of garage conversion.

Prepared for
Team AB Ltd
September 2023

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Appendices

1 Introduction

Team AB Ltd have commissioned Trinity Construction Consultancy Ltd to provide a viability appraisal of different schemes that will enable the restoration of 1-4 Church Close, Sproughton, Suffolk. An assessment of the Conservation Deficit arising from conservation works to 1-4 Church Close ('the Site') and the amount of enabling development required to mitigate this Conservation Deficit. Our terms of reference are summarised as follows:

- Assess the Conservation Deficit arising from repairing the existing buildings that are falling into disrepair.
- Determine the amount of conversion and new build 'enabling development' required to mitigate the Conservation Deficit.

This report has been drafted at an early stage in design development and is subject to variation as more detailed information becomes available as the building fabric is uncovered and discussions with the Local Planning Authority progress.

As a result, this report will allow the decision makers to understand the challenges involved in the project so that decision making can be focused on the most acceptable and yet viable way forward.

1.1 Trinity Construction Consultancy Ltd

Trinity Construction Consultancy Ltd is a local firm of Chartered Surveyors, established in 1999 and in Great Blakenham since 2007. The company specializes in advice to developers and has produced numerous appraisals to accompany planning applications including those for enabling development.

Michael Dymond is a director of the company and well versed in historic buildings and their particular challenges.

1.2 Report Structure

This report is structured as follows:

- Section two provides a brief description of the Development.
- Section three describes the methodology that has been adopted.
- Section four reviews the assumptions we have adopted in our appraisals.
- Section five sets out the results of the appraisals.
- Finally, in Section six, we draw conclusions from the analysis.

1.3 Disclaimer

In preparing this report and the supporting appraisals, we have given full regard to the RICS Guidance Note ('GN') 'Assessing viability in planning under the National Planning Policy Framework for England 2019' (first edition, March 2021). However, paragraph 2.2.3 of the GN acknowledges that statutory planning guidance takes precedence over RICS guidance. Conflicts may emerge between the GN and the PPG and/or other adopted development plan documents. In such circumstances, we have given more weight to the PPG and development plan documents.

2 The Site and the development proposals

2.1 Site Location and Description

The site is in Sproughton, a village in Suffolk, just to the west of Ipswich. The village has a church, primary school, a pub (the Wild Man) and a community shop.
The River Gipping runs through the village.

The property is formed of the main, large house, with small outbuildings and a range of outbuildings to the front of the property.

The Listed Building Description provides the following information:
GV II House, formerly the Old Rectory, divided into four houses and flats 1961. Late C15, C17, c1836. Timber framed,rendered, lined as ashlar, brick, some colourwashed, plain tile roofs. Complex plan, gable to road.
A long range, of late C15 end jettied range and jettied crosswing, C17 range, with early C19 wing at right angles, and wing to rear of c1836, partially on line with medieval crosswing. One and a half, two and two and a half storeys, cellars. Late C15 range. Three first floor leaded casements. Brick porch in Flemish bond, painted, parapet of c1836 reuses c1500 carved spandrels in arch. C20 door. Blocked doorway to left. Crosswing. Horned sash, and C19 door reset from rear of house, replacing C19 window. First floor three-light timber casement. C17 range. One and a half and two storeys, timber framed, encased in brick, rendered and lined as ashlar. Scattered fenestration of C19 and C20 casements and one horned sash. Three half-dormers with casements beneath carved bargeboards. One leaded casement. Two C20 doors, that to right beneath porch incorporating cusped brattishing in the gable, carved spandrels and tall octagonal crown post with moulded cap and base and two braces, probably from the earlier range and set up c1836. Painted brick two storey range to right, of scattered fenestration. Axial stacks of grouped polygonal shafts with moulded caps mostly C19 and later, including one between hall and crosswing, one to left of C17 range, one inserted in jettied roadside gable.
Rear: two first floor leaded casements, one an C18 cross casement, one as those to front.1836 brick wing, two storeys. Three first floor leaded casements one probably early C18, reset.
Interior: late C15 range of two unequal bays, crosswing of two or three curtailed bays (now part of No 2). Mutilated crown post roof with one octagonal post with embattled cap, and longitudinal braces. Crosswing. Open truss with renewed braces, probably renewed c1836. 1836 stair of stick balusters, wreathed handrail, turned newel. Two six-panel doors with egg and dart moulding to raised and fielded panels. Cellar beneath crosswing and 1836 wing said to have early brickwork.

Figure 2.1.1: Block Plan

2.2 Proposed Scheme

In order to mitigate the Conservation Deficit, it is proposed that the existing building is converted and extended to form two separate dwellings and a new dwelling is constructed in the rear garden. The decision to change from four units to two units is an attempt to reverse the damage caused by the conversion to four units in 1961. The extension of the building to one side will further protect the existing fabric by allowing a new staircase to link the floors without penetrating the existing building. The garage will be refurbished and shared between the two houses; the new building will provide the mitigation necessary to make the scheme viable.

2.3 Option Considered

Three options have been considered and appraised. This report is for a fourth option.

To restore, convert, and extend the existing buildings to form two dwellings in the main house and refurbish the garage to be used by these two dwellings. This option goes some way to mitigate the burden of restoration and reverses the alterations made in 1961 that are detrimental to the historic understanding of the building such as subdivision of rooms and blocked circulation spaces. In addition, to form a new dwelling in the rear garden of the building. This mitigates the burden of restoration.

3 Methodology

Following a detailed and intrusive site investigation by Nicholas Jacobs Architects a cost appraisal was conducted to ascertain the Conservation Deficit (See Appendix A)

This was augmented by a valuation report by Watson Property (See Appendix B). The valuation considered the value of the existing units once refurbished and the value of the proposed scheme.

A further incremental cost appraisal was conducted to ascertain the point of positive return from the Conservation Deficit.

3.1 Decision-taking: historic environment

Most heritage assets are in private ownership. Consequently, sustaining heritage assets in the long term often requires an incentive for their active conservation. Putting heritage assets to a viable use is likely to lead to the investment in their maintenance necessary for their long- term conservation.

3.2 Determining the extent of the Conservation Deficit

The core principle for the assessment will be that the proposed new build development, together with the repairs and conversion of the Listed Building, will need to generate a sufficient revenue to cover the development costs, land value and return to the developer.

There is an obvious Conservation Deficit with regard to the Heritage assets in this case and this appraisal seeks to deal with the two holistically.

3.3 Planning obligations, including affordable housing

The proposed development falls below the requirement for affordable housing. Notwithstanding, any development generates a finite amount of value which can be 'carved up' between competing objectives in different ways. The primary objectives of enabling development are (a) to mitigate the Conservation Deficit associated with the heritage asset and (b) to minimise the amount of development in the Green Belt. In this context, seeking affordable housing or other planning obligations would require an increase in the quantum of enabling development.

4 Appraisal assumptions

This section of the report sets out the general principles and assumptions which have been used to undertake a development appraisal of the scheme.

4.1 Valuation

The valuation has been carried out independently by Watson Properties.

4.2 Construction Costs

The Application involves two distinct elements: firstly, repairs to the existing buildings, and secondly, the new build enabling development, including the extension to the existing building. In particular, the repair and conversion of the existing buildings carries greater risk than other conversions, due to the restrictions associated with its listing.

A cost plan is attached as Appendix 1 and summarised in Table 4.4.1.

Table 4.4.1: Construction costs

Option 4 Planning proposal	Cost (BCIS)	Fees (3%)	OH/P (5%)	Cont (5%)	Monitoring	Warranty	Total
Garage refurbishment	£51,805.00						
Main building Unit 1	£464,877.00						
Main building Unit 2	£359,331.00						
New building	£459,368.00						
Total		£40,061.43	£66,769.05	£66,769.05	£9,600.00	£8,800.00	£1,527,380.53

The costs above incorporate a contingency of 5% reflecting the greater inherent risk in works to listed buildings and heritage assets.

4.3 Developer’s Profit

We consider a profit of 15% of GDV to be reasonable profit when appraising a development. However, in this case the developer has indicated that their assertion is that the property has cost circa £1 million pounds and is unsaleable. In addition, the asset is depreciating with decay. Although the appraisal shows a net loss of £296,298.85, their view is that at least the building is repaired and the asset appreciating.

4.4 Finance Costs

With rising interest rates, the development finance has been set at 7% with 1% arrangement and 1% exit fees. In addition, amounts have been allowed for bank monitoring and legals.

4.5 Professional Fees

Professional fees have been kept to a minimum with 3% being allowed to allow for monitoring of the listed building works by the heritage Architect with all other fees being incorporated into a design and build contract therefore contained within the construction costs.

4.6 Marketing & Disposal Costs

We have allowed 1% for Sales Agent and 1% for Sales Legal. Once completed, given the attraction of the location, we believe that marketing will not be necessary.

4.7 Acquisition costs

We have included the purchase price of the site and included stamp duty, purchase legals and protection costs since purchase.

Item	Cost
Purchase price	£900,000.00
Stamp duty	£45,000.00
Legals on purchase	£18,000.00
Protection costs	£35,000.00
Total	£998,000.00

5 Conservation deficit calculation

To ascertain the Conservation Deficit a valuation and cost appraisal was undertaken considering the refurbishment of the units as they currently are. The appraisal deficit as £1,094,448.97. This shows that the site at present has negative value.

5.1.1 Holding costs

We have included initial protection costs to stop the property degrading further but have not included any holding costs relating to the property at this stage. These relate to security costs to ensure the heritage assets are protected as far as possible from theft, vandalism, water and fire damage; maintenance; insurance; and any taxation liability.

5.1.2 Potential short-term Income

We have not included any short-term rental income as we believe this will only mitigate the holding costs.

5.1.3 Repair costs

Repair costs are based upon the findings of the Condition Survey and Heritage Statement (and addendums). We have allowed a contingency of 5%, which is arguably very low for a scheme involving works to a heritage asset.

6 Residual values generated conversion and new construction.

The fourth option built upon the values ascertained by Watson properties and assumed an additional value of the two main properties of £50,000.00 each for the addition of the two large garage areas.

7 Conclusions

This report is an addendum to the original viability report. This option, whilst not resulting in a cost neutral outcome, does go someway to mitigate the costs that will inevitably be incurred to repair the original buildings.

Appendix 1 - Cost Report

DEVELOPMENT APPRAISAL SUMMARY - OPTION 4					
Project	**1-4 Church Close**				
Location	**Sproughton**				**23/09/2023**
REVENUE	Currency in £				
RESIDENTIAL SUMMARY	Units	ft² (NIA)	Rate ft²	Initial MRV/Unit	
Values as Watsons Report					
Garages sold with main buildings	207.22	2,230.52	£44.83	£100,000.00	
Main building conversion	442.74	4,765.65	£173.11	£825,000.00	
Main building and extension	342.22	3,683.66	£162.88	£600,000.00	
New building	353.36	3,803.57	£223.47	£850,000.00	
					£2,375,000.00
				NET REALISATION	**£2,375,000.00**
OUTLAY					
ACQUISITION COSTS					
Purchase Price		£900,000.00	£900,000.00		
Stamp duty	£0.05	£900,000.00	£45,000.00		
Legals on purchase			£18,000.00		
Protection costs since purchase			£35,000.00		
				ACQUISITION COSTS	**£998,000.00**
CONSTRUCTION COSTS					
As BCIS construction costs					
Item	Quantity	Unit	Rate	Cost	
Garage refurbishment	207.22	M2	£250.00	£51,805.00	
Main building conversion	442.74	m2	£1,050.00	£464,877.00	
Main builidng and extension	342.22	m2	£1,050.00	£359,331.00	
New building	353.36	m2	£1,300.00	£459,368.00	
Fees & On-costs					
Fees	£0.03	%	£1,283,576.00	£40,061.43	
O/H & P	£0.05	%	£1,283,576.00	£66,763.05	
Build Contingency	£0.05	%	£1,283,576.00	£66,763.05	
Bank Monitoring Surveyor	£12.00	nr	£800.00	£9,600.00	
Premier Warranty	£4.00	nr	£2,200.00	£8,800.00	
					£1,527,380.53
				TOTAL BUILD COST	**£1,527,380.53**
FINANCE					
Debt Rate @	£0.07				
Construction	12 months at 7%		£53,458.32		
In	£0.01	£998,000.00	£9,980.00		
Out	£0.01	£998,000.00	£9,980.00		
Legals			£25,000.00		
				£98,418.32	
					£98,418.32
DISPOSAL FEE					
Sales Agent Fee	£0.01	£2,375,000.00	£23,750.00		

Sales legal Fee	£0.01	£2,375,000.00	£23,750.00		
				£47,500.00	**£47,500.00**
				TOTAL COST	**£2,671,298.85**
Performance Measures					
Profit on Cost%		0.91		**SALES**	£2,375,000.00
Profit on GDV%		-0.10		**COSTS**	£2,671,298.85
				ROI	-£296,298.85