



STOKES CROFT LAND TRUST

SHARE OFFER BUSINESS PLAN 2021



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Summary

“Net wealth in the UK increased 4.4% in 2020 (£400bn), while GDP shrank by 10%. The increase in wealth was driven almost exclusively by rising land values.”

Laurie Macfarlane - April 2021

Land, and the way that it is owned and managed, impacts on all of us. It has different places in all our histories, whatever our background or heritage. It affects us whether our experience is of public or private ownership; colonialism, dispossession or migration; the difficulties of making a living in a rural economy or the daily impacts of urbanisation and gentrification. How we currently own, manage and make decisions about land lies at the heart of many of our current social, economic and environmental challenges and injustices.

Stokes Croft Land Trust (SCLT) is a community benefit society with exempt charitable status from HM Revenue and Customs (HMRC), which has been created as a grass roots institution governed and run democratically by its members (local people) to acquire and steward buildings and property in Stokes Croft on behalf of the local community for the long term. This way, land is taken out of the market and separated from the possibility of speculation so that the impact of land appreciation is removed, thereby enabling long-term affordable and sustainable local development.

This business plan outlines the proposal from Stokes Croft Land Trust (SCLT) for its purchase of 17 – 25 Jamaica Street & 14 Hillgrove Street, whereby People’s Republic of Stokes Croft CIC (PRSC) will remain as the anchor tenant to manage the building on a day-to-day basis.

The proposal is to raise a maximum of £345,000 through a Community Share offer to purchase the freehold of 17 – 25 Jamaica Street & 14 Hillgrove Street, full details of which can be found in the accompanying Share Offer Document.

Community

Contexts

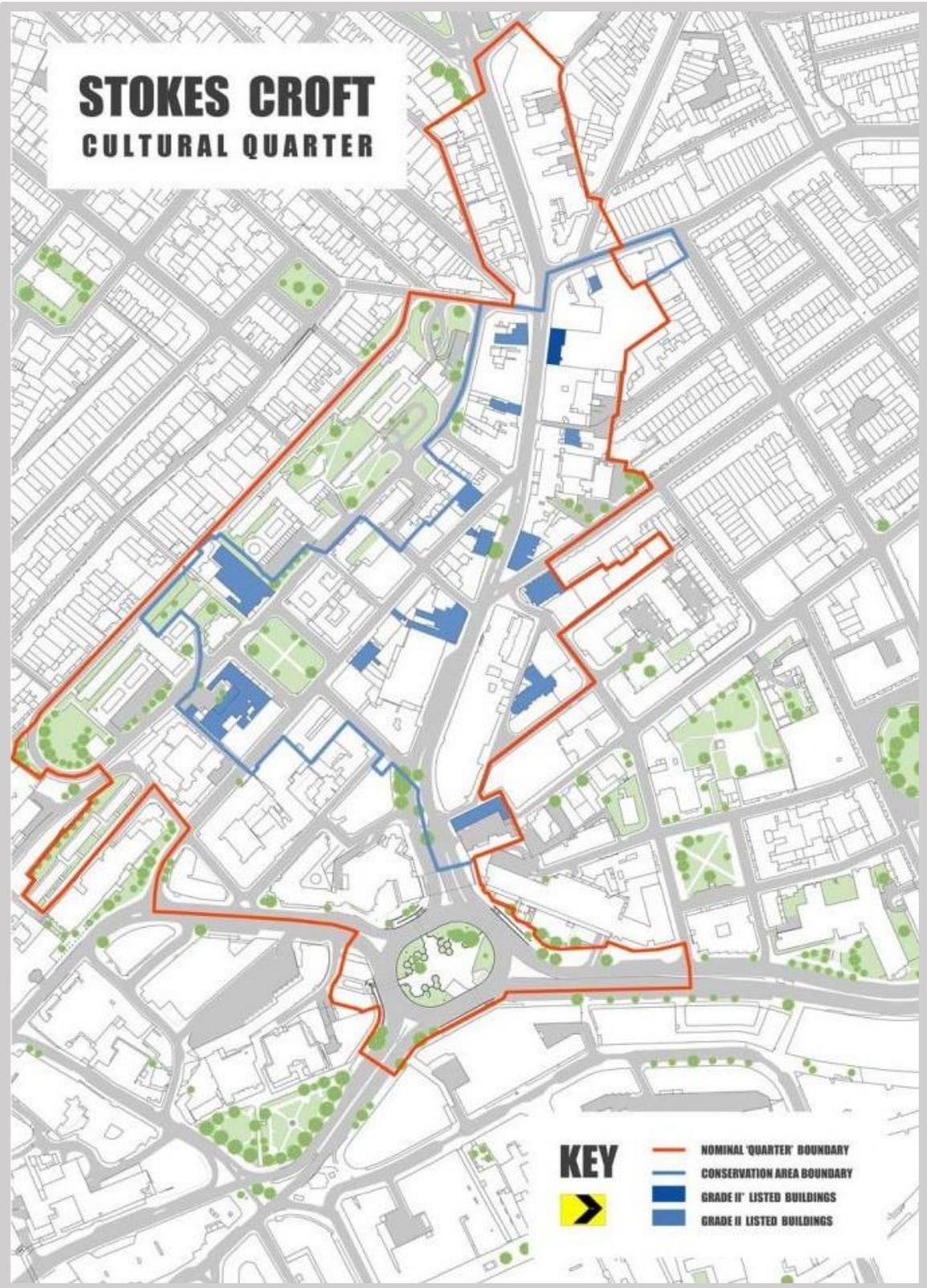
Stokes Croft is a stretch of road at the bottom of the A38 into Bristol’s city centre, an arterial road which for centuries served as the main entrance to Bristol from the North, before being supplanted by the M32 in the 1960s. However, Stokes Croft is also an area of the city that sits between affluent Kingsdown and the deprivation in St. Pauls. For some, the area of Stokes Croft starts with the officially designated Stokes Croft Conservation Area, while for others Stokes Croft is an idea. From a government and policing point of view, one side of Stokes Croft is in Cabot Ward, the other in Ashley. For many years policing has been split in the same way between Trinity and Bridewell. Stokes Croft has not been served well by being a boundary.

SCLT believes that the boundaries of our quarter should follow those of the community. The cultural identity that forms Stokes Croft runs from the junction at the Bath Buildings and Cheltenham Road, down to and including the Bear Pit (formally known as St. James Barton Roundabout). By the same logic, the 1960’s Council housing known locally as The Dove Street Flats is also part of our community.

Stokes Croft has undergone a remarkable community-based transformation over the last 10 years. In a process with parallels in other major cities, the availability of cheap space in a run-down city fringe neighbourhood has enabled a vibrant community of local artists and music venues to become established, setting in train a remarkable culture-led regeneration of the area. Below is the latest version of the Stokes Croft map, according to PRSC.

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In the early 1990s, a successful working community of artists was established in the Grade II listed Coach Works building on Jamaica Street. The building was refurbished with some support from English Heritage. Later, 35 Jamaica Street, next door to the Coach works, was rebuilt from a derelict shell. The ground floor was first converted into a gallery and is currently the Stokes Croft China retail outlet. The adjacent empty site was developed into an artists' working yard in 2011.

Stokes Croft encompasses some 25 listed buildings and was declared a conservation area in 1980. Some would consider that the neighbourhood has been blighted by the large office block Westmorland House, derelict since the late 1980s, whilst others considered its dereliction a defining feature of the area. In any event, developers are now close to completing the redevelopment of this site. It is anticipated that local property values will rise sharply.

Main Issues

The arts-led regeneration cycle that has happened in Stokes Croft is a common feature of formerly rundown neighbourhoods in cities across the United Kingdom and further afield. Access to work and event space at below market rates in a run-down inner city neighbourhood attracts artists and musicians who find cheap space in which to create and experiment. In due course, their presence and activities begin to give the area a cachet which, in turn, attracts complementary uses and investment. Over time however, the changing status of the area and the formalising pressures of investment institutions both encourage speculative acquisition and 're-development' of the very re-purposed redundant industrial and commercial spaces, in which local artists created the new cultural identity.

As this process plays out in Stokes Croft, it is already clear that many of the abandoned and derelict industrial and commercial spaces that characterised and hosted its cultural renaissance are now rapidly becoming 'investment opportunities'. Those not already acquired for redevelopment are increasingly in the sights of institutional investors with little connection to the area or loyalty to its community. This seemingly inexorable process acts to capture the value created in the short-term by local people into rising property values and speculative development opportunities over the longer-term. By this means, external investors and speculators 'financialise' the new cultural wealth of the area. But local artists, musicians, food and hospitality businesses, venue operators and cultural industries, being largely tenants, do not participate in this profit-taking and are left as bystanders as their neighbourhood is commercialised and the value they have created is exported.

Purpose of SCLT

In order to capture the value local people have created in the Stokes Croft for the benefit of them and the wider community, and in order to preserve the character and spirit of the area for future generations, two essential elements are needed:

- A grass roots institution governed and run by local people capable of acquiring and stewarding community assets for the long-term
- A fund-raising mechanism that allows local property assets to be acquired on behalf of local people and made available for uses that are locally determined.

Stokes Croft Land Trust (SCLT) is a community benefit society with exempt charitable status from HMRC, which has been created to acquire and steward buildings and property in Stokes Croft on behalf of the local community.

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SCLT was incubated within Peoples Republic of Stokes Croft CIC (PRSC) and will continue to work closely with PRSC and other local organisations and stakeholders, in order to raise the finance to acquire at-risk properties¹ within the Stokes Croft conservation area and its immediate surroundings. Some properties may require additional finance to support refurbishment and, where necessary re-purposing of these local assets, to allow SCLT to make leases and tenancies available to sustainable local businesses and service providers who make positive contributions to the local economy.

A Community Land Trust (CLT) is a mechanism for democratic ownership of land by a local community. Land is taken out of the market and separated from the possibility of speculation so that the impact of land price inflation is removed, thereby enabling long-term affordable and sustainable local development. The value of public investment, philanthropic gifts, charitable endowments, legacies or development gain is thus captured in perpetuity, underpinning the sustainable development of a defined locality or community. Through CLTs, local residents and businesses participate in, and take responsibility for, planning and delivering redevelopment schemes.

CLTs allow local people to ‘manage the commons’ democratically. Compared to the dominance of private and public ownership of land, ‘common land’ in the UK constitutes under eight per cent of the land area and most of this is ‘waste land’. Reclaiming and extending the ‘commons’ is possible now through CLT's.

The aims of SCLT are:

- To acquire sites and buildings within the neighbourhood of Stokes Croft;
- To steward properties on behalf of the local community and promote engagement of local people with the future of their area;
- To support local economic activity and employment and strengthen the growth of locally-owned small enterprises in Stokes Croft;
- To provide relatively inexpensive workspace and studio space for local artists, designers and craftspeople – and other local manufacturing and digital businesses.

Raising Locally Controlled Capital

Land Trusts aim to secure and steward land and buildings for their communities and remove them from the property market. Accomplishing this depends on their ability to raise and utilise funds provided by others. Starting out with few resources, they have to raise the capital they require to acquire the assets they intend to steward. At the outset, this often has to be achieved by operating on the market's terms.

Borrowing money to buy property is a familiar financial process in the UK, but the lending of high street banks to fund property purchases is overwhelmingly focused on residential mortgages. Even ethical banks and lending institutions which work with social enterprises are obliged to operate complicated gate-keeping processes to avoid any possibility of being exposed to risk. For new social enterprises and community businesses, this makes the process of raising initial debt finance from conventional sources very long-winded and unpredictable. It can also involve collusion with the values of a finance industry whose operations help create the very problems that land trusts seek to solve. For these reasons land trusts are increasingly choosing to raise funds from their own communities and pay a fair return to local people who trust them to use locally-raised capital creatively and responsibly.

¹ Properties at risk of being bought by property developers, and therefore effectively ceasing to be local assets.

To raise money from their communities CLTs use a financial instrument called community shares. Being based on shares that are withdrawable (as opposed to transferable shares which are able to be sold or given to others), community share offers fall outside of the scope of the Financial Services and Markets Act 2000. This allows their shares to be offered and repaid using much simpler procedures than those required for more conventional offers of shares used by commercial companies.

SCLT Share Offer

SCLT therefore proposes to launch a community share offer, which is intended to be the first contribution to a Stokes Croft property fund, operated by SCLT. Although SCLT has a list of target acquisitions, the starting point is to use the purchase and re-finance of 17 – 25 Jamaica Street by means of this share offer to develop a membership of people interested in assisting the current directors to acquire and steward this and further buildings and property in Stokes Croft on behalf of the local community. Terms and conditions of the share offer can be found in the Share Offer Plan section below and in the Share Offer Document.

Communications

SCLT is planning to use a variety of methods to raise the awareness of the share offer including:

- Plans for the building to be adorned with a new mural, which will be completed before the Press Launch in November.
- An Exhibition to run in the building & other public events
- Social media campaign which will be bolstered by the social media and mailing lists of organisations including PRSC CIC, Fundsurfer, Co-operative Assistance Network, Artspace Lifespace to name but a few.

PRSC - the founding organisation behind the SCLT – has already been engaged in the area for more than 12 years, attracting attention with its visual representations of the creative and self-reliant nature of the neighbourhood. Using artistic and activist methods such as murals, street art, sculpture, performances and demonstrations, it has engaged significant local and national audiences since 2007. Through its established, volunteer-run artists' yard, retail premises and community venue 'The Space', PRSC is in direct contact with hundreds of members of the public in the heart of Stokes Croft each week and has substantial social media audiences and established digital marketing strategies in place - all of which will be used to publicise the Community Land Trust share offer.

Community Benefit

The social impact of SCLT will be measured by its ability to acquire and steward this initial purchase, transfer further buildings into community ownership and make them available at affordable use costs to local organisations and people.

Track Record

History to date

From its inception, PRSC has attempted to ensure that value created by local people stays in Stokes Croft and is not acquired and exported by speculators. Hence PRSC has been looking for ways to secure local properties in local ownership for many years. When the derelict building at 17 – 25 Jamaica Street came onto the market in 2014 therefore, PRSC was able to find short-term investors able to acquire it rapidly with an agreement that it would be sold on to a Community Land Trust to hold on the community's behalf at its purchase price. On the back of this

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successful intervention, SCLT was incorporated and is now in a position to launch its first community share offer to both prove the concept and purchase its first building.

Initial costs relating to SCLT have been borne by PRSC as an interest free loan of £2600.98 and this is projected to be repaid alongside the purchase of the building. These costs included the initial incorporation fees and subscriptions & accountancy since incorporation.

Current Membership, Share Capital and Financial Performance

SCLT currently has six members and these members are the Directors. Each member holds one £1 share making the current share capital £6.

As SCLT has not traded since its incorporation, its initial costs were covered by PRSC as detailed in the previous section.

The Society and its People

Structure

SCLT is an incorporated entity, a community benefit society, registered under the Co-operative and Community Benefit Societies Act 2014 and regulated by the Financial Conduct Authority (FCA). Its members principally own a charitable community benefit society, and membership is open to members of the community who support its aims and objectives. It is recognised by HMRC as an exempt charity. This means that, although it is not registered with the Charities Commission, it must abide by charity law and can benefit from all the tax advantages of being a charity. These tax advantages include an exemption from Corporation Tax, Mandatory Business Rates Relief and being able to claim Gift Aid on donations.

Rules

SCLT was registered in Sept 2014 using a set of pre-approved model rules developed by Co-operatives UK, the umbrella body for co-operatives and community benefit societies in the UK. The rules were then partially amended in Dec 2019 and again in July 2020 to enable HMRC to award exempt charitable status.

SCLT rules include a provision to issue a form of shares to members known as withdrawable share capital, which is unique to society law. Withdrawable share capital, also known as community shares, can be withdrawn from the Society by the member, subject to terms and conditions. The liability of its members is limited to the value of their shareholding, and the value of members' community shares will never go up but may go down.

As an exempt charity, the rules include a charities asset lock which restricts the use of the society's assets and the way the society deals with them to those purposes set out in the society's rules that meet the requirements of charity law. In particular:

- The only payments that can be made to members are to the value of their withdrawable share capital or interest on that withdrawable share capital
- The residual assets of the society on winding up cannot be transferred except to another organisation whose assets are similarly protected.

The society is a community-led, democratic organisation that operates on the principle of one-member-one-vote regardless of their shareholding. Membership is open to anyone over the age of 18. The directors, at their discretion, approve applications for membership from anyone who holds or applies for the required minimum number of shares for membership.

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Each member then has one vote to exercise at general meetings, including the annual general meeting. Members own and control the society, exercising their ownership rights by electing members onto the board. Members can stand for election onto the board.

The society's rules also provide for several other ways in which the membership may hold the board accountable for the running of the society, including calling a general meeting if required. Corporate bodies and associations who support our objectives can also become members, and such entities and associations must nominate a named individual to represent them at general meetings.

A copy of the Rules of the Society can be downloaded from our website at <https://stokescroftlandtrust.org/>

Governance

Good governance is critical to the success of any enterprise and will be particularly crucial in SCLT, which as a society will be owned by a large number of people (members) after this share offer. It is vital to balance the needs and aspirations of all members in a way that also allows the membership to participate in the decision-making process. It is also critical that the organisation is legally compliant and financially sound, and that this occurs by design and not by accident.

The SCLT board is responsible for managing the affairs of the society on behalf of the membership and reporting back to the membership at general meetings in the same way as the board of directors is responsible for managing the affairs of a limited company. Our board composition is as follows:

- Up to 4 places elected by and from the membership on a three-year retirement cycle;
- Up to 3 places nominated by the leaseholders of property owned & operated by SCLT and elected by the society members provided at no time the number of leaseholder directors comprise of more than half (50%) of the directors elected to serve on the board, (so in the first instance, PRSC);
- Up to 2 co-opted places for members with specific skills & experience

Additionally, the board may co-opt up to two external independent directors, who need not be members, for specific skills and experience.

All co-opted places are appointed and removed by the board and are for a fixed time period which should be reviewed regularly.

Members of the society will be invited to annual general meetings and other extraordinary general meetings as required. SCLT rules and annual accounts will be available to all members and will be posted on the society's website.

Board and Management Competencies

SCLT currently has 6 unpaid directors and plans to strengthen its board by the addition of new directors with specific commercial, financial and investment expertise and experience.

The Board would like to acknowledge the enormous contribution made by Chris Chalkley to the development of SCLT and this share offer. Chris recently stood down from the Board and leaves with our thanks and utmost respect.

The current directors are:

Keith Cowling



Keith is a former architect with 35 years' experience as a community architect and social entrepreneur. He founded Eyehouse Consultancy, specialising in the engagement of non-professionals with the built environment and the involvement of communities in the design and management of their neighbourhoods.

During the decade from 2000 to 2010, Keith carried out a number of town and neighbourhood studies, wrote area regeneration strategies and developed a range of business cases, business plans and project frameworks for community-led capital projects, working for his previous company Insight 02 Ltd. He developed a range of consultation processes and techniques aimed at helping service providers understand the needs and aspirations of their users and client groups and used them to run a range of consultation programmes.

Keith has a particular interest in community-led capital projects and the management of community assets and has a broad experience of urban and rural regeneration policies and community-based interventions in local economies. He was chair of the Bristol Community Land Trust from 2011 until 2020 and is a director of The People's Republic of Stokes Croft CIC.

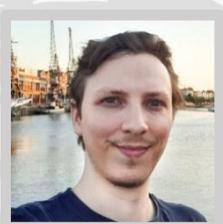
Andrew Baker

Andrew is a Chartered Accountant, an accredited Business & Finance Professional and a teacher of Classical Hatha Yoga, with a penchant for helping people achieve their dreams. For over 15 years, he has worked to provide accommodation for the homeless in and around Bristol. He has volunteered as Treasurer for a number of charities and co-operatives over the years, including ones working for education, youths, renewable energy, international aid, aiding disadvantaged people and the rehabilitation of former offenders. His passion is sustainability, and in 2007 he was one of a small team who developed ideas towards the creation of a centre of excellence in sustainable communities, detailed in "The Red Book". This has resulted in a number of projects in Stokes Croft, including the incubation of hundreds of small businesses and charities, a hub for the performing arts and one of Bristol's largest rooftop solar power arrays. Andrew has also planted 1,000 broadleaf trees this year, on the edge of the Forest of Dean.

Andy Burkitt

Andy Burkitt has worked in Bristol after studying for a PhD in Analytical Chemistry. His work has included time as an Adventure Playground Leader, Youth Worker and Head of Community Work in Avon. Since then he has been a Lecturer in Youth Work Studies and written on Business Development. For some years, he was the CEO of the Confederation of Dental Employers. He started up ACH (Ashley Community Housing), a local Housing and Training organisation now working in 5 areas of the UK and which has recently won a Queen's Award amongst other recognition. He is Vice-Chair of a Community Trust and a local campaigner on Transport for Moving Bristol Forward.

Lucas Batt



Lucas leads on membership and engagement at the Bristol Cable, a community-owned newspaper in Bristol, which was based in the top of 14 Hillgrove Street from 2014 to 2020. Lucas joined the Cable in 2015 following the completion of a Philosophy degree at the University of Bristol.

In his 6 years at the Cable, Lucas has worked across the organisation, from distribution co-ordination and communications, to HR, operations and policy development.

His role as Membership Co-ordinator at the Bristol Cable aims to make membership sustainable, inclusive and meaningful, in order to make the newspaper a permanent community asset – owned, accountable to and powered by the communities it's a part of.

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Kathryn Chiswell Jones



Kathryn has been the Company Manager of Artspace Lifespace, a Bristol-based arts charity since 2017. She headed up the DIY Arts Cultural Workspace group from 2018-2019 and helped produce the Futur Ville Summit and Futur Ville report of 2020. Before joining Artspace Lifespace, she spent 7 years at AWW, an architecture firm in Bristol, as Head of Marketing and Health and Safety, responsible for the overall Marketing Strategy, bid management and digital marketing. In 2014, she took on the role of Health and Safety Advisor at AWW, responsible for the day-to-day implementation of AWW's health and safety policy, management of the EXOR and ISO accreditation process and CDM questionnaires. Kathryn's key skills are strategy, research, marketing and project management with 20+ years' experience working across Public Sector, Engineering, Real Estate, Architecture and Arts Sectors in Japan and the UK.

Hilary Sudbury (Co-opted)



Experienced Co-operative and Social Enterprise Adviser since 1996 supporting incorporations, governance, raising finance & business planning. Accredited as a Community-Led Homes (CLH) Accredited Advisor – 2019; Fully Licensed Community Shares Practitioner – 2015; Co-operative and Social Enterprise Adviser Accreditation – 2004; SFedi Business Support plus Social Enterprise Standards Accreditation – 2008 & 2010.

Conflict of Interest

Keith Cowling - Keith is also a Director of PRSC, which will become the anchor tenant for SCLT once it has purchased the building. SCLT will maintain an up to date register of Conflict of Interests and the Board will determine whether Keith may participate or not in decisions for which he may be conflicted.

Hilary Sudbury - Hilary has been co-opted onto the Board and is also contracted through Co-operative Assistance Network to deliver support to SCLT to develop its share offer, which is funded by REACH. Hilary is not paid for her role on the Board and the contract to support the share offer was agreed by the board prior to her co-option and has clear milestones and associated budgets and is overseen by the other directors. Once the share offer is launched, this contract will end.

Partners and Stakeholders

SCLT was formed from the workings and aspirations of PRSC CIC.

PRSC CIC is a community-based organisation that aims to influence the direction of development of the Stokes Croft area, making it more responsive to the needs of local residents and businesses. Its style is emphatically 'bottom up' rather than 'top down'. It engages local artists and small businesses in the regeneration of the area by promoting street art, music performance and local festivals. The organisation's formal structure of a community interest company provides an organisational focus for a broad range of volunteer activity and campaigning. PRSC also runs the Stokes Croft China manufacturing business and operates the Stokes Croft China shop/gallery.

PRSC will be the anchor tenant in 17 – 25 Jamaica Street, SCLT's first property purchase.

Membership Strategies

Stokes Croft Land Trust (SCLT) is offering membership to local people who live, work or participate in leisure and cultural activities in the Stokes Croft neighbourhood as a priority, but is open to membership from anyone who supports its objects and holds the minimum shareholding for membership as determined by the share offer and thereafter by the board from time to time.

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The share offer will be the first membership drive for SCLT, and this will be followed up by further membership drives to ensure that the society is community-led and as a priority to encourage membership from local people. SCLT will ensure that there are working groups of members to encourage participation in its development and governance.

Business Model

SCLT has been developed to tackle the problems and opportunities created by the special circumstances that exist at present in Stokes Croft. It is designed as a special purpose organisation capable of holding and managing whatever community assets can be secured within the Stokes Croft Conservation Area. Its activities will concentrate on long-term stewardship of property around Stokes Croft and on finding and supporting sustainable uses for the assets under its stewardship.

Long-term goals

In the longer-term, SCLT plans to take over stewardship of all the buildings that PRSC now uses and has an interest in and intends to convey the buildings and property into SCLT ownership. In these cases, PRSC will become the anchor tenant within the spaces it currently occupies, which will secure an income for SCLT whilst also securing the premises within which PRSC can operate.

The SCLT board is also aware of other opportunities to acquire premises within the Stokes Croft Conservation Area, which are not occupied by PRSC, and has engaged with some local business owners whose premises could be secured into community ownership should they proceed to sell them.

The trading operations of SCLT will therefore be confined to the stewardship of buildings and renting or leasing of space to anchor tenants (as would be the case with PRSC) or small businesses with a community focus. This activity will, in turn, provide a platform for further activities performed by others.

This business plan and financial projections are focused solely on SCLT's first purchase. The availability of further premises to convey into SCLT ownership will require feasibility and viability assessments individually and at the appropriate time. Funding may also be sought to assist in further development of SCLT premises in conjunction with the anchor tenant in the building.

The board may at a later date consider another timebound share offer in regard to purchasing further buildings, however members shall be informed and consulted once viability has been established. Additionally as the projected rate of withdrawal is higher than the cumulated surplus, the board may consider an open share offer to replace withdrawn share capital and enable higher withdrawals.

Market Opportunity

17 – 25 Jamaica Street will be the first asset purchase for SCLT. The feasibility of purchasing the other buildings in the area which are expected to come onto the market in the next couple of years, is also being explored.

The activities provided by our anchor tenants will be determined by their own business plans and for 17 – 25 Jamaica Street will include but not be limited to:

Workspace - Demand for studio and workspace accommodation around Stokes Croft is strong and rising. Jamaica Street Studios housed within The Coach House provides accommodation for around 40 working artists and receives approximately 50 applications a year for the half dozen spaces that become available. Also, within the 17 - 25 Jamaica Street & 14 Hillgrove Street, there are 11 artist studios which are occupied and for which there is also a waiting list.

Three years ago, 56 artists' spaces were lost in Hamilton House at the start of a refurbishment programme, of which 18 have so far been re-opened. Work is still in progress, floor by floor.

During previous years, artist studios like Stokes Croft Studios and The Motorcycle Showroom have also closed, with a loss of respectively 30 and 50 spaces.

Event Space - A considerable proportion of the space within 17 - 25 Jamaica Street & 14 Hillgrove Street is allocated for community events. Interest and activity has been steadily growing as a result of other venues closing (e.g. the Bierkeller), an increased awareness among local groups of the existence of the venue and affordable rental rates.

In the PRSC venue, the Space, an array of local and community events have been taking place, including:

- group meetings;
- documentary and film screenings;
- fundraising events;
- theatre rehearsals and performances;
- creative workshops;
- wellbeing and sports activities;
- exhibition and gallery events;
- art and magazine launches;
- weddings.

These continue to attract a new audience of members and volunteers to both PRSC and SCLT.

Benchmarking

Property prices have been rising sharply in Stokes Croft in the last few years and the imminent completion of the Westmoreland House site redevelopment is expected to create further upward pressure, with an inevitable knock-on effect on rental rates. Nevertheless, despite recent Covid-related setbacks to the local hospitality sector and cultural industry, demand for workspace and studio space has been growing consistently and now outstrips supply. The gradual return towards pre-Covid levels of 'working in the office' is expected to amplify this mismatch.

Local rents for mid-range workspace created from conversion of former industrial space currently vary between £15.00 sq. ft/p.a. and £25.00 sq. ft/p.a. and single workspaces or studio places cost around £150 per month. These rates are achievable because of strong demand from small design businesses and professional service companies of different kinds. In parallel with this expansion of mainstream business however, the availability of incubator space has declined. Local artists, musicians and makers, who have been at the heart of Stokes Croft's renaissance, now have difficulty finding studio space.

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The first of the charitable objects of Stokes Croft Land Trust is:

The relief of poverty by the provision of workspace on favourable terms to new and existing businesses which contribute to Stokes Croft's role as a cultural quarter of the city of Bristol.

In order to address the shortages of incubator space, SCLT has therefore developed a business model which balances returns to investors with rent levels for the building which will allow PRSC to make studio and small workspaces available at below market rates at around £5.00 sq. ft/p.a.

Operations

Premises

Initial Purchase: 17 – 25 Jamaica Street & 14 Hillgrove Street

The building complex comprises a corner end of terrace and other linked terraced buildings with a combined floor area of 6018 sq. ft (559 m²). It sits within an urban, mixed use area close to the main arterial route of the A38 Stokes Croft within a mile of the city centre. A recent valuation by Andrew Forbes Chartered Surveyors gave a market value of £450,000 with vacant possession for the freehold interests in this property (formed of the three Land Registry titles shown as appendices to the Valuation Report).

The building is adjacent to the existing PRSC gallery and yard and was last used as a warehouse and office for electrical contractors having laid empty for the past twenty years. The principal surrounding area comprises both residential and commercial properties of varying types and uses, including a public house and church premises. A location plan is also shown within the Valuation Report.

Referring to market conditions, the valuation report states:

Stokes Croft has become an attractive, and very popular urban area which has seen increased demand from both tenants and occupiers in recent years and is seen as a cultural and artistic heart of the city, being in close proximity to the central areas.

We would generally anticipate relatively good levels of demand for the site, as a whole, as existing, based upon the existing use, which is supported by light industrial type uses, as well as with a prospect for significant development potential, subject to planning and requisite consents, which we believe provides support to our reported market value.

The building has been re-fitted as studio space for artists and also has facilities for staging a wide range of events and exhibitions for up to 80 people (sitting) or 150 people (standing), with a kitchen and bar area within the events space. It also includes a radio station, media and editing suite and an interview room, a screen-printing workshop and a small china decorating factory with space for storage and kilns.

In 2013, PRSC entered into a rental agreement with the trustee owners of 17 - 25 Jamaica Street & 14 Hillgrove Street, allowing it to develop a shadow building stewardship operation based on volunteer management. This is still continuing. Over this period the building has been refurbished for temporary uses, which has involved roof repairs, window and door repairs, substantial re-wiring, reinstatement of alarm and fire emergency systems, water services, redecorations, and the attainment of an events- and alcohol-licence. These significant improvements have

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enabled PRSC to develop its own office space within the building and fill the rest with other tenants and sessional activities.

The share offer will allow SCLT to obtain the freehold tenure of the building and plan a longer-term programme of improvements to its weather-tightness, energy performance, servicing and quality of finish. The synergy with the adjacent PRSC projects may provide scope to develop these spaces further to benefit more people within the communities of Stokes Croft and St. Pauls. PRSC will continue to occupy the building's space and facilities for its range of cultural, artistic and campaigning activities and events covered below.

Operational Activities

Whilst SCLT will operate a 'landlord' function on behalf of the community, it does not intend to manage the building on a day-to-day basis. This will be done, as currently at 17 – 25 Jamaica Street, by PRSC as the anchor tenant with on-site trading activities subletting to local independent artists, media businesses and start-ups.

The voluntary board will be responsible for all roles until such staff and/or volunteers are in post including:

- Recruiting employees / volunteers
- Monitoring and manage the society's financial affairs for the benefit of the community and in accordance with charity law
- Managing the relationship between the society, its members, tenants and the community as a whole
- Ensuring that the society complies with all applicable regulations
- Developing new opportunities to expand its portfolio of premises within the area, as appropriate.

Operational processes

Until very recently all SCLT day-to-day activity has been routed through PRSC processes. As part of the development and launch of the share offer, these responsibilities have been separated out and will be managed in future by SCLT internally. The SCLT board is developing a range of policies and procedures to enable it to manage these areas.

Management Accounts – The accounts will be kept by the Treasurer on an online accounting package as soon as is applicable. Budgets will be set every year in advance by the board and monitored quarterly (more frequently if required) at board meetings to ensure that SCLT's finances are managed effectively.

Annual Accounts – As a community benefit society recognised as a charity by HMRC, SCLT will produce annual accounts which comply with the Charities SORP.

Working groups – the aim is to encourage ongoing participation from the membership by setting up working groups of members to focus on different elements of the organisation. These will include:

- **Communications** – This group will develop the SCLT brand and message by raising the organisation's profile with a range of stakeholder organisations. SCLT has its own website <https://stokescroftlandtrust.org> and will develop further means of member and community communications once its first assets have been successfully purchased. Relationships already formed with PRSC and The Bristol Cable will inform and support SCLT communications.
- **Development** – This group will look for opportunities to acquire further land and buildings within the area, starting but not limited to, those associated with PRSC.

- **Member & Community engagement** – This group will work with the SCLT membership and individuals and businesses in the local community to explain SCLT’s mission, invite feedback and criticism of its operations and provide opportunities for local people to become involved with its plans and activities.

Capital

Capital requirements

The table below sets out the projected costs for the purchase of the building.

	Minimum	Maximum
Share offer target level	£272,000	£345,000
Building valuation in June 21	£450,000	£450,000
Funding requirements		
<i>Purchase cost</i>	<i>£250,000</i>	<i>£250,000</i>
<i>Refurbishment costs to PRSC</i>	<i>£70,000</i>	<i>£70,000</i>
<i>Legal & finance costs</i>	<i>£16,100</i>	<i>£19,400</i>
Purchase sub total	£336,100	£339,400
Share offer development costs (REACH)	£15,000	£15,000
Start-up loan from PRSC	£2,600	£2,600
Working capital (cash flow)	£3,300	£3,000
Total	£357,000	£360,000

Funded by:

Community shares	£272,000	£345,000
Loans	£70,000	£0
Grants (REACH)	£15,000	£15,000
Total	£357,000	£360,000

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Funding Mix

It is worth noting that the current owners have committed to buying £100,000 of community shares on purchase of the building; this immediately reduces the required share offer target levels to £172,000 minimum and £245,000 maximum.

The purchase costs of £336,100 at minimum target level and £339,400 at maximum target level is based on a purchase from the current owners under the agreement signed in 2013 to sell to a community land trust at their original purchase price of £250,000, PLUS a payment of £70,000 to PRSC for works completed on the building since the owners purchased it, PLUS the legal and share offer costs. These costs, for the services of the Investment Platform Fundsurfer, will be higher at the optimum target level.

Share offer development costs including support from Co-operative Assistance Network, the valuation fee, marketing and internal costs are covered by REACH funding raised and received by PRSC on behalf of SCLT.

The start-up loan from PRSC covers early costs incurred including incorporation, subscriptions & legal fees. The loan is an interest free loan which is projected to be repaid to PRSC on purchase of the building.

At the minimum target level, PRSC has agreed to leave the £70,000 towards the works completed on the building in SCLT as a loan which is projected in the financial projections as an interest only loan (projected interest 3%) repaid in year 5. Should the share offer reach the maximum target level then SCLT will not need this loan and will pay this on purchase of the building.

Contingency Arrangements

If the maximum investment level of £345,000 is reached before the share offer end date then the scheme will be closed early.

If an amount of investment between the minimum and maximum target is reached by the closing date of 28th February 2022 the Directors reserve the right to extend the share offer for a maximum of six months. If during this extension we reach the maximum level, the share offer will be closed.

If the minimum target of £272,000 is not reached by the closing date of 28th February 2022, the directors shall extend the share offer for a maximum of six months. If during this extension the maximum target is reached the share offer will be closed.

If at the end of the six-month extension, the minimum target of £272,000 has not been reached, applicants' pledges on the Fundsurfer platform will not be taken from their debit / credit cards and the purchase will not progress.

Share Offer Details

The full terms and conditions of the Share offer can be found in the Share offer document.

Type of Shares Issued

The value of each share issued is £1.

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The shares are not transferable, except in case of death or bankruptcy. They are withdrawable shares.

These shares are known as community shares because purchasers' primary return for holding shares is intended to be a social one and NOT driven by an overarching desire for a financial return. The real (social) payback to becoming a member is to ensure a thriving, sustainable community-owned business is established.

This form of community investment should be considered as a medium to long-term investment.

The words 'Community Shares', do not have any legal meaning and the rights of investors buying community shares are those set out in this part of the offer document and by SCLT's Rules.

Timeframe

Offer Opens 22nd November 2021 and closes on 28th February 2022

The board reserves the right to extend the share offer for up to six months.

Who Can Apply?

Applications are open to individuals over 16 years old and to organisations.

Where an application is from a corporate body or association the applicant will become the named representative and the registered name of the corporate body will become the first named member in the share register.

Financial forecasts

Revenue

The financial forecasts are based on income from PRSC as anchor tenant within the building at an initial rent of £20,000 per annum rising with inflation (projected at 3%) and reviewed every three years. A draft tenancy based on this rent has been agreed with PRSC.

Profit and Loss, Balance Sheet and Cash flow Projections

The financial forecasts for both target levels can be found as Appendix I.

Financial Projections Assumptions

The projections are based on the following assumptions:

- All share interest is paid to members. The share offer terms state that share interest under £6 will be added to members' share accounts and share interest over £6 will be paid to members. However, at this stage, it was considered prudent to assume that all share interest is paid in the financial projections.
- Interest on shares held to the end of the financial year shall be paid in the following financial year once approved by the members at AGM. The financial projections show interest for shares held in year 1 being paid in year 2 and so forth at the target rate of 3%.
- Share withdrawals are suspended until year 3 and thereafter, 3% of the total share capital held at the start of any year will be withdrawn.
- Annual Overheads are £6,000 per annum and increase at 5% inflation per annum.
- Annual rental income increases at 3% per annum with a rent review every three years.
- At the minimum target level only, there is an interest only loan from PRSC based on 3% interest and repaid in full in year 5. This loan is repaid by taking on a commercial loan at 4.5% repayable over 20 years.

- The purchase costs (£336,100 at Minimum Target Level & £339,400 at Maximum Target level) are capitalised and taken as the value of the property.
- Depreciation is calculated as per accountancy standards, straight line over 50 years at 2% per annum. It has also been assumed that £150,000 of the value of the property is the land value which does not depreciate.

Financial Projections Narrative

The maximum scenario shows £345,000 of community shares capital raised, which has been part-repaid over 10 years so that £270,391 shares are remaining at the end of year 10 with £21,345 cash at bank. The balance sheet value at the end of ten years in this scenario is £324,865 of which £54,474 is retained profit and the balance is the remaining community shares.

The minimum scenario shows £272,000 of community share capital raised alongside a £70,000 loan from PRSC CIC by way of a 5-year deferred payment which is at that point swapped out for a commercial loan. In this scenario, £213,178 shares are remaining at the end of year 10 with £57,793 loans outstanding and £18,002 cash in the bank. The balance sheet value at the end of ten years in this scenario is £261,089 of which £47,911 is retained profit and the balance is the remaining community shares.

Risk Analysis

Risk

This Acquisition offer has a relatively low risk profile. A number of factors contribute to this advantageous position. Firstly, the purchase is from 'angel' investors, who bought the building seven years ago to support PRSC expansion plans. They have agreed to convey the asset to SCLT for a sum equivalent to their original purchase price, i.e. to accept what they paid for it rather than a larger sum based on its current value. This means that SCLT is not taking place in a competitive environment in which others are in contention for the acquisition. It also means that SCLT will acquire a significantly larger asset value than the share issue aims to raise, and hence there should always be substantially more capital on SCLT's balance sheet than would be needed to repay all shareholders in full.

The principal risks to investors that have been identified therefore, are those arising from a forced sale of the building following a business failure. These are likely to arise from either

- A growth of costs of business beyond what has been foreseen, or
- A prolonged reduction in income below sustainable levels.

As the principal revenue costs to SCLT are derived from its intention to pay interest on shares at 3% per annum and as the board will have a measure of discretion over the extent to which this intention can be met, an unsustainable rise in ongoing costs is considered to be a low risk.

As a charity, SCLT may be able to supplement its income from some donated finance (grants), but its primary source of revenue following the acquisition of 17 -25 Jamaica Street, will be from rental income derived from PRSC as sole tenant of its assets. The main identified risk therefore is that unforeseen circumstances could leave PRSC unable to meet the rental commitments arising from its lease of the building. This risk will be mitigated in several ways. Firstly, as partner organisations, PRSC and SCLT will operate an 'open books' policy between themselves. This will provide early cautionary guidance on impending challenges to PRSC income and allow for planning and management processes to be adjusted to deal with identified threats.

Secondly, the building is configured in such a way that a large portion of its floorspace is used by third party individuals and groups which are either sub-tenants of PRSC or sessional users. These uses could all continue if a lease to PRSC were to be terminated.

SCLT board will operate a contingency policy by maintaining a reserve in the society's finances to cushion variations in cash flow and, in extremis, to make an orderly dissolution and repayment of shares possible.

Risks in terms of the share offer itself are:

- Failure to raise the minimum share offer target level.
This would mean that SCLT would not be able to purchase the building and start to trade. We are mitigating this with a community engagement strategy and by using an internet platform to host the share offer for us.
- Delays based on extending the share offer.
This would delay the purchase of the building and the estimated start date of SCLT beginning to trade. We will press hard to avoid this happening. If there is a delay, current outgoings are minimal.
- Failure to raise funding or to recruit appropriate volunteers to working groups.
The voluntary directors would remain responsible for the management of SCLT. However, development plans, feasibility and viability studies of further purchases may be delayed due to a lack of capacity.

Risk to Capital

Community share offers are exempt from the Financial Services and Markets Act 2000, or subsidiary regulations. This means that shareholders have no right of complaint to an Ombudsman.

The society is registered with, but not authorised by, the Financial Conduct Authority and therefore the money paid for shares is not safeguarded by any depositor protection scheme or dispute resolution scheme.

Potential investors should ask for the advice of an independent financial advisor before proceeding with a share application and be aware that they may be putting their capital at risk.

List of Appendices

- I. Financial Projections: Profit & Loss, Balance sheet and Cashflow at each share offer target level
- II. Valuation Report (June 2021)
- III. Buildings Survey (2011)

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