DEVELOPMENT APPRAISAL MAIN SITE

OVERVIEW OF MARKET LENDING PARAMETERS AND COSTS

The costs identified below for the development of each building on the sight have been developed against the plans submitted for preplanning advise, and as shown in the site layout earlier in this document.

The costs were produced by Cowan Wilkinson, chartered quantity surveyors for each element.

Current advice and guidance provided by Gary Swift (NatWest Bank Healthcare Director Business and Commercial Banking) is as follows:

The bank would require a repayment period of 7-10 years to attract a 3.5% rate of interest

Residential schemes are not supported by current bank lending, and as such funding is not available.

Commercial buildings can secure funding so within this site, the development of a Care home within the farmhouse and the office would be successful in receiving funding.

Funding for these would require security against the income streams of the Business not just the property and personal guarantees against each directors personal estates.

INCOME AGAINST EXPENDITURE

The Table below identifies

- The cost of the land/site split by each element.
- The cost of construction
- The cost of interest over the period of the loan
- The required income to service the loans

Newall Farm Site Finance Appraisal

Property	No of Occupants	Cost of Land	Build Cost	Total Cost	Interest* On costs	Total Monthly Repayment	Rent Required per Occupant (Year)	Rent Required per Occupant (month)	Rent Required per Occupant (week)
Farmhouse	8	£40,000	£487,000	527,000	£1,537	£5,211	£7,816.94	£651.41	£150.33
Block C	14	£120,000	£522,000	642,000	£1,873	£6,348	£5,441.55	£453.46	£104.65
Block B	13	£40,000	£712,000	752,000	£2,193	£7,436	£6,864.20	£572.02	£132.00
Head Office	2	£100,000	£550,000	650,000	£1,896	£6,428	£38,565.48		
	37								

ANALYSIS OF FIGURES

Unit A - Farmhouse Registered Care Home

The cost per bed within the farmhouse 8 bed care home model is marginally above industry average. This however can be offset by the economies of scale delivered to produce a viable "hotel rate" which is the measure of per user accommodation costs within care homes.

Unit B Supported and Independent flat lets

The required rent to be provided by LHA to meet the income required is in excess of the 2 bed LHA rate, however within reach of an agreement (appendix A).

Unit C Supported Living flatlets

The required rent to be provided by LHA is in excess of the 1 bed LHA rate but below the 2 bed LHA rate making this a viable development (appendix A).

Unit D – Office space

The office development cost is marginally above the expected rents within the area. As Zeno is the primary tenant and this would be a reduction over existing office charges this is a viable development.

FUNDING THE DEVELOPMENT OF THE SITE

The funding of the proposed site is broken down by element of the site as follows:

Phase 1

1. Working farm paddock – Rural
2. Unit A Care Home plot – Adults with a Learning disability (Brown Outline) – Commissioned service.
3. Overall purchase of these leases (£200k)

   The proposed funding for this is through Zeno Limited and the Natwest Bank. Terms have been agreed and a funding offer in place, terms outlined in Appendix A.

   The funding will be as follows:

   Bank funding £405k

   Zeno Funding £282k

4. Office Development (£550k)
5. Purchase of Office lease (100k)

   The proposed funding is via the Zeno Limited SIPP Centre pension fund. The fund will borrow 50% of its value to enable this to be completed.

Phase 2

1. Unit B Supported and Independent flat lets for Adults with a Learning Disability (Yellow outline) - Residential Lettings (Housing Benefit)
2. Unit C Supported Living flatlets (Black Outline) – Residential lettings (Housing Benefit)

   Funding is **NOT** in place for this future element

VALUATION OF SITE PRE AND POST DEVELOPMENT

The valuation of the property and land as made by GVA Chartered Surveys was as follows:

- Existing site with:
    - planning permission for an 8 bed residential care unit for Adults with a learning disability
    - Planning permission for planned additional office accommodation
    - Valuation £300k, with concerns raised re usage and conditions to repair other Barns
- Proposed site with
    - completed with 8 bed residential care unit for Adults with a learning disability (Turnkey) with remainder of site not yet developed
    - Valuation £650k
- The renovation cost for the farmhouse is £487k cost of land is £200k Total cost £687k against valuation of £650k
- Build cost for Office £500k, cost of land is £100k. Total cost £600k against valuation of £650k

SECURITY OF PROPOSED LEASE OWNER

- It is proposed that Zeno limited will take responsibility for all the existing building, and the paddock.
- Zeno limited will be the care provider operating the planned care home
- GVA has provided sufficient clarity of Zeno's and its director's financial position to enable the loan in appendix A to be secured for the farmhouse development.
- Zeno limited shows a profit for the year ending March 2011 of £188,714,

SUMMARY OF FINANCIAL VIABILITY

It is not economically viable to buy the land (£300k), and restore the farmhouse (£487k) as the end value for the site is only (£650k) GVA valuation.

Developing the office enables £100k of the land cost to be placed against the office. The office is required to support the delivery of the Working farm, and the potential phase 2 development of the Barns in a hub and spoke model. This can be funded through existing pension scheme investments.

Phase 2 cannot be developed initially as it requires residential investment funding. This type of funding in this area is not available through the Banking system due to the existing economic and banking conditions (Natwest, Gary Swift).

SUMMARY OF SCHEME

The proposals within this document have the aim of:

- Restoring the Farmhouse
- Providing required accommodation and associated services for the Manchester Learning Disability Partnership in line with demand and their objectives
- To create a working farms on the paddock of land adjoining the farm site
- Provide an Office to Support the operation of the farm and the Supported Living schemes proposed
- Providing employment within the scheme for local residents
- Providing future development and services of the listed barns once funding restrictions within the banking sector ease, and to meet expected demand from the learning disabled community.
- Provide sufficient funding to enable IEPD to exit its commitments, with an acceptable level of losses.

To meet the aims:

- The existing lease requires amendment to enable multiple funding streams to be accessed
- The existing lease owner IEPD requires permission to Assign the leases to Zeno limited

The Viability of the scheme is predicated on:

- The scheme is predicated on the acceptance of the planning application submitted for pre-advice.
- The existing cost of lease purchase agreed by Zeno limited and IEPD remains at £300k.
- IEPD accepting a loss on the overall scheme.
- Zeno limited securing the development against its existing assets and personal guarantees of its directors.