Building An Asset Base

A short Handbook for
Community Led Regeneration Projects

The Environment Trust

Health Warning

This is not a comprehensive guide, but a helpful tool in assessing the possibilities and supporting you through the process. Comments on the guide are welcome, and the trust does help other development trusts, subject to particular circumstances.

For further information contact

The Environment Trust
4 Pinchin Street
London
E1 1SA

e-mail: info@envirotrust.org
web site: www.envirotrust.org

The Environment Trust helps local people improve their social, economic and physical environment. It is a development trust and registered charity based in London's East End.

It develops green homes, parks, community gardens, allotments, and workspace and supports environmental education programmes in schools and the community.

Building An Asset Base

Although this is primarily a guide to physical development there are lots of different assets;

Endowment: Someone rich but philanthropic gives a fortune for charity. A good example? The Guinness Trust.

People: Most development trust's biggest asset, whether a very determined childcare group or a skilled trust director. The Arts Factory in Rhoda has a series of small enterprises covenanting profits.

Contracts: Because they have skilled people, Finsbury Park Community Trust do most of their training work on contract.

Workspace: Includes offices and health centres – the St Luke's Centre in Canning Town redeveloped a church into revenue generating workspace, which pays for further regeneration activities.

Housing: The Environment Trust develop affordable homes and make surplus to fund environmental education.

Leisure Facilities: A backpackers hotel in historic Derry attracts visitors and makes profit to fund The Inner City Trust's building rehabilitation programme.

Street Markets: Land under the Westway by North Kensington Amenity Trust is part of Portobello Road Market and helps fund a small grants programme.

North Kensington Amenity Trust funds creation of parks from their profits

Meanwhile Use Land: Coin Street Community Builders campaigned to get land on the Bank given to the community. Their use of derelict land for car parking generates income to build social housing.

1. Development Process

The main steps (not necessarily in this order):

- Assess the demand – do research like: if you think a launderette will do well, survey residents to see how many have washing machines.
- Do a development appraisal (see section 8)
- Identify a suitable site – find out how to get it.
- Gain support from the local authority and community.
- Do a detailed feasibility study.
- Do design and specification consulting local people and businesses.
- Arrange loan finance or apply for grants.
- Arrange legal agreements
- Obtain statutory approval.
- Tender and let a works contract
- Monitor the works and make interim payment.
- Promote or advertise rental or sales.
- Set up maintenance and management.

2. Assessing Demand

- Look at what's going on locally. Is there a need, can you create a commercial demand? What is the price and availability of alternatives?

- Talk to other businesses or traders about their options. Where do they want to be? How many could afford it?

- Check with the local authority or other agencies. How many people on their waiting lists? Would they be supportive?

  You'll need to demonstrate that you've investigated all this, thoroughly, in order to get finance later.

3. Getting Support

This section should come with a special health warning - particularly about government agencies and private developers, both of whom need skilful handling! But successful schemes are those that are well supported.

- Your own group or organisation - colleagues, members, supporters.
- Local residents/community groups - what are their concerns?
- Relevant officers from Council departments.
- Local councillors - particularly ward councillors.
- Other development trusts - talk to your nearest one first.
- Regeneration Agencies and SRB Companies.
- Regional Development Agency - Government Office etc.
- Private developers/contractors/owners

Remember to consult with an open mind – everyone has something to contribute.

4. Choosing a Site

Often, the primary concern of communities is about a particular piece of land or a derelict building; so this section won't apply. But these are some common sense criteria for choosing a site, and every situation needs assessment.

Good	**Bad**
Appropriate size	Too small for economic scheme
Planning consent possible	No consent, or actual prohibition
Appropriate location	Would you want to be there?
Easy to develop - close to services etc.	No existing infrastructure, expensive demolition, or clean up required
Values high or grant subsidy available	Poor values, no grants possible
Local authority owned (gift possible)	Private ownership or public body unwilling to deal
Not much competition	Lots of developers interested
Not in economic or social use community	In use for commercial or purposes
Currently unattractive	Already attractive
Highly visible and causing problems	Little noticed backwater
Unencumbered freehold	Short lease or restrictive covenants
Single owner	Multiple ownership

5. Sources of site information

Land is a valuable commodity. Remember that in making enquiries, you can alert people to potential value.

- Local residents and groups
- Local council (planners or valuers)
- Other public bodies (like health authorities)
- Land registry (for finding the owner)
- Estate Agents

6. Design & Specification

At this stage, groups often look for professional help. An architect needs a specification (what for, what size, what materials, what requirements). Choose an architect you like, who treats you with respect.

The need for the promoter is for holistic thinking (how will it run when it's finished and at what cost?)

Simple seems best, if only on cost grounds, and the amount of circulation space is important (i.e. as little as possible in the building)

7. Approvals & Agreements

It's as well to review what approvals and agreements are needed to get a scheme off the ground, remembering that they can often take longer than you think.

Don't undertake anything that costs money without knowing how much and where It's coming from beforehand!

Check that the following are put in place:

- A formal decision by your organisation to pursue the scheme
- Appointment of an architect (can be done on an at - risk, i.e. their risk basis for feasibility, depending on how much confidence they have on you. A solicitor is also a good early appointment.
- Land transfer or sale agreement
- Partnership agreements - on responsibilities, fees, profit or equity share
- Grant agreement (look carefully at the conditions)
- Loan agreement (with banks or others)
- Outline and detailed planning permission
- Appointment of employer agents and planning supervisor
- Building regulations approval
- Building contracts
- Appoint sales or managing agent
- Set up service, maintenance and management agreements

8. Financial Appraisal

In the real world, this is the first step (calculated on the back of a cigarette packet traditionally). Don't do much work without ensuring that the money side stacks up.

The basic development equation:

Development Cost is less than the Sales Income
<u>If not, and there is no subsidy, don't do it.</u>

Development cost is land cost + works cost + finance costs + fee costs + developers cost and profits.

Sales Income is full market value - discount for voids, - management costs, and reliability of tenant income. For instance, a shopping centre with tenants like the John Lewis Partnership is worth more than one occupied by pound store shops. And well managed workspace will be worth more than poorly run property.

Other steps to assess feasibility

This applies to leisure, workspace, housing, retail or markets

- How big is the site, what can you put on it?
- Work out a schedule of unit sizes and another of lettable or saleable space.
- Add up total development costs.
- Determine if any grants are available.
- Estimate the full market value of each unit. If it's to be rented, allow a discount of at least 5% for voids and management.
- Compare sales income with development costs. Can you reduce cost, or get more subsidy?

Varying the Equation

Increase the income: More grant, increase density, are values too low?
Decrease the cost: Can it be built quicker, is the land too expensive, can it be built cheaper.

Areas of Financial Risk

These risks can scupper seemingly profitable development; a lot of what you do in the process is about eliminating risk.

- Unexpected problems with land (planning permission difficulties, contamination, unstable ground)
- Tender prices higher than estimated (happens a lot!)
- Change in taxation rules
- Rise in interest rates
- Contractor goes into liquidation
- Partnership deal breaks down
- Strain of doing the project affect the group

ASSET BASE DEVELOPMENT
Case Studies

St Luke's Church

St Luke's Centre
Canning Town, London Borough of Newham

Background

St Luke's Church was a redundant church owned by the Diocese of Chelmsford. The Custom House and Canning Town Renewal Project emerged from an unsuccessful campaign to implement the community plan for the redevelopment of the TWA (Ronan Point) blocks in Canning Town. The local people involved wanted a focus for demonstration of community leadership. As the biggest building in the area, the Church was highly symbolic of the areas decline.

Local groups pressurised the local clergy and the bishop to agree that if they could find the resources, the church would transfer to local ownership.

Previous Use

The church was a place of worship until the late 1960's and has a number of fine architectural features. As part of the community's efforts to find a new use, preserve the building and protect it from demolition, the campaigners got the building listed.

Present Use

The Community Renewal Project decided to seek to create new uses for the building that were related to economic regeneration and social care. A GP practice/health centre, small business workspace, training facilities and community space were envisaged and the feasibility of each tested. In total the scheme devised costs some £1.8m and was for the uses outlined.

Size

The scheme built a four-storey building within the church totalling 1600metres^2 at a total cost of £1.8m. The GP Health Centre occupies 350metres^2, the workspace 600m^2, the training space 400m^2 and the community space around 250m^2.

Cost

£1.8m of which £700,000 came from ERDF, £900,000 from the Heritage Lottery Fund and the remainder from the London Borough of Newham**.**

Endowment

St Luke's generates nearly £80,000 in surplus rents that pay the core costs of the CH&CTRP. How this will be spent in future needs careful assessment but childcare development is a high priority for the group.

Pinchin Street Workspace

Background In 1989 the Environment Trust was looking for suitable premises to convert and manage to provide safe serviceable workspace for emerging businesses, particularly in the garment industry. Through its networks a derelict warehouse and adjacent railways arches at Pinchin Street E1 were identified. The owner was British Railways Property Board. The Trust negotiated an agreement for a long lease at £1 per square foot on the property when renovated. The Trust put together a package of planning Gain and Urban Programme funds to meet renovation costs of £750,000.

Previous Use The arches had been used for storage in the past and the warehouse was a paint factory that closed in the 1960's. It was vacant when the Trust started work on the scheme in 1991.

Present Use The workspace is home to 14 businesses employing 72 people with most being garment manufacturers, with some specialist embroiderers and pleaters. One is a high class sandwich company and another an importer of Islamic goods. None of the fourteen units are currently vacant.

Size The development contains c. 1600m² of lettable space.

Costs £450,000 was provided under the Governments Urban Programme and £300,000 from planning gain funds. The scheme was the cause of a major dispute with the Council's Neighbourhood Committee, finally resolved in the Trust's favour after legal action.

Endowment The property is valued at £475,000 on the Trust's balance sheet and has been used to secure loans for other Trust projects. It has a rent roll of some £110,000 annually, but voids and bad debts means that actual net income is somewhat less. The Trust is raising further funds for another 12,000 sq. ft of workspace on an adjacent site leased on similar terms. This will allow for full time on site management, which will reduce voids and bad debts.

Green Homes in Bethnal Green

Background

Residents of Royston Street in Bethnal Green approached the Environment Trust with a planning problem. The Council were proposing a housing scheme on land that they had as temporary open space. The alternative scheme devised by the Trust with local residents created new homes around land to be used as a school playground and nature area during the day and as public space when the school closed. After a fierce residents campaign to have the Council adopt their preferred plan, they asked the Trust to try to implement the scheme.

The Trust formed a partnership with Circle 33 Housing Association for them to build homes for rent, while the Trust financed homes for sale at 70% of market price. The same contractor built the homes for both partners and the land was sold to the partners at a discount market price. The Trusts 29 homes were built to the Green homes Specification extra insulation, double glazing, and Parker Morris space standards. Circle 33 built to their standard specification.

Previous Use

The site had been derelict since World War II and plans for a school extension agreed in the 1960's had not been pursued.

Present Use

The playground, park and nature areas are maintained by the school when it is open, but by the public outside school hours. 80% of the residents have relatives within 400m and occupy 29 private homes bought under for low cost homeownership model. The remaining 26 homes for rent are occupied by Circle 33 tenants.

Size

The site is approximately 1ha and has 55 homes. 22 of the flats and 7 of the houses form the Trust's Green Homes.

Endowment

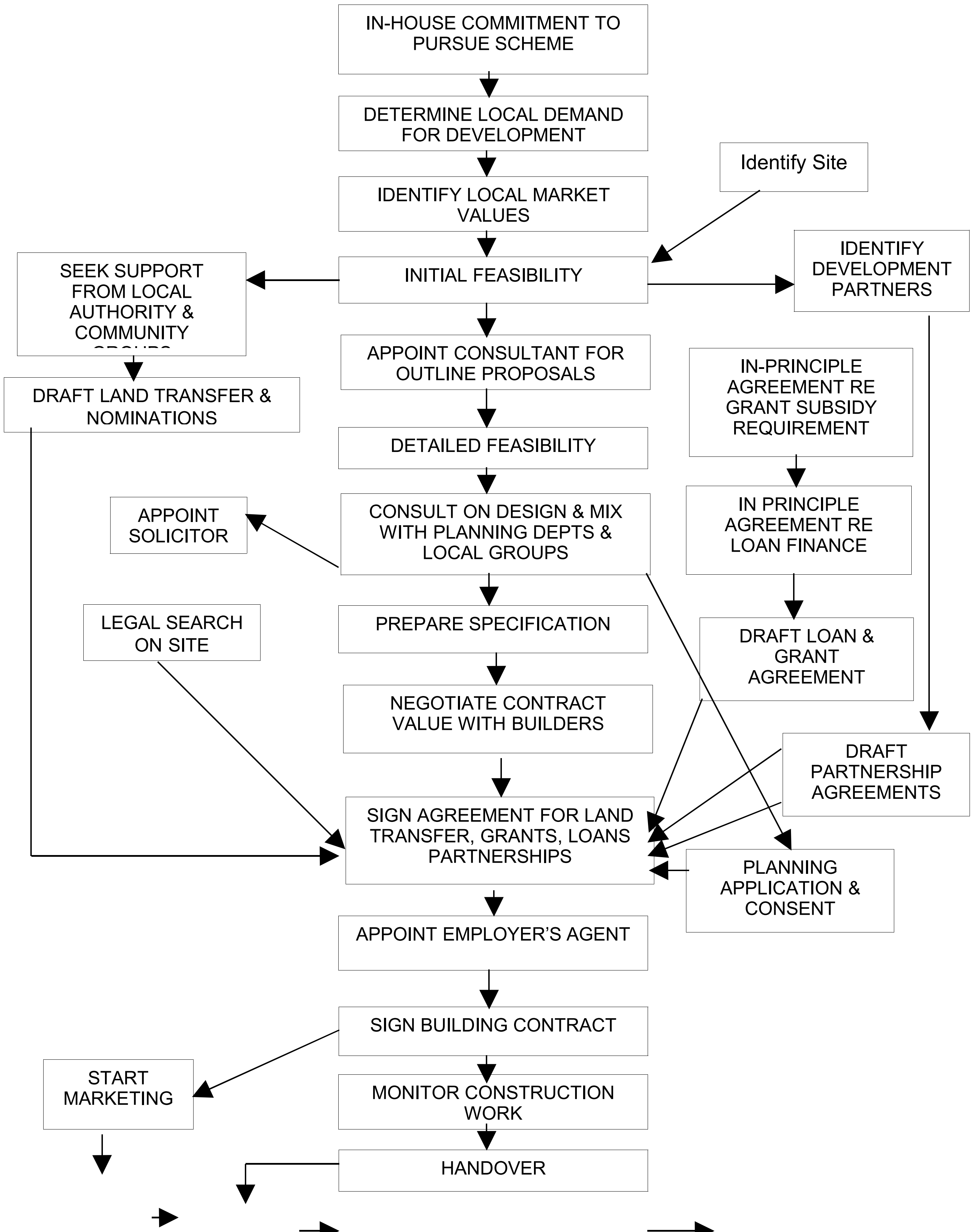
The Trust has a second charge (worth 30% of the value) on the homes purchased. This is shown as a loan to purchasers on the Trust's balance sheet and can be redeemed at market value at any time. Since 1991 only a few have done so- giving the Trust windfall income to use for its charitable activities. There was a substantial profit on the development, although interest rates reached 14.5% during the development period. All the finance was provided by the Woolwich Building Society secured only on the development itself.

Created

The Trust has recently completed similar schemes in Lambeth and Greenwich and seeks further partnership opportunities with local authorities and others. The asset base through this programme has allowed the Trust to maintain charitable activities and remain independent.

A DEVELOPMENT PROGRAMME
SIMPLIFIED DEVELOPMENT PROCESS

(Not necessarily in this order or all inclusive)



APPOINT RENTAL AGENT | RENTALS | DEFECTS | SERVICES & MAINTENANCE

This is ... e f... ens ... ir envir... an aid ... land improvements.

To change the prospects for themselves and their fellow citizens, development trusts and other similar bodies are running training, childcare, job creation, environmental improvement, housing, shopping, sports, education, micro credit, energy supply and saving, health, arts, homecare, enterprise and social programmes.

In order to sustain and develop these projects and programmes, and retain these projects and programmes, and retain independence, development trusts often seek to develop or acquire an asset base. Revenue generated from an asset is then used for charitable purpose.

The handbook seeks to help this process.

For further information about development trusts contact:

Development Trust Association
2-8 Scrutton Street
London EC2A 4RT

Tel: 0845 458 8336
Fax: 0845 458 8337
www.dta.org.uk
email: info@dta.org.uk

DEVELOPMENT TRUSTS ASSOCIATION
the community-based regeneration network

Written & Produced by

The Environment Trust
4 Pinchin Street
London E1 1SA

Tel: 020 7264 4660
Fax: 020 7709 7694
www.envirotrust.org
email: info@envirotrust.org

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