

СВІЙ ДО СВОГО



Ukrainian International Directory
Ukrainian Community Issues Newsletter
СВІЙ ДО СВОГО Ukrainian Community Issues – No. 40, 24 May 2018



Association of Ukrainians in Victoria Stage 2, 3 - 11 Russell Street, Essendon Feasibility and Cost Benefit Analysis

A. Introduction

The definitive data and calculations herein, together with construction industry published costs, formula and indices clearly shows that the AUV could achieve greater benefit from the Stage 2 Development, in the order of \$17 million.

This data had been presented to the Executive Committee at a Building Committee meeting in 2017.

I invite members to scrutinise the data and calculations and put forward an alternative solution instead of making hearsay unsupported statements.

B. Feasibility and Cost Benefit

Of all the Feasibility and Cost Benefit Analysis I had conducted over the past 40 or so years, this would be one of the easiest and simplest projects undertaken in terms of interrogating data and information available from the Stage 1 project.

1. Refer to previous newsletter:

For background reading on the Cost Analysis of Stage 1, refer to the Newsletter and its appendix attachment: (hyperlinked)

- a. [No. 39 Development Cost Analysis 3 – 11 Russell Street, Essendon](#) (hyperlinked)
- b. [Associated Building Plans – Stage 1](#). (hyperlinked)

*This Newsletter and its Appendix can be viewed as hyperlinks on the internet.
Hover the mouse over the blue underlined text above and click the mouse.*

2. Assumptions

- a. AUV will retain ownership of at least the Ground and First Floors of the development.
- b. Stage 2 project will possibly mirror or in some manner resemble the Stage 1 project.
- c. The size of Stage 2 land is 7% greater than Stage 1.
- d. Assigning of the redevelopment contract for Stage 2 will be implemented during 2018.
- e. Planning approvals that include specifications, drawings and contracts will be implemented in 2019.
- f. Off-the-Plan apartment and other spaces will be marketed with sales during 2019.
- g. Construction completion by 2021-22.

C. Retaining AUV Home in Russell Street, Essendon

I introduced a high profile professional person who has vast property assets holdings to tour our Russell Street precinct both on the ground, within the building and using commercial Google Mapping.

His over-riding comment was “the Ukrainian Community would be extremely foolish not to retain at least some tangible interest in this extremely valuable precinct. You will never find any other facility to match your requirements.”

D. Feasibility and Cost Benefit Analysis

Information provided herein, is technically and financially based. The costings are a step by step process, providing the methodology that arrives at the conclusion:

NOTE: Those calculations are:

- a. [Based on official documents with actual cost data provided by the Developer \(DevCo\).](#)
- b. Where assumptions are made, they are professionally backed up by [universal published technical documentation.](#)
- c. The values used have their base in the Cost Analysis of Stage 1 previously detailed in the newsletter and accessed at:
[No. 39 Development Cost Analysis 3 – 11 Russell Street, Essendon](#) (hyperlinked)
- d. *Stage 2 values have been increased to reflect the 7% difference in size of the property and costs increased by appropriate Building Cost Indices.*

Appendix A Cost Benefit Analysis

This appendix has three sets of calculations.

- a. The **Construction Cost** per square meter rate used in these calculations shows that “Basic standard” apartment fittings and finishes as shown in the LINC display.
- b. In the selection of the appropriate construction cost rate are as published in the universally recognised Rawlinsons Construction Handbook.
- c. The actual true estimate of the construction cost can only be provided by the DevCo or the Builder.

i. Calculation A - Cost of Construction - Feasibility

The base **Building Value** (Construction Cost only) is determined as the difference between the Apartment Sales data and the Dutiable Land Value.

- The calculation shows cost, in the order of the “Basic Standard” **\$22 Million**
- After disbursement to AUV and others, the balance (DevCo Profit) **\$16 Million**

ii. Calculation B - Cost of Project - Feasibility

Using the **Total Sales Value** as the assessment base, the following outcomes are:

- The calculation “Basic Standard” shows that the sales are in the order of **\$66 Million**
- After disbursement to AUV and others, the balance (DevCo Profit) **\$34 Million**

iii. Calculation C - Cost of Project - Profitability Equity

Using the **Total Sales Value** as the assessment base using “Basic Standard”, the following outcomes are:

- The data provided shows apartment sales in the order of **\$66 Million**
- However, given AUV owns the land, the Dutiable Land Value as AUV portion/ share of the Project profit is in the order of **\$16 million.**
- After disbursement to AUV and Others, the balance (DevCo Profit) **\$18 Million**

iv. Fair and Equitable

As detailed in point iii (above) the figures AUV \$16 million and DevCo \$18 million show a fair and equitable distribution of profit between AUV and DevCo, given that:

- a. We own the land.
- b. We are entitled to the Dutiable Land Value as assessed by an independent Real Estate Valuer.
- c. We have given DevCo the opportunity to develop our site to achieve a reasonable level of profitability.
- d. The approximate 50/50 share of profit is a fair and reasonable distribution of the projects profitability.



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COST BENEIFT ANALYSIS

Cost analysis of DevCo's actual data

Stage 2 Development

3 - 11 Russell Street, Essendon

Appendix A

According to Actual Sales Data 2017 and Index to 2020

Increase in Cost of Construction		
2016	208	Index
2020	232	Index
	12%	Increase

Increase in Size of Land			
Totals	Area in Sqm	Stage 1	Stage 2
		2016	2020
	Apartments & Grd Fl Sqm	6793	7269
	Roof Open Space Sqm	618	661
	Carpark Sqm	2505	2680
	Total	9916	10610
	Sales of Apartments - Actual	\$55,192,000	\$66,230,400
	Dutiable Land (Site) Value **2	\$13,798,500	\$16,558,200
	Actual Building Value	\$41,393,500	\$49,672,200

Note:

** These Calculations based on Basic standard fittings and finishes

** LINC Display Centre in Russell Street is assessed as equivalent to Basic Standard

Calculations A - Cost of Construction - Feasibility

	Stage 1	Pro-rata Stage 2
Building Values Used (Based on DevCo's data)	\$41,393,500	\$46,169,673
Construction Rates per sqm **1	Basic Std	Basic Std
Apartment \$/sqm Construction Rates (& Indexed)**1	\$2,235	\$2,493
Apartment Construction Costs	\$15,182,355	\$18,119,557
Roof Open Space Construction Cost	\$618,000	\$661,260
Carpark Construction Cost	\$5,010,000	\$2,680,350
Total Construction Cost	\$20,810,355	\$21,461,167
Building Value per DevCo data (& Indexed)	\$41,393,500	\$46,169,673
	\$20,583,145	\$24,708,506
Apportioned to AUV & Stage 2 Offer	\$6,085,000	\$6,085,000
	\$14,498,145	\$18,623,506
Consultants 10.00%	\$2,081,036	\$2,146,117
DevCo's Profit on Construction	\$12,417,110	\$16,477,390

Calculations B - Cost of Project - Feasibility

	2016 to 2020	4 years Sales Increase	20%
Total Sales Value	\$55,192,000	\$66,230,400	\$66,230,400
	Basic	Basic	Basic
Total Sales	\$55,192,000	\$66,230,400	\$66,230,400
Total Construction Costs	\$20,810,355	\$21,461,167	\$21,461,167
Apportioned to AUV & Stage 2 Offer	\$6,085,000	\$6,085,000	\$6,085,000
Consultants 10%	\$2,081,036	\$2,146,117	\$2,146,117
Sales & Marketing 3.00%	\$1,655,760	\$1,986,912	\$1,986,912
DevCo's Project profit	\$26,640,885	\$34,551,205	\$34,551,205

Calculations C - Cost of Project - Profitability Equity

	\$55,192,000	\$66,230,400
AUV Dutiable Land Value Option	Basic	Basic
DevCo's Project profit	\$26,640,885	\$34,551,205
Apportioned to AUV	\$0	\$0
	\$26,640,885	\$34,551,205
AUV Owned Land **3	Dutiable Land Value (Site Value)	\$16,558,200
Fair and Equitable DevCo profit Recommended	\$12,842,385	\$17,993,005

Note: Construction Rates per sqm **1

Source - 2018 Rawlinsons Australian Construction Handbook

Index Base date

Stage 1 31-Dec-16

Stage 2 1-Jan-20

Note: Dutiable Land Value **2

The Site Value determined by a Registered Real Valuer for Statutory purposes

2020 Dutiable Land Value = pro-rata 2016 values

Note: AUV Dutiable Land Value Option **3

Recommendation to AUV Originally in 2013 by MK