

Banks Road, Garston

Viability Assessment – STRICTLY PRIVATE AND CONFIDENTIAL

M.C.I. Developments Limited



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Introduction

The Diocese of Liverpool and M.C.I. Developments have submitted a planning application consisting of 19 affordable homes on land off Banks Road, Garston.

This document has been produced as justification to why no commuted sum payments can be levied against the development.

Based on a previous submission (for 18 open market homes) Liverpool City Council requested the sum of £18,000 as a contribution to upgrading local open space. As the scheme is now 100% affordable we are requesting that this sum is waived on viability grounds.

This document also provides justification why no on site open space can actually be provided (via informal space or indeed via formal space). The purchase price has been agreed on the assumption that circa 19 homes will be developed on the site. Should unit levels drop then the site becomes unviable.

The freeholder of the land is the Diocese of Liverpool. M.C.I. Developments have agreed a purchase price totalling £340,000 for the land. This represents £17,895 per plot which is in line with affordable values across the North West.

M.C.I. Developments have agreed a fixed 'all in price' sale of the units to Liverpool Housing Trust. The price has been set at £1,847,000 for the completed development. The homes will be constructed by MCI and thereafter managed by Liverpool Housing Trust.

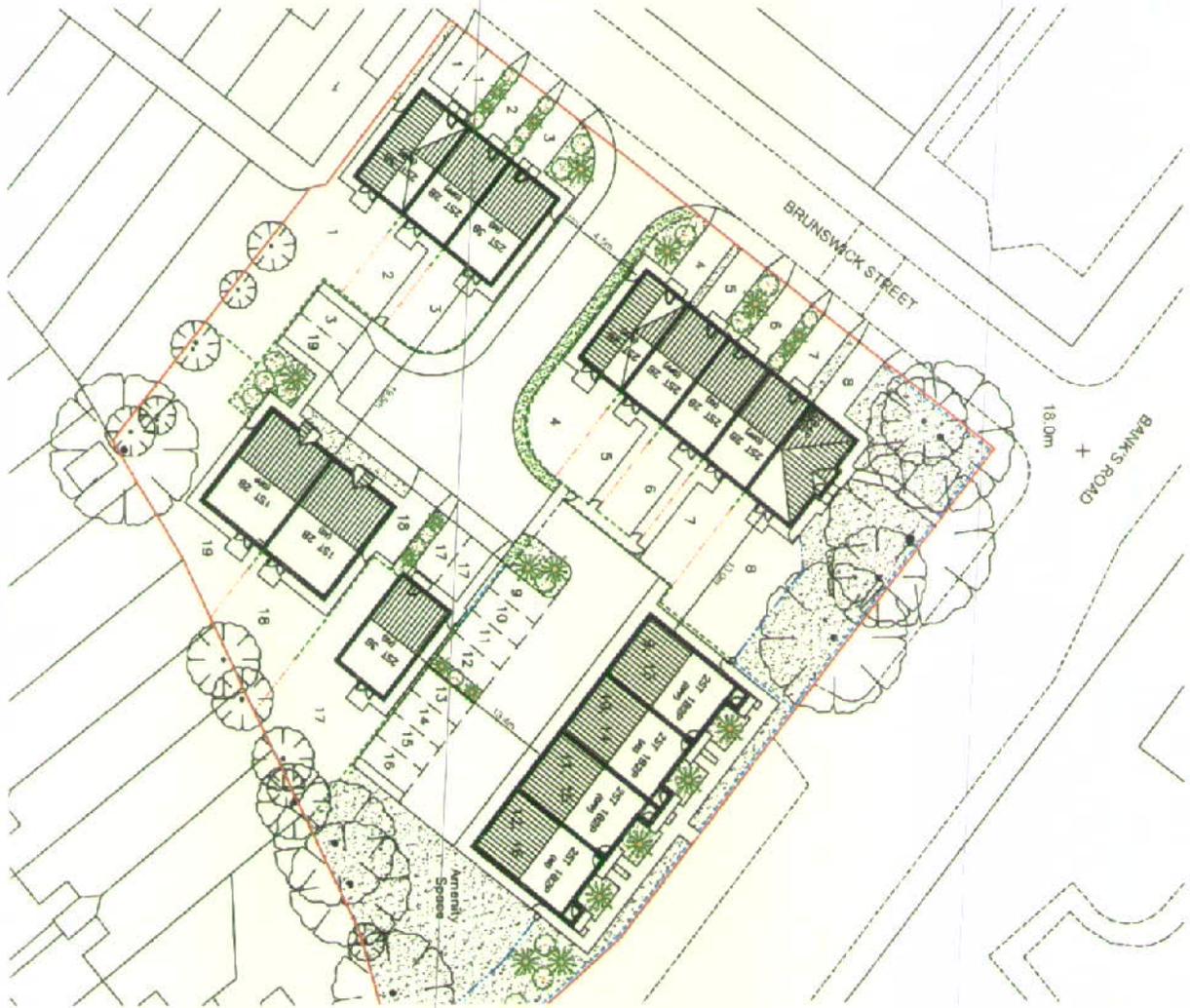
LHT has received Homes and Communities Agency funding for this development. The development needs to commence in October 2013 and be completed by December 2014. If the development does not commence later this year then the schemes funding will be withdrawn and lost to the area.

The homes are planned to HCA Standards (HQI and BFL principles) and Code for Sustainable Homes Level 3.

Location Plan



Site Layout



Schedule of Square Footage / Meters

Plot Number	Square Footage
1	915
2	800
3	915
4	800
5	800
6	800
7	800
8	830
9	550
10	550
11	550
12	550
13	550
14	550
15	550
16	550
17	915
18	650
19	650
Total	13,275sqft / 1,233sqm

Development Viability

GDV of Completed Development	Percentage	Value/Cost
Sales Revenue from Liverpool Housing Trust 100% Affordable Housing (19 units)		£1,847,000
Construction		
Construction Cost (inc abnormal to Code 3)		£695,235
Roads and Sewers		£134,351
Abnormals (piled foundations / S278/ remove asbestos etc)		£113,480
Plot Development		£194,615
Gross Internal Area of development		1,233 sqm / 13,275 sqft
Contingencies		£12,973
Commuted Sums		£0
Preliminaries / Site Overheads Etc		£151,933
Marketing (Performance bond/signs)		£3,760
Professional Fees		£79,226
Total		£1,385,573
Site		
Land Value (to be paid to Diocese of Liverpool)		£340,000
Professional Fees (Legal Fees / Land Agency etc)		£23,000
Total		£363,000
Developers Profit		
Total Net Profit		£98,427
% On Cost	7.10	
% On Completed Development Value	5.33	

Conclusions

The development consists of a scheme for 100% affordable housing. Based on the agreed land value and buy out price from Liverpool Housing Trust, the developers profit for the site £98,427. This as a percentage of total development value (GDV) is 5.33%. Based on total cash outflows (profit on cost) the margin is still only 7.1%.

If a commuted sum of say £18,000 was payable to Liverpool Council then the profit would reduce to £80,427. This as a percentage on completed development value (GDV) is an unacceptable 4.35%.

Clearly if faced with a 4.35% developer's margin the scheme becomes financially unacceptable.

This document also proves that should density reduce due to the provision of on-site open space, the scheme is again unviable. Reducing units would only reduce the profit (as the land price is fixed at £340,000) from the already low 5.33 %.

Should Liverpool Council insist on the commuted sum then the development will not commence. HCA funding would also be lost to the City. There is overwhelming evidence therefore that this development should be approved without delay as it provides much needed affordable housing for Liverpool.