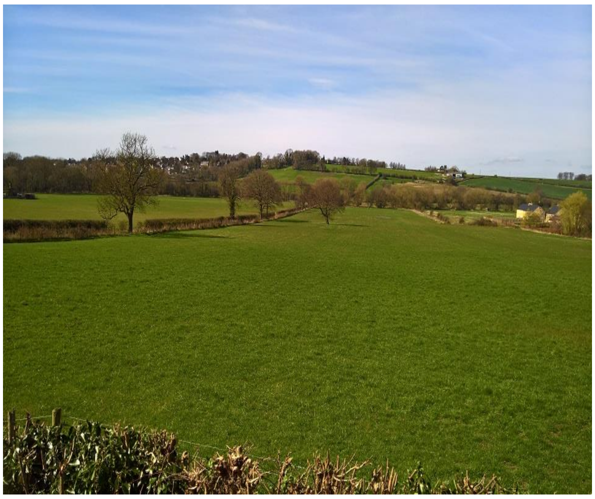
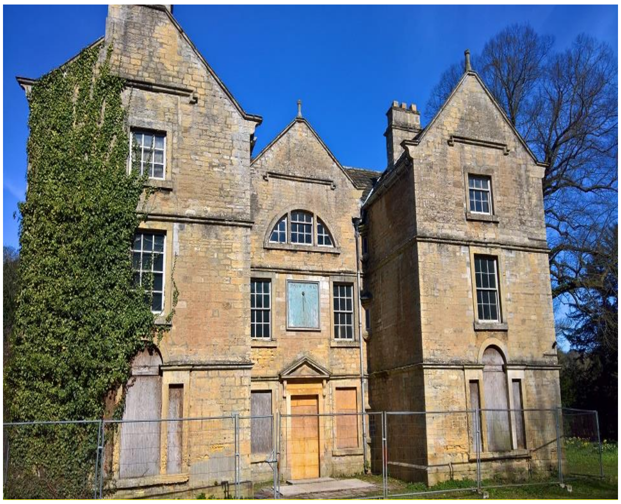
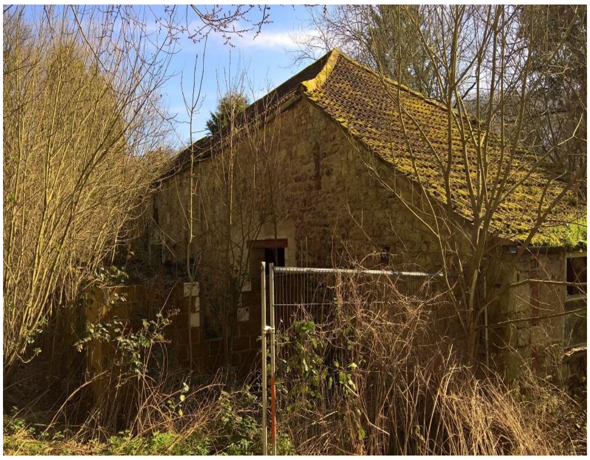
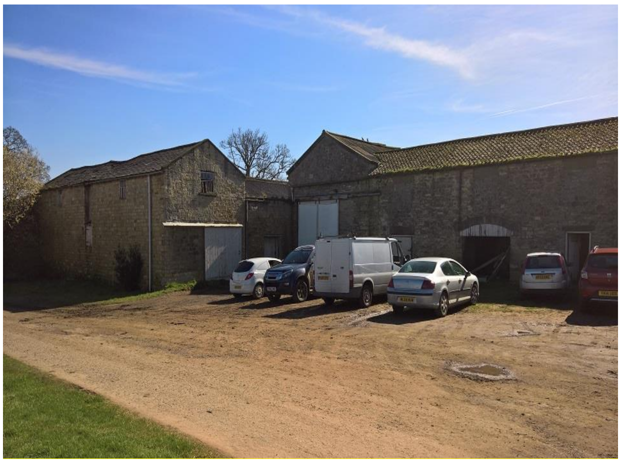
LAND AT WETHERBY ROAD, BARDSEY, LEEDS
PLANNING REF: 17/00655/OT

Viability Review

INSTRUCTING BODY: Leeds City Council
APPLICANT: Bramham Park Estate & Sandby (Bardsey) Ltd

9th May 2017

CP Viability Ltd

Ref: DN-006

CPV

Independent Property Experts

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1. Introduction

1.1. Further to our terms of engagement dated 16 December 2016.

1.2. An outline planning application has been submitted (17/00655/OT) in relation to the above site for the development of up to 140 dwellings, including public open space, flood alleviation measures, landscaping, new access from A58 Wetherby Road and pedestrian cycle access from The Drive.

1.3. The subject land forms part of the Bramham Park Estate ("land at Wetherby Road") and is understood to lie within the greenbelt. In accordance with national policy, development can therefore only take place if "Very Special Circumstances" can be proven. In this context, the applicant has indicated that the proposed scheme would be used as a way of generating funds to undertake urgent repair works across the wider Bramham Park Estate (which includes a mix of Grade I, Grade II * and Grade II Listed buildings / gardens).

1.4. As part of the application, the applicant has submitted a Heritage Viability Report ("HVR"), prepared by Savills and dated Dec 16, which focuses on the following:

- Identification of the priority works required.
- Estimated cost of these works.
- Current income capability of Bramham Park Estate.
- 3 buildings identified as being suitable for conversion (known as The Biggin, College Farm and Wothersome Barns).
- Availability of grant funding.
- Likely land receipt expected from the sale of land at Wetherby Road (with the benefit of a residential outline consent).

1.5. The HVR references a costings exercise undertaken by Peter Pace Architects in 2016, which identifies urgent heritage works (including fees and VAT) totalling £10,871,855.

1.6. Having explored each option, the HVR concludes that the income capability of the existing estate, grant funding and the conversion of the 3 buildings referenced above would not provide a sufficient level of income to meet this cost liability. The HVR therefore concludes that the only way to fund the programme of works would be through the disposal of the land at Wetherby Road with the benefit of a residential planning consent. The HVR states that the sale would generate a gross land receipt of circa £10.58million, however after professional fees this would net down to circa £8.5million.

1.7. We have been instructed to consider the following only:

(i) The robustness of the development appraisals prepared for the 3 buildings identified as being suitable for conversion.

(ii) The robustness of the development appraisal prepared for the land at Wetherby Road and in particular to form a judgement regarding the likely land receipt that could be achieved.

1.8. We have reported on these elements only.

1.9. In accordance with the requirements of the RICS, prior to accepting this instruction we can confirm that we undertook a conflict of interest check. Having undertaken this review we are unaware of any conflict of interest that prevents CP Viability from undertaking this instruction. If, at a later date, a conflict is identified we will notify all parties to discuss how this should be managed.

1.10. We have assessed the viability of the scheme as at 9th May 2017.

1.11. We have relied on the information provided to us by the instructing body and the applicant, as well as information publicly available through the Council's planning portal website.

1.12. David Newham undertook an inspection of The Biggin, College Farm, Wothersome Barns the land at Wetherby Road on 24th March 2017.

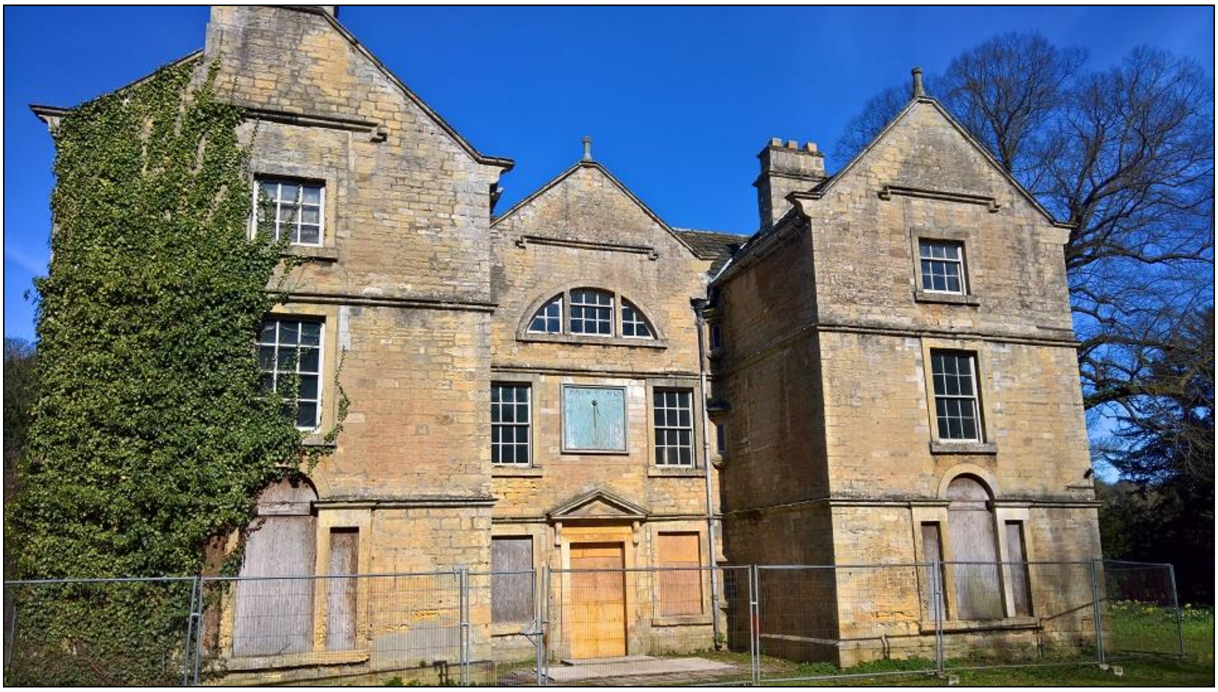
1.13. We met with the applicant during the site visit, however we have not partaken in any negotiations regarding any elements of the development appraisals.

1.14. In accordance with the RICS Guidance on Viability (Guidance Note 1, 2012), our appraisal assumes a hypothetical landowner and a hypothetical developer. The intention of the development appraisal is therefore to identify the approach a 'typical' or 'average' developer / landowner would take to delivering the site for development. A viability assessment does not therefore seek to reflect the specific circumstances of any particular body (whether landowner or developer).

1.15. In undertaking our appraisals, we have utilised the ARGUS Developer appraisal tool. This is an industry approved cash-flow model, designed specifically for development appraisals.

1.16. This report reflects the independent views of CP Viability, based on the research undertaken, the evidence identified and the experience of the analysing surveyor.

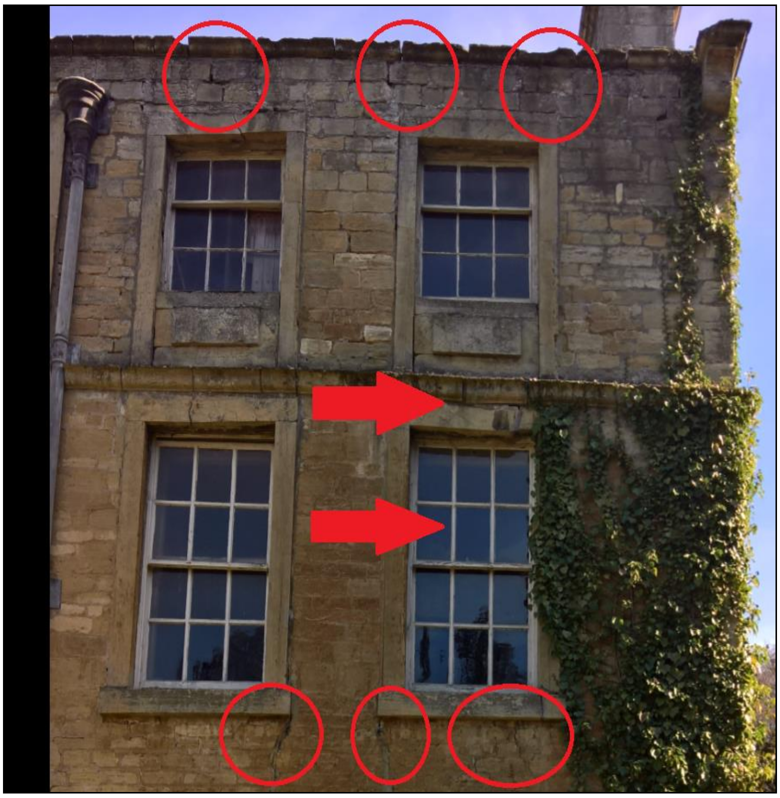
2. The Biggin, Bramham Park Estate



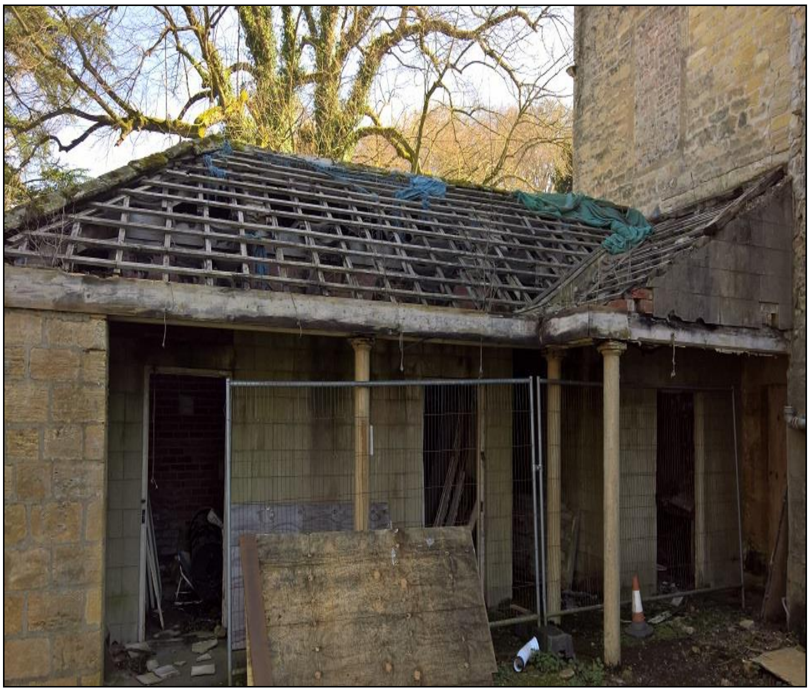
Property Overview

2.1. The property is located within the Bramham Park Estate and comprises a substantial 3 storey stone building, which is understood to have been used in the past as a private residence and later a school. The building is Grade II * Listed and was placed on Historic England's buildings 'at risk' schedule in Oct 2015.

2.2. Whilst this report does not comprise a structural survey, at the time of inspection various major repair issues were noted, including the following:



Substantial cracking to external elevation. Areas circled red are the most significant points of cracking, although cracks (including some where basic repairs have been undertaken) were noted at other points across this elevation. The red arrows denote the direction the elevation appears to be moving. This is likely to be a major repair issue as it appears the building is suffering from ongoing structural movement. Specialist advice from a structural engineer should be sought to confirm this position. It may be that underpinning works are required to ensure the stability of the structure.



Rear extension to the main building in derelict condition and requires new roof.

2.3. Internally, the building is empty and retains a number of its original features. However, again various significant repair issues were noted, including the immediate repair of a rotten wooden lintel above a window on the top floor, which is currently being held up by an Acrow Prop. This issue, along with other obvious signs of water ingress throughout the top floor, are understood to have originated from a leaking roof. At the time of inspection, we were informed that some repair works to the roof have been undertaken, however it is unclear the extent of these works and whether other underlying issues are still present.

2.4. Based on the internal inspection undertaken and given the age and nature of the property (particularly its Grade II * listed status), it is reasonable to assume there are likely to be significant repair costs associated with the building. We envisage significant costs could be incurred in ensuring any underlying structural issues are identified and resolved.

2.5. The property was originally granted planning consent in 2006 (ref 06/02119/FU and 06/02123/LI) for its conversion to 7 apartments (being 5 x 2 bed and 2 x 1 bed). This consent has been extended twice, firstly in 2010 and more latterly in 2013 (with the latest extension having lapsed in May 2016). For the purposes of this report it is assumed a similar planning application to that previously granted would be acceptable to Leeds City Council.

2.6. We have been provided with plans for the proposed conversion, which show the following indicative layouts:

	Floor	Beds	NSA (sq m)	NSA (sq ft)
Apartment 1	Ground	2	120.40	1,296
Apartment 2	Ground	2	109.60	1,180
Apartment 3	First	1	84.20	906
Apartment 4	First	2	101.60	1,094
Apartment 5	Second	2	119.60	1,287
Apartment 6	Second	2	92.60	997
Apartment 7	Ground	1	54.10	582
			682.40	**7,346**

2.7. It is understood the conversion work for the approved scheme was costed by LaRock in 2013. This figure has been indexed to establish a build cost as at 2016.

Applicant appraisal

2.8. The applicant's appraisal is summarised below. Please note, the applicant has assumed the freehold interest in the Biggin would be retained by Bramham Park Estate, with the apartments let on a short lease term basis. This mirrors existing arrangements with other buildings across Bramham Park Estate and is a strategy adopted by the applicant to retain control and the ability to appropriately maintain the buildings.

Gross Development Value (Revenue)

Type	No.	Av £ / sq ft	Total
Market Value apartments	7	£132.73	£975,000

Gross Development Cost (Outgoings)

Type	Rate	Total
Repair works (inc contingency)		£541,200
Conversion works (inc contingency)	Circa £160psf (based on net to gross 115%)	£1,348,800
Professional fees	17.14% of build costs	£324,000
Marketing – letting fees		£20,040
Finance	6% debit	£54,386
Total		**£2,288,426**

2.9. Based on the applicant's appraisal assumptions the scheme makes a deficit of circa £1.31million.

CP Viability appraisal

2.10. For the purposes of this assessment we have adopted the apartment areas as outlined above in 2.6. We have also assumed the flats would be retained and rented, as per the applicant's approach. This is consistent with other buildings across the Bramham Park Estate and is therefore considered to be a reasonable assumption to make.

Gross Development Value (Revenue)

2.11. In their appraisal, the applicant adopted an average rental value equivalent to £1,000 per calendar month for the 2 bed apartments and £750 per calendar month for the 1 beds, giving a gross annual income of £78,000 per annum. They then capitalised this using a gross initial yield of 8% to arrive a valuation of £975,000.

2.12. We would stress that the proposed apartments would offer something of a unique product in the market place, being accommodation within a Grade II * Listed building within the Bramham Park Estate. This means it is not possible to identify a direct comparable in the market place.

2.13. Bearing this in mind, we have identified the following currently available to rent within a 3 mile radius of Bramham:

- High St, Boston Spa: 2 bed, modernised duplex, asking rent £1,250 pcm
- Riverside, 65 Westgate: 2 bed flat, asking rent £1,200 pcm
- High St, Boson Spa: 2 bed modern flat, asking rent £995 pcm
- The Old Mill, Scott Lane, Wetherby: 2 bed modern flat, asking rent £950 pcm

2.14. Further across the general region, we have also identified the following:

- Buckingham House, Headingly, Leeds: ground floor 2 bed apartment in a Grade II Listed period residence. The flat is currently being offered for £1,500 pcm on a fully furnished basis. However, we note the asking rent was reduced in Nov 2016 (to its current level) which suggest interest has been limited to date at this level of asking rent.

- Oakfield House, Headingley, Leeds: garden 2 bed apartment in a converted period residence. The flat is currently being offered for £1,400 pcm on a fully furnished basis. However, we note the asking rent was reduced in Jan 2017 (to its current level) which suggest interest has been limited to date at this level of asking rent.

- Park Avenue, Roundhay, Leeds: top floor 2 bed apartment in a converted Victorian detached property. The flat is currently being offered for £1,200 pcm on an unfurnished basis.

- 52 Hanover Square, Leeds LS3: gated development close to LGI Hospital. Comprising the conversion of Denison Hall, a Listed period residence. 2 bed apartment extending to circa 1,500 sq ft currently being offered to let at £1,200 pcm.

2.15. Given the location and nature of the building we would expect there to be a strong level of demand from incoming tenants and therefore a premium attached to the achievable rental at the subject property.

2.16. Having considered all of the above we are of the view that the rental values adopted by the applicant are too conservative. For the purposes of our assessment we have subsequently adjusted the average rental values achievable to the following:

1 bed apartment	-	average rental achievable £850 pcm
2 bed apartment	-	average rental achievable £1,200 pcm

2.17. The above gives a gross annual income of £92,400.

2.18. We also consider the applicant's adopted yield of 8% to be overly cautious. We have adjusted this to 7.5% in our appraisal. Applied to our adjusted rental income this gives a capital value of £1,232,000 (an increase of £257,000 on the applicant's figure).

Build costs

2.19. In their appraisal, the applicant has adopted repair costs totalling £541,200, which includes roof works, repairs to chimneys, windows, doors, repointing and landscaping. For the conversion works, the costs total £1,348,800, which if the net to gross ratio is assumed to be 115% equates to circa £160 psf. We understand the above derives from a costing exercise from 2013 which has been indexed up to 2016.

2.20. We would stress that we are not qualified quantity surveyors and are not therefore able to provide a detailed review of the likely costs involved in delivering the proposed scheme. Instead, our assessment of costs is limited to high level comments only, based on our dealings with other complex conversion schemes and also benchmarks such as the BCIS cost index. If a more robust analysis is required we would recommend the Council seeks specialist advice from a quantity surveyor.

2.21. In this context, the BCIS should only be used as a broad 'sense check'. The subject scheme is unique and therefore it is unlikely that the BCIS data is able to draw upon a comparable property. Acknowledging this, we note that the upper quartile figure (deemed appropriate given the Grade II * Listed status of the building) for flat conversions, rebased to Leeds, is currently approximately £140 per sq ft, therefore below the figure adopted by the applicant. However, the highest figure in the data sample equates to circa £425 per sq ft, therefore significantly above the figure adopted by the applicant. It should also be noted that the BCIS figure excludes external works and a contingency allowance, whereas the applicant's figure of £160 per sq ft includes these items.

2.22. As for other schemes, the most comparable we are aware is a substantial conversion in York of Grade II * Listed building, which was to be converted to form a mix of townhouses and apartments. Whilst the full details of the scheme is confidential, we are able to disclose that the conversion costs applied in the viability assessment equated to approximately £125 per sq ft (excluding external works and a contingency). It should be noted that this appraisal was undertaken in 2014 and therefore the conversion costs wold be subject to cost inflation in the interim period.

2.23. Having considered the above, and stressing that our comments are of a 'high-level' nature only (for the reasons outlined in 2.20) the conversion costs applied by the applicant are considered to be broadly in line with our expectations for what is a complicated programme of works on a Grade II * Listed structure, particularly given that these costs include external works and a contingency allowance. We have therefore adopted the same in our assessment.

2.24. As for the immediate repair works, again on the understanding that we are not qualified quantity surveyors and cannot provide a robust critique of the costs put forward, based on our internal inspection it is evident that major repair works are required on the building prior to the commencement of a conversion. We anticipate the likely costs associated with these repair works will be substantial. The Council may wish to seek its own advice in this regard in terms of the level of the identified costs, however for the purposes of our appraisal we have adopted the figures used by the applicant. We would stress that should these costs change significantly at a later date this is likely to impact on the conclusions of this report.

Professional fees

2.25. The applicant has allowed 17.14% for professional fees. For a complex scheme of this nature, despite involving the conversion of a Listed building, this is considered to be in excess of our expectations. We have subsequently adjusted the rate to 12%, which is considered to be more appropriate for a scheme of this nature.

Marketing / legal costs

2.26. For letting fees we have applied 10% of the annual rental income, plus £5,000 to cover general brochures etc.

Finance

2.27. We have utilised the ARGUS developer cashflow toolkit to calculate the finance costs. Given the nature of the scheme we have applied a debit rate of 6%.

Developer's profit

2.28. In their appraisal, the applicant has assumed a nil profit, on the basis that all the proceeds (if any) would be reinvested into the Biggin / wider estate. For the purposes of our assessment we have adopted the same approach and therefore adopted a nil profit.

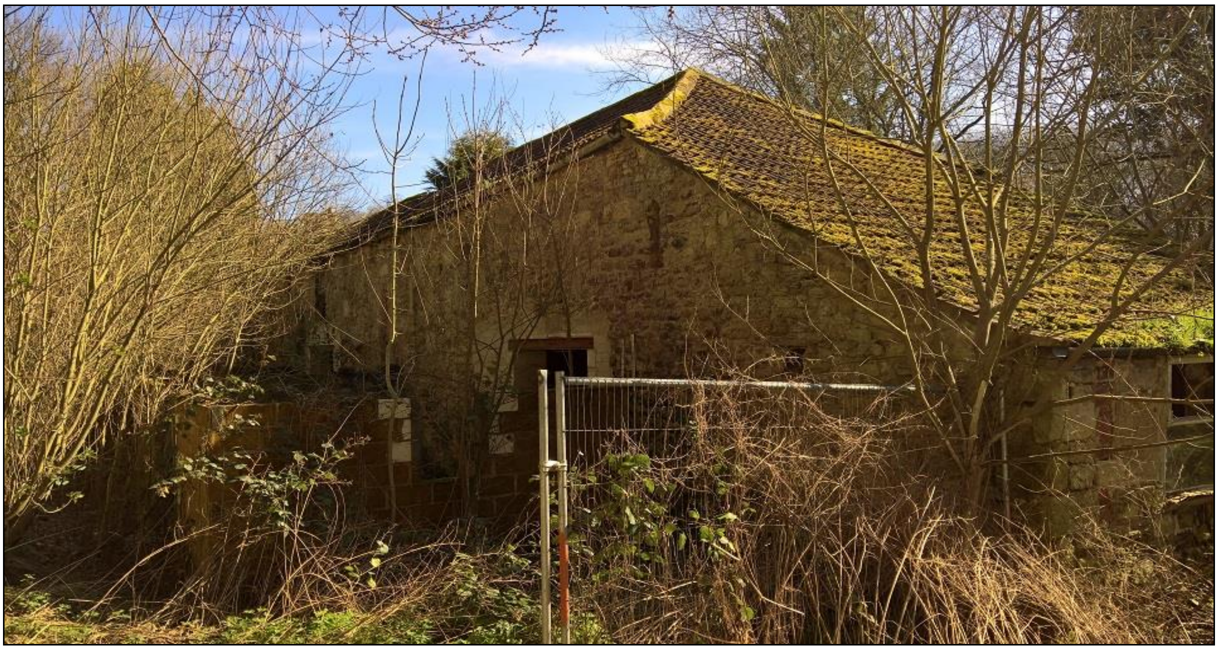
Appraisal results

2.29. See Appendix 1.

2.30. Like the applicant's assessment, our appraisal shows a significant deficit. We therefore agree that the project is unviable and would result in a loss.

2.31. However, our appraisal shows the extent of the deficit is lower than that anticipated by the applicant. Our appraisal shows a deficit of £920,248, compared with circa £1.31million shown in the applicant's appraisal. This is therefore a reduction in the cost liability of approximately £390,000.

3. College Farm, Bramham Park Estate



Property Overview

3.1. The property is located within the Bramham Park Estate, close to the Biggin (we understand this was originally a farm building constructed for the Biggin). The structure comprises a stone built former barn, which has been part converted to form a two-storey dwelling. The section of the building that has already been converted is currently rented and is excluded from this assessment. Our assessment therefore focuses on the part of the existing structure which remains undeveloped and is currently in a state of disrepair. We understand that the building is Grade II * Listed due to it being within the curtilage of The Biggin.

3.2. Whilst this report does not constitute a structural survey, at the time of inspection it was clear that significant repair works (to the structure and roof) are required before conversion works can take place.

3.3. The property was originally granted planning consent in 2001 (ref 31/357/00FU) for the conversion to offices. The consent included a single storey rear extension. We understand the permission was updated in 2008 (ref 08/9/00228/MOD). At the time of inspection, we were informed that a material start has been made to this permission as the works to the single storey rear extension has commenced. The Council has not confirmed this, although it does appear a material start has been made. For the purposes of our assessment we have therefore assumed the consent is extant.

3.4. We have been provided with plans for the proposed conversion, which show the following indicative layouts:

	Floor	NSA (sq m)	NSA (sq ft)
Reception	Ground	21.79	235
Office area 1	Ground	22.01	237
Office area 2	Ground	29.63	319
Office area 3	Ground	29.74	320
Office area 4	Ground	55.92	602
Office area 1	First	21.82	235
Office area 2	First	54.46	586
		235.37	**2,534**

3.5. The accommodation detailed above could easily be split to provide 2 office suites (1 ground floor and the other first floor).

3.6. It is understood the conversion work for the approved scheme was costed by the applicant in 2008. These figures has been indexed to establish a build cost as at 2016.

Applicant appraisal

3.7. The applicant's appraisal is summarised below. Please note, the applicant has assumed the freehold interest in College Farm would be retained by Bramham Park Estate, with the office accommodation occupied on a leasehold basis. This mirrors existing arrangements with other buildings across Bramham Park Estate and is a strategy adopted by the applicant to retain control and the ability to appropriately maintain the buildings.

Gross Development Value (Revenue)

Type	Av rent £ / sq ft	Gross initial yield	Capital value
Office accommodation	Circa £15	9%	£416,500

Gross Development Cost (Outgoings)

Type	Rate	Total
Repair works (inc contingency)		£211,575
Conversion works (inc contingency)	Circa £216psf (based on net to gross 115%)	£628,425
Professional fees	15% of build costs	£144,000
Marketing – letting fees		£7,950
Finance	6% debit	£24,172
Total		**£1,016,122***

*Please note there is an error in the applicant's appraisal. The appraisal states the total cost as being £974,409. However, when the individual items are added together the total comes to £1,016,122, which is the figure we have taken as being correct.

3.8. Based on the applicant's appraisal assumptions the scheme makes a deficit of circa £600,000.

<u>CP Viability appraisal</u>

3.9. For the purposes of this assessment we have adopted the office areas as outlined above in 3.4. We have also assumed the office accommodation would be retained and rented, as per the applicant's approach. This is consistent with other buildings across the Bramham Park Estate and is therefore considered to be a reasonable assumption to make.

Gross Development Value (Revenue)

3.10. In their appraisal, the applicant adopted a Market Rent equivalent to £15 per sq ft, giving a rounded gross annual income of £37,500 per annum. They then capitalised this using a gross initial yield of 9% to arrive at a rounded capital value of £416,500.

3.11. We would stress that the proposed office accommodation would offer something of a unique product in the market place, being accommodation within a Grade II * Listed building within the Bramham Park Estate. However, we have identified the following:

- The West Wing, Bowcliffe Hall: located just outside the entrance to Bramham Park Estate. Converted office accommodation, extending to 2,288 sq ft. Let in Oct 2014 for an undisclosed sum. However, the asking rent equated to £22 per sq ft.

- Boston House, 212-214 High Street, Boston Spa: converted office accommodation, extending to circa 1,454 sq ft. Let in May 2015 on a 3 year lease for £26.56 per sq ft.

- Harewood House Estate, 9a – 9d Harewood Yard: converted office accommodation, extending to circa 446 sq ft. Let in Jun 16 on a 2 year lease for £16 per sq ft.

- Harewood House Estate, 4 Harewood: converted office accommodation, extending to circa 5,981 sq ft. Let in Aug 16 on a 5 year lease for £14 per sq ft.

- Harewood House Estate, 7a – 7b Harewood Yard: converted office accommodation, extending to circa 1,400 sq ft. Let in Jan 16 on a 5 year lease for £16.22 per sq ft.

- Bramley Grange, Skeltons Lane, nr Thorner: converted office accommodation, extending to circa 5,721 sq ft. Let in Jul 14 for an undisclosed sum. However, the asking rent equated to £14.50 per sq ft.

3.12. We have also identified the following currently available to let:

- Bramley Grange, Skeltons Lane, nr Thorner: converted office accommodation, up to 4,589 sq ft of space available at an asking rent of £16 per sq ft.

3.13. Given the location and nature of the building we are of the view that the applicant's adopted rental value is on the cautious side. We have subsequently adjusted this to £17.50 per sq ft in our appraisal, giving an adjusted gross rental income of say £43,750.

3.14. We also consider the applicant's adopted yield of 9% to be on the cautious side. We have adjusted this to 8.5% in our appraisal. Applied to our adjusted rental income this gives a capital value of £514,706 (an increase of £98,206 on the applicant's figure).

Build costs

3.15. In their appraisal, the applicant has adopted repair costs totalling £211,575, which includes roof works, repairs to stone walls, windows, doors, bridge and retaining walls. For the conversion works, the costs total £628,425, which if the net to gross ratio is assumed to be 115% equates to circa £216 psf.

3.16. We would stress that we are not qualified quantity surveyors and are not therefore able to provide a detailed review of the likely costs involved in delivering the proposed scheme. Instead, our assessment of costs is limited to high level comments only, based on our dealings with other complex conversion schemes and also benchmarks such as the BCIS cost index.

3.17. Please note, the BCIS in this context should only be used as a very broad 'sense check'. The subject scheme, as indicated above, is unique and therefore it is unlikely that the BCIS data is able to draw upon a comparable property. Acknowledging this, we note that the upper quartile figure (deemed appropriate given the Grade II * Listed status of the building) for 1 to 2 storey office conversions, rebased to Leeds, is currently approximately £131 per sq ft, therefore significantly below the figure adopted by the applicant. However, the highest figure in the data sample equates to circa £375 per sq ft, therefore significantly above the figure adopted by the applicant. It should also be noted that the BCIS figure excludes external works and a contingency allowance, whereas the applicant's figure of £216 per sq ft includes these items.

3.18. Having considered the above, and stressing that our comments are of a 'high-level' nature only the conversion costs applied by the applicant are considered to be high, even allowing for the nature of the building. To include external works and contingency allowance we have adjusted the conversion costs to £500,000, which equates to circa £172 per sq ft (assuming a net to gross ratio of 115%), a reduction of approximately £128,000 from the applicant's figure. This is considered to be more in line with expectations, at least based on the BCIS data.

3.19. As for the immediate repair works, again on the understanding that we are not qualified quantity surveyors and cannot provide a robust critique of the costs put forward, based on our internal inspection it is evident that major repair works are required on the building prior to the commencement of a conversion. We anticipate the likely costs associated with these repair works will be substantial. The Council may wish to seek its own advice in this regard in terms of the level of the identified costs, however for the purposes of our appraisal we have adopted the figures used by the applicant. We would stress that should these costs change significantly at a later date this is likely to impact on the conclusions of this report.

Professional fees

3.20. The applicant has allowed 15% for professional fees. For a complex scheme of this nature, despite involving the conversion of a Listed building, this is considered to be in excess of our expectations. We have subsequently adjusted the rate to 12%, which is considered to be more appropriate for a scheme of this nature.

Marketing / legal costs

3.21. For letting fees we have applied 10% of the annual rental income, plus £1,000 to cover general brochures etc, as well as 5% of the rental to cover legal costs.

Finance

3.22. We have utilised the ARGUS developer cashflow toolkit to calculate the finance costs. Given the nature of the scheme we have applied a debit rate of 6%.

Developer's profit

3.23. In their appraisal, the applicant has assumed a nil profit, on the basis that all the proceeds (if any) would be reinvested into College Farm / wider estate. For the purposes of our assessment we have adopted the same approach and therefore adopted a nil profit.

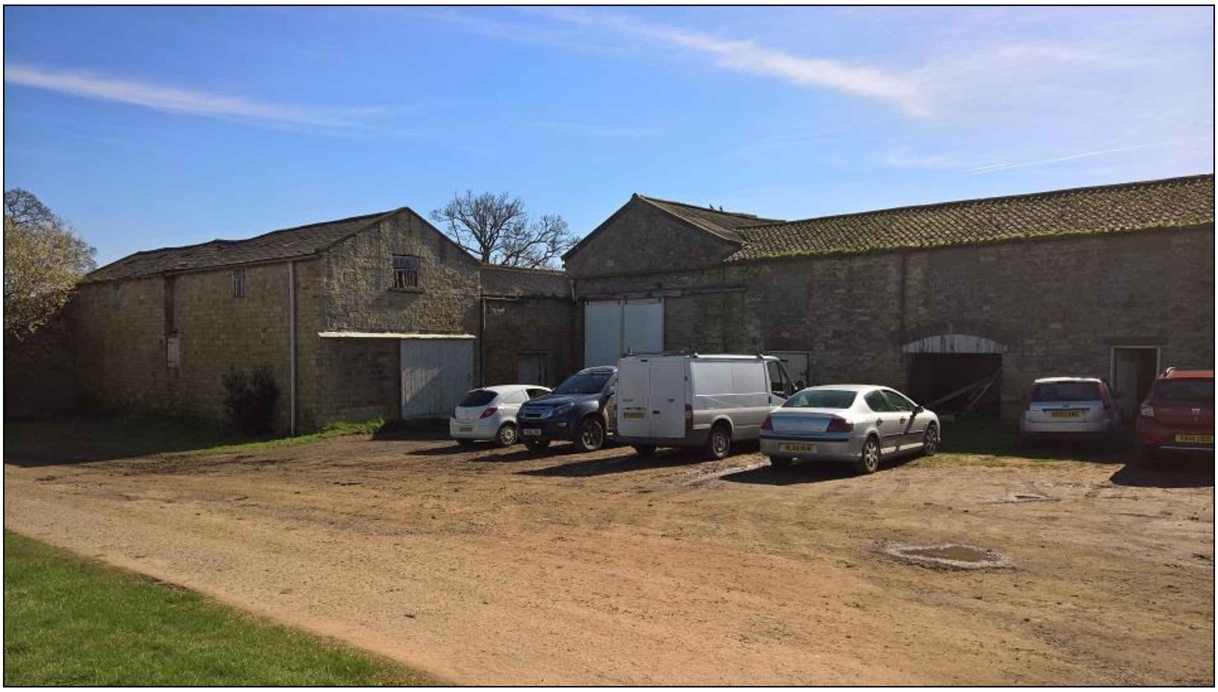
Appraisal results

3.24. See Appendix 2.

3.25. Like the applicant's assessment, our appraisal shows a significant deficit. We therefore agree that the project is unviable and would result in a loss.

3.26. However, our appraisal shows the extent of the deficit is lower than that anticipated by the applicant. Our appraisal shows a deficit of £311,066, compared with circa £600,000 shown in the applicant's appraisal. This is therefore a reduction in the cost liability of approximately £290,000.

4. Wothersome Barns, Bramham Park Estate



<u>Property Overview</u>

4.1. The property is located within the Bramham Park Estate, close to the Wothersome Grange Farmhouse and the Wothersome Grange Anaerobic Digestion facility. The barns share an entrance from the main road with the neighbouring working farm.

4.2. The barns are of stone construction with part tiled and part (what appears to be) asbestos roof coverings. We understand the barns are Grade II Listed. The barns are understood to be vacant and unused by Bramham Park Estate.

4.3. Whilst this report does not constitute a structural survey, at the time of inspection the property was noted to be in a general state of disrepair.

4.4. We understand there are currently no existing planning consents in place. The applicant considers the most economically viable use to be as residential accommodation, most likely comprising 2 dwellings of approximately 800 sq ft each. Given the nature of the building, realistically the only other alternative use that could be considered is a conversion to office accommodation. However, in our view, given the prevalent market conditions, it is unlikely that this use would generate a significantly higher value (if any) than a residential use.

4.5. Given the existing shared entrance with the neighbouring farm, and the property being within close proximity of a number of working farm buildings, it is unlikely the property could be offered in the market place with any significant external amenity space.

4.6. It is understood the conversion work to provide 2 residential dwellings was costed by Peter Pace in 2016.

Applicant appraisal

4.7. The applicant's appraisal is summarised below. Please note, the applicant has assumed the freehold interest in Wothersome Barns would be retained by Bramham Park Estate, with the apartments let on a short lease term basis. This mirrors existing arrangements with other buildings across Bramham Park Estate and is a strategy adopted by the applicant to retain control and the ability to appropriately maintain the buildings.

Gross Development Value (Revenue)

Type	Av rent pcm (per dwelling)	Gross initial yield	Total
Market Value x 2 dwellings	£850	8%	£255,000

Gross Development Cost (Outgoings)

Type	Rate	Total
Repair works (inc contingency)		£105,000
Conversion works (inc contingency)	Circa £121psf	£194,250
Professional fees	15% of build costs	£51,300
Marketing – letting fees		£4,872
Finance	6% debit	£6,227
Total		**£361,649**

4.8. Based on the applicant's appraisal assumptions the scheme makes a deficit of circa £106,000.

CP Viability appraisal

4.9. For the purposes of this assessment we have based our assessment on the conversion of the barns to form 2 dwellings, each extending to 800 sq ft. We have also assumed the dwellings would be retained and rented, as per the applicant's approach. This is consistent with other buildings across the Bramham Park Estate and is therefore considered to be a reasonable assumption to make.

Gross Development Value (Revenue)

4.10. In their appraisal, the applicant adopted an average rental value equivalent to £850 per calendar month for each dwelling, giving a gross annual income of £20,400 per annum. They then capitalised this using a gross initial yield of 8% to arrive a capital value of £255,000.

4.11. We would stress that the proposed apartments would offer something of a unique product in the market place, being accommodation within a Grade II Listed building within the Bramham Park Estate. This means it is not possible to identify a direct comparable in the market place. We would also stress that the existing shared access with the neighbouring farm, which we understand would need to be retained, is likely to deter some occupants owing to the close proximity of farm vehicles / general farm storage. This has also been factored into our considerations.

4.12. We note the following currently available to rent within a 3 mile radius of Bramham:

- Nunnery Way, Clifford: 2 bed, townhouse, attractive period property, asking rent £750 pcm
- Black Horse Farm, Great North Road, Aberford: 4 bed house, converted barn, asking rent £1,250 pcm
- Wetherby Road, Scarcroft: 2 bed cottage, former gatehouse / lodge, asking rent £850 pcm

4.13. Based on the limited evidence identified, and taking into account the shared nature of the entrance and the likely limited external space that would be offered with the barns, we have accepted the applicant's rental value as being reasonable. We have also accepted the adopted yield of 8%, which in our view appropriately reflects the circumstances of this specific property. Our appraisal therefore, in line with the applicant, shows a capital value of £255,000.

Build costs

4.14. In their appraisal, the applicant has adopted repair costs totalling £105,000. For the conversion works, the costs total £194,250, which equates to circa £121 psf.

4.15. We would stress that we are not qualified quantity surveyors and are not therefore able to provide a detailed review of the likely costs involved in delivering the proposed scheme. Instead, our assessment of costs is limited to high level comments only, based on our dealings with other complex conversion schemes and also benchmarks such as the BCIS cost index.

4.16. Please note, the BCIS in this context should only be used as a very broad 'sense check'. The subject scheme, as indicated above, is unique and therefore it is unlikely that the BCIS data is able to draw upon a comparable property. Acknowledging this, we note that the upper quartile figure (deemed appropriate given the Grade II Listed status of the building) for semi-detached dwelling conversions (less than 3 units), rebased to Leeds, is currently approximately £107 per sq ft, therefore below the figure adopted by the applicant. However, the sample is based on only 5 entries and therefore is considered to be less reliable. By way of comparison, the upper quartile for detached dwelling conversions (less than 3 units) is £228 per sq ft, based on a sample of 24 entries. It should also be noted that the BCIS figure excludes external works and a contingency allowance, whereas the applicant's figure of £121 per sq ft includes these items.

4.17. Having considered the above, and stressing that our comments are of a 'high-level' nature only the conversion costs applied by the applicant are considered to be broadly in line with our expectations for what is a complicated programme of works on a Grade II Listed structure. We have therefore adopted the same in our assessment.

4.18. As for the immediate repair works, again on the understanding that we are not qualified quantity surveyors and cannot provide a robust critique of the costs put forward, based on our internal inspection it is evident that major repair works are required on the building prior to the commencement of a conversion. We anticipate the likely costs associated with these repair works will be substantial. The Council may wish to seek its own advice in this regard in terms of the level of the identified costs, however for the purposes of our appraisal we have adopted the figures used by the applicant. We would stress that should these costs change significantly at a later date this is likely to impact on the conclusions of this report.

Professional fees

4.19. The applicant has allowed 15% for professional fees. For a complex scheme of this nature, despite involving the conversion of a Listed building, this is considered to be in excess of our expectations. We have subsequently adjusted the rate to 12%, which is considered to be more appropriate for a scheme of this nature.

Marketing / legal costs

4.20. For letting fees we have applied 10% of the annual rental income, plus £1,000 to cover general brochures etc.

Finance

4.21. We have utilised the ARGUS developer cashflow toolkit to calculate the finance costs. Given the nature of the scheme we have applied a debit rate of 6%.

Developer's profit

4.22. In their appraisal, the applicant has assumed a nil profit, on the basis that all the proceeds (if any) would be reinvested into the Wothersome Barns / wider estate. For the purposes of our assessment we have adopted the same approach and therefore adopted a nil profit.

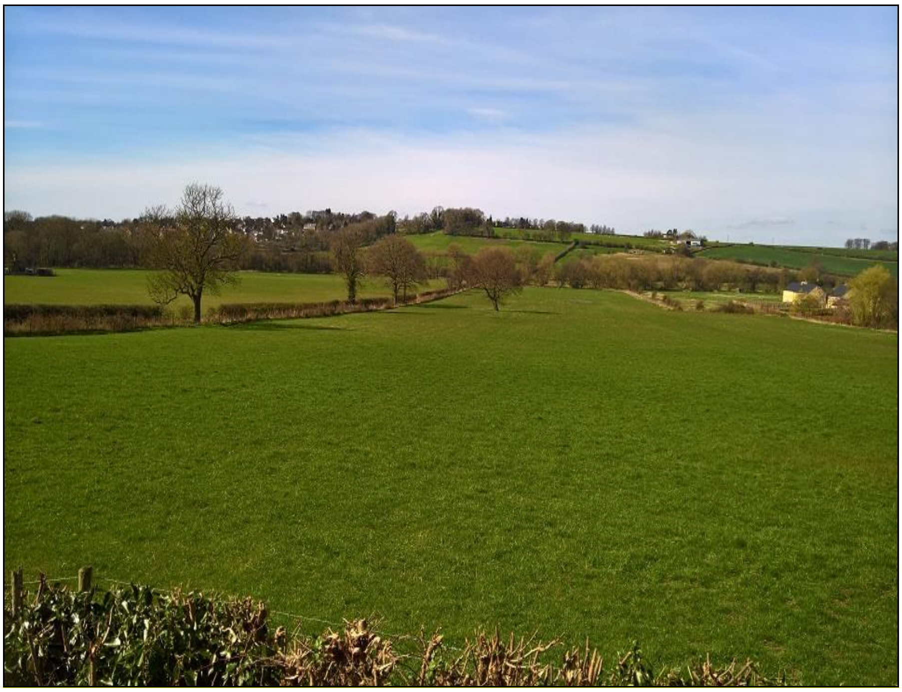
Appraisal results

4.23. See Appendix 3.

4.24. Like the applicant's assessment, our appraisal shows a significant deficit. We therefore agree that the project is unviable and would result in a loss.

4.25. However, our appraisal shows the extent of the deficit is marginally lower than that anticipated by the applicant. Our appraisal shows a deficit of £89,405, compared with circa £106,000 shown in the applicant's appraisal. This is therefore a reduction in the cost liability of approximately £15,000.

5. Land at Wetherby Road, Bardsey



<u>Property Overview</u>

5.1. The site is located off the A58 Wetherby Road, to the north of the village of Bardsey and to the east of East Keswick. Wetherby is situated approximately 3.5 miles to the north east. The A58 provides a direct route into Leeds City centre, approximately 9.5 miles to the south west.

5.2. The site currently comprises an undeveloped greenfield, mainly grassed bar a hedge line running through its centre. The north eastern and south western boundaries, to the most part, abut existing residential dwellings. The south eastern boundary runs alongside the A58 Wetherby Rd. The north western boundary abuts Keswick Beck. The site itself undulates, although generally slopes from the south eastern corner (from the A58 side) down to the north western boundary (the Keswick Beck side). According to the applicant's Design and Access Statement (prepared by Wildblood Macdonald) the fall across the land is around 16.5m or thereabouts.

5.3. The property comprises an irregular parcel of land, understood to extend to circa 13.90 Ha (34.35 acres), on a gross basis. The net developable area is understood to be in the region of 5.21 Ha (12.87 acres).

5.4. An outline planning application has been submitted (17/00655/OT) for the development of up to 140 dwellings, including public open space, flood alleviation measures, landscaping, new access from A58 Wetherby Road and pedestrian cycle access from The Drive.

5.5. As the application submitted is an outline the full extent of the scheme design and layout has yet to be finalised. However, based on the schedule of accommodation provided by the applicant in their development appraisal, the potential dwellings that could be provided on side can be summarised as follows:

Type	Total units	Size (sq ft)	Total size (sq ft)
2 bed	55	728	40,040
3 bed (market value)	13	1,386	18,020
3 bed (affordable)	12	911	10,932
4 bed	54	1,548	83,584
5 bed	6	2,330	13,980
	140		**166,556**

5.6. Within their assessment, the applicant has allowed for the following:

- Public greenspace circa 8.63 Ha (21.32 acres)
- 35% on-site affordable housing
- CIL contribution £1,075,832

Applicant appraisal

5.7. The applicant's appraisal can be summarised as follows:

Gross Development Value (Revenue)

Type	No.	Av £ / sq ft	Total
Market Value Houses	91	£309	£39,704,370
Affordable dwellings	49	£72	£2,732,555
Total	**140**		**£42,436,925**

Gross Development Cost (Outgoings)

Type	Rate	Total
Estate housing (including externals)	£93.86 per sq ft	£15,633,496
Contingency	3% of build costs	£469,005
Professional fees	4% of build costs	£735,340
Abnormals	£213,610 per net acre	£2,750,000
CIL – applied to MV dwellings	£8.36psf (£90psm)	£1,075,832
Marketing	3% of revenue	£1,191,131
Finance	6% debit	£817,534
Developer profit	20% on revenue	£8,487,383
Acquisition costs		£697,670
Total		**£31,857,391**

5.8. As indicated above, based on the applicant's appraisal assumptions the scheme generates a land receipt of **£10,579,533**.

5.9. In running their appraisals, the applicant has used ARGUS Developer, which is an appropriate toolkit for this type of assessment.

CP Viability appraisal

Gross Development Value (Revenue)

5.10. The mix of units as proposed by the applicant (see 5.5) is considered to be appropriate for testing an outline scheme of this nature. We have therefore based our assessment of value for the completed dwellings on the same mix.

5.11. In terms of transactional evidence for modern housing, we would summarise the most relevant data collected as follows (please note, all values shown are **gross** of sales incentives).

Small schemes (10 or less units) within LS17

Keswick Court, Bardsey – adjacent to the north boundary of the subject site

	Address	Date of sale	Price	Price per sq ft
	Detached			
1	Keswick Court	02/02/2016	£ 622,000	£ 269
2	Keswick Court	16/12/2015	£ 630,000	£ 280
5	Keswick Court	21/08/2015	£ 695,000	£ 259

Rigton Gardens, Bardsey – circa 0.25miles to the north of the subject site

	Address	Date of sale	Price	Price per sq ft
	Detached			
Collingham Hse	Rigton Gardens	08/06/2015	£ 735,000	£ 240
Keswick Hse	Rigton Gardens	16/09/2015	£ 735,000	£ 242
Scarcroft Hse	Rigton Gardens	03/08/2015	£ 735,000	£ 242

Castle Fields, Bardsey – circa 0.5miles to the south of the subject site

	Address	Date of sale	Price	Price per sq ft
	Detached			
Meadow View	Castle Fields	20/05/2016	£ 585,000	£ 261
Sunnyside	Castle Fields	16/12/2015	£ 540,000	£ 332
Lowfield Hse	Castle Fields	17/07/2015	£ 579,850	£ 259
The Meadows	Castle Fields	09/10/2015	£ 640,000	£ 239
Oaklands	Castle Fields	20/02/2015	£ 425,000	£ 197

5.12. Please note, adjustments are made to reflect the size of the dwellings, location, date of sale, etc. it is stressed that the above evidence comprises smaller, individually designed schemes whereas the subject site is likely to be delivered by a volume house builder. Smaller schemes tend to attract a premium, which has been a factor in our considerations.

5.13. We would also highlight that the houses identified above are mostly above average in size, with all but one in excess of 2,000 sq ft, with some over 3,000 sq ft. In comparison, circa 95% of the houses to be provided at the subject property are shown as being 1,548 sq ft or smaller. Due to quantum, larger houses tend to command lower values when expressed as a “rate per sq ft” when compared to smaller houses. This is therefore another consideration which we have factored into our analysis.

5.14. In addition to the above, we have also identified the following evidence from larger modern housing estates, across the wider area:

Taylor Wimpey, Boston Spa – circa 4 miles to the north east

Type	Size range (sq ft)	No. sales since Jan 15	Av £ per sq ft
Detached	1,249	5	£315
Detached	1,798	6	£262
Detached	1,991	3	£299
Detached	2,357	1	£263
Semi	1,023	3	£315
Semi	1,109	3	£301
Semi	1,238	3	£273
Semi	1,421	4	£269
Terrace	581	3	£338

5.15. In addition, we note the Bellway Homes Spofforth Park scheme at Wetherby, with works having now commenced. However, as at the time of writing house prices have yet to be released.

5.16. Finally, we have also considered 'second hand' sales from houses within the immediate locality of the subject site and note the following:

- 20 First Avenue, Bardsey: det bungalow, 1,496 sq ft. Sold July 15 £240.64 psf.
- 5 First Avenue, Bardsey: det bungalow, 1,862 sq ft. Sold Mar 16 £268.53 psf.
- 7 First Avenue, Bardsey: det, 3,660 sq ft. Sold Sep 16 £252.73 psf.
- 1 Meadow Close, Bardsey: det, 1,916 sq ft. Sold Jul 16 £250.52 psf.
- 4 Meadow Close, Bardsey: det, 1,926 sq ft. Sold Jan 16 £233.64 psf
- 8 Meadow Close, Bardsey: det, 1,625 sq ft. Sold Jan 15 £286.15 psf
- 35 Congreve Way, Bardsey: det bungalow, 1,206 sq ft. Sold Oct 16 £286.07 psf
- 36 Congreve Way, Bardsey: det, 1,173 sq ft. Sold Oct 16 £294.12 psf
- 38 Congreve Way, Bardsey: det, 1,108 sq ft. Sold Jul 15 £298.74 psf
- 41 Congreve Way, Bardsey: det bungalow, 1,324 sq ft. Sold Sep 15 £256.80 psf
- 8 Scarsdale Lane, Bardsey: det bungalow, 1,464 sq ft. Sold Oct 15 £293.72 psf
- Harwood Scarsdale Lane, Bardsey: det, 2,874 sq ft. Sold Mar 16 £238.34 psf

- Wharfe House Scarsdale Lane, Bardsey: det, 2,573 sq ft. Sold Dec 15 £244.85 psf
- 19 The Drive, Bardsey: semi, 1,130 sq ft. Sold Dec 16 £250.88 psf
- 35 The Drive, Bardsey: semi, 969 sq ft. Sold Jan 17 £283.80 psf
- 39 The Drive, Bardsey: semi, 980 sq ft. Sold Feb 16 £260.20 psf
- 75 The Drive, Bardsey: semi, 743 sq ft. Sold Jul 16 £296.10 psf

5.17. Having considered all of the above, and made adjustments to reflect location, size, type of scheme, whether the property represents a second hand etc we have accepted the applicant’s figures for the 4 bed (£310 psf) and 5 bed (£300 psf) house types. However, we are of the view that the values attached to the 2 and 3 bed house types of too conservative. We have subsequently adjusted the rates to £330 per sq ft for the 2 bed house type and £315 per sq ft for the 3 bed house type. Overall, this increases the overall average to circa £312 per sq ft, an increase of circa £400,000 compared to the applicant’s figures.

5.18. With regard to the affordable housing transfer values, the applicant has applied a single rate equivalent to £72.16 per sq ft for the 2 bed and 3 bed house types. We have discussed this with the Council and understand the affordable provision should be presented in the appraisal as follows:

Types	Size (sq ft)	No of Units
1 bed 2 person bungalow	538	4
2 bed 3 or 4 person bungalow	700	5
2 bed 4 person house	850	20
3 bed 5 person house	1,000	20

5.19. The Council has confirmed that the above affordable dwellings should be split as 60% social / affordable rented and 40% submarket. The Council has confirmed that Starter Homes would not be accepted as meeting the affordable housing requirements. As for transfer values, the Council has confirmed that the benchmark figures from 2014 should be applied, being £520 per sq m (£48.31 psf) for rented units and £984 per sq m (£91.41 psf) for sub market.

5.20. Having applied this to our appraisal, the revenue generated from the affordable houses equates to £2,805,114, which is circa £70,000 higher than the figure adopted in the applicant's appraisal.

Build costs

5.21. In their appraisal the applicant has adopted a build costs equivalent to £93.86 per sq ft, which includes all plot costs and site wide external works. An additional 3% has been applied as a contingency.

5.22. In seeking to determine whether the adopted build costs are reasonable or not we have had regard to various sources of evidence, including:

- The Build Cost Information Service (BCIS), part of the RICS.
- The HCA's Delivery Partner Panel 2 ("DPP2") tender data.
- Other viability appraisals we are aware of across the region.
- Appeal decisions.

5.23. In terms of the BCIS, to give the data some context it is worth noting that between January 2011 and January 2016 only 106 housing schemes were submitted to the sample, 68% of the which related to schemes comprising 20 or less units. Only 7.55% of the data related to schemes of 50 or more units. It is also stressed that volume house-builders do not contribute to the BCIS data. It is generally accepted that volume house-builders are able to construct houses at a cheaper rate than smaller building firms (owing to their ability to bulk-buy materials and their ability to offer more regular work, therefore negotiate cheaper contracts with sub-contractors etc). As the cheaper volume house-builder costs are not reflected by the BCIS, the data can be regarded as being inherently high, at least when trying to determine the construction costs for a large scheme (in excess of say 50 units).

5.24. In this regard, the BCIS is considered to be less reliable for larger developments (like the subject site). For this reason, the lower quartile can be regarded as being a more appropriate benchmark than the median for schemes in excess of 50 dwellings.

5.25. As of 18 March 2016 the BCIS lower quartile rate for 'estate housing', rebased to Leeds and restricted to the last 5 years, equates to £84.17 per sq ft. However, it is stressed that this covers the plot costs only, it does not allow for site wide infrastructure / external works. In comparison the applicant's build cost equates to £93.86 per sq ft including all external / infrastructure works. This should be recognised when looking to compare these two figures.

5.26. The HCA DPP2 information is derived from a tender framework and is therefore ‘live’ tender data. The DPP2 was created primarily to speed up the disposal of surplus public sector land to enable residential construction to proceed. In Quarter 4 2013 25 house builders were selected to be in included on the panel. As part of the process panel members are invited to submit tenders on individual sites, with the intention being that by ‘bidding’ against one another the land returns will be maximized. This is therefore considered to be a strong source of information as it gives a clear indication of what house builders are willing / able to build houses for in a competitive situation.

5.27. Due to the data being confidential we are unable to disclose individual tender bids. However, we are able to give average figures. As at Jan 2016, the data sample comprised 81 submissions across England and Wales, with a median scheme size of 195 dwellings. The median build cost for the sample equated to £77.20 per sq ft. However, as the data covers England and Wales is it regarded as being ‘100’ (i.e. a base position). Adjustments are recommended to cater for regional variation. Adopting the BCIS Leeds regional factor of 95 the median build cost can be adjusted to £73.34 per sq m. However, further upward adjustments should also be made to reflect the age of the data set.

5.28. As for other viability appraisal’s we are aware of, we have identified 8 developments across the wider region, being greenfield sites providing between 80 and 276 dwellings, submitted after Apr 2016. The appraisals submitted by the individual applicants are confidential, however we are able to submit the average, which equates to £89 per sq ft. Again, further adjustments need to be made to reflect when the data was submitted, the size of the individual scheme, regional variations etc.

5.29. Finally, we have identified two recent appeal decisions which are considered to be of relevance to the subject scheme. Each case is summarised below:

Land off Poplar Close, Ruskington, Lincolnshire NG34 9TL (APP/R2520/S/16/3150756)

- Greenfield site, providing 67 dwellings
- Average sales value of houses circa £195 to £215 per sq ft
- Inspector ruled that lower quartile BCIS was appropriate

Land off Flaxley Rd, Selby, North Yorkshire (APP/N2739/s/16/3149425)

- Greenfield site, providing 202 dwellings
- Average sales value of houses circa £185 per sq ft
- Inspector ruled that BCIS was not an appropriate data set to use given the size of the scheme, and accepted estate housing build costs equivalent to circa £75 per sq ft.

5.30. With regard to external costs, of the 8 schemes identified above, the average external costs equate to circa 18%. Both appeal decisions referenced above included external costs at 15% of estate housing costs (or lower).

5.31. Adopting an average build cost in line with the lower quartile of the BCIS (£84.17 per sq ft) and applying external costs equivalent to 15% gives an 'all in' figure of £96.80 per sq ft, which compares favourably with the applicant's 'all in' figure of £93.86 per sq ft.

5.32. Having considered all of the above, we have subsequently accepted the applicant's build cost equivalent to £93.86 per sq ft, to include all plot costs as well as site wide infrastructure and external works.

5.33. We have also accepted the applicants contingency allowance of 3%, which is in line with other appraisals of this size and nature that we have assessed.

Abnormal development costs

5.34. In addition to the 'standard' build costs identified above, the applicant has also included an allowance for abnormal costs totalling £2,750,000 (equivalent to circa £213,000 per net acre). At this stage the applicant acknowledges that this is a 'best guess' and this figure may change significantly (up or down) at reserved matters stage.

5.35. In terms of abnormal works likely to impact on the site we note sections of the site are considered to be at risk from flooding and therefore mitigation works are likely to be required. Furthermore, the application includes a large section of the site (roughly 60%) to be provided as public open space, which will attract significant costs.

5.36. As a 'sense check' only we have reviewed the abnormal costs associated with the 8 greenfield sites referenced above. The range of abnormal costs within these appraisals is £16,340 per net acre to £683,468, highlighting the difficulty in trying to apply an appropriate rate of abnormal costs for the purposes of an outline assessment. However, the average shown from the 8 identified schemes equates to £260,344, and therefore in this context the figure applied by the applicant (£213,000 per net acre) appears reasonable as a 'best guess'.

5.37. We would stress that it is likely the level of abnormal costs associated with the scheme will change significantly at reserved matters stage, which could serve to reduce or increase the land receipt generated by the scheme. However, for the purposes of this review we have accepted the applicant's figure of £2.75million as being a reasonable 'best guess', particularly in light of the likely flood mitigation works and unusually large public open space being provided on site.

Professional fees

5.38. The applicant has allowed 4% for professional fees. This is considered broadly reasonable and has been applied to our appraisal.

S106 / Other Council Policy Requirements

5.39. As indicated above, the applicant has allowed for a 35% on-site affordable housing provision, albeit we have adjusted the mix of affordable house types to meet the Council's requirements.

5.40. In terms of other Section 16 contributions, the Council has indicated £70,000 would be required to meet the Metro travelcard policy. This has not been included in the applicant's appraisal, but has been inputted into our assessment.

5.41. The applicant has allowed for a Community Infrastructure Levy ("CIL") equivalent to £90 per sq m (£8.36 per sq ft), applied to the market value houses only. This gives a total contribution of £1,075,832, which we have included within our appraisal.

Marketing / legal costs

5.42. The applicant has allowed a marketing cost equivalent to 3% of revenue for the market value dwellings. This is considered to be on the high side for a scheme of this size and nature and as such we have adjusted the rate to 2.5% of revenue derived from the market value units, plus legal costs equivalent to £600 per dwelling for the market value homes and £300 per affordable dwelling. This gives a total marketing costs of circa £1,072,000, which is a reduction of circa £120,000 when compared to the applicant's figures.

Finance

5.43. We have utilised the ARGUS developer cashflow toolkit to calculate the finance costs. We have allowed 24 months to dispose the 91 market value homes (equating to circa 3.8 sales per calendar month). This reflects the attractive location of the site and the anticipated high levels of demand this scheme would generate. As the scheme would most likely be delivered by a volume house builder we have adopted a relatively low debit charge (5%).

5.44. Our appraisal shows a total finance charge of circa £860,000, which is broadly in line with the applicant's figure.

Developer's profit

5.45. In their appraisal, the applicant has applied a fixed target profit equivalent to 20% of revenue (applied to both the market value and affordable dwellings). The total return equates to £8,487,375.

5.46. For a scheme of this size and nature we believe it is appropriate to apply a profit margin expressed as a percentage of the revenue.

5.47. In our experience profit margins fluctuate depending on the nature of the scheme and the type of developer implementing the project. However, and only as a broad guide, we tend to see profit margins in the region of 15% to 20% of revenue.

5.48. In arriving at a suitable profit margin we have taken into account:

- The site being an undeveloped greenfield opportunity.
- The 'best guess' abnormal costs required to deliver the scheme.
- The likely 'end values' of the dwellings and the likely rates of sale achievable in this location.

5.49. On balance, and having considered all of the above, particularly given that this is considered to be a prime residential location where demand levels would be high, we believe a developer profit equivalent to 17.5% of revenue for the market value dwellings and 6% of cost for the affordable units would be deemed a sufficient return in the market place for the scheme to be delivered (equating to circa 16.93% on a 'blended' basis). Our total return therefore equates to approximately £7.266million, a reduction of approximately £1.22million when compared to the applicant's figure.

Appraisal results

5.50. See Appendix 4.

5.51. We have run a policy compliant scheme incorporating the various appraisal inputs detailed above. The scheme returns a 'blended' developer's profit equivalent to 16.93% of revenue. This produces a residual land value of circa £11.728million. This is therefore approximately £1.15million higher than that shown in the applicant's appraisal.

6. Summary and conclusions

6.1. We agree with the applicant that the 3 properties identified as being suitable for conversion (The Biggin, College Farm and Wothersome Barns) are all unviable, producing a significant deficit. We therefore agree that these 3 properties will be unable to generate a surplus income which could be used to help reduce the identified repair liability across the wider estate.

6.2. However, we disagree as to the extent of the deficit produced. Our findings compare to the applicant's view as follows:

	The Biggin	College Farm	Wothersome Barns	Total
Applicant revenue	£975,000	£416,500	£255,000	**£1,646,500**
Applicant cost	£2,288,426	£1,016,122	£361,649	**£3,666,197**
Applicant outcome	-£1,313,426	-£599,622	-£106,649	**-£2,019,697**
CPV revenue	£1,232,000	£514,706	£255,000	**£2,001,706**
CPV cost	£2,152,248	£825,772	£344,405	**£3,322,425**
CPV outcome	-£920,248	-£311,066	-£89,405	**-£1,320,719**

6.3. In total, we therefore conclude that the cost of refurbishing the 3 properties will be approximately £345,000 (rounded) less than envisaged by the applicant. **This saving can be used to reduce the overall cost of urgent heritage works from £10,871,855 to £10,526,855.**

6.4. Furthermore, we also conclude that the value of the 3 properties will be approximately £355,000 (rounded) higher than anticipated by the applicant. Again, this additional capital can be used to offset some of the cost liability.

6.5. We would point out that in the applicant's calculations of the urgent heritage works they have not factored in the capital value of the 3 converted properties. It is important that these capital values are factored into the calculations, as these buildings (once completed) could be used as collateral for raising borrowings from third party lenders. For the purposes of the calculation, the capital value of the 3 properties should be deducted from the gross urgent heritage works. We have discussed this issue with the applicant, who agrees that the principle should be applied in this instance.

6.6. Taking our figures, this therefore equates to £10,526,855 less £2,001,706. This gives an adjusted net urgent heritage works cost of say £8.525million. This would therefore reduce the amount of capital the applicant would need to extract from the land at Wetherby Road, Bardsey site.

6.7. However, the applicant has also raised the issue of Capital Gains Tax ("CGT"). In their original calculation of the urgent heritage works, as well as excluding the capital value of the 3 converted properties, the CGT liability from selling the land at Wetherby Road, Bardsey with a planning consent was not factored in. The applicant has taken advice which suggests this tax liability would be 20% of the uplift in land value (therefore is likely to be a significant sum, somewhere in the region of £2million). The applicant has indicated that they believe this tax liability should also be factored into the calculations. This would therefore increase the amount of capital that the applicant would need to extract from the Wetherby Road, Bardsey site, in order to meet the net adjusted urgent heritage works (which we calculate as being £8.525million).

6.8. Normally, viability assessments do not factor in CGT. However, there are circumstances where their inclusion may be permitted. In this regard, we note the Historic England (formerly English Heritage) guidance on "Enabling Development" (June 2012), which provides some comments on this matter. Please note, "Enabling Development" is defined within this guidance as follows:

> *'Enabling development' is development that would be unacceptable in planning terms but for the fact that it would bring public benefits sufficient to justify it being carried out, and which could not otherwise be achieved. While normally a last resort, it is an established and useful planning tool by which a community may be able to secure the long-term future of a place of heritage significance, and sometimes other public benefits, provided it is satisfied that the balance of public advantage lies in doing so. The public benefits are paid for by the value added to land as a result of the granting of planning permission for its development.* (Paragraph 1.1.1)

6.9. The Enabling Development guidance has a small section on VAT and capital taxation. The key paragraphs are as follows:

> *The impact of capital taxation on enabling development can be a complex matter. Charities, including building preservation trusts, are exempt from tax on most forms of income and gains if they are applied to charitable purposes. The activities of commercial developers, including the disposal of property, are normally taxed as trading profits; whatever the real 'developer's profit' turns out to be will be subject to tax at the prevailing rate of income or corporation tax.* (Paragraph 5.13.2)

The situation regarding individuals and non-trading companies is much more complex. The sale of land to fund the repair or reuse of a significant place is a 'chargeable event' for capital gains purposes, and the fact that the funds raised must, under a section 106 agreement, be applied to meeting a conservation deficit does not, of itself, change that position. The value added to the land by the grant of planning permission, intended to subsidise the repair of the significant place, will normally be liable to taxation as a capital gain, subject only to standard reliefs and allowances. If, however, the value of the remaining property is not expected to rise by the amount of the section 106 expenditure, there may be scope to apply the principle that any proceeds received for capital gains purposes should be lowered by the difference between the uplift in market value of the remaining property and the amount spent on the restoration. It is of course this difference, the 'conservation deficit', that enabling development should be designed to meet. Analysis of specific transactions is necessary to establish if this principle can be applied. (Paragraph 5.13.3)

The tax implications for each individual case should therefore be addressed in detail by the landowners and their advisers. Local authorities should carefully scrutinise exceptional arguments by landowners, to the effect that significantly more enabling development is necessary to address taxation liabilities, given that a key principle of enabling development is that it should meet the needs of the significant place, rather than its owner for the time being. It may be necessary to consider a more tax-efficient mechanism to deliver the desired outcome. (Paragraph 5.13.4)

6.10. In summary, the guidance suggests that the inclusion of CGT is likely to be appropriate in circumstances such as the subject case. However, it also indicates there may be additional reliefs that should be factored in, which would reduce the overall CGT liability. **We would therefore strongly recommend that the Council seeks advice in this regard (either legal advice or from a specialist accountant), as the extent of the CGT liability could significantly impact on the amount of capital that needs to be extracted from the Wetherby Road, Bardsey site.**

6.11. Notwithstanding the above, we have run a residual appraisal of the land at Wetherby Road, Bardsey site, adopting the same scheme as applied by the applicant (i.e. policy compliant scheme comprising 140 dwellings, totalling 166,556 sq ft). Based on our inputs our appraisal shows a residual land value of circa £11.729million. This is therefore approximately £1.15million higher than the land receipt shown in the applicant's appraisal.

6.12. We have subsequently re-run the appraisal at a reduced density (i.e. lower number of dwellings) to test how many units would be required to generate a land receipt in the region of £10.5million. Please see Appendix 5 for our findings. This shows that, based on our appraisal inputs, a scheme of 128 dwellings would generate a land receipt at this level.

6.13. However, we would stress that our conclusions are likely to be impacted, depending on the appropriate level of CGT liability. Once this position has been confirmed we will look to adjust our appraisals accordingly.

6.14. Our conclusions remain valid for 6 months beyond the date of this report. If the implementation of the scheme is delayed beyond this time-frame then market conditions may have changed sufficiently for our conclusions on viability to be adjusted. Under this scenario we would strongly recommend the scheme is re-appraised.

Yours sincerely

[redacted]

David Newham MRICS
Director
CP Viability Ltd