

# ICSH SPV Working Group

## The Origin

In Rebuilding Ireland “the Government committed to a range of structural, funding and policy supports to increase delivery by AHBs”

- Set up of an SPV
- Housing Agency revolving fund
- Two-year multiannual CALF funding programme for AHBs.

## Key discussions among the AHB's

- Time was taken to look at the funding structure
- Examined various models/vehicles
- We looked at similar Welsh, Scottish and English models
- Commissioned PWC in 2017 as external financial advisor
- Utilise the Department innovation fund. A financial contribution from Department was granted in June 2017

# Key Drivers for AHB's

Increase volume & accelerate speed of delivery of social housing as part of the Rebuilding Ireland 2020 plan.

AHBs to gain greater autonomy from Government and various State bodies.

Provide protection for existing AHB balance sheets.

Secure a sustainable, long term source of private financing on attractive commercial terms.

Financing solution also to include a more flexible, short term facility allowing the AHBs to respond to acquisition opportunities as they arise.

Use of consolidated financing vehicle to generate efficiencies in property procurement, administrative process, as well as financing.

## **Who Were Our Potential Funding Providers**

- Bank style financing: EIB, ISIF, Credit Unions, Commercial banks
- Institutional funding: Pension funds, Insurance Companies

## **Requirements of Funding Providers**

- Direct security over housing assets acquired
- Ability to gain access to P&A in event of financial difficulty of AHB/ relevant funding vehicle.
- Adequate return – interest & fees
- Scale of funding = better funding terms
- Utilisation

## **Funding Vehicle Options**

- SPV structure, joint or where each AHB sets up its own SPV, which then owns the properties being funded.
- A direct corporate lend

- An Information Memorandum was drafted with the assistance of PWC to introduce funders to the funding requirements of the Group .
- This was delivered to a number of parties who may be interested in financing the AHB's
- The responses to the IM was very favourable and indicative terms were obtained from a number of potential funders.

- The IM contained
  - Background to Investment Opportunity
  - Rebuilding Ireland detail
  - Investment Opportunity
  - Social Housing Market Structure
  - Key Funding Considerations
  - AHB Government Supports
  - AHB Social Targets
  - AHB Funding Requirement
  - AHB Possible Funding Model
  - AHB Funding Process Outline



- The next stage raised a number of questions :
  - Go/No Go to next stage
    - Who wanted to stay in
    - Who could utilise the funds
- We needed to provide more certainty on amounts required from private sector funding
- Decide on administration – single agent bank managing all admin, each AHB then works independently.
- Legal/structural aspects – one common terms agreement with 6 six different borrowers – need for legal input.
- AHB support – Continuation Agreement structure needed work
- Links with the Housing agency
- Discussions with the Department

- Two phases are complete by the end of Q3 2018. So what next
  - A number of AHB's are progressing with PWC and that remains a work in progress for 2019
  - Some have pulled out as due to the lapse in time they have sought alternative funding
  - Some have temporarily pulled back from the process but may re-engage at a latter date

## What were the issues in the process

The issues we confronted and overcome in part:

- 6 different organisations
- Different Boards
- Different risk appetites
- Development Pipelines
- Uniformity of funding needs
- Resources needed to implement this.
- Slowness of work and drift
- Time taken to get clarity of direction
- Need to align purpose

## What are the learnings

- The model of a group of AHB's linking to jointly raise funds can work
- The purpose needs to be funding focused and be uniformly shared among participants
- It can solve other problems, need for off balance sheet CSO etc. But if it does not make sense from a funding perspective it will not work
- Development Pipelines need greater certainty to ensure utilisation.
- The world keeps moving to so there is a need to adapt to changed circumstances