

# THE TRANSFORMATION VALUE AND PROJECT CONFIGURATIONS

Luigi Orefice

I believe that the beauty of Adaptive Appraisal lies in many of the peculiarities of practicing the discipline itself, and one of these is the estimation of the Transformation Value which, regardless of its ancient origins, allows the technician who employs it to also take full advantage of his know-how in the engineering, architectural and urban planning fields.

With this Value it is possible to imagine how a property with a market value that cannot be calculated in the state in which it finds itself at the time of the appraisal can be transformed in the future, in the most realistic and ordinary ways possible.

Only the experience of architects and engineers who are Adaptive Appraisers can give us an insight into the most economically feasible use for a building to be reused and/or restructured, both from a legal, urban planning point of view and then from a technical, practical standpoint. And only the same Adaptive Appraisers can imagine how a developable location should be developed or, as in some particular cases, the most convenient uses for urban locations that cannot be developed.

Obviously, all engineers and architects with some expertise in Adaptive Appraisal, operating in professional contexts where they are faced with the task of evaluating properties that require the use of the Transformation Value, must in any case comply with the known legal (and even local) restrictions and, most of all, with the principle of ordinariness. The latter is important, as it reinforces and increases the credibility of his proposals, in which he suggests the most convenient way possible to develop a property.

Indeed, very often, the most profitable use that may be defined for a piece of land (for example), does not coincide with the uses that are

easiest to achieve or legally feasible; very often this provokes civil enquiry procedures lasting tens of years, given the unbelievable series of consultations that can follow.

Instead, sometimes a civil enquiry is opened thanks to the interpretation expressed by the local urban planning legislation that often uses rather vague, generalised terms to propose uses that would not be eligible for authorisation from the Public Administration if the application is made by a private individual, but that would, on the other hand, be deemed absolutely lawful if the same piece of land is to be adapted by the Public Administration in question in order to suit the use proposed.

Indeed, especially in the south, the transformation of land in convention with the Public Administration is very rare, although this should instead be a positive solution in the majority of cases and seen as a favourable way of adjusting the taxes due on the investment.

In professional practice, the types of cases that the Adaptive Appraiser will face are much more varied than those suggested to budding engineers and architects in the official texts on the matter; indeed, it is easy to understand why the variables in the formula for the Value of Transformation are so numerous and difficult to quantize for technicians with little experience in the use of the method in its analytical form.

Further difficulties occur when it is necessary to define “*the most probable market value*” of undeveloped urban areas that may still be used for agricultural purposes but which do, to some extent, display the potential to be used as areas for the abutment of economic activities that are significantly more interesting, not only to the private owner, but also to the local community as a whole.

I am referring to areas, including small ones, located inside the urban perimeters, or those in new districts that have been built in compliance with a well-defined urban planning critique; these also include the open spaces alongside moderately busy roads, not far from the built-up areas, but now waiting to be developed. The appraisal of these areas must be carried out using so-called *provisional values*.

It is therefore clear that the Adaptive Appraiser must find the most suitable, regular use for these areas that cannot be developed.

### **Assigning areas for use as private open-air car parks, and other uses**

When planning the areas far from the centre of the city, and considering the priority of somewhat reducing the space used for parking alongside the roadways, the urban planner is at least obliged to contemplate the possibility of organising parking spaces in these private areas, and this is one use that cannot fail to be considered approvable.

Obviously, even if an area is privately owned and of limited dimensions, the possibility of making it into a parking space can only be taken into consideration after the planner has verified that it would comply with all the applicable safety and hygiene regulations should the location be authorised, and also that the location meets the technical standards and size restrictions set forth in the standards.

The appraisal of the parking system to be created is essentially based on its capacity and it is therefore the number of parking spaces that could be defined within the area that will constitute the starting point of the estimate. Whether the area is an open-air space with an easy access route directly leading on to a public road, or whether it is a piece of land on a different level from the road itself, so requiring an access ramp to be built, planning the facility carefully (at least based on approximate values) is fundamental.

Once the planner has defined the total number of parking spaces that could be created should the project go ahead, he must compulsorily estimate the average coefficient of the capacity of the area used on a daily basis (and often even on a seasonal basis, for facilities in tourist areas), in addition to the range of prices applied in the same kind of area at the time of the appraisal.

At this point, one can begin to apply the analytical formula to calculate the transformation value which, once the gross annual income and therefore the net annual income have been determined, will be the indicator *in primis* for defining the (future) market value of the car park. Indeed it will be necessary to capitalize the net income using a hypothesis that correctly takes into consideration both the positive and negative influences that are known to depend on the supply and demand of similar facilities in specific similar market areas but also on the specific:

- characteristics of urban localization;
- characteristics regarding the position and layout of the system;
- technological characteristics, and those relative to the facility's economic productivity.

However, aside from parking, one of the most profitable uses (especially for pieces of land not in the centre of town) is that of nurseries, flower-growing facilities and garden equipment retail outlets.

Usually, areas situated in the suburbs provide the perfect location for this type of activity: the fact that they cannot be developed cannot and must not lead to a drop in the value, while the possibility of exhibiting cumbersome objects and equipment, such as stone statues, garden swings and gazebos, is a new "use" for these areas, that is perfectly compatible with the urban planning regulations in force.

Additionally, it is not at all rare to see large areas of land in the suburbs used for greenhouses, and to host open-air trade including the sale of motor vehicles and large sized equipment, which produce notable commercial synergies. These are intelligent uses for undevelopable areas, which would otherwise have an extremely low value.

Therefore, these examples show that when assigning a use to a piece of undeveloped land, it is not "a flight of fancy" to consider the feasibility of uses that are absolutely lawful and which, most

importantly of all, can be verified close-up in order to determine whether they correspond to the fundamental principle of ordinariness. Indeed, it goes without saying that, in any proceeding initiated to oppose compensation proposed by a P.A., it is easier for a private owner convince the Court of his technical arguments by showing an area with a similar use to that proposed.

In most cases, a more complex, difficult matter to handle is the potential use of open-air areas as private sports facilities, not only due to the problem relative to the size of the grounds themselves, that is not always easy to overcome, but also due to all the other complementary characteristics that even the smallest sports facility must have in order to attract a **clientele**.

A small to medium-sized facility already requires a considerable financial investment, without also having to take into consideration alternative layouts and building techniques.

Therefore, we are faced with choices that involve considering a series of fundamental options relative to both the financial and planning aspects of the chosen use, even in the appraisal stage.

Clearly, the point of this paper is not to analyze the economy of large-sized complex sports facilities, that can often only be conceived and planned in the suburbs.

Here we are only concerned with addressing the aspects relative to the appraisal of smaller urban areas, little spaces cut out of contemporary cities that have continued growing. Pieces of land that were left behind during the expansion phases, and that could offer residents an invaluable chance to create spaces to be used for entertainment and physical activity.

Since the early 1980s, the significant increase in the number of red gravel, synthetic rubber and drained concrete tennis courts, and five and eight-side football fields, has led to the birth of a myriad of mini sports complexes all over the country. This is particularly true for the residential areas of the intermediate urban belts, where these

complexes substantially compete against each other, focusing on the quality and range of the services on offer.

For all of these reasons, despite the fact that the spread has led to a significant reduction in the specific costs of building and plant, we should note that this type of use is decidedly costlier than the others examined previously, and that it also involves notable maintenance costs, even for lower level facilities.

It is also important to emphasize that even a plan for the smallest beginner level facility (a single five-a-side football field, for example, and one single tennis court), must today be equipped at least with several permanent structures to be used as changing rooms, showers, a small bar and an office.

Therefore, when appraising a piece of land of only 3,000 to 4,000 m<sup>2</sup>, to be used as a small private sports facility, we must also consider that one or more of the buildings already present (a farmhouse or an equipment store) will have to be restructured (should it be impossible to build new elements) in order to transform and make them suitable for their new uses.

Indeed, even in *Google* satellite photographs of urbanized areas, we can often note private facilities that are the result of particularly careful plans, and which often even respect the regulation sizes defined for the various types of sports grounds. Obviously, in cases like these, it is no longer necessary to consider the most favorable direction of the playing areas as the artificial lighting systems installed allow play to continue even after dark without any problems.

### **The metaproject and the appraisal**

The practical experience gained and the research carried out, including that contained in university degree papers, allow us to understand the importance of using the Transformation Value in one's appraisal when assigning a use to a piece of land.

Besides, when analyzing the extensive range of examples I used to compose this paper, I noted the stark contrast between similar pieces of private and public land put to different uses and the difference in

the profitability levels generated by those that had been the subject of serious **metaproject** studies and those that had not.

There is, therefore, one more consideration to make; the appraisal of **undevelopable** urban areas cannot depend solely on the use for which they would be most suited. In these cases, the appraisal cannot be considered conclusive without consideration having first been given to what the most profitable, legally permissible use might be, and the uses that are generally considered standard in other areas similar to the one containing the property to be evaluated.

Therefore, a high level of importance must be given to the study of the urban layout immediately surrounding the land to be appraised, and this must be done, if not in-depth, at least with the utmost of care, in order to identify the characteristics, the relative transport routes, the main types of structures present and the future developments planned for the area by the local urban planning department.

This is certainly a study that can be carried out autonomously by engineers and architects, given the specificity of their degrees, as a contribution to the appraisal in its entirety, without the need to call on other kinds of professionals, or professionals with specific skills.