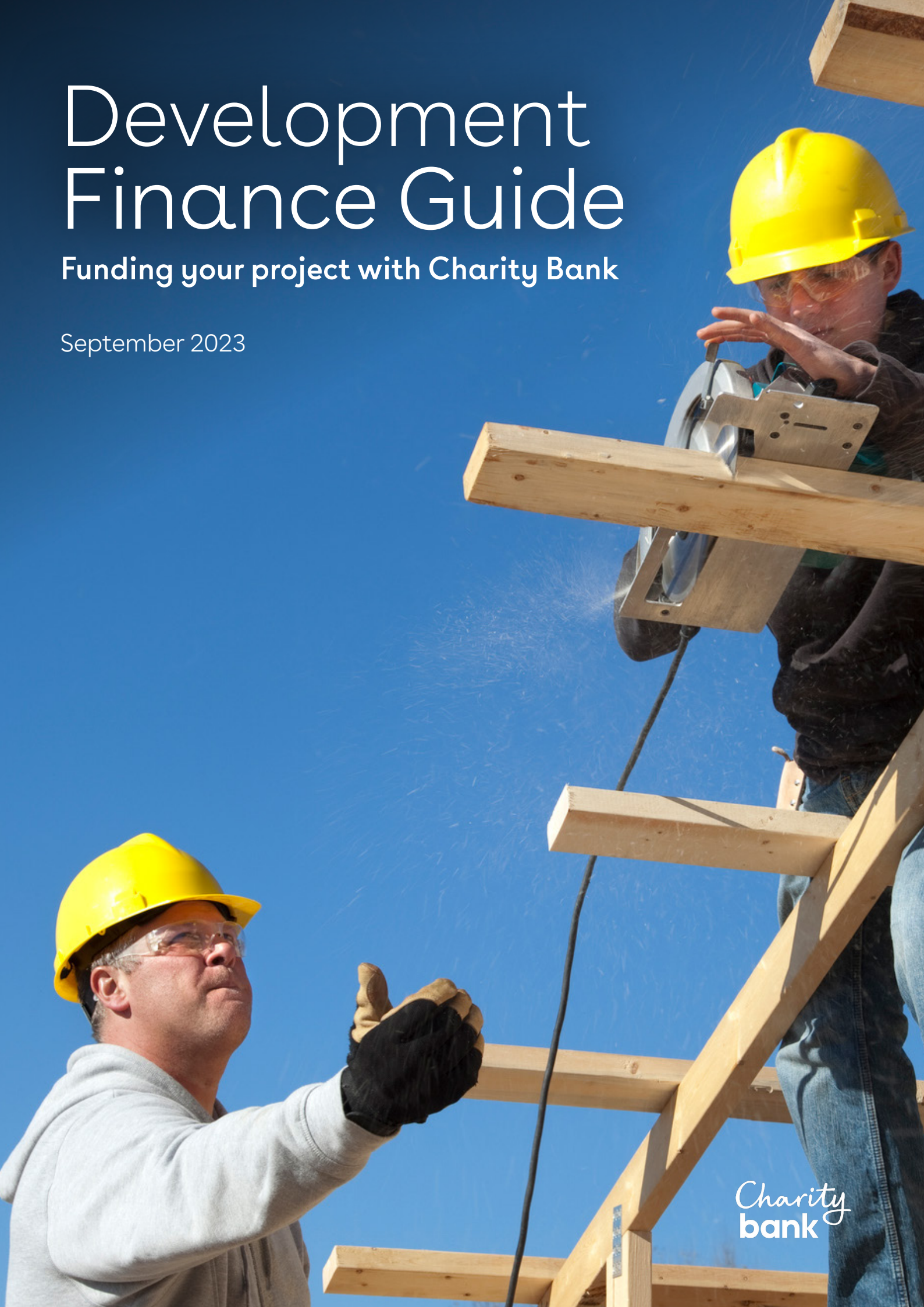


Development Finance Guide

Funding your project with Charity Bank

September 2023



Charity
bank

An overview of our approach to **development finance**

At Charity Bank, we are committed to supporting your development projects and helping you create a positive impact in your community. To ensure a smooth process, here's an overview of our approach to development finance.

Loan to property value:

We offer development loans of up to **70%** of the value of the properties being used as security, where the property undergoing development is itself the security. The maximum loan to value will depend on the nature of the property being developed. The properties will be valued by a RICS certified chartered surveyor, approved by Charity Bank.

Requirements for property development:

If your loan is secured against a property being developed, we may require the following:

	To be "first loss payee and co-insured" on the portion of the main contractor's "all-risks" insurance related to the project.
	Direct funders warranties from the main contractor, consultants, and main subcontractors. We can provide draft warranties early on for their consideration.
	A schedule of amendments to the Joint Contracts Tribunal (JCT) contract, agreed by all parties. Your construction/banking team or advisors at your lawyers can assist with this.
	A mortgage debenture.
	Drawdowns to be made against indemnified certification provided by a bank or co-appointed quantity surveyor. In some cases, we may co-appoint a borrower's quantity surveyor.
	An initial feasibility study of the project from Charity Bank's or it's co-appointed quantity surveyor.

Project information required:

To process your application efficiently, we need the following project information:

	Brief description of the project to be funded.
	Build cost estimates, ideally prepared by a quantity surveyor or an architect.
	Build cashflow/programme.
	Confirmation of VAT implications for the project, along with any professional advice received in this respect.
	Details of main contractor and consultants (architects, quantity surveyor, project manager, etc.). We'll conduct a credit search on your preferred main contractor to assess their suitability for a bank-funded project.
	Details of your legal advisors. Please confirm if they will advise you on the construction contract and other documents.
	Confirmation if the build will be completed under a JCT contract and specify if it is "build only" or "design and build."
	Any valuations conducted on the site to date.
	Confirmation of any grants/junior loans/cash reserves contributing to your project.

Provisions, contracts and considerations

Additional provisions:

Based on a full understanding of your project, there may be other development information and provisions to be included in the loan agreement expenditure.

Capital expenditure

Please do not sign construction contracts before their review by the Bank. Inform prospective contractors during the Tender Stage that this will be a Bank-funded project, and we may need to negotiate contract amendments.

Important considerations



Weather and Material Costs: Development projects are often affected by weather conditions and fluctuations in material costs. It is important to account for these factors in project planning and budgeting to avoid cost overruns and delays.



Time and Cost Overruns: Construction and development projects can face unexpected delays and cost overruns. It is crucial to anticipate these risks and have contingency plans in place to manage such situations effectively.



Legal Firm with Construction Experience: Seek legal advice from professionals with expertise in construction and development finance. They can assist with legal and contractual matters, ensuring compliance, and protecting your organisation's interests.



Speak to Your Lender Early: Engage with your lender or financial institution at the early stages of project planning. Discuss your funding needs, eligibility criteria, and the application process. This proactive approach can help you navigate the financing process more smoothly.

Development finance case study:

Abbeyfield The Dales

Background:

Abbeyfield The Dales is committed to offering a variety of housing options for older individuals in Yorkshire, including independent flats, supported housing, extra care living, and residential care facilities.

Loan:

Abbeyfield The Dales secured loans from Charity Bank and another social lender to acquire Fern House, a property specialising in dementia care and formerly owned by the national Abbeyfield housing association. The purchase of Fern House enabled the charity to accommodate up to 100 residents, offering 30-room care homes and 49 flats. The facility also provides space for the community to participate in planned and informal activities.

Impact:

Fern House goes beyond being a housing complex and care home – it fosters a vibrant community. Residents enjoy a wide range of social events and activities, including creative writing, IT skills, seated cricket, and theatre trips. The wheelchair-friendly garden and various dining and living areas provide spaces for socialising and building friendships. The proximity to a nearby school allows for regular visits from children, and short courses with the local community add to the enriching experience.

“I see the loan as a springboard for longer term improvements and growth for Abbeyfield The Dales. Charity Bank aligns with our values, clearly understands the charity sector and took time to get to know us.”

Philip Birkinshaw, Chief Executive, Abbeyfield The Dales



Development finance case study:

Magpas Air Ambulance

Background:

Magpas Air Ambulance provides critical emergency care across Cambridgeshire, Bedfordshire, and the East of England. To improve their services, they decided to construct a purpose-built airbase after their existing site was designated for housing.

Loan:

Charity Bank provided a development loan of £2.5 million, contributing to the £7 million project cost for the new airbase. The central location of the new facility, combining the airbase, training centre, and offices, is expected to result in significant cost savings for the charity.

Impact:

Magpas Air Ambulance's new airbase will be more cost-effective to operate. With an estimated annual saving of £100,000, the loan repayments will be comfortably covered. Moreover, the improved location is set to reduce response times, enhance services, and ultimately save more lives within the community.

“The loan meant that we could get the construction work underway and secure those prices before they went any higher. The money we'll save in operating costs will cover the loan repayments. Once we realised that, it became a clear option to go ahead. The sooner we move into the new building, the sooner we can lift some of those overheads.”

Daryl Brown, CEO Magpas



If you're considering a loan for your charity, please visit [Charity Loans For UK Charities & Social Enterprises - Charity Bank](#).

You may also find our Loans Process guide useful. It can be downloaded from our website at www.charitybank.org/news/loans-frequently-asked-questions

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About Charity Bank

Charity Bank is the loans and savings bank owned by and committed to supporting the social sector. Our UK-wide network of regional managers have a detailed understanding of the unique requirements of charities and social enterprises and are driven to support and strengthen impact-led organisations.

Over the past 20 years, we have made more than 1,200 loans worth over £450 million to social sector organisations across the UK.

Every single one of our shareholders is either a charitable trust or foundation or a social purpose organisation.

Loan applications are subject to credit assessment. This does not affect your credit score. We may seek to recover any property or assets provided as security if you do not keep up repayments on your loan. Nothing in this publication constitutes advice or a recommendation. If you are in any doubt, please seek professional advice before any course of action is taken. Rates depend on individual/business circumstances.

Registered Office: The Charity Bank Limited, Fosse House, 182 High Street, Tonbridge, TN9 1BE. Company registered in England and Wales No. 4330018. Authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority. Financial Services Register No. 207701.