



Irish Council
for Social Housing

Finance for Development & Delivery

ICSH Biennial Finance & Development Conference 2018

25th & 26th October 2018, Lyrath Hotel, Kilkenny



SPONSORED BY

Gas
Networks
Ireland

Learnings from New Financial Models

Sharon Cosgrove

CEO, Oaklee Housing



Irish Council
for Social Housing



Introduction to Oaklee and Background to Project Acorn



Introduction to Oaklee Housing

- Part of the Choice Housing Group – with 11,000 units
- Oaklee Housing is a Tier 3 AHB with 1,000+ units
- Development pipeline and programme delivery of 250+ per year
- Good coverage in NE, Midlands, SE and Leinster
- Ambitions to extend into Munster and further west
- We reached “preferred bidder” for Social Housing PPP bundle 1 (SHB1 = 543 units in 2020)
- Through our development programme & SHB1 our plans are to reach 2,800 by 2021



Background to Project Acorn - 2016

Oaklee Housing

- New three year strategy, with ambitions to deliver more social housing (our mission!) and we wanted to explore:
 - Options as to how we would finance the plan
 - Diversify sources of funding
 - Secure long-dated fixed rate for acquisitions (similar to HFA which came out after we had started)
 - Having committed finance for future projects - project finance (as opposed to by project)



Background to Project Acorn - 2016

Government Policy – Rebuilding Ireland

- Innovation Fund to provide AHBs with the means to test innovative ideas on new funding structures and to build capacity (thankyou!)
- Government looking for off-balance sheet solutions – ICSH finance group, Credit Unions, etc.
- Vacant Housing Purchase Initiative where the Housing Agency's fund of €70m to acquire 1,600 suitable properties for social housing directly from financial institutions and investors, between 2016 – 2020.
- VHPI sales to AHBs with private finance – to support off balance sheet solutions – so we moved quickly



Creating Acorn Housing SPV – the process and the work involved



The Process and the Work Involved

- We engaged financial advisors Centrus – a staged process
- They ran a competition for Oaklee with 20+ banks and financial institutions – domestic and international
- Significant level of interest from international banks and institutions
- Competitive rates with long dated finance (25+ years)
- The most favorable rates sought SPV structures
- NordLB were selected as the preferred lender



The Process and the Work Involved

- We appointed legal advisors (corporate, banking and tax), valuers, insurance advisors
- We engaged with the Housing Agency, the Department of Housing, the Regulation Office, NDFA, Charity Regulator
- Multiple workstreams to manage – legal, financial, governance, property
- There were many challenges negotiating each detail with many parties involved
- But there was a sense of partnership and in working to resolve the issues – the HA, the Dept, the Regulators



The Process and the Work Involved

- As a “pathfinder” it was costly, resource intensive (with start-up costs) and it took time for everyone to get their heads around it!
- Legal documentation completely new to us and the structure
- We continually revisited the business case for Oaklee
- We believe that it is value for money when we look at the period of the investment
- It is a platform that others can follow, but tweak to suit their needs



The Process and the Work Involved

- Dec 2017 reached financial close on a €50M debt facility with German-based Norddeutsche Landesbank
- Based on a project financing structure through Acorn Housing, a wholly owned subsidiary and charity, or Special Purpose Vehicle (SPV), of Oaklee
- The (SPV) loan structure provides Oaklee with access to committed, limited recourse, long-term fixed rate debt from a private funder
- Utilises the existing Capital Advance Leasing Facility (“CALF”) and Payment and Availability (“P&A”) funding support structures available to AHBs from the Department of Housing, Planning and Local Government through local authorities



The Finance Structure and Utilising Acorn for the VHPI



The Structure

- Oaklee is the Parent company
- Acorn Housing is a wholly owned subsidiary of Oaklee
- Acorn is a DAC / SPV with charitable status
- Structured like a PPP with Oaklee as the Operation, Management and Maintenance (OMM) agent for Acorn
- A facility with a number of drawdowns
- Interest rate is hedged at each drawdown



Acorn & VHPI

- Through Project Acorn we plan to acquire up to 8 tranches of VHPI properties over a 2 year period, delivering 250 homes
- Awarded 6 portfolios – 202 properties under the Vacant Housing Purchase Initiative (VHPI).
- Units come to Oaklee under a ‘caretaker agreement’, so that works can be done and units tenanted quickly
- Acorn acquires units in Tranches. We closed the first Tranche of 33 properties in March and the second in July.
- A third Tranche is to close shortly.



The Learning from Acorn



The Learning from Acorn

- Through Acorn we have shown that there is interest/appetite in financing social housing from both domestic and international lenders
- There is competitively priced finance available direct to an AHB – without the need for a complex aggregator model
- We have created a model and a platform – demonstrating that this can work and can be replicated



'Mighty oaks from little acorns grow'



Irish Council
for Social Housing



Gas
Networks
Ireland