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**Northaw House, Coopers Lane, Northaw EN6 4PS**

**Financial Viability Assessment (Executive Summary)**

**LW Developments Limited**

**December 2018**



**Northaw House, Coopers Lane, Northaw EN6 4PS – Financial Viability Assessment – December 2018**

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## **Northaw House, Coopers Lane, Northaw EN6 4PS – Financial Viability Assessment – December 2018**

### **1.0 Introduction**

- 1.1. This executive summary has been prepared by Grimshaw Consulting Limited ('GCL'), acting as an independent assessor of financial viability of development proposals relating to Listed Buildings and associated land at Northaw House, Coopers Lane, Northaw, Potters Bar EN6 4PS ('the Property') that are the subject of a current planning application submitted by Waller Planning on behalf of LW Developments Limited ("the Applicant"). Financial viability discussions relating to the scale of enabling development required to fund the restoration of the group of Grade II Listed Buildings at Northaw, have been completed at pre-application stage by the Applicant and Welwyn Hatfield District Council ('the Council'). The Council were advised by BNP Paribas Real Estate and extensive discussions between the parties took place between April and October 2018.
- 1.2. Full correspondence between the Applicant, Council and their respective advisors contains confidential and commercially sensitive information. Therefore, in accordance with National Planning Policy Guidance relating to Viability (published 24<sup>th</sup> July 2018), this executive summary provides information relating to the following matters that have been agreed between the Applicant and the Council:-
  - a) The approach taken to Viability Assessment;
  - b) The Optimum Viable Use of the heritage asset;
  - c) The Conservation Deficit relating to the heritage asset;
  - d) The estimated Gross Development Value ("GDV") relating to the proposed development;
  - e) The estimated Costs relating to the proposed development;
  - f) The estimated Benchmark Land Value;
  - g) The out-turn viability position relating to the minimum scale of enabling development required to ensure the restoration and future conservation of the heritage asset.
- 1.3. This executive summary has been prepared by Robert Grimshaw – a Director of Grimshaw Consulting Limited, who has extensive experience of both client-side and consultancy roles in the residential, commercial and mixed-use development sector, gained during a career of more than 25-years. Our report and this executive summary have been prepared for planning application purposes only, in accordance with National Planning Policy Guidance relating to Viability (July 2018). We have also had regard for the policy / guidance provided by the National Planning Policy Framework and Historic England. A more detailed explanation of relevant planning policy is provided within the Heritage and combined Planning / Design & Access Statements that accompany the planning application.
- 1.4. The contents of this executive summary and our detailed reports and correspondence issued to the Council in confidence, do not constitute our opinion of Market Value (as defined by the RICS Valuation – Global Standards 2017) and should not be relied upon as such by our client or any third party under any circumstances. Neither the whole nor any part of the report, or any reference thereto may be included within any published document, circular, or statement, or published in any way, without the prior written approval of Grimshaw Consulting Limited.

### **2.0 Report Context**

- 2.1. The Property comprises a group of Grade II Listed buildings and other outbuildings within an estate of approximately 25-acres. The Listed elements are Northaw House (Inc. the Edwardian and Ballroom Wings); the Stable Block (Coach House), Oak Cottage (formerly the gardeners house) and the Walled Garden walls. The total existing GIA of the Listed Buildings is 31,329sqft. The outbuildings that are not Listed are the Apple store, which is in use as offices and several other single-storey timber buildings used for storage. Business Rates records show a rateable area for all buildings on the Property of 1,411.55sqm (15,194sqft). An existing residential flat ("The Courtyard Flat") is located within the main Northaw House building and has a GIA of 90sqm (969sqft) – this dwelling is occupied and has the benefit of planning permission granted in 2013.
- 2.2. The Property is in a state of disrepair, although there are sections of Northaw House that are useable and were occupied in part by commercial tenants until recently. We understand that the Property was acquired by the current owner in June 1971 and that the main house was occupied by Architect's Co-Partnership Incorporated until it went into voluntary liquidation on 27<sup>th</sup> February 2014.



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2.3. The planning history relating to the property is summarised below and includes several applications for residential development:-

- S6/2013/1225/FP – Change of Use from offices (Class B1) to residential (Class C3) – this application related to the Courtyard Flat. The permission was granted on 29<sup>th</sup> October 2013 and has been implemented;
- S6/2004/0572/LB & S6/2004/0573/FP – Conversion, alteration and change of use of Northaw House to a single residential unit, Stable Block to one residential unit, ballroom wing to three residences, seven new build dwellings (three of which live / work), extensions, alterations and refurbishment of Oak Cottage, plus associated car parking, driveway and access and landscaping, including some demolition. Planning permission and Listed Building consent was granted on 1<sup>st</sup> October 2009, more than five years after the application was submitted, although the Council resolved to grant planning permission on 20<sup>th</sup> December 2007. It is notable, that the original application proposed conversion of the main house into 8 residential dwellings, but was amended following extensive discussions between the Council, Historic England and the applicant.
- S6/2003/1130/FP – West Lodge, Northaw House – Erection of a replacement dwelling. Refused 28<sup>th</sup> January 2004;
- S6/2003/0547/FP – West Lodge, Northaw House – Erection of a replacement dwelling. Withdrawn by applicant 18<sup>th</sup> July 2003;
- S6/2002/0477/FP – East Lodge, Northaw House – Replacement of gate lodge (revision to S6/1999/1099/FP)
- S6/2001/1402/LU – Certificate of lawfulness for the existing use of the basement and second floor of Northaw House for offices and ancillary storage; use of the detached former Apple store as offices. Granted 25<sup>th</sup> February 2002;
- S6/2001/1322/FP – Change of use of caretakers flat (Courtyard Flat) from Class C2 to Office Use (Class B1). Granted 25<sup>th</sup> February 2002.
- S6/1999/1099/FP & S6/1999/1100/LB – Refurbishment of Stable Building as a dwelling, including rebuilding of cart house to be incorporated into dwelling and construction of two replacement gate lodges. Granted 30<sup>th</sup> October 2000 and implemented via S6/2002/0477/FP (see above).

2.4. It is our understanding that the Stable Block (Coach House) already has an extant planning permission for conversion to residential use, established by S6/1999/1099/FP. Permission S6/2004/0573/FP established the principle of new build enabling development to fund the conservation deficit associated with the Listed Buildings. The permission allowed 13 dwellings in total, of which 7 were new build enabling units. The fact that this planning permission was left unimplemented and lapsed, provides an indication of the financial viability issues that arose from the banking crisis in 2008 and the reason why permission S/6/2004/0573/FP was not progressed by a developer.

2.5. A summary of the existing land and buildings at Northaw House, with current uses is provided in the table below:-

Description	Use	GIA (sqft)	NIA (sqft)	Site Area (acres)
Main House (including Edwardian Wing & Ballroom Wing)	Office (Class B1)	26,092	12,742	N/A
Apple Store	Office (Class B1)	502	502	N/A
Outbuildings	Storage (Class B8)	1,950	1950	N/A
Caretakers Flat	Residential (Class C3)	969	969	N/A
Stable Block (Coach House)	Agricultural with benefit of planning permission for conversion to Residential (Class C3)	3,118	3,118	0.75
Oak Cottage	Residential (Class C3)	1,150	1150	0.55
Walled Garden	Horticulture/Amenity			1.09
Paddock to south of Main House	Pasture/Amenity			4.15
Paddock to north of Main House, frontage to Judges Hill	Pasture/Amenity			4.35
Paddock adjacent to East Lodge	Pasture/Amenity			2.47
Paddock adjacent to Stud Farm House	Pasture/Amenity			2.56
Woodland North of access driveway	Woodland/Amenity			1.00
Woodland south of Main House	Woodland/Amenity			1.68
<b>Totals</b>		<b>33,781</b>	<b>20,431</b>	<b>18.60</b>



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**3.0 Development Proposals**

3.1. The proposed development comprises a total of 27 dwellings (total NSA of 46,600 sqft), of which 12 (total NSA of 12,027 sqft) are proposed as “enabling development”. The proposals are summarised in the table below:-

Building	Plot	Proposal	Floor	Type	Bed	GIA sq ft	NSA sq ft	Parking Spaces
Main House	1	Conversion of Listed Building	Basement	Apartment	1		560	2
	2	Conversion of Listed Building	Basement	Apartment	1	7,007	1,167	2
	3	Conversion of Listed Building	Ground	Apartment	2		2,577	2
	4	Conversion of Listed Building	Ground	Apartment	2	5,705	1,959	2
	5	Conversion of Listed Building	First	Apartment	2		1,862	2
	6	Conversion of Listed Building	First	Apartment	2	3,714	1,356	3
	7	Conversion of Listed Building	Second	Apartment	4		1,840	3
	8	Conversion of Listed Building	Second	Apartment	1	2,836	737	2
<b>Sub-Total</b>						<b>19,262</b>	<b>12,058</b>	<b>18</b>
Edwardian Wing	9	Conversion of Listed Building	Ground	Apartment	2	1,830	870	2
	10	Conversion of Listed Building	First	Apartment	2	958	855	2
	11	Conversion of Listed Building	Second	Apartment	1	813	691	2
<b>Sub-Total</b>						<b>3,601</b>	<b>2,416</b>	<b>6</b>
Coach House	12	Conversion of Listed Building	Ground / First	Detached	4	4,517	3,630	5
	<b>Sub-Total</b>						<b>4,517</b>	<b>3,630</b>
Ballroom Wing	13	Conversion of Listed Building	Ground /First	Semi	3	1,610	1,438	2
	14	Conversion of Listed Building	Ground /First	Semi	3	1,619	1,447	2
<b>Sub-Total</b>						<b>3,229</b>	<b>2,885</b>	<b>4</b>
Oak Cottage	15	Conversion of Listed Building	Ground /First	Detached	3	2,012	1,625	4
	<b>Sub-Total</b>						<b>2,012</b>	<b>1,625</b>
<b>Listed Buildings Total</b>	<b>15</b>					<b>32,621</b>	<b>22,614</b>	<b>37</b>
Walled Garden	16	New Build	Basement / Ground	Detached	4	3,411	3,024	4
	17	New Build	Basement / Ground	Detached	4	3,411	3,024	4
	18	New Build	Basement / Ground	Detached	4	3,411	3,024	4
<b>Sub-Total</b>						<b>10,233</b>	<b>9,072</b>	<b>12</b>
Gate Lodges	19	New Build	Ground	Detached	3	1,421	1,421	2
	20	New Build	Ground	Detached	3	1,421	1,421	2
<b>Sub-Total</b>						<b>2,842</b>	<b>2,842</b>	<b>4</b>
Settlement Area	21	New Build	Ground /First	Detached SU1	4	1,941	1,767	2
	22	New Build	Ground /First	Semi-Detached SU1	4	1,941	1,767	2
	23	New Build	Ground /First	Semi-Detached SU1	4	1,941	1,767	2
	24	New Build	Ground /First	Semi-Detached SU2	4	1,893	1,728	2
	25	New Build	Ground /First	Semi-Detached SU2	4	1,893	1,728	2
	26	New Build	Ground /First	Detached Farm House	4	2,453	2,066	4
27	New Build	Ground /First	Detached Dairy	3	1,249	1,249	3	
<b>Sub-Total</b>						<b>13,311</b>	<b>12,072</b>	<b>16</b>
<b>New Build Total</b>	<b>12</b>					<b>26,386</b>	<b>23,986</b>	<b>32</b>
<b>Overall Total</b>	<b>27</b>					<b>59,007</b>	<b>46,600</b>	<b>69</b>

3.2. The development proposals are fully described within the Planning / Design & Access Statement that accompanies the planning application.

**4.0 General Principles & Assumptions**

4.1. The following general principles are considered to be matters of Common Ground between the viability assessors acting on behalf of the Applicant (Grimshaw Consulting Ltd) and Council (BNP Paribas Real Estate).

4.2. Optimum Viable Use – is residential use, as the previous office use has patently failed to provide a stable income that will generate returns of sufficient quantum to ensure the long-term viability of the heritage asset.

4.3. Benchmark Land Value – following the principles of NPPG Viability paragraph 015 Reference ID: 10-015-20180724 (24<sup>th</sup> July 2018), the Benchmark Land Value (“BLV”) has been established on the basis of Existing Use Value (“EUV”) – i.e.



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“...the value of the land in its existing use together with the right to implement any development for which there are policy compliant extant planning consents, including realistic deemed consents, but without regard to alternative uses...” . The BLV is therefore based on the residual land value generated by the following existing elements:-

- a) The Main House, Apple Store & Outbuildings in office / commercial use, following limited refurbishment works and re-letting of the premises;
- b) Sale for refurbishment / self-build in respect of the Stable Block, Oak Cottage & Caretakers Cottage
- c) Sale of the Walled Garden, Pasture & Woodland as amenity land;

The parties agree that an appropriate Benchmark Land Value for comparison with the residual land value generated by the proposed development is approximately **£1,600,000**.

4.4. Conservation Deficit – the parties agree that the conversion and repair of the Main House and other buildings generates a residual land value of **-£250,000**. It is therefore agreed that there is a Conservation Deficit of £1,850,000.

4.5. Financial Appraisal Assumptions – the parties agree the following general assumptions in respect of the proposed development:-

- a) Gross Development Value – a total of £22.115m, equating to an average rate of £475 per sqft on the residential Net Sales Area;
- b) Construction Costs – a total of £12.707m, equating to an average rate of £215 per sqft on the Gross Internal Area. The total construction costs include temporary protection works, demolition & enabling works, external works, incoming services and repairs to the Grade II Listed structures, including the garden wall.
- c) Contingency – 5% of construction costs;
- d) Professional Fees – 10% of construction costs;
- e) Marketing & Disposal Costs – 2.60% of Gross Development Value;
- f) Finance Costs – calculated at an interest rate of 6.50%;
- g) Development Programme – a total of 29 months, including sales period;
- h) Acquisition Costs – 6.8% of residual land value, to include Stamp Duty Land Tax at HMRC rates and legal / agent fees;
- i) Developer Profit – 20% of Gross Development Value;
- j) Total Development Costs – the parties agree that Total Development Costs (including Developer Profit) is approximately £20.515m;
- k) Public Subsidy – the parties agree that no other sources of public subsidy exist (for example, from the Heritage Lottery Fund) that could fund the Conservation Deficit and negate the need for Enabling Development.

4.6. Financial Appraisal Outcome – the parties agree that the proposed development generates a residual land value (Gross Development Value *minus* Total Development Costs) of approximately £1,600,000.



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### **5.0 Conclusions**

- 5.1. Grimshaw Consulting Limited has undertaken an independent Financial Viability Assessment of the scale of enabling development required to fund the restoration of the group of Grade II Listed Buildings at Northaw.
- 5.2. Viability discussions between LW Developments Ltd (“the Applicant”) and Welwyn Hatfield District Council (“the Council”) have been completed at pre-application stage. The Council were advised by BNP Paribas Real Estate and extensive discussions between the parties took place between April and October 2018. Viability discussions have been completed in accordance with National Planning Policy Guidance relating to Viability (July 2018) and had regard to the policy / guidance provided by the National Planning Policy Framework and Historic England.
- 5.3. The Council and Applicant have agreed the following points:-
  - a) The optimum viable use is residential use;
  - b) The Benchmark Land Value for viability assessment purposes is approximately £1.60m;
  - c) The Conservation Deficit is approximately (£1.85m)
- 5.4. The Council and Applicant have agreed that the proposed development of 27 dwellings (as detailed in the application documents and summarised at 3.1 above) with a total Net Sales Area (NSA) of 46,600 sqft, comprising refurbishment of existing buildings to provide 15 dwellings (22,614 sqft NSA) and new build development of 12 dwellings (23,986 sqft NSA), is the minimum quantum of Enabling Development required to secure the restoration and future of the heritage asset.

**Robert Grimshaw**  
**Director**  
**Grimshaw Consulting Limited**  
**18<sup>th</sup> December 2018**