

Market Briefing



Enhanced Long Term Social Housing Leasing Scheme

31st January 2018

www.housingagency.ie
*promoting sustainable
communities*



Content of Presentation



- Context – Rebuilding Ireland Objective
- Background/rationale for Enhanced Long Term Social Lease
- Main features of Enhanced Leasing
- Template legal documents
- Initial Call for Proposals
- Local Authority role – Margaret Geraghty (Fingal Co. Co.)



Context - Rebuilding Ireland Objective



- The ultimate objective is to deliver high quality homes for people to live in



Context - Rebuilding Ireland Objective cont'd




- **Under Pillar 2 of Rebuilding Ireland (RI)** 50,000 social housing dwellings to be delivered to the end of 2021. 10,000 of these dwellings are to be leased.
- The review of RI undertaken in 2017 included Action 2.29
 - *We will enhance leasing arrangements to attract greater private investment in Social Housing*
- Delivery under this action is due to commence in 2018.



Context - Rebuilding Ireland Objective cont'd



 Rebuilding Ireland - Social Housing Targets*						
Year/Category	Cumulative Delivery (end 2017)	Target 2018	Target 2019	Target 2020	Target 2021	Overall Target 2016 to 2021
Build	6,967	4,969	6,385	7,716	8,907	33,437
Acquisition	4,223	900	1,025	800	800	6,530
Lease (incl. Enhanced)	1,590	2,000	2,130	2,631	2,450	10,036
Subtotal	12,780	7,869	9,540	11,147	12,157	50,003
*Excludes delivery under the RAS and HAP programmes						



Background/Rationale



- Investors interested in **investing in social housing** as an asset class – low risk, long term with a low but predictable yield.
- Existing arrangements has features which limit investment:
 - Maximum duration of lease (20 years)
 - Maximum proportion of market rent available (80 – 85%)
 - Indexation of rent (rental sub-index of CPI)
- State interested in attracting private investment into social housing provision particularly if investment provides homes using a mechanism which is **off the Government's General Balance Sheet.**



Background/Rationale cont'd



- **Off Balance Sheet** nature of Enhanced Leasing is an essential element of the scheme from the State's perspective.
- Lease structure has been **reviewed by CSO and Eurostat** to ensure that the lease qualifies as an off balance sheet arrangement:
 - Is an operating lease (not a finance lease)
 - Has sufficient risk transfer to the private lessor
- CSO/Eurostat requirement that lease **cannot include an option to renew at the outset or asset reversion at the end**



Main Features of Enhanced Lease

- Lease term is **25 years**
- Local Authority (the lessee) pays up to **95% of market rent** at commencement of the lease to the lessor (owner of property)
- Rent indexed every 3 years based on the **Harmonised Index of Consumer Prices (HICP)**
- Lessor obliged to provide **Management Services** for the properties
- Local Authority (LA) is the **landlord to the tenant** and collects differential rent from them

Main Features cont'd

- **Management Services** requires the lessor to undertake the maintenance of the properties including **response maintenance** to address issues such as
 - Heating system failure (24 hour response time)
 - Broken light in a common area (5 working day response time)
 - Faulty radiator (15 working day response time)
- If Management Services are not preformed as required the **LA will apply penalty at 12.5% of monthly rent** for the property where the failure occurred.

Compared to current lease



	Current Lease	Enhanced Lease
Percentage Mkt Rent	80-85%	95%
General maintenance	Local authority	Lessor
Term	20 years	25 years
Penalites	N/A	For maintenance failure
Landlord to tenant	Local authority	Local authority



Legal Documents



- Two template legal documents have been prepared:
 - **Agreement for Lease (AFL)**
 - **Lease**
- Amendments to these documents will not be permitted.
- Where a proposal is proceeding both documents will be prepared by the Housing Agency (HA) but will be signed between the relevant LA and the Proposer.



Agreement for Lease



- AFL will be signed in advance of delivery and provides commitment to Proposer that Lease will be granted and accepted when properties are delivered.
- Target date can be extended if Force Majeure occurs, Long Stop date cannot.
- AFL can cater for different methods of delivery –
 - Properties yet to be constructed
 - Properties being acquired
 - Existing vacant properties in the Proposers portfolio



Initial Call for Proposal



- The initial Call for Proposals (**CFP**) document is available today from the Housing Agency's website.
- The Call will be centrally managed by the HA with input from:
 - Department of Housing, Planning & Local Government
 - NDFA
 - Eversheds Sutherland
 - **Every local authority** in which a valid proposal is located



Initial Call for Proposal cont'd



- CFP is seeking proposals with **a minimum of 20** properties in any one Local Authority
- Properties can be in a single development or distributed across an LA area
- Properties in a proposal must be **new to the housing market** or have **not been leased, rented or otherwise occupied in the 12-month period** immediately prior to the date of proposal
- CFP seeks to **avoid competition** with existing rental stock



CFP Submission Requirements



- Proposers must –
 - Be corporate entity established under the Companies Act 2014
 - Submit declaration regarding solvency, not engaged in illegal activities etc.
 - Submit funders support letters in accordance with template wording
- Properties proposed must meet all statutory requirements and the Housing (Standards for Rented Houses) Regulations 2017 (S.I. 174/2017)
- Properties must be furnished



CFP Assessment of Proposals



- Proposals will be assessed by the HA in conjunction with the relevant LA
- 7 assessment criteria in total, 2 of which are pass/fail criteria
- Pass/fail criteria –
 - **Suitability for Social Housing** – is there a need for the proposed properties, are they located near public transport, schools etc.
 - **Appropriateness of Scale and Mixed Tenure** of the Proposal – is the number of properties appropriate to the local community



CFP Assessment of Proposals



- Ranking criteria –
 - Number of properties (more properties, more marks) – **20 marks**
 - Property type e.g. 1 bed, 2 bed (more types, more marks) – **25 marks**
 - Distribution of properties (more distribution, more marks) – **15 marks**
 - Proposed rent (lower rent, more marks) – **30 marks**
 - Availability of properties (available sooner, more marks) – **10 marks**
- Ranking will only be used to differentiate between proposals in the limited circumstances
 - If the Department has funding restrictions (too many proposals to fund)
 - Large volumes of proposals in an LA – higher ranked given priority



Proposed Rents



- Rents payable under the scheme limited to a **maximum of 95% of the Open Market Rent (OMR)** for properties in the area
- Proposals will have to include qualified valuer report referencing 3 comparable properties to support OMR
- HA will pass on report to LA and ask them to accept the proposed rent
- If there's no acceptance, Proposer can propose alternative and failing that and Independent Valuer will be engaged



Roles



- **Department of Housing, Planning and Local Government**
– sanctioning body for the scheme and budget holder
- **Housing Agency** – manages and administers the Scheme.
The HA will coordinate and oversee administration of leasing arrangements including drafting of the AFL and Lease; liaising between the Local Authority and the Proposer including managing the due diligence on each proposal up to signing of the AFL.



Roles



- **Local Authorities** - The counterparty to the AFL and the Lease. LAs will make payments and administer the operation of the Lease
- **Advisors:** -
 - **National Development Finance Agency (NDFA)** – advisor on financial and commercial issues
 - **Eversheds Sutherland** - legal advisors



Local Authority Role



- The LA has a central role in the scheme. The ultimate aim of the scheme is to provide housing for families on LA housing waiting lists.
- During the CFP stage
 - Confirm **housing demand** for each proposal
 - Confirm **sustainable communities** suitability
 - Accept proposed **rents**



Local Authority Role



- Post CFP & Pre AFL
 - Comment/confirm on **Part V, development levy compliance** etc.
 - Liaise with the HA regarding due diligence on the proposed properties
 - Subject to the foregoing, sign AFL and Lease
- End of AFL
 - Inspect and sign off the properties for delivery
 - Accept the Lease from the lessor and commence payments
- During the Lease
 - Be the landlord to the tenants
 - Administer operation of the Management Services





CFP – Key Dates and Contacts

- CFP available today from <https://www.housingagency.ie/>
- Last date to submit **queries** is **5.00pm on Monday 26th March 2018**
- Queries to be submitted to enhancedqueries@ntma.ie
- Closing date for submissions is **5.00pm on Thursday 12th April 2018**
- Submissions to be emailed to leasing@housingagency.ie



Thank You



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