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Is developing a building the best use of you and your organisation’s time, money and effort?

As anyone who has embarked on a (re)development project has learnt, the ideas that they began with, and those that actually eventuate are often very different. Sometimes this is for the better, but it can also be for the worse (stick to your principles). Early thinking and planning will definitely help, but success in a (re)development project will always require a great deal of persistence, discussion and creativity.

This guide is designed to help you think through making a decision about whether your potential project is worthwhile and viable. Specifically, it seeks to help you look at whether your proposed project is a good for your organisation (business case) whether it is a good investment (investment appraisal) and whether it will likely to be viable when it is completed (business plan). We will also briefly outline the main elements of initiating and managing a (re)development project.

This guide is probably more suitable for more established organisations, with sufficient capacity and resources, that are thinking about undertaking a (re)development project as part of its next phase of organisational/business development (either growth or consolidation) and/or as a community investment. We have only made limited references to a particular policy; funding source or website as these change so quickly. A good search engine should be sufficient to follow-up many of the issues outlined here.

Buildings can be great assets, but the (re)development process can also be a night-mare. Some of you, who read/use this guide may decide at the end of this document that a (re)development project is not the right thing for your organisation and its mission right now. Of course, we hope that some of you will progress with the (re)development project and that it will bring significant (net) benefit to your organisation and clients. We hope you will be better informed about the potential, impacts, risks and issues in (re)development. We believe that socially committed organisations, especially those that are serving disadvantaged groups/areas should have high-quality premises in order to deliver inspiring and animating services.
2.1. Introduction

Your business case makes, and over time tests, the argument for investment in a new or (re)developed building. This section covers preparing a business case (will it have a beneficial impact on your organisation and its mission?), a business plan (will it be viable when finished?) and undertaking/commissioning an investment appraisal (is this a good use of money?).

A business case and investment appraisal is primarily intended for internal audiences (e.g. your board). While a business plan is intended for both internal and external audiences (e.g. stakeholders, financers and funders). Again, the central question for any project; is there a better way to spend our money, time and effort than on a (re)development project?

Being realistic, your project is likely to take somewhere between 2-6 years and sometimes even longer, especially for larger projects. The better the quality of your early work the better the delivery process and the final product at the end of it.

2.2. Key business arguments

There are a number of good arguments for undertaking a (re)development project, as well as some critical questions. Many of you will have also made the same sort of appraisal in your personal life (with mixed success), in choosing where you live for example. A number of issues may be relevant to your organisation, including:

**Saving dead money**

You may be spending a lot of money on facilities right now e.g. rent and charges, and when you add them up they may be sufficient to service a mortgage, and/or fund business (re)development, provide match funding and/or contribute to improved facilities.

**Better team working**

Improved facilities may have a positive effect on staff; with premises that are more flexible and tailored to your requirements. Modernised and attractive spaces may enable you to offer a better quality service. If co-location is achieved this may (passively) facilitate better joint-working and reduce some fixed costs from consolidation (e.g. reception and service fees) and other costs (e.g. lost time and travel expenses).

**Saving room hire costs**

Some organisations, especially those like training organisations, may be spending a lot of money on room hire; your own dedicated premises may bring significant savings.

**Manage charges/services better**

You may feel at the “mercy” of a landlord who is limiting your organisations ability to manage finances (e.g. by increasing rentals/charges, blocking going green) and service innovation and responsiveness (e.g. offering 24/7 or drop-in services).

**Better location/access/demographic change**

Many of the communities that we serve are changing fast, and the location of your building may no longer be appropriate, or you may want to realise an uplift in value. The centre/focus of the community that you are seeking to serve may have changed with the opening/closing of shops and other services/amenities.
Meeting increased demand
You may have seen an increase in demand for your services, or changed service delivery requirements (e.g. disability discrimination act, data protection etc). You may also need larger premises to meet new demands from clients. Co-location and/or a strategic partnership can reduce (re)development costs (sharing charges and facilities) and open up further business opportunities.

Image and identity
Your organisation may have grown out of its original site and be ready to “fly the nest”. For example, you may have been previously housed in a council building and now think it is time to have a more independent identity.

Less/more travel for clients
Your client group may have changed/expanded and your site may no longer be suitable, or not accessible – and you may wish to reduce the travel time/costs for your clients.

Organisational durability/development
In some cases a building may be the proverbial “gift horse staring you in the mouth”; a gift; a legacy or an asset transfer could be a windfall. Offering your organisation an opportunity to have a stronger balance sheet and underpin its ongoing (re)development. You will have also done work on your organisational strengths and potential/opportunities for earning income. Will this proposal contribute to the scalability of your current (and future) sources of income and/or open new viable business possibilities?

Valorising unrecognised assets
One of the ideas that underpin the rationale for 3rd sector organisations is their knowledge of local communities. Your organisation may be able to identify and realise a community investment opportunity that a private/public sector organisation cannot.

Of course not all the implications for taking on a (re)development project are positive and you need to honestly assess all of the issues for your organisation. Some of the other issues that you will need to consider include:

Displacement 1
As a socially committed organisation your first priority is to deliver quality services and a building may not be the best way to do that. Don’t forget running costs – you do not want to become an organisation where the building and its running costs become the main focus of their existence. We all know organisations where you think they would have been better off spending the money on the punters! What will the effect be on your service costs and margins? New service models, work organisation and/or better use of technology may be a better answer to your challenges than a building.

Displacement 2
What you are (re)developing is a building, not a miracle! Many of the issues that you may be trying to address may be the result of more intangible organisational and/or wider cultural issues. A building may be being used as the “presenting issue” in discussions about what can be done to improve the organisation and/or services when it may not be the real
issue at all. A building cannot solve people problems, only people can.

Organisational readiness
Taking on a (re)development project will test your organisation. Has your whole organisation, and the Board especially, signed up to it? Does your Board and management team have the right balance of skills? Frankly speaking, you need to be a mature organisation able to deal with risk, stress and have sufficient reserves and management competencies.

Running a building
Everywhere there are buildings that are poorly designed, managed and maintained. If you are already based in one then why is moving, or a (re)development, the solution? Why did your existing premises deteriorate and how will you avoid making the same mistakes? Are you truly prepared to meet the full/real ongoing costs of properly managing and maintaining a building? Have you honestly looked at the longer-term cost of running/expanding your own premises? Within a few years that amazing new space could be more of a liability than an asset (you know examples), do you really have the income to ensure that you can maintain your building at a high standard?

Cost
Before we even get onto the capital costs of (re)development, there will be significant costs in the development of your proposal. Feasibility, community involvement, design and management costs will depend on the size and clarity of your project but for the majority of medium-sized projects it will be in six figures. Talking/sharing with others, collaboration and research can help you reduce costs, or at least help get the best value for money. But there is no ways of getting around it; you will have to spend some of your own money!

Opportunity costs
Can you, looking at the next three years or so, afford the significant amount of key personnel’s time (even with a dedicated project manager) that the project will take? Is your organisation’s market position secure enough? Looking forward are you potentially going to miss out on important business opportunities? Timing is always key in your organisations growth and development. You have to know your mission and market well and be honestly testing any business case that you develop against this knowledge.

Better delivery models
Maybe sharing some space with a key partner, investment in technology, mobile delivery or other more creative models may be a better, quicker and cheaper way of delivering on your mission. For example, future retailers are unlikely to invest so heavily in large retail units on the high street, but more on small boutiques or pop-ups acting as “shop windows” for their websites.

The idea that we need a wide range of dedicated facilities for particular services/groups is no longer viable. Our ideas of libraries, faith buildings, art galleries, schools, pubs and shops are going to fundamentally change over the coming years. There may be other opportunities in your community to use other underutilised facilities (I remember having a conversation with a GP practice who said they had no room to
offer flexible health services for local young people and that they needed a few million to expand their surgery – I pointed out the window to the youth centre 20 metres across the road. Looking forward in your particular sector, is the focus on a (re)development project really the best way to position yourselves for future markets?

Now is probably a good time to take 15 minutes out to write a simple pros and cons list about your proposal and then ask colleagues/critical friends to add to it. If nothing changes in your thinking then you probably have not been critical/broad enough in your involvement/thinking.

2.3 Business case

A business case is a formal articulation of why your proposed project is a good way of delivering benefit to your organisation; i.e. is this best way to achieve your mission, in comparison to other options? It seeks to inform an internal audience and it should not be treated as an external document, although it will inform any final project proposal and/or tender documents and business plan.

Some of the issues that you will need to address in your business case have already been highlighted above. We hope that at the end of this section you will have made some progress towards thinking through the key issues for your organisation. The contents of any business case will need to include:

- Organisation mission.
- Project objectives and potential business benefits.
- Brief options appraisal.
- Legal issues (site and your legal status).
- Technical feasibility (requirements/site suitably etc).
- Outline project plan and budget.
- Initial risk assessment.
- Financing and fundraising plan.

This business case is likely to be living document and over time it will become more definitive as your professional input is commissioned and added and as your business plan is finalised and/or the context or project evolves.

Our aim here is to help you develop the first iteration; seek useful input and endorsement for progressing. (Re)development in the 3rd sector is different from the private and the public sector and comes with both unique challenges (e.g. capacity) and opportunities (e.g. new markets, finance/funding). Outlining the key stages of the (re)development process and demonstrating an awareness of the risks will help you get support from your key stakeholders. Make sure you get a clear endorsement from your Board and key stakeholders for progressing onto the next stage.

2.4 Investment and development appraisal

Development and investment appraisal are two tools that will help inform investment decision making. In deciding whether to go ahead with a development project or not, you will need to carry out a development appraisal. Will the
project be profitable? If applicable, how much should we pay for the site? Sometimes you will be considering different (re)development options to see which one will be the most feasible. Both investment and development appraisal - require you to make an assessment of costs and benefits associated with, not only the (re)development of the project but also the operational stage of the project. The individual items (both costs and benefits) that go into the development and investment appraisals will normally be a derivative of the overall project objectives. It is therefore important that the objectives of the proposed project and / or investment options are clearly articulated. The services of a professional valuation surveyor will need to be sought at an early stage to carry out development and investment appraisal.

2.4.1 Development appraisal

The basic principle of a development appraisal is to calculate the value left over after development costs are taken away from the realisable value of the asset. It consists of four main items (assessed in monetary terms). The first is the value of the completed development. Assuming the development is for sale, the value (is there an equivalent building on the market e.g. disused school, church?) of the completed development will therefore be simply an assessment of the likely selling price of the development at completion. However, this will not normally be the case for community buildings as these assets will rarely be (re)developed for sale. As a surrogate for the sale price, the future benefits (and costs) of the project can be expressed in terms of a single sum at the end of the completion of the development. This is known as capitalisation of the future net benefits, which will give you an amount as the value of the completed development. A professional valuation surveyor should be able to carry out this task on your behalf (using the information you provide).

The second element is an assessment of all the costs that will go into the carrying out of the development. There will be a wide range of costs that will go into the (re)development and all of these should be assessed and aggregated. Such costs will include building costs, site clearance, professional fees, VAT, security, interest on loans, etc and the total sum will go into the development appraisal as 'development costs'. Deducting the development costs from the value of the completed development should ideally leave you with two other items, your required profit from the project and the amount that should be spent on acquiring the site where this is applicable.

You will need to decide how much profit you need to make from the project. The profit allowance is the reward to your organisation for undertaking the risk of a project. This is normally derived as either a percentage of the total value of the completed development or the total contracted amount, quoted by a building contractor. In the commercial sector, the profit allowance may be as high as 20% of the value of the completed development. However, in the voluntary and community sector, such profit allowances are usually weighed against other social or community benefits. The residue that remains after deducting the development costs and the profit allowance is the amount that will be available for site purchase, if this is not already owned by the organisation.
The whole development appraisal process can be summarised into the following equation:

\[ D = A - (B + C) \]

\( A \) = Value of the completed development, \( B \) = Building & development costs, \( C \) = Profit allowance and \( D \) = Left over sum available for site purchase.

If the site is already owned by your organisation, the project will still give you the required profit even if \( D = 0 \). However, if the asking price for the site is higher than the estimated \( D \), then the project is not profitable. In this case, it might be worth considering accepting a lower profit margin or not proceeding with the project at all (or only if you receive grants that will fully offset the ‘losses’).

2.4.2 Investment appraisal

The key questions to answer under investment appraisal include, should we invest in this project? Which of the potential projects has the best return? The basic principle of investment appraisal therefore is to assess and compare the sums of present and future costs and future receipts generated by the options. In order to aid comparison, all the future benefits and costs will have to be expressed in present values. Usually, the project with a higher net present value is the preferred option. Again, it is easy to conclude as such in the commercial sense but in the voluntary and community sector, the project options and their associated net present values will need to be weighed against the social costs and benefits of each possible project. Again, the quality of the information you receive will be

Net Present Value is helpful in assessing whether an investment achieves your target rate (e.g. above interest rates?) but it does not tell you the rate of return of the investment is.

- The Internal Rate of Return (IRR) is the rate at which the discounted cash flow of income equates the discounted cash flow of all expenditure, i.e. where NPV equals zero. Using the IRR to appraise an investment avoids having to select a target rate and can be compared with your organisation’s own target rate. The IRR can also be compared with IRRs of other investment options and can be monitored throughout the life of an investment. If at any time it drops below market rates, this may be a signal that the investment needs to be disposed of/rethought.

- A Discounted Cash Flow (DCF) is a summation of present and future costs and future receipts generated by the project. The difference is the cash-flow. The present value of a future sum depends on the rate that it can be invested at and the length of time that it can be invested for; the higher and longer these two factors respectively, the lower the present value.
3. Business models and planning

How will your (re)development work? As you present your proposal, you will need to be able to present a credible plan that your project is fundable and stacks up once it has been delivered and operating. Nobody is looking for an additional future ‘drain’ on resources.

There isn’t a course available that will provide your answers. Particularly, in your local context some self-directed learning can be a very effective and cheap way (buying a few coffees) of learning and saving some valuable time and money in the long run. A key question for your respondent would be “what would you differently now with given what you have learned in the building/running of your premises?” Joining the Development Trust Association may be appropriate for your project and several websites have useful information (see appendix). If you are establishing a working group (a good idea, and in many cases better than a sub-committee of your existing Board, make sure you have some additional advisors on the working group – local business people, university.

3.1 Business model

How will the (re)development and completion of your project influence your business model? In the private sector context; a business model is essentially an outline of who is your market, how you will get your product to this market, how/why they will buy your product and how you will make a profit. In a 3rd sector context, the ability to clearly articulate your business model is just as important to convince others that your project will stack up and pay its own way. Some readers will be developing a simple office/base for their organisation and some of the issues below will not be relevant. But unless your organisation is cash rich and you are certain of your markets then you will also have to consider additional and viable ways of generating (net) income as part of your (re)development. This may even be as a secondary function (e.g. sessional rental of your meeting rooms when not in use).

Remember the market for your services and the market for the services potentially on offer in your building are not always the same. You will have to consider whether they are compatible and/or there are synergies? While your core services may not depend on the footfall in your area, will any services you are planning to offer such as a cafe, shops, galleries etc need a good footfall. You will also have to be explicit in your assumptions about the how/why your projected income will be realised.

For example, you could lose count of the number of (re)developments that rely on the promise of cafe income to make their project viable. Generally speaking, no cafe in itself will generate enough income and profit to make a significant contribution to the viability of your project.

We hope that you are now thinking of a notable exception to this rule – visit them and find out why! Who are their customers? How do they reach them? And why do they come to them? If you are planning a cafe or other retail business why will yours work in your potential site? Is there no competition because there is no market? Has the demographic changed? Or is there already a proven market (the local cafe is fully booked at lunch time because the University has expanded or a new business has opened)? Further education, universities,
schools are great markets, but they are also seasonal markets. Will others use your cafe in the off season? This (rather basic) methodology applies to any other income generation ventures that you are thinking of.

For any service that you will need, but is not feasible to run on-site/in-house you will be looking at a service level agreement with a supplier. Affinity agreements with such suppliers can also be a useful source of additional income (either formally, through sponsorship or work placements for your clients etc.). A good caterer for larger events e.g. weddings, conferences and birthdays for example. For many of the issues that you will be considering in your project such as; access to your clients, staff recruitment/retention, income generation then your proposed location is a key variable. This will need to be explicitly addressed in your business model and plan (see site review worksheet in appendices). Why will your planned clients go there and how, for example?

### 3.2 Business planning

During the (re)development of your project your business plan will cover two main elements; firstly the process and financial implications of delivering the capital build/refurbishment, and secondly the results of your research and financial modelling on the income/profit that you anticipate (and will require) when your facility is up and running.

Your business plan needs to be based on a credible business model and assumptions. Will you be using trainees, volunteers, have a green and/or creative image, offer additional or new combinations of amenities/activities, a better location?

It is easy to get carried away by your enthusiasm for your project. You need to look for credible benchmarks. For example, if you were setting up a B&B you would use the average occupancy rates for B&Bs in your area, less a margin to compensate either for, or both, your location and its newness on the market. If you are renting out office or event spaces to local business then what are the current occupancy rates of equivalent office space in your area? Get the rates that are charged (discretely) by other comparable local business centres, events spaces and retail spaces and be conservative. Again, make sure your comparators are comparable – issues like car parking, access to public transport and on-site/near amenities are important in setting market acceptable prices.

Many 3rd sector organisations have a weak record when it comes to marketing. Making money is not free! If you are moving into new markets such as office rental, catering, retail and events etc then some serious investment will have to be put into business development and marketing. In addition, if one of your objectives for is moving into new/improved premises to improve your image and the quality of service delivery, then not telling stakeholders and potential clients about the changes that you have made, will undermine achieving this objective.

Financers and funders will want to be convinced that you have a credible strategy for reaching your planned beneficiaries, new clients and entering any new markets to make their investment worthwhile.
Delivering your project is going to require a high degree of creativity, this includes identifying and leveraging your stakeholders. In addition to some of the more obvious stakeholders for your organisation in your locality and your sector we also encourage you to look at a wider set of new stakeholders to inform your (re)development project.

Importantly, how you present your project may influence views and support for it. Local authorities, funders and financers are rightly suspicious (and to be honest more than little tired of) of projects that present themselves as problems needing help. Are you clear how your project helps meet local priorities (regeneration), responds to local demand and is aligned with opportunities (e.g. how it provides new services to a new demographic)? Be clear about the solution that you are seeking to provide, the investment you are offering and the resources that you can contribute before asking for contributions. Inspiring enthusiasm and confidence, rather than asking for help, is more likely to be effective at getting the support you may need. For example, getting councillors excited about your project (especially if they don’t have to fund any/majority of it!) may mean they work with officers encouraging them to facilitate your project.

Practically, you need stakeholders to help identify and access sites, provide advice and facilitate access to funding. Perhaps most importantly, stakeholders can offer new business opportunities (ride on the coattails of other investors!). One formula for identifying your stakeholders is power/influence typology as outlined in figure one below. This is likely to identify key stakeholders that are necessary to “get onside” for your (re)development. For example, letters of support from local councilors and presentations to local representative forums will be useful with some funders.

![Figure 1. After Mathur, et al, 2007](Image)
The ability to clearly (and quickly) articulate the objectives and potential economic and social impacts of your project is key. In addition to the benefits to your organisation’s impact (can you show it?) and mission being able to clearly set out the benefits to the surrounding area of your investment will help secure support. In terms of an economic impact argument then some of the factors that you could highlight may include:

- Value of property brought back into use
- New jobs in an area
- New products and services developed
- Additional training provided
- External investment brought into the locality.

Again, we believe that the building itself is only one aspect of any (re)development – rather and often more importantly, the (re)development process itself can be a useful way of reengaging with and exciting (new) clients, local residents and stakeholders in the delivery of your mission. Many of our communities have changed with new residential and retail development, growth of higher and further education facilities. A (re)development can help you reposition/reintroduce yourself to the local market.

A new project is also a chance to engage with new stakeholders that reflect the changing nature of your organisation and community. New stakeholders can contribute new thinking and opportunities that can help you deliver your project. For example, one local church that we have worked with is now working with a major local heritage attraction as part of this attractions offer to visitors and corporate clients. New and existing stakeholders may be willing to contribute to working groups, sponsoring events etc. Your project may be bringing new customers or amenities to an area that will benefit others (who?). Even the local cafe may benefit and could provide catering/vouchers, advertise events and be a useful ambassador (t-shirts?).

Links with business and others will also increase funder/financer confidence in the support for your project and its viability. If your project includes a cafe and/or and events/catering then an affinity agreement with a caterer will both be a source of income and be favourably looked at by backers. An example, from a smaller scale (re)development that we have worked with; that is utilising prefabricated ecobuildings, they worked with the local further education college to provide the labour, using their construction students, to lay the foundations and erect the prefabricated buildings.

The local community will always be a key stakeholder. Yours may be an area-based organisation. The local community will have legitimate interest in your (re)development and may be pleased to see more investment in their area. There is of course a risk that they may oppose your proposal (especially if you don’t communicate early/efficiently). Residents can be a valuable source of support and supporting information (e.g. building history, local aspirations) and they can contribute useful ideas and leads.
Any (re)development project is expensive. We hope that you have plans to make your building make money, or even a profit, rather than be a simple cost centre. There are a number of ways that a building can make money (see below). But there are also many ways that a building can cost money at design and construction stages, and finally when it is up and running. Likely costs in your (re)development will include:

- Acquisition costs (direct, even 'free' properties will have indirect costs e.g. security and insurance)
- Professional fees (lawyer and a chartered surveyor are a minimum)
- Organisational costs (e.g. marketing, fundraising and your time!)
- Refurbishment/build cost
- Project management costs
- Fitting out costs (telecoms, ITC, decoration and furniture)
- Cost of finance (e.g. arrangement/facility costs)
- VAT
- A significant contingency (up to 10%).

In addition to the design and construction costs, there are also costs in running a building (see an initial list in the appendices). You will also need to make sure design and specification includes any 'special needs' that your organisation needs. Also, apart from the green issues (see below), there are other issues about access and life-time standards that can respond to changing client requirements and anticipate future regulation.

Judicious use of professionals can be a worthwhile investment and help save/make money. A quantity surveyor is the specialist that will help you estimate the likely costs of your (re)development. They will use a range of tools to assess costs including published databases of costs and their local experience of comparable projects. If your project is highly inventive/unique then some costs may go up. This work is always an estimate and there will be surprises – both pleasant and nasty, a contingency is always necessary and this early stage of the process a 10% contingency is standard.

Also, if you are working with others like PCTs and housing associations this means you will have to get independent professional advice (i.e. an independent charted valuation surveyor). Quite reasonably these organisations are looking out for their own business interests and they will seek to get a favourable price for themselves so do not rely on their retained professionals. Also seek additional advice from other completed (re)developments undertaken in partnership with local PCT’s or housing associations (although they may have been ripped off!), and look at the local commercial market. It can be useful to look at your partner’s strategies, targets and funding sources as they may be under pressure to deliver on areas that you will be helping them to achieve. It also is rarely true when they say that they can only pay for such and such, or price and/or have to operate under a particular service model – there are always ways...

In planning a shared building make it clear that what partners propose has to be consistent with the objectives and ethos of your
(re)development and that you both fully understand the practical implications of that ethos (e.g. out of our access, signage, security etc). An uncooperative or poor GP for example, can undermine the open access and quality that you are trying to achieve from your project. Always get everything from partners (staff change!) and any retained professionals in writing.

Now is a good time to start thinking about the potential funding/financing of your (re)development project. You will need an idea of the cashflow for both the (re)development and running of your project. Potential income streams and some outlays could include:

- Projected trading income (make your assumptions explicit)
- Capital grants
- Loan finance (including soft loans)
- Business development grants
- Sponsorship
- Joint capital investment (including possible concessions).

Remember there will be management, maintenance and other costs from the start and you will also need working capital (i.e. the money it will cost to make money from rentals, opening/promotional events, marketing costs). Also remember to keep a full evidenced record of income and expenditure (including in kind contribution from supporters or discounts) as this may be useful as match funding.

Once you have produced the first estimate you will need to adjust key elements (this is called a sensitivity analysis) to check the impacts of variation in key factors (e.g. an increase in rental voids). This work will help you identify your best sources of income and inform your business plan, but more importantly the key risks to the viability of your project that you will have to manage. Again, the obvious source of income may not always be the most lucrative – most hotels for example, make little money from accommodation, but rather they make their money by selling additional services such as movies, meals and wifi etc.

Again this document is intended to help you do some of the early thinking amongst yourselves, with critical friends. Moving to a more detailed feasibility report and business plan will require professional advice and more detailed market research. As you move into design and construction phases (see project process below) other publications are available from organisations like the Development Trust Association, CABE etc.
6. Project management

6.1 Project process

We want to start this section with a personal suggestion. No project will go to plan and personally you will need help and support. Even at the level of someone to talk to about the latest hassle. Others may have been through it, or going through it, and a regular cup of coffee with a friendly face could be an invaluable source of support and/or advice. The project will go through many stages (see below) and you will always need those key skills of networking, selling and enthusing. Fundraising (incl. finance) and business development will be ongoing activities, throughout the life of your project (and beyond). The key planning/construction stages of a (re)development project will likely include:

- Project idea (business case)
- Project inception and feasibility (business plan)
- Project planning and design brief (business plan)
- Project designs
- Planning application
- Detailed designs
- Development control approval
- Contract and contracting
- Project construction
- Project completion and handover
- Business development/facilities management

6.2 Professionals

Good professional advice can help you save significant expenditure and provide useful independent advice for negotiations with housing associations and PCT’s etc (though frankly when they give the wrong advice they can be a bit of a waste of time, or worse). Some input will be legally required (by planning and to meet Charity Commission diligence requirements) and others can provide valuable advice and give your project credibility. Be clear about your requirements in all your briefs. For example, a dedicated reception/receptionist may make full sense on an architectural drawing but is often an unnecessary expense and could lose you valuable (office rental) income. If you have a good relationship with your own accountant and/or lawyer they may be willing to do some initial work pro-bono, or at risk. But make sure they have relevant experience in (re)development and that they understand any specific 3rd sector issues.

When you progress beyond feasibility and/or start to commission independent advice, make sure you prepare clear and focused briefs and stick to them. Remember no advice is free. There may also some compliance requirements from your prospective funders so make sure you are aware of them when coming to an arrangement with those that you retain – you may be required to tender certain elements of work at a later date. You will probably be looking to form some sort of project working group to provide a mechanism for coordination - ensure that all the meetings are well planned (around your delivery plan) and that key points and actions are recorded to save on money and time.
Professionals generally have established practices for payment i.e. with percentage of the total project cost at project start and when on site. But as always, everything is negotiable. But around 10% of total project cost is the likely minimum. When it comes to the tendering and contracting stage this is a very specialised and for medium sized or large projects you will need to retain someone to help or employ a project management company at the very least for this stage.

6.3 Risks

The risks for your project will need to be fully identified and managed. A first consideration for your project has to be your legal and governance issues. Essentially, are you allowed to take on such a project, is it consistent with your purpose, especially when the project amounts to a significant share of your total income.

Most projects have a number of key risks at the design and construction stages and when the (re)development is completed and up and running, these possible risks include:

**Design**
- Not fully thought through/unclear brief
- Are you legally able to take on such risks?
- Unclear requirements (have you consulted staff and clients?)
- Lack of understanding by professionals of your requirements
- Poor advice.

**Construction**
- Heritage and/or planning issues
- Unforeseen structural issues
- VAT
- Poor project management
- Cost overruns.

**Running**
- Cash flow
- Voids
- Customers for trading activity do not materialise
- VAT
- Staffing/recruitment.

An early activity in your decision making has to be a “brainstorm” on some of the “key things that could go wrong”. Again learning from others in your area can be really useful here; both to anticipate problems and consider how some of these issues can be managed.

Any risk appraisal of your project should also include more intangible issues such as the views of your project of your board, partners and stakeholders. An effective and ongoing communication strategy will be central to managing these intangible risks.

Phasing your project can lessen some risks, build up skills, and win (over time) more support for your project. In particular, phasing allows for a better fit with resources as they become available. Make sure that each of the phase adds-value and that in the worse case and you needed to halt the work then your site is fully useable. Generally you should also be looking at prioritising...
those areas that will generate income in the first
instance. However, you must keep your mission
in mind here and do not be taken “off mes-
sage”. Each project has its own dynamics and the
phasing will differ between projects. In order to
minimise the potential for income loses business
development investment/activity will have to take
place well before opening and should build on
your market research.

In some cases a larger organisation may be will-
ing to take a lead on some of the more onerous
tasks; for example a friendly and competent local
authority or housing association may be willing to
act as the client and legal title holder during a
transitional stage.

6.4 Planning

Most medium or larger sized (re)developments
are likely to require planning permission espe-
cially if there are external works and/or there
is a change of use. Have an informal chat with
a local planning officer and again anyone else
locally who has undertaken similar work. Be-
fore seeing them, spend some time scanning
the council website looking at key strategies,
local area planning documents (frameworks)
as these can provide supporting documenta-
tion for your proposal and if it is required for
your planning application. Again, make sure
that you have a reasonable grasp of your
project, local planning context and try and
anticipate some of the questions that you will
be asked and need to ask (and the key but-
tons to push). As in many situations often the
first (and apparently definitive) answer is not
always the right one.

Some advice may be available from Planning
Aid, RTPI (Royal Town Planners Institute) and
CABE. Your local architect may have a good
relationship with local planners and they may
be able to sound them out on some aspects
of your project.

Similar issues apply to any heritage element of
your project. All (re)development projects will
influence local identities and sentiment. Your
project may be bringing back into use or reen-
ergising an underused building – if your use is
sensitive to the fabric of the building then you
may be in a strong position. We cannot live
in a museum, but original and quirky elements
can add economic and ascetic value and may
save some costs. Again, you need to know
your building and its history – has there been
previous refurbishment work for example. What
purposes has the building being used for over
its lifetime – what is the relationship between
these purposes and your mission and project.
Understanding these elements of your bid and
plans can put you in a strong position (story)
in relation to other bidders (if relevant) and/or
later when you are seeking planning permis-
sion and funding.

Some heritage requirements may add costs
to your (re)development. But they can also
be offset by higher rental or event charges
for a unique and desirable space. Some spe-
cialist grant programmes/foundations may be
available. Understanding the potential of your
building, visiting other equivalent projects and
looking for good practice and advice (a lo-
cal university?) will help you develop creative
solutions.
There is still a lot of poor advice from professionals and building contractors about the possible use of environmental measures. This is more a reflection of complacency and ignorance, than the real environmental potential for your project. There are many good reasons to devote serious thought to maximising the environmental sustainability of your project, not least the availability of funding/income. Building as usual is no longer acceptable. Take a fresh and imaginative relook at your site and dedicate some time to an environmental workshop and as a specific section in your project plan, and involve local stakeholders such as Groundwork and university specialists. Take some time to do some independent research/visits (see the appendices for some interesting/reliable websites to start with). If you have a model project in mind – have a board away-day or project working group meeting there.

Once finished (yes one day!) your building will be in place for a minimum of 25+ years. This is a major imperative for quality, flexibility and sustainability. This same period is also very likely to see ongoing and accelerating climate change and fast increasing costs for energy and water. At the very least we are looking at higher summer temperatures, in some areas both drought and more intense rainfall (including floods). How will you address issues (climate change adaptation) in your brief for the architects and in the business plan? Some simple, inexpensive and embedded measures up-front can make real differences e.g. electricity plugs installed at a higher level, passive air circulation etc.

Let’s quickly run through the arguments for a full sustainability approach, in case you still have some dinosaurs that you need to convince:

- Reduce running costs/generate income
- Substantial funding for green measures is available
- Planners, staff and customers now expect to see serious consideration being given to sustainability issues
- Anticipating future regulation
- Reputation and image benefits
- A cost effective way of adding quality and attractiveness to your (re)development.

Increasingly, there is very little, or no, difference in the costs of using recycled and sustainably sourced construction material. Certain products such as eco paints, lighting and passive ventilation systems can have significant health benefits and in many cases reduce running costs. Staff and clients with respiratory problems, allergies etc. will welcome improved air quality and this is also increasingly a matter of regulation. A number of effective and cheap measures can be included in your project design – the advantage of a (re)development project is that you can include environmental measures for little or no additional costs. Some of the more basic and inexpensive measures available include:

- Better use of natural light and sun pipes
- Use of shading
- Rainwater harvesting
- Generous roof over hangs
- Use of grey water
• Higher thermal mass
• Green roofs
• Water saving toilets, taps and showers
• Low energy appliances
• Recycled building materials
• Heat sources pumps
• Solar power
• High standards of insulation
• Orientation of the building.

There are a range of environmental grants available for renewable energy with advice on several websites including; the Carbon Trust, environmental organisations such as Groundwork and whatever the departments for the environment and/or business are called this week.
8. Funding your project

8.1 Introduction

One of the key elements of value-added for 3rd Sector organisations is their ability to bring together a portfolio of funding from a diverse range of sources. There are a number of ways of funding your project, but there is no “magic bullet”. Many of us are used to combining grants, contract, trading income and finance etc to make things work (well most of the time). We cover three main ways of funding your (re)development:

- Self-generated sources
- Finance
- Grant funding.

We have expressed the various forms of income in figure two below:

This diagram expresses the source of funding in a hierarchy, this is deliberate. Sometimes organisations are tempted to focus on grant funding and ignore other sources of funding. This restricts creativity and can limit your ability to realise your project e.g. by not offering match-funding to grant givers. It is increasingly unlikely that you will simply be able to access one or two grants to realise your project. Rather the resources will come from a range of sources, this will require more effort, but this can also act an imperative for entrepreneurship and creativity.

8.2 Self-generated resources

We mean a range of things here – from the use of a proportion of your reserves (inevita-
ble), receipts from the sale of existing buildings/sites, concessions (products related to your mission) and partnerships with organisations such as housing associations. If your organisation has strong reserves, a sustainable market and a strong income stream projected for the next few years; then this is a good place to start from. Judicious use of reserves can unlock other monies. Putting it crudely if you are not willing to invest in your project/future why should others?! For example, one church that we have worked with used some of their reserves to redecorate their crypt; as an early win for the project and to quickly secure the tenancy (income) of a youth project looking for a local base.

At the very least you can expect to use some of your income/resources to kick things off in the feasibility stage. Of course, even here you can be creative e.g. getting some assistance from a local University, or some early pro-bono/at risk work from local built environment professionals. Partnerships can be lucrative both directly but also indirectly. For example, a partnership with a housing association, further education, university or PCT can give your project additional credibility and convince financiers and funders of the viability of your project. Demonstrating your willingness to make a leading contribution will also help you present your project as an offer, a positive solution and this can help attract funding from a more diverse range of sources, including foundations and the private sector.

8.3 Finance

It is very likely that part of your funding package will include loans either as a mortgage or for business development. Specialist 3rd sector finance providers will generally have more experience and can be more helpful in such projects. Listen to them; they have often dealt with several projects such as yours. But also be ready with your arguments as to why any particular element of your project may be different (is it?). Again, make sure you are familiar with all the main issues affecting your project before approaching specialist financers (they are [nicer] bankers, not therapists). Some of the key 3rd sector financiers are included in the websites listed in the appendixes.

Of course, you should also look at the more conventional banks etc. Remember that finance and repayments can in some instances be used as match funding. Finally, the explicit support for your project in the form of a loan and the brand association from a bank can give your project additional credibility. It also shows that you understand the risks; and that these have been externally tested and have been shown to be manageable.

8.4 Grant funding

Grant funding is a lump sum ‘given’ by local authorities, central government agencies and in some cases regional development agencies. Grant funding can be useful and can make an otherwise marginal project stack-up. But there is no such thing as free money.
If you have a clear business model and plan, then chasing a funding pot that does not align with these may be a business development cul de sac. At the very least, funding will come with significant conditions and management costs. For example, one condition is known as “clawback” which means that at a future date the accountable body may ask for some, or all, of the money back, if the original conditions of the grant are not met. This and other conditions may affect the viability of your project.

Funders will want to see evidence of community and beneficiary involvement, stakeholder support, market research, environmental measures, professional advice, other fundraising, organisational capacity and competencies.

Realistically, grants are increasingly hard to come by. Many local authorities are not exactly cash rich, but they may be able to support your funding package in other ways such as acting as a guarantor for a loan.

As highlighted above there are some very useful government funded environmental programmes that are likely to provide a valuable indirect contribution to realising and contributing to the viability of any project, while also improving environmental performance.

Also some grants for indirect work that promote and help establish your project (community outreach, marketing costs etc.) or can help to fit out some elements of your project (e.g. ITC) can be useful. Identified elements of your project can be bundled under different themes and submitted to separate funders. Specific elements may also be of interest to sponsors. Local companies may be interested in the naming rights of conference room for example. Remember to separate the capital and revenue elements of your project – some funders may be will to fund capital elements others ‘new’ revenue projects.
A (re)development can be exciting and realise substantial additional value for your organisation, its mission and the local community. It can also be a frustrating and stressful experience and bring out the worst in organisations and some people. But by good planning and learning, and a high degree of creativity then you and the project team can save a lot of energy, time and money! Taking risks is never easy but in many of the communities that we seek to serve, and/or the valuable 3rd sector organisations, these are the ones that most need constructive risk taking.

We are proposing the following recommendations are the issues that you need to consider when deciding whether you undertake your project:

I. Be clear with yourself, colleagues and stakeholders why this is the best use of resources, time and effort to deliver on your mission. Are there any other more creative/better ways to achieve the same outcome?

II. Do talk to others who have been through this before and get their advice and support (i.e. do not reinvent the wheel!).

III. Look at creative ways at getting practical and creative input during all stages (e.g. the local university architecture and business school, further education, arts groups etc).

IV. Involve key stakeholders (once you have your story straight) and seek out new stakeholders/partners that add real value to your project. Keep key stakeholders regularly informed of your progress.

V. Make friends with some key professionals through your networks e.g. from other 3rd sector organisations that have had a good experience. Some early work could be done on a pro-bono and/or on a ‘at risk’ basis.

VI. When looking for financial resources then look to yourselves first, partners and commercial opportunities second, then finance, before putting all of your energies into grant funding (bring something to the party!).

VII. Are you clear why your (re)development will work, given where/how it is being planned? Will it operate profitably (can you do a 1 minute pitch based on this)?

VIII. Is your building as fully green as it can be? Are you missing opportunities to meet your ethical obligations, reduce your running costs and making an income, improve your image and access some potentially key funding? If it is not fully green please think again –the planet has enough problems!

IX. Make a plan about what you and your team will have to do, and then allocate some time and resources to the key tasks. Then, at least triple the amount of time and resources that you have allocated, even if you keep to your project timetable external events and the requirements of other organisations will add complexity!

X. Have a clear risk and communications strategy to identify and manage your risks and communicate/share regularly your success and excite stakeholders about your offer.

This document is not a substitute for professional advice and learning from the experience of others, but we hope it is a useful start to thinking through some of the very early stages of your project.

Good luck!
Appendix

SECC contacts

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Portsmouth PO1 3AH
martin.andrews@port.ac.uk

www.heartofthepark.org.uk
www.stmarysrowner.org
www.stgeorgesportsea.org.uk
## Site Review

<table>
<thead>
<tr>
<th>Name</th>
<th>Site</th>
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<tbody>
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<td>Job Title</td>
<td>Location</td>
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<tr>
<td>Organisation</td>
<td>Date</td>
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<tr>
<td>Our Mission Statement</td>
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### Ratings

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<th>Factor</th>
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<th>2 = Fair</th>
<th>3 = Good</th>
<th>4 = Unsure</th>
<th>N/A</th>
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<tbody>
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<td>Accessibility for clients</td>
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<td>Accessibility for staff</td>
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<td>Extent of refit required</td>
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<td>Comments</td>
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### Overall Rating


### Evaluation

**Comments on site:**

**How will this contribute to our mission?**
## Project development appraisal

### Gross Development Value (GDV):
- Net income per year £
- Grants £
- $X$ Discounting factor £
  
  £ ___________

### Subtract Costs of Development:
- Site clearance (Re)building £
- (Re)building costs £
- Professional fees (as a % of construction costs) £
- Finance charges on development costs £
- Fundraising costs £
- Miscellaneous / contingency costs £
  
  £ ___________

### Subtract Required Profit
As a % of either GDV or costs of development £ ___________

<table>
<thead>
<tr>
<th>Total</th>
<th>£ ________</th>
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<tbody>
<tr>
<td>Balance</td>
<td>£ ________</td>
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### Subtract site purchase costs (where applicable) £ ___________
Balance available for site purchase £ ___________
Potential costs in running a building

Some of the potential costs that you will need to include in the business plan could include:

- Insurance
- Telephone, broadband, server, wifi etc
- IT back-up and services
- Gas, water and electricity
- Marketing (building e.g. lettings)
- Marketing (trading activity e.g. cafe, events)
- Security
- Professional fees (e.g. legal, auditing)
- Rates
- Regular maintenance
- Servicing agreements (e.g. the boiler!)
- Service agreements (e.g. photocopying)
- Additional staff (e.g. who will take event bookings/be on site on the day?)
- Cleaning (e.g. toilets and don’t forget the windows!)
- Consumables (e.g. toilet paper, soap)
- Environmental health and fire compliance
- Waste disposal and recycling
- Volunteer training and costs
- Door systems and lifts.
Key websites

Business and finance issues:

- Development Trust Association; www.dta.org.uk
- Community Matters; www.communitymatters.org.uk
- NCVO; www.ncvo-vol.org.uk
- Plunkett Foundation; www.plunkett.co.uk
- Big Invest; www.bigissueinvest.com
- Charity Bank; www.charitybank.org
- Triodos Bank; www.triodos.co.uk
- Ecological Building Society; www.ecology.co.uk
- Big Lottery; www.biglotteryfund.org.uk
- Cooperative and Community Finance; www.icof.co.uk
- Social Investment Business; www.socialinvestmentbusiness.org

Technical issues:

- UK Green Building Council; www.ukgbc.org
- Carbon Trust; www.carbontrust.co.uk
- Royal Institute of British Architects (RIBA); www.architecture.com
- Royal Institute of Chartered Surveyors (RICS); www.rics.org
- Royal Town Planning Institute (RTPI); www.rtpi.org.uk
- Commission for Architecture and Built Environment (CABE); www.cabe.org.uk
- Planning Aid; www.planningaid.rtpi.org.uk
- www.planningportal.gov.uk
- www.communityplanning.net