



# CFAT

Commercial Feasibility  
Assessment Team



## Tommy's Tip

It's been a long year. The worst Tommy has ever experienced. Did he foresee the day the IMF would be called into Ireland? Well actually yes, he did! So, with the New Year just around the corner, Tommy's tip for

the season ahead draws on the words of JC Penney; - "Give me a stock clerk with a goal and I'll give you a man who will make history. Give me a man with no goals and I'll give you a stock clerk".

## "The National Recovery Plan 2011-2014" Capital Expenditure on Roads/Infrastructure

**"Annual public capital allocations over the period of the Plan will be progressively reduced to reach of €3 billion by 2013. This is consistent with the lower level of growth and demand in the economy..."**

The cumulative annual capital adjustment by 2014 will amount to €3 billion commencing with a reduction of almost €2 billion in 2011 and further additional savings of €0.4 billion each year from 2012 to 2014."

Opinion - To set this reduction in expenditure in context, €3 billion (or €3,000,000,000) represents the actual construction cost of building a motorway standard dual carriageway stretching from Dublin to Munich. This would of course have made it a lot easier for our

German colleagues to travel back and forth. It does therefore represent quite an impact in terms of construction industry jobs and investment in an already depressed industry.

The Government has also confirmed that the Dublin underground system is "deferred". In addition we are advised that Metro North will proceed subject to a Cost-Benefit Analysis. Realistically, does this now mean Goodbye to Metro North also?

## Project Management – In a Changed Environment

**Project Management requires the establishment of project objectives and the utilisation of systems, people, and other resources, to achieve the desired outcome. On private sector property developments in recent years these objectives were essentially to deliver projects to the desired quality, within budgets and programs, which facilitated commercial returns.**

Many projects progressed without a designated Project Manager, but all projects do require Project Management.

On the significant number of now stalled property developments throughout the country the "project" must now be reassessed. The resultant objectives are likely to be significantly different than those originally anticipated. On many (perhaps the majority) of projects the project sponsor may now be the former financial facility provider, and the objective may be to achieve the maximum short, or long term, commercial return to generate profits (or to mitigate losses).

In many such cases, the resolution of the development may be a dramatically different "project" to that originally envisaged with

options such as abandonment, completion and sales, or disposal of incomplete developments all being considered.

The role of project management in these circumstances is to assess/reassess the previous project progress and the requirements / impediments to completion. Following this assessment, and report, the viable options and associated constraints must be established in consultation with the existing and/or new project sponsors. New objectives must be clearly identified, and a realistic plan developed to achieve these within the constraints, particularly commercial constraints.

The Project Manager must take a holistic view on all project matters to facilitate a comprehensive assessment with regard to

options and potentially successful outcomes. The Project Manager must be empowered by the project sponsor(s) to investigate all project records and physical works and to engage with all contributors and stakeholders to the original development, relying on his/her own experience and specialist advice as required.

A vigorous assessment will produce realistic options on which the project sponsor(s) can make informed decisions on how best to proceed with the "revised project".

# Property Investment Market Jitters

It's been a frustrating year in the Irish property investment market. Despite the snow, the year started optimistically with rumours of many overseas investors circling. However, whilst sentiment appeared to be building, there was little action occurring. The market received a lift when German fund, GLL, acquired the AIB branch on Grafton Street on a sale and leaseback basis before the summer.

The summer however brought further bad news about the Irish banks, with drastic figures about the write down in Anglo being bandied about. This had a serious detrimental effect on Ireland Inc. Foreign investors became jittery. By the end of the summer, with confidence low, we were back to square one. We had to build from the back again.

In September, O'Neill Strategic Property Advice concluded the acquisition on a sale and leaseback basis of Eircom's Network Management Centre

on behalf of London based London and Regional Properties. In the Autumn, announcements by the Government in relation to the banks and the forthcoming budgets appeared to have calmed foreign investor nerves. Once again they started investigating the Irish market, all looking for investments with no risk (in effect, long term income from secure tenants in good locations). Given the demand for this type of investment, values started to consolidate

and, in some instances, increased. Secondary investments were not in demand and hence values in this sector will remain under pressure.

Recent events however have frightened foreign investors who have retreated once again to adopt a wait and see attitude. Their interest is constantly swayed by perceptions about Ireland and its place in the Euro. The next few months will be critical.

Expect further Jitters and more snow!!

## Rediscovering the Art of the Outline Planning Application

Since the late 1990's the outline planning application has all but disappeared. However, the economic downturn could see an increase in its popularity, as developers seek more affordable ways of testing their proposals in the Development Management system.

Outline Planning Applications are used primarily to test the principle of a proposed development. They tend to require much less detailed design input from Architects as they are concerned more with whether a form of development is appropriate at a specified location.

The fall in popularity of the outline planning permission is partly because of a legacy of a number of court cases under previous legislation. Essentially, at Approval stage permission could be refused on a matter

previously agreed at outline stage. As a result many choose the Full Planning Application as the safer approach.

However, under the 2000 Planning and Development Act, any matter agreed at the outline permission stage cannot be revisited at the approval stage including during appeal.

The imperative of proper planning and sustainable development, orders of priority and sequential planning, and capacity of waste water treatment plants mean that even if land is zoned, it may

not have a perceived right to planning permission. The benefits of outline permission are more important now than they ever were. Banks, receivers and most probably Nama (the 'new developers') will be keen to reduce the costs associated with making planning applications and as a result, reduce the cost of risk.

The outline permission allows an applicant to explore issues of principle. In their purest form these issues could include the capacity of the local Waste Water Treatment Plant to cater for the number of units proposed or whether the site is a suitable location for a new retail development. But other matters, such as layout and density, can also be explored.

In these times of greater austerity and reduction of risk, perhaps it is time we rediscovered the art of the outline planning application.

## Planning Compliance – Engineering Issues

**From the numerous commissions completed to date CFAT are finding that planning compliance is one of the major hurdles facing distressed assets.**

Developments part completed or near completed need to comply with the many engineering related conditions set out in the original grant of planning permission before they can be finally sold or leased and a return secured on the investment. In most cases these conditions are quite onerous and require specific works to be carried out to an agreed standard with the Local Authority.

As developments came under financial pressure and cashflow difficulties arose some corners were cut and in many cases specific items of work set out in the planning conditions were either not completed and remain outstanding as part of the overall works or not constructed to the Local Authorities required standards.

The items are typically underground drainage, water supply and other services which can be very expensive to complete and add significantly to the overall cost of completing the development. Recent cases have identified where underground storm

water attenuation tanks have not been constructed and the area above the intended location of the proposed tanks have been finished with roadways, parking etc. Installation of the tanks would require the finished roadways to be excavated to allow the tanks to be installed at significant high cost.

Acting on behalf of Clients who are dealing with distressed assets CFAT have engaged with Local Authorities to resolve planning compliance issues. In the first instance each of the planning conditions are reviewed and discussed with the Local Authority. Key compliance items are identified and using the expertise within the CFAT group cost effective proposals and solutions are developed to address each of the items and budget costs prepared for the implementation of the works required.

The works are then agreed with the Local Authority and formally submitted for approval. CFAT can arrange on behalf of the Client, using their project managers and design specialists, to have the works carried out and completed to the standards sought by the Local Authority.

Winter Newsletter

[www.cfat.ie](http://www.cfat.ie)

For a free preliminary consultation, please contact

Tony Bamford on 087 290 3208 or Sean O'Neill on 086 388 9303

Ref: Commercial Feasibility.

## About CFAT

### WHO?

A group of individual organisations providing Project Management, Architecture, Engineering and Cost Consultancy services, who have pooled their resources and market know how to offer clients a single point range of services for property developments.

### WHY?

Management of projects requires the input of many specialist disciplines, but not necessarily all services in all cases. As a one stop shop CFAT can assess and provide only those specialist skills required for each situation, thereby minimising consultancy costs.

### WHAT?

Multidisciplinary, tailored, no nonsense advice and services for project resolutions. The CFAT group have extensive experience across all sectors and are familiar with statutory bodies, financing institutions, the construction industry and property sales and management environments.

### BENEFITS OF CFAT

- Individual and collective in depth experience of the property development industry at all levels
- Selective application of expertise across all disciplines (ie only what's needed)
- Ability and capacity to quickly assess projects at varying stages of development or completion
- Capacity and capability to implement chosen solutions
- Know how to make succinct recommendations for project resolution, including feasibility assessment of all options

### OUR SERVICES

#### Project Management

- Total project assessment
- Fast initial investigation and report, including assessment of incumbent specialists
- Feasibility and recommendations, including risk assessment
- Monitoring and reporting
- Direct implementation or total delivery

#### Planning / Financial

- Land use review, zoning/ rezoning, recommendations and risk assessment
- Planning consents review, viability assessment, compliance issues and further consents requirement
- Value enhancement
- Comprehensive costs to complete
- Commercial feasibility assessment
- Property management assessments

#### Design

- Comprehensive architectural and engineering design services
- Inspection, testing and design assessment services
- Works installation monitoring
- Planning compliance assessment, remediation and certification
- Certification of design and works
- Payments - monitoring/ recommendations/certification and reporting

## Meet The CFAT Team

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