

West Lancashire Borough Council  
Housing and Regeneration



# Beechtrees Flats Option Appraisal

2013/14

Appendix F

Option 5

Analysis and  
costings

"To be a top performing  
landlord within an  
economically vibrant  
West Lancs"

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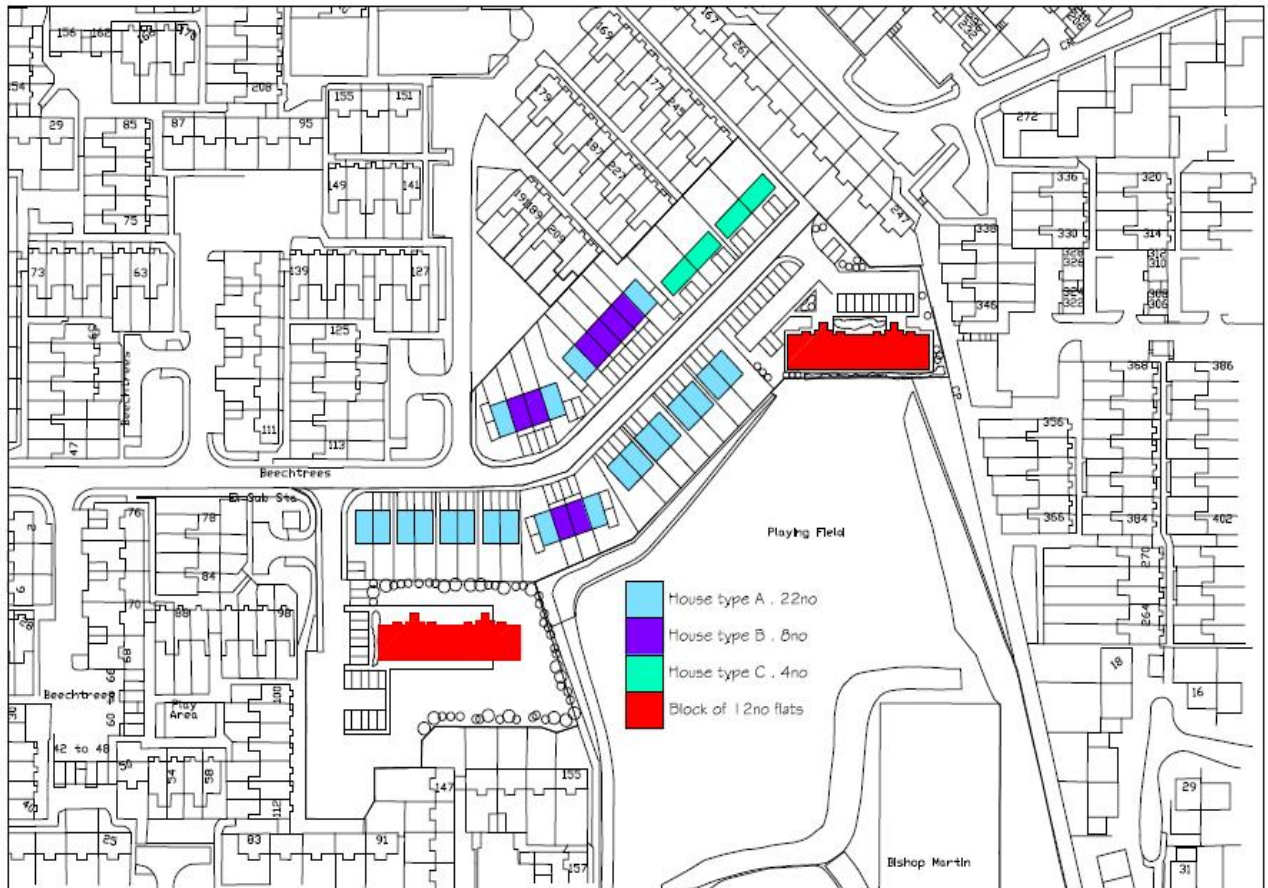
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# 1 Introduction

This report will deal with option 5 or the demolition and rebuild scenario.

This Option 5 consists of the demolition of all nine blocks containing 48 flats and a short terrace of five houses and 4 end of terrace houses, the subsequent cleared site would be followed by a potential redevelopment of the land, comprising approximately 58 new dwellings with a mix of houses and flats.

Below is a site plan showing the proposed layout for this scheme.



## 2 Summary and scope of works.

The refurbishment work to be carried out would comprise briefly of:

- Partial refurbishment of 2no attached blocks in line with other council properties in the area

The newbuild element of the work would comprise briefly of:

- Demolition of 9no blocks of flats and 9no houses and clearing of site.
- Construction of 34no new semi detached and terraced houses, nominally 2 bedroom, each with front and rear gardens and 2no off road parking spaces within the curtilage of the property
- Construction of 2no 3 storey blocks, each of 12 flats and landscaping to the surrounding areas

| <b>Description</b>                         | <b>Existing</b> | <b>Option 5</b>      |
|--|-----------------|----------------------|
| <b>Total number of lettable units</b>      | 63              | 65                   |
| <b>1 Bedroom Dwellings</b>                 | 19              | 7                    |
| <b>2 Bedroom Dwellings</b>                 | 27              | 58                   |
| <b>Bedsits</b>                             | 8               | 0                    |
| <b>Existing houses</b>                     | 9               | 0                    |
| <b>Useable garages integrated in flats</b> | 25              | 9                    |
| <b>Occupied garages at time of report</b>  | 13              | 9                    |
| <b>Overall scheme cost</b>                 | N/A             | <b>£5,355,889.00</b> |
| <b>Cost per remaining unit</b>             | N/A             | <b>£82,398.28</b>    |

### 3 Proposed designs

The component elements of option 5 are included within previous options nos 3 and 4. This option combines the newbuild elements of both of the previous option to create a full new development. Below is an artists impression of how the development may look if this scheme is adopted



Below is the proposed site plan prepared by the architect showing the house types and proposed landscaping for the full scheme.



## 4 Projected costs

**This section shows the breakdown of the costs for the demolition and rebuilding of a possible scheme of flats and houses.**

In this Option it is proposed that 48 flats in the 9 blocks a single terrace of 5 houses and 4 end of terrace houses be demolished. The resulting cleared site being redeveloped with a potential new development scheme of around 58 new dwellings.

The possible new development may consist of 34 semi detached and linked mews style houses and two detached purpose built blocks of flats containing a 12 flats each.

Fortunately for this possible scheme, there is only one lease holder property within one of the existing blocks of flats. This property would require the lease buying back from the owner, and it would probably also incur costs for Home Loss, Disturbance and Legal Fees to allow the block to be demolished.

The demolition costs were calculated using the same figures as the previous options, extrapolated from the feasibility cost plan included in Appendix D

The unit costs for newbuild flats and houses are the same as those used in option 4. Further details can be found in Appendix E.

**TABLE 1** Cost breakdown for possible Demolition and NewBuild proposal.

| Property type  | Quantity | Unit Cost               | Total             |
|--|----------|-------------------------|-------------------|
| Demolition costs   | 1        | £293,044                | £293,044          |
| Semi detached mews house   | 34       | £75,073                 | £2,552,487        |
| 2 bed flat   | 24       | £88,379                 | £2,121,085        |
| Buy back of leasehold property, including for disturbance home loss and legal fees | 1        | £42,500                 | £42,500           |
| Home loss payment including admin fees   | 51       | £5,170                  | £263,670          |
| Partial Refurbishment of 2 attached Blocks   | 1        | £83,102                 | £83,102           |
|  |          | <b>Total Basic Cost</b> | <b>£5,355,889</b> |

The figure of £42,500 for the buying back of the lease from the leaseholder was provided by the Development section and is a predicted value only, which could go up or down from this level depending upon the market value at the time of sale. As demonstrated in Table 1 above, it can be seen that the potential demolition and rebuilding cost could be £5.36M.

The value of £5,170 for the home loss payment has had a 10% cost uplift to account for administration fees. This payment is only eligible to be paid to tenants that have been in residence in the property for a minimum of 12 months.

This equates to a refurbishment cost of £82,398.28 per dwelling dependent upon the quality of the fixtures and fittings.

A cash flow analysis has been carried out on the possible scheme based upon the following assumptions;

Initial cost of investment using the basic quality scheme cost of £5,355,889 or £82,398.28 per dwelling.

Rate of inflation 3.2%

Annual management and Repair cost per dwelling £1,436

Starting rent for 2 bedroom house £84.16

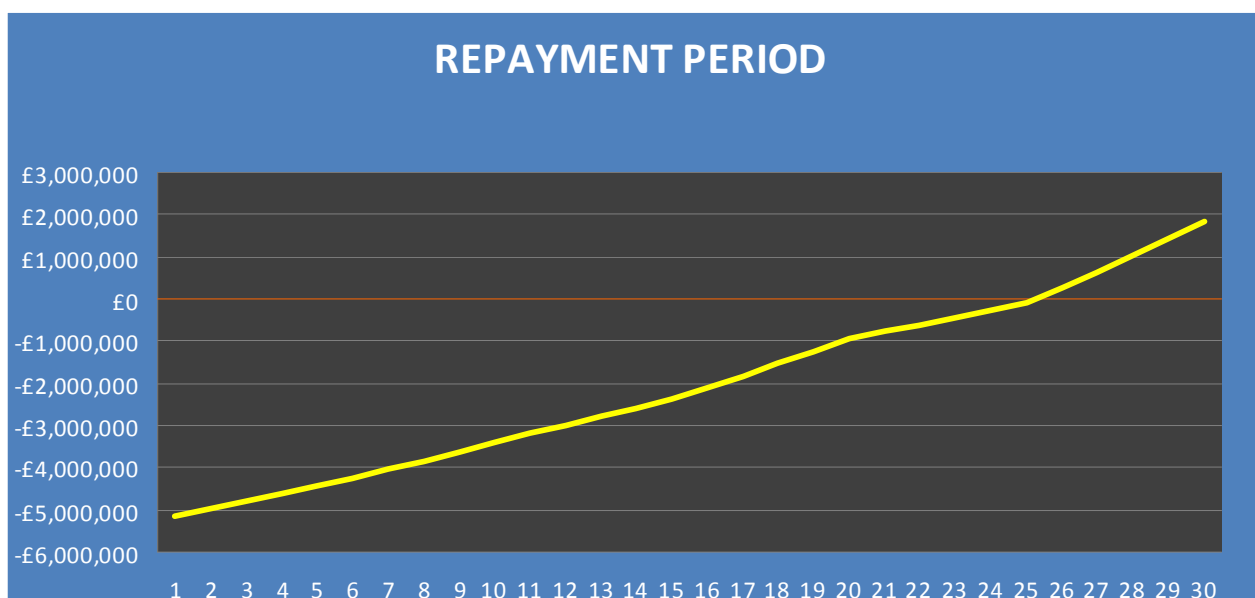
Starting rent for 2 bedroom flat £80.00

Starting rent for 1 bedroom flat £71.77

The second and third cycle renewals have been accounted for over the 30 years for Kitchens, Boilers, Heating distribution, Communal doors and Communal Decoration. An assumed number of void periods per year of 5 properties at 2 weeks each.

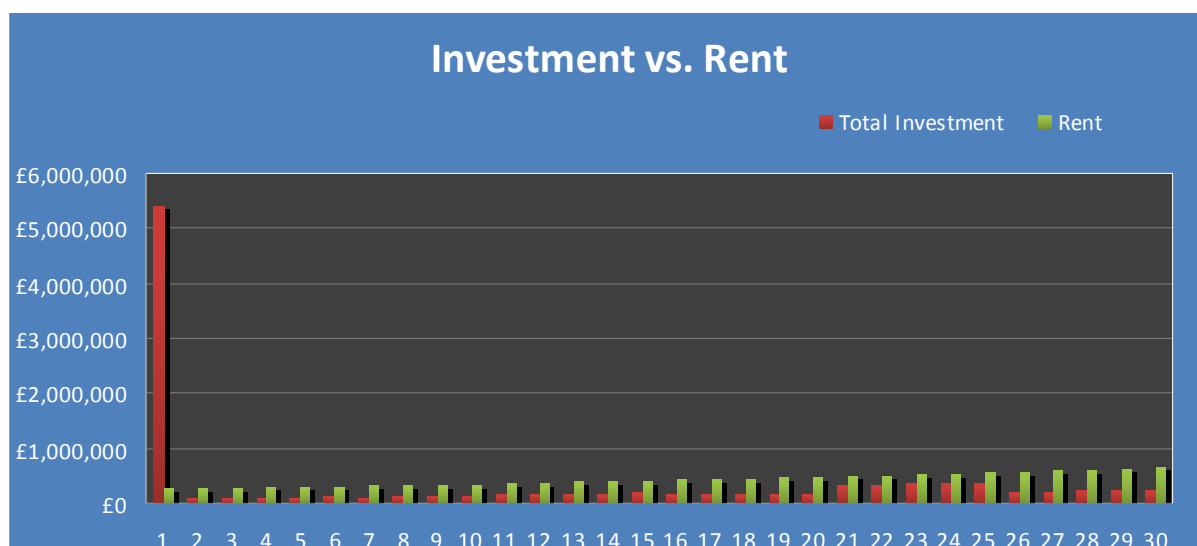
This could produce the following graph.

GRAPH 1 payback period for Option 5



As can be seen in the above graph 1 the displayed cost neutral point occurs between years 25 and 26

GRAPH 2 Income against Expenditure for Option 5



As can be seen in Graph 2 the rental income exceeds the expenditure by a small amount in every year except the first, which contains the substantial primary capital investment.

Even though this option is losing 57 dwellings, it would benefit from the New Homes Bonus on the 58 new build dwellings. This bonus is likely to be around £350 per dwelling per year, and is payable over a 6 year period.

### 3.1 Outcome

- The cost of this possible proposal could be £5.36M
- This potential option could payback, that is become cost neutral, in 25-26 years
- We acquire 58 brand new thermally efficient dwellings.
- There should be a reduction in the maintenance cost as all elements of the dwelling are new.
- This option would have the greatest visual impact of all the options
- The total rentable stock would increase by 2.
- One leaseholder would require their lease buying back.
- This option will leave little remaining capital to address problems with similar flats.