

ICSH Biennial Finance &
Development Conference 2018



New Joint Ventures in Financing & Delivery

25th October 2018

www.housingagency.ie

*promoting sustainable
communities*



Content of Presentation

- Context – RI delivery targets
- €70m Revolving Fund
 - What is it? How does it work?
 - Progress to date
 - Lessons learned
- Enniskerry Road, DLRCC – Joint Venture
- Cost Rental
- Affordable House Purchase

RI Targets & Delivery

	2016	2017	2018		2016 - 2021	
Scheme	Delivered	Delivered	Target	Delivered & Pipeline	Delivered & Pipeline	Target
CAS Construction	54	70	300	155	1,304	1,565
CALF Construction (AHB)	283	691	1,200	1,383	4,214	7,395
Construction Totals	337	761	1,500	1,538	5,518	8,960
Part V AHB		317	260	260	714	2,620
CAS Acquisitions	277	357	100	-	634	600
CALF (AHB) Acquisitions	283	403	600	744	1,444	4,450
Leasing LAs & AHBs	792	827	2,000	871	2,608	10,036

€70m Revolving Fund



- **A fund for AHBs** – can only revolve by sales to AHBs
- Objective – to acquire properties **from banks and investment funds**
- Target of 400 homes per annum, with target of 1,600 by 2021
- Sold on to AHBs in following priority:
 - 1) AHBs with private sector funding
 - 2) AHBs with HFA funding
 - 3) Other approaches by AHBs



€70m Revolving Fund



- Once the Agency acquires a property its passed on to the selected AHB under a **Caretaker Lease**
- Caretaker Lease **allows work to commence** on the property and for **the property to be tenanted** in parallel with sales process
- Cost of upgrade works can be paid by the Agency under the lease
- Purchase price paid by the AHB to the Agency =
 - Original purchase price + cost of works paid under lease



€70m Fund Status



€70m Acquisitions	As of 30/09/18
Dwellings offered from all sources incl. financial institutions	3,408
Dwellings in which LAs expressed an interest	2,316
Dwellings available following vendor review	1,918
Bids made	1,298
Bids accepted	818
Purchases closed	487
Cost of completed purchases	€88,672,495
Sales to AHBs	212
Income from sales to AHBs	€44,983,604
Dwellings tenanted	318
Average price of homes where the purchases have closed	€182,079
Average Price of sales to AHBs	€212,186



€70m Fund – Funding of AHBs

- Commercial bank loan
- SPV structure with bank investment
- HFA loan
- CALF – effectively equity loan
- Other investment structures expected

€70m Fund Lessons Learned

- The Agency buys from receivers but **we can't sell to AHBs as if we were receivers**
- Different funders have **different financial criteria**
- All funders want to minimise risk and **this significantly impacts the sales process**
- SPV structures have specific requirements as there is no recourse to the parent AHB

€70m Fund Lessons Learned cont'd

- AHBs face **capacity issues** – particularly with widely distributed portfolios
- **Everything takes longer** that we originally anticipated!
- Average time taken from signing of Caretaker Lease to the close of a sale to AHBs is **over 45 weeks – too long!**
- The Agency and its solicitors need to become better sellers
- AHBs need to become faster buyers

Enniskerry Road Social & Cost Rental Scheme



- Land was owned by the Housing Agency – **zero cost**
- 105 social and **50 affordable dwellings** to be constructed under DLRCC Part 8 planning approval from 2007
- **Respond & Tuath Housing** selected as development agents following a Request for Proposals process in 2016
- 50 affordable dwellings to be delivered under a “**Cost Rental**” model
- Social and cost rental covenant for as least 70 years



Cost Rental Dwellings

- Rental cost of **50 x 2 bed rental dwellings** will be linked to
 - Their initial construction cost
 - Their ongoing operational cost
- Rent increases will be linked to Consumer Price Inflation (CPI), **not rental market inflation.**
- Rent reviews will be subject to Residential Tenancies Act(s) (RTA) rules.
- Funding models assume rents increase at 50% of CPI i.e. if CPI is 2%, rents would increase by 1%

Funding for Enniskerry Road

- Respond! and Tuath are expected to borrow funds from the **Housing Finance Agency (HFA)** to pay for the construction cost of the cost rental dwellings
- Funding repayments will be **fixed over 25 years** at a competitive interest rate – providing cost certainty
- Funding provided in conjunction with loan finance from the HFA for the Payment and Availability and CALF funded the social housing dwellings in the scheme

Cost Rental Housing – who is it for?

- Draft Eligibility Criteria – the household must prove that it:
 - is earning **less than €50,000 (single) €75,000 (joint) gross**,
 - does not own or have an interest in a dwelling in the State or elsewhere,
 - does not have access to alternative suitable accommodation at affordable cost,
 - does not have sufficient assets to defray the costs of meeting their accommodation needs
- Local authorities will have a role in advertising dwellings and assessing eligibility but dwelling providers will ultimately decide tenants

Cost Rental Housing



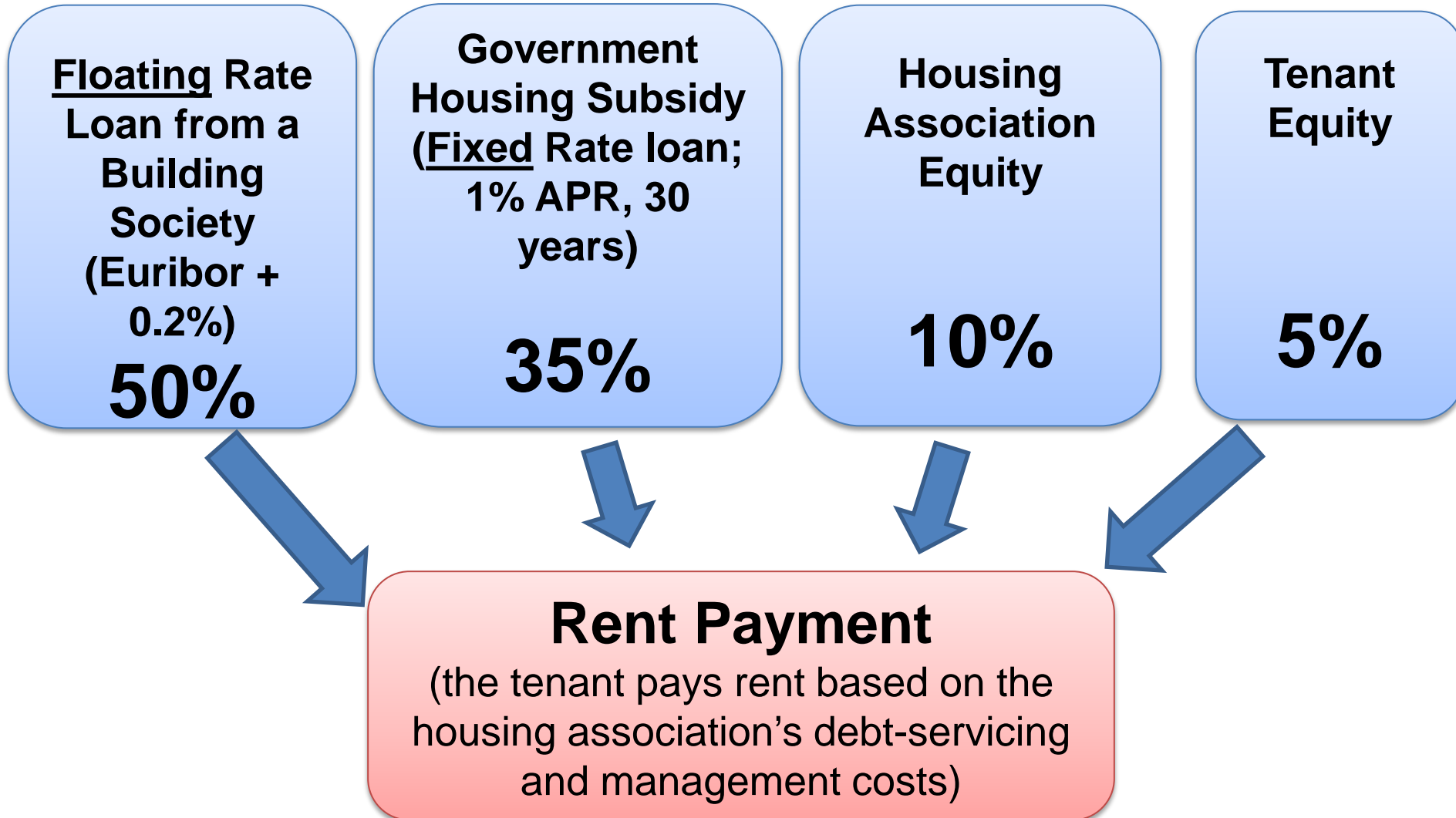
- AHBs need to think about the provision of cost rental housing.
 - Demonstrable need in high demand areas
 - **Diversify income sources and tenure mix**
- Rent charged based on cost of provision which may be assisted by
 - Low cost local authority/State owned sites
 - Serviced sites fund - **€310m available 2019 - 2021**
- AHBs should consider how they may structure finance over longer periods e.g. 50 years



Cost Rental – illustrative figures

Simplified Cost Rental Calculation	
(a) Land cost (assume nominal)	€1,000
(b) All-in construction costs incl. VAT	€230,000
(c) Design Team fees incl. VAT	€23,000
(d) Construction finance costs	€9,500
(e) Legal, marketing, estate agents	€6,400
(f) LESS Serviced Site Funding	-€40,000
(g) Total costs	€229,900
(h) Debt financing (25 years)	€12,800
(i) Operational overheads	€1,300
(j) Maintenance, sinking fund	€1,350
(k) Voids/bad debt	€816
(L) Total annual cost Year 1	€16,266
Monthly Cost Rent - Year 1	€1,360

Austrian – Cost Rental Housing



Note: Majority of funding is from private sources

Affordable Home Purchase Scheme



- Part 5 of Housing (Misc. Provisions) Act 2009 (commenced in June 2018)
- Homes sold at below market value to eligible households.
- Reductions achieved by provision of low cost sites and service sites funding
- Discount to purchaser is registered as “**equity charge**” on property and is repayable. Equity charge does not wither.
- Regulations expected to issue beginning of November 2018



A world without lawyers!





Thank You

Tel: 01 656 4100

E-mail: jim.baneham@housingagency.ie

www.housingagency.ie
*promoting sustainable
communities*

