



An Roinn Tithíochta,  
Pleanála agus Rialtais Áitiúil  
Department of Housing,  
Planning and Local Government

The logo for Rebuilding Ireland, featuring a white house icon above the text "Rebuilding Ireland" in white and yellow, set against an orange background.

Rebuilding  
Ireland

# Nina Murray

## Principal Officer

### *Social Housing Leasing Programmes*



# Leasing - Rebuilding Ireland



- 50,000 social housing units to be built / acquired / leased under Pillar 2 – “Accelerate Social Housing”
- 10,000 of all social housing units are to be leased – 1 in every 5 units!
- Leasing an increasingly important mechanism for delivering social housing – requires a time investment commensurate with targets
- The review of RI undertaken in 2017 included Action 2.29:  
*“We will enhance leasing arrangements to attract greater private investment in Social Housing”*

# Leasing as Delivery



## For LAs –

- opportunity to deliver units at scale and in the short term
- high quality units in mixed tenure developments – good social mix
- different types of leasing arrangements available – can suit all proposers
- reduced obligations on Local Authorities; e.g. Enhanced Leasing
- funded through Social Housing Current Expenditure Programme – no capital requirements
- Secure permanent homes for people in the short term – leasehold interest protected

## For proposers –

- No vacancy or break clauses, tenant management or rent collection responsibilities
- Defined rent review periods
- Long term income from the State
- ***Dependent on yields – doesn't work in every part of every county***

# Long Term Leasing – where we are at



- Ramp up scale of delivery
- Target investors who can deliver at scale
- Target newly built/yet to be built homes or vacant stock
- Take advantage of increase in construction activity
- Complement other leasing and capital programmes – but without capital borrowing
- It does come with administrative and legal workload for LAs; also in some scenarios also requires tenant management responsibilities which may be underfunded by differential rent
- Examining how AHBs can be more involved in leasing arrangements



# Delivery Streams



- Standard Long term Leasing – LA or AHB
- Short term Leasing – LA or AHB
- Enhanced Leasing - LA
- Repair and Leasing – LA or AHB
- Mortgage to Rent – AHB or Home for Life

Category	Long Term Leasing	Enhanced Lease	Repair & Leasing	AHB Long Term Lease
<b>Landlord/Tenant Management</b>	Housing Authority	Housing Authority	Housing Authority/AHB or Property Owner <sup>1</sup>	AHB
<b>Agreement Term</b>	10 – 25 years	10 – 25 years	5 – 25 years	10 – 25 years
<b>Discount on Market Rent</b>	Up to 80%/85% (houses/managed apartments)	Up to 95%	Up to 80%/85% or 92% depending on agreement type	Up to 80%/85% (houses/apartments)
<b>Rent Reviews</b>	Every 3 years, linked to Harmonised Index of Consumer Prices	Every 3 years, linked to Harmonised Index of Consumer Prices	Every 3 years, linked to Harmonised Index of Consumer Prices	Every 3 years, linked to Harmonised Index of Consumer Prices
<b>Responsibility for Ongoing Maintenance</b>	Housing Authority <sup>2</sup>	Property Owner	Housing Authority or Property Owner, depending on agreement type	AHB
<b>Responsibility for Structural Maintenance</b>	Property Owner	Property Owner	Property Owner	Property Owner
<b>Minimum no. Properties required</b>	1	20	1	1



# Standard Long term Leasing



- Local Authority Direct Leasing
- AHB Direct Leasing via P&A
- NAMA SPV units

# Standard Long term Leasing – Terms



- Maximum lease term is **25 years**
- Up to **80/85% of an agreed open market rent** at commencement of the lease
- Rent indexed every **3 years** based on the **Harmonised Index of Consumer Prices (HICP)**
- Local Authority responsible for general maintenance
- Lessor responsible for structure – not a full repair and insure lease
- Local Authority is the landlord - collects differential rent
- No minimum number of properties requirement – can be one-off properties



# Long Term Leasing - Terms



- Lessee Assignment – Changes to restrict assignment
- Minor Changes to Yield-up Condition
- Changes to dispute resolution mechanism in specific instances
- Two versions available – one to be used for properties with a Management Company and one where there is no Management Company
- Agreement for Lease available for new build delivery



# Enhanced Leasing - Objectives



- Ramp up scale of delivery
- Target newly built/yet to be built homes
- Target investors who can deliver at scale
- Was a response to a request from the market
- Entity/ proposer needs to have the financial capacity to meet the terms of the contract over the 25 year period
- Must be off balance sheet – i.e. operating lease with specific risk transfer provisions



# Enhanced Leasing - Terms



- Scale – minimum 20 dwellings ; Long term – 25 year term
- Management Services
- 95% of market rent available
- Not suitable to every project, in every rental market and every investor
- **Local authorities need to think strategically about where it will work and target, e.g. through planning process**

# Enhanced Leasing – Management Services



- Management Services: requires the lessor to undertake the maintenance of the properties including response maintenance:
  - Immediate Repair issues – 24 hour response; required to ensure continued safe occupation or prevent significant damage to property
  - Responsive Repair issues – 5 day response; required to ensure continued comfortable occupation and full use of property
  - Periodic Repair issues – 15 working days; issues other than above to ensure continued comfortable occupation of property
- Penalty at 12.5% of monthly rent for the property where failure occurs.

# Agreement for Lease – valuable tool



- Formal agreement between a Lessor and a potential Lessee
- It includes:
  - *the conditions and timescales for the delivery of the proposed properties, including numbers and schedules of works;*
  - *the Payable Rent (Proposed Rent) that will be inserted into the form of Lease appended to the AFL.*
- For proposals of 5 units or more or where the value of the schedule of works amounts to more than 20% of the purchase price of the property.
- Places an obligation on the property owner to deliver the units as agreed.
- Benefit for Lessor – units will be leased once complete.
- Includes provision for pre-approval of property title documentation – in advance of signing of Lease



# Agreement for Lease – valuable tool



## Targeting:

- Unfinished developments
- Latent permissions where developer unable to secure finance
- Developments where there may be uncertainty in the short term around sales
- Part V in build to rent or PRS schemes



# Repair and Leasing



- Upfront financing of works to bring vacant properties into compliance with the Rented Standards Regulations.
- Property is then leased to LA/AHB for 5 -20 years
- Cost of repairs is repaid by offsetting it against the rent.

# Repair and Leasing – 2017 Changes



- Minimum Lease Term – 10 to 5
- Rental Availability Agreements
- Bedsits – additional funding
- Unfinished Properties
- Combined funding





# Short Term – RAA or RAS Type Agreement



- Lease Term – 1 to 10 years
- Tenancy by tenancy or fixed term
- 92% of market rent
- Property owner is the landlord
- RTA applies



# Leasing – supports available

- Workshops with law agents; regional staff workshops
  - Legal Packs
  - Valuers panel where there is dispute
  - *Leasing Practitioners Forum*
  - *Leasing Toolkit*
  - Housing Agency and Department – at the end of the phone
  - Housing Delivery Office
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- In parallel, building familiarity and awareness within the development and finance sectors.
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- Examining opportunities for AHBs to become more involved
  - Examining cost recovery issue of management and maintenance for LAs and AHBs of leased dwellings

# Contact Details – Leasing team



## Leasing Team:

- Paul O'Neill
- Catherine Higgins
- Anthony Sinnott
- Richard Franklin
- Suzanne Gough

Social Housing Leasing Programmes  
Department of Housing, Planning and Local  
Government  
Newtown Road  
Wexford  
Y35 AP90  
[leasing@housing.gov.ie](mailto:leasing@housing.gov.ie)  
053 9117435/9117474/9117375

# Acquisitions – Rebuilding Ireland



- Second hand purchases (not always including those derelict or being brought back into social housing use)
- **Sources** – market; portfolio disposals facilitated by the Housing Agency through the €70m Acquisitions Fund; and off-market sales, incl. being sourced by the Housing Agency on behalf of LAs and AHBs and landlords exiting leasing/ RAS schemes
- **Funding** – Local authority – SHIP, incl. Buy and Renew funding; AHB – CAS, incl. Buy and Renew funding and CALF & P&A

# Rationale for acquisitions



- Value for money
- Targeting of unit types and location
- Flexible and quick response to need
- Opportunity to bring vacant and derelict housing back into use
- Opportunity to secure a housing solution for an existing social housing tenant who may otherwise lose their home

## **Where acquisitions don't make sense:**

- Competing in the first time buyer market
- Displacing/ replacing new build activity
- Poor value for money relative to new build or other delivery mechanisms

# Housing Agency and acquisitions



- €70m Housing Agency Acquisitions Fund purchasing vacant stock portfolios from financial institutions
- Off-market purchases
- Purchasing in trust for local authorities – incl. units sourced from financial institutions

## **Observations on what is impeding delivery here:**

- Slow pace of remediation and purchase by AHBs of units purchased by the Fund – severally limiting the ability of the Fund to continue to purchase
- Mixed appetite among LAs with regard to multi-unit developments, SH tenanted units and units requiring work

# Acquisitions – support available



- 2019 Targets – facilitating exceeding targets in a managed way
- Housing Agency – portfolio and off-market purchases
- Role of AHBs in targeting – e.g. specific needs, or one-beds
  
- IGEES – some analysis



# Thank you!

053 9117332

[Nina.Murray@housing.gov.ie](mailto:Nina.Murray@housing.gov.ie)