



## The Craighouse Trust

An opportunity has become available to create a community-led partnership between charities, public bodies and the private sector to buy the stunning, beautiful Craighouse site in Edinburgh and turn it into the idyllic setting for a number of mixed projects, charities, community-friendly businesses and private properties. To enable this to become a reality, an organization is being created that can raise funding, seek out partnerships with site users, engage with stakeholders and deliver this exciting project.

### Site history

The site is one of Edinburgh's historic Seven Hills upon which was built a set of A listed buildings to house a pioneering Victorian psychiatric hospital. Over the decades since it was built, the site has become increasingly popular, not just with the public, but also with protected wildlife. All these issues combined mean the site is incredibly difficult to develop privately. The funding required to even put together the vast range of technical documents required of a planning application has exhausted available private capital. In property business terms the site is now 'toxic'. Therefore, a partnership model between agencies, the public, experts and future site users is the only viable model for the site.

### Purpose and Governance

The purpose of the Trust is to acquire and preserve the Craighouse site for the benefit of future generations by finding and supporting sensitive uses for components of the site. The Trust will be governed by a Board, to be selected to provide a mix of skills and stakeholder representation. The Board will need to oversee funding, investment, strategy, policies and the management of the listed buildings and grounds.

### The financial case

There have been shown to be a range of financially viable uses of the individual buildings on the site without requiring significant newbuild. The site is highly valuable due to its stunning buildings, its location within Edinburgh, its views and its natural setting. Individually, each building has been shown to be capable of being profitably converted to new uses. A long-term viable future requires connecting tenants, buyers and funders together into a single partnership.



# Process and Management

## Process and Phasing

The Trust must first establish the governance, fundraising abilities, legal structure and partner relationships that it will need to be able to engage in the financial transactions required of acquiring the site for the public benefit.

Before the site can be acquired, the Trust must determine a suitable valuation for the site in its current state as well as a strategy for its long-term use for a sensitive set of purposes. This needs to take into account the value of potential site uses, the ability of the Trust to raise funding, market conditions and the long-term viability of the Trust and the site.



Once a valuation and site strategy has been decided a bid needs to be put in to acquire the site from its owners. If the bid is successful, the Trust will need to draw down its agreed funding from its funders and start work.

The models of securing a long-term future for the site include renting out parts of the site or selling off parts of the site. Renting out parts of the site, potentially on very long term leases, has the advantage of giving the greatest security for the site. This means that the funding model of the Trust may be to hold capital long-term, secured by the value of the site and pay out dividends to funders. Alternatively, selling off parts of the site enables funders to make a short-term return on investment as long as the new owners can provide a reasonable level of security for their part of the site. These decisions need to be made as part of a complete strategy and have an impact on the longer-term structure of the Trust.

The Trust may need to take on conversion and renovation work itself, or it may be able to find site users that will take on this work themselves. The buildings are in a relatively good state as they were in recent active usage, so the conversion works are not considered to be extensive considering the size of the site.

## Partnerships

A development on this scale is typically handled by a number of different groups and companies each with a well-defined purpose. Creating partnerships is starting already. This needs to include all the professional experts in listed buildings, landscapes, wildlife, property, law, trusts, community fund-raising and finance. A great many such organizations exist and are expected to be keen to be involved in a project like this.

## Management and skills required

We will be looking to assemble a board and working group and would welcome people to get involved - non specialist as well as specialist in the areas of property, finance, law, landscapes, wildlife, planning and community group governance. There is work involved, but this will be a fascinating and exciting project that has the potential to deliver a stunning public resource.



## The business and finances

### Suitable uses for the buildings

The site has a successful long-standing weddings business which is of a scale that could contribute significantly to meeting the maintenance costs of the site. The largest building, New Craig, is a stunning wedding, events and conference venue which, with the right approach, could provide a long-term income. This model has been used at other sites to provide sustainability for similar projects to save buildings.

The weddings business highlights the excellent potential for some of the site to be turned into a hotel. The hotel would be within the city of Edinburgh, but also in extensive beautiful grounds. New Craig has already been assessed by an alternative bidder for the site as suitable for the type of hotel that attracts people who want to be in beautiful surroundings for holidays or events with easy access to a city centre and transport.

The current planning process has already identified all buildings on site as being able to be profitably converted to residential properties. Some buildings are shown to be more profitable than others. While the profit may be insufficient for a private investment fund, the lower costs and public benefits of the project mean that public and community funding would easily see an acceptable return on investment.

The buildings were originally built as a high-end psychiatric hospital. While unsuitable for modern medical use, the buildings are still excellent for a range of therapies.

Given the size and range of buildings on the site, suitable uses also include: offices, charities, voluntary organizations, therapy, arts, restaurants, cafes, and health spas.

### Outline figures

The current planning application values the site at £4.7m, with a cost of converting the existing buildings to residential a total of £24.6m. Alternative cost estimates, provided by professionals for alternative site uses were ~£18m. Prices for similar properties in the immediate vicinity of the site are around £350 psf, suggesting a total final revenue of £38m.

### Funding

The funding model for this project will be mixed to enable a partnership model. We propose to have a mix of: a community share issue, public funding, bank loan and private funding. There is a great deal of interest in investing in this scheme. The advantage of this scheme from a funding point of view is that the site is an excellent long-term property investment with a low-risk predictable return. This enables funding approaches that both seek a short-term 2-5 year return or a long-term funding model where rents and/or dividends are paid to shareholders. The actual combinations of models will have to be determined and decided by the Trust and its board after research and engagement with funders.



## Risks and mitigation

If the Trust raises equity funding, such as in the form of community shares, there is a risk of financial loss for shareholders. The Trust will not make share offerings until it is legally allowed to make financial investment offerings and have a suitable board of governance to manage public funds. This document is not an invitation to invest.

The current owners may not wish to sell the site to the Trust for a value that the Trust can viably pay. However, the current owner has considerable maintenance costs for the site, which is highly protected as A listed, so an eventual sale by the current, or any future owner is likely a strong possibility. If the owners do not sell to the Trust, the Trust will not draw down funding from its funders, other than any minimal amounts necessary to draw up a professional bid for the site. No private buyer of the site will be able to claim the right to develop the site against planning policy if the Trust exists as an alternative viable option for the site, so the existence of the Trust preserves the site for future generations, without ownership.

The Trust, after acquiring the site, may not be able to find buyers or tenants for all individual parts of the site. However, long-term maintenance is likely to be fundable via the investment business of New Craig, so the Trust may have time to find buyers or tenants.

The development of listed buildings and the preservation of grounds with extensive protected wildlife is subject to a great many financial risks, as well as other risks. The Trust will need to have the right range of professional advice for all these risks to be able to undertake its purpose.

## Protections on the site

John Bury (Head of Planning) to the Development Management Sub-committee, 22nd February 2012:

*The site is designated in the Edinburgh City Local Plan as:*

- *Open Space;*
- *An Area of Great Landscape Value (AGL V) and Candidate for a Special*
- *Landscape Area (SLA) in the emerging Local Plan; and*
- *Within the Craiglockhart Conservation Area.*

*The entire Craighouse site, apart from the open space in the south-east corner, is a Local Nature Conservation Site. The site borders a Local Nature Reserve to the west. The existing traditional buildings on the site are A listed.*

*Any proposed new development on the site would be contrary to the current development plan, because of the open space and AGL V designations on the site.”*

What is not stated in this early report is that the site also has a wealth of protected wildlife and any increase in new-build development, roads or car-parks would likely contribute to local flooding. The site is also within the catchment area of South Morningside Primary School which is already seriously over-capacity.

## Contact us

The project is currently run by a couple of local businesspeople (Andrew Richards and Joe Frankel) building up a network of supporters and volunteers. For now, if you are interested, please contact Andrew Richards via [admin@friendsofcraighouse.com](mailto:admin@friendsofcraighouse.com).