



## **Repair and Leasing Scheme**

### **Guidance Note for use by Local Authorities and Approved Housing Bodies – February 2018**

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## **Updated Guidance – February 2018**

Having been initially piloted in Waterford and Carlow local authorities, the pilot Repair and Leasing Scheme was rolled out nationwide in February 2017 and is now available in all local authorities. The scheme is a key action under the Rebuilding Ireland Action Plan for Housing and Homelessness. The operation of the scheme was reviewed during 2017 as part of the on-going review of Rebuilding Ireland, which examined all opportunities to accelerate and improve social housing delivery as well as initiatives to bring more vacant houses back into use at a faster pace. The outcomes of this review were announced on 22 January 2018 and implemented from 1 February 2018. The changes to the scheme arising out of this review have been incorporated into this updated Guidance.

## 1. Objective of the Scheme

The principal objective of the Repair and Leasing Scheme (RLS) is to deliver social housing quickly using the existing delivery programme (existing direct lease and Rental Availability Arrangements<sup>1</sup> under SHCEP<sup>2</sup>) and the associated legal/ contractual model. A significant construction pipeline of new social housing units is in place across the country. However, given the necessary lead-in and construction times, this pipeline will provide incremental growth of new units over the period from 2018-2021. Targeting the remediation of vacant units that require only limited works; do not require planning permissions; involve significantly less development risk or conveyancing periods, can supplement the delivery of units while this pipeline is realised.

Similarly, the scheme is intended to minimise the capital outlay required from the State's perspective. The upfront capital investment required to fund the cost of works is offset against reduced lease payments to the property owner, and therefore is intended to be a neutral cost to the exchequer.

The RLS scheme operates in tandem with a range of other measures under Rebuilding Ireland aimed at better utilisation of Existing Housing Stock. Pillar 5 of Rebuilding Ireland recognises that there are a range of complementary approaches required to achieve this ambition. The scheme contributes to both *Urban Regeneration* (Action 5.11<sup>3</sup>) and *Village and Rural Renewal* (Action 5.12<sup>4</sup>) initiatives by improving the outward appearance of the area and also serves as an attractive package for the owners of vacant properties to look afresh at the potential of their properties. By contributing to improvements in the overall quality of the housing stock, the RLS complements other actions available to local authorities to address vacant and derelict units in their localities. In parallel with the Repair and Leasing Scheme, the 'Buy and Renew' funding scheme supports local authorities and AHBs to purchase and renew housing units in need of remediation, and make them available for social housing use.

The houses to be targeted under RLS are in areas of social need in town centres, urban and rural areas all around the country. The houses may or may not be known to local authorities. The properties may come to the attention of local authorities from self-identifying property owners, local media campaigns, local knowledge or using accessible databases of vacant properties (e.g. An Post *Geodirectory* data and the CSO). Properties must be vacant for at least 1 year, and property owners and contractors engaged under the scheme must demonstrate that they are tax compliant through the provision of tax clearance certificates on request.

The ideal units targeted under the RLS will require a low level of investment to bring them to the required standard for renting. The majority of works will involve items such as new flooring, low

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<sup>1</sup> The extension of the scheme to rental availability arrangements takes effect from 1 February 2018.

<sup>2</sup> The Social Housing Leasing Initiative, formerly known as SHLI, and now encapsulated under the Social Housing Current Expenditure Programme has been in place since 2009.

<sup>3</sup> APHH Action 5.11: To support existing initiatives and explore potential synergies around the revitalisation and improvement of city, town and village centres, including addressing the problem of dereliction in many urban centres.

<sup>4</sup> APHH Action 5.12: To further support the revitalisation of towns and villages, and increase their attractiveness and sustainability as places to live and work

grade plumbing or heating works, energy efficiency upgrades; window and door upgrades or replacements; insulation and painting and decorating. It is not envisaged that any level of significant structural works will be required. In the majority of cases no planning permissions will be required and desk based evaluations will determine at a very early stage the relative viability of a proposal. The timeline for delivery of units under the RLS scheme is targeted at between 2 months to 6 months and represents a fraction of the time involved for any other capital acquisition or construction projects. In essence, the scheme is ideally placed to deliver high quality units for low level investment and time in comparison to new build projects.

The type of property and works involved presents a significant opportunity for the AHB sector to build on the knowledge and experience gained on social housing acquisitions and leasing over the past number of years. AHBs have significant expertise built up in relation to contract management, knowledge of the standards required for rented properties, execution of works in timely manner and the subsequent ongoing tenant management and property maintenance. In addition, AHBs are experienced in P&A leasing arrangements and in negotiations with property owners. Many of the AHBs will have a portfolio of demonstrated work to evidence their capacity to deliver and manage. While there are certainly larger AHBs with construction focussed delivery programmes, these programmes can be expanded to incorporate this delivery stream also. In addition, there are a range of regional AHBs, who are not focused on new builds or acquisitions, which have the capacity and the local knowledge needed to contribute to social housing delivery under the RLS. Where collaboration with AHBs is facilitated, the LA then has increased capacity to focus on the development of core construction programme, land management and mixed tenure goals. The delivery of social housing under *Rebuilding Ireland* is focussed on a need to acknowledge the blend of delivery routes available and to harness the maximum capacity of all stakeholders operating in the sector.

## 2. Delivery in 2018

A scheme of this nature requires both significant capital and current exchequer investment expenditure and therefore must be properly analysed and assessed to ensure the best use of public money. The purpose of the rollout of the pilot on a national basis was to ensure that the scheme is appropriately modelled from a financial perspective but also, and critically, that it is workable from local authorities' and AHBs' perspectives and delivers high quality social housing effectively. The operation of the new scheme in 2017 provided valuable data to facilitate a review of the scheme and also to tease out any operational issues that arose during implementation. The submissions and views from local authorities and AHBs in that regard made a valuable contribution to the review of the scheme and resulting outcomes.

*Rebuilding Ireland* sets a target of 3,500 units to be delivered through the RLS. Funding of €32m has been made available for the scheme in 2018 which will mean that up to 800 vacant properties can be brought back into use as new homes for families on local authority waiting lists this year.

### 3. Role of various bodies

#### 3.1 Local Authority Role

Local authorities are playing a key role in the operation of this scheme and the Department in conjunction with the Housing Agency provides information and assistance to facilitate the maximum delivery possible.

Local authorities, as housing authorities, retain overall responsibility for ensuring that housing units brought into use under the scheme are required and fulfil social housing demand in their areas and have full nomination rights for units delivered through AHB led mechanisms.

The starting point for the local authority must be a rigorous assessment of housing need. It is very important that there is a clear understanding between the local authority and the AHB about the extent and nature of housing need in a particular area. The following existing defined roles for local authorities in implementing the AHB leasing arrangements extend to the RLS:

- Appraisal of projects
- Liaison with AHBs;
- Allocation of units and making of nominations;
- Monitoring compliance with the scheme;
- Party to and overseeing availability agreements.

In addition to the above, additional considerations for implementation of the scheme for local authorities are in establishing the following framework:

- Allocating dedicated internal resources as appropriate;
- Agreement on engagement with AHB as partners for delivery;
- Advertising and development of Application Form (see Form RLS002);
- Desk-top evaluation of applications;
- Allocation of potentially viable units between LA led and AHB led delivery.

Once the appropriate framework is decided at a local authority level, and approval has been provided by the Department (see section 4) implementation of the scheme on a unit by unit basis commences using the suite of legal documentation available on the Housing Manual and with reference to this Guidance note.

#### 3.2 Approved Housing Body Role

The input of Approved Housing Bodies (AHBs) to the scheme should be a key driving factor in many local authorities. AHBs can offer experience and collaboration in relation to property identification, liaison with property owners, oversight of works and the ongoing management and maintenance of the units for the lifetime of the lease agreement. In that regard, local authorities are encouraged to engage with AHBs operating in their area to discuss the most appropriate structures for the operation of the scheme. It is suggested that AHBs may take part in the scheme where, in the first instance, they have the intention to undertake repair and lease on a number of properties per annum. In principle, the following operating principles should apply so as to ensure that there is

clarity on role and responsibilities, as well as clarity and administrative efficiency from the property owner's perspective.

1. AHBs that are interested shall inform the local authorities in whose administrative areas they are planning to engage with property owners in relation to the scheme. Local authorities and AHBs should agree the number of units that will be targeted under the scheme. This should inform and be integrated into the local authority's sanction arrangements with the Department.
2. A local authority may already have information about potential properties for the scheme and may select AHBs to engage with the relevant property owners to avail of RLS subject to agreement of property owners
3. AHBs may contact property owners directly and should inform the relevant local authority that they are making contact with the property owner. They should not contact or continue engagement with the property owner where they become aware that the local authority or another AHB has been in discussions with the property owner in relation to the scheme.
4. AHBs may advertise on their website that they are seeking properties under the scheme.
5. Any public advertisements by AHBs should only be done in consultation with the local authority for the area and should be done in conjunction with other AHBs for that local authority area. A local authority may take the lead on advertising for the scheme in the area.
6. A local authority may decide, in conjunction with a number of AHBs, that a campaign to seek properties should be undertaken, in their administrative area. For efficiency and effectiveness, a number of AHBs may be selected by the local authority, based on interest and relevant capacity. It would be appropriate that one of the AHBs or the local authority take the lead in dealing with enquires.
7. An AHB may not enter into contractual arrangements on any unit without prior confirmation of demand and approval to proceed from the relevant Local Authority.
8. All properties transacted under the RLS scheme must be in accordance with the terms of the scheme and only eligible expenditure<sup>5</sup> incurred may be recouped.
9. When finalising arrangements, local authorities will need to satisfy themselves that basic due diligence has been completed by the AHB, including that the properties have been inspected by the AHBs and comply with the property requirements and works agreed.

### **3.3 Housing Agency Role**

The Housing Agency, in conjunction with the Department hosts documentation including guidance and template legal agreements on the Housing Manual which are available to AHBs and Local Authorities. The Agency provides support and assistance to Local Authorities and AHBs on the practical implementation of the scheme.

The dedicated one-stop-shop will also provide for better coordinated and strategic delivery by AHBs and enhanced cooperation between AHBs and local authorities to maximise potential yield from the scheme.

### **3.4 Role of the Department of Housing, Planning and Local Government (D/HPLG)**

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<sup>5</sup> Eligible expenditure is defined in Section 11

D/HPLG is responsible, as is the case with other social housing delivery programmes, for the overall policy underpinning the scheme, as well as oversight of the implementation. Delivery output is closely monitored. Local authorities are required to report progress across a number of milestones and summary level progress is reported quarterly as part of Rebuilding Ireland quarterly reports. The Department is also responsible for LA approval, recoupment of Capital Advance and ongoing leasing costs.

#### **4. Approval Process**

Delegated sanction for local authorities to enter into leasing arrangements with prior approval from the Department was introduced in March 2010 under Circular SHIP 2010.07. The sanction was introduced as a means of streamlining the delivery of leased units by housing authorities.

The model of delegated sanction was extended to cover the RLS scheme in 2017 and housing authorities had sanction in 2017 to enter into leasing arrangements for a defined number of units under the scheme with prior written confirmation from the Department. Individual delivery targets were also issued to all local authorities in 2017.

Individual overall social housing delivery targets were issued to all local authorities on 5 January 2018; these targets include delivery under RLS. As such, the Department does not intend to set specific RLS delivery targets for local authorities in 2018. However, the delegated sanction model will continue to operate in 2018.

Local authorities will continue to be responsible for ensuring that all properties sourced comply with the terms and conditions of the Scheme, that the accommodation sourced is appropriate to meet identified housing need in the area and that appropriate discounts off market rent have been secured. Financial commitments and delivery performance will be monitored closely by the Department throughout 2018

#### **5. How the Scheme operates in practice**

For the purposes of the scheme it is recommended that each local authority coordinates and maintains a register of all properties under consideration. Properties may be sourced through a variety of mechanisms including local authorities or AHBs advertising; targeting of known suitable vacant units and AHBs identifying units and bringing them to the attention of the local authority.

Confirmation of demand and suitability of a property for the scheme rests with the local authority. All properties, regardless of whether delivery will be local authority or AHB led must be routed through a local authority evaluation process to determine whether the proposed units are suitable to meet local housing need and that the objectives of sustainable communities are being met (i.e. that there is not already an over-concentration of social housing in the area).

The Department recommends that local authorities adopt an initial desk based evaluation process to make this determination. The desktop evaluations should effectively screen potentially viable and non-viable properties at the earliest stage based on an application form (**Form RLS002**) including photographs provided by the property owner. The local authority should be able to make a reasonable determination at this stage on demand, condition and suitability for the scheme.

Once demand and suitability is determined the local authority should determine how the properties that are potentially viable are to be progressed, either with direct local authority engagement or through an AHB led model. Where the local authority is offering properties to AHBs for AHB led delivery, there should be written confirmation at this point from the local authority to the AHB confirming that once the terms of the scheme are met the local authority will fully commit to taking the unit under a Payment and Availability Agreement (P&A) once the works are complete.

Property owners should be notified in writing about whether their application is being actively considered or unsuitable at this time. Reasons should be provided in cases where the unit will not be progressed. For properties being progressed, the local authority should set out clearly for the property owner what the next steps in the process are, including whether an AHB has been identified to take on the property. The terms and conditions of the scheme should be made clear to the property owner at that time also.

A site visit should be organised to confirm the condition of the property against a checklist based on the standards required for leasing. (See Template **RLS003**). This site visit should be carried out by either the local authority or the AHB depending on the model of delivery decided by the local authority as appropriate to the unit and the framework established in their functional area.

If it is discovered during the site visit that the property is not suitable for the scheme, the property owner should be notified in writing by the local authority with reasons provided. Where the AHB conduct the site visit and determine that it is not a viable unit, a report should be returned to the local authority who will then notify the property owner in writing.

If the unit is considered viable, the local authority/AHB should determine in conjunction with the property owner who will take responsibility for bringing the property to the standard required and clearly outline the works that are eligible and ineligible under the scheme.

Where the property owner is managing the works, they will be responsible for the preparation of a schedule of works and seeking quotes from contractors. When a property owner has obtained the quote from their preferred contractor the local authority or AHB must confirm that the quote is within the terms of the scheme before entering into any contractual arrangements. (The local authority or AHB should only agree quotes on the basis of quotations that it considers reasonable. In general, 2 written itemised quotations from contractors should be provided, indicating the cost of the work required. If a property owner cannot get a second quotation, or in cases of hardship, the local authority/AHB may accept a single quotation.)

Where the AHB or local authority is managing the works, they will be responsible for the preparation of a schedule of works and seeking quotes from contractors. The property owner must be consulted on the final schedule of works and quote before entering into any contractual arrangements.



## 6. Rent and offset negotiations

On foot of the review of the scheme carried out by the Minister in 2017, the terms of the scheme have now been amended to provide that under RLS, property owners may choose to enter either into a-

1. Direct Lease Arrangement, or
2. A Rental Availability (also known as RAS Type) Arrangement.

The original terms of the scheme only allowed owners to enter into a long term lease arrangement for a minimum term of 10 years. Under the new arrangements, owners may enter into a shorter term Rental Availability Agreement. However, both the direct lease and the availability agreement is subject to a minimum term of 5<sup>6</sup> years, which is considered the minimum period within which the property owner could repay the funds.

In negotiations with the owner as to the type of agreement to be entered into, local authorities should have regard to the level of funding sought, the level of repayments and the duration of the agreement. Local authorities will need to ensure that the lease payments to the owner are of a level that will ensure repayment of the original funding over the term of the agreement. The owner will also need to take any tax liability into account when considering the level of repayment. It may be that shorter term agreements are only suitable in areas with higher levels of market rent or where the cost of repairs is at a lower level.

The benefits of the RLS in conjunction with the long-term lease arrangement to the property owner include -

- Guaranteed rent on a property that has not been generating an income;
- Upgrade of property that might otherwise become derelict;
- No loss of rent during vacant periods;
- No dealing with tenants and day-to-day maintenance;
- No need to collect rent or find a new tenant;
- Avoid advertising costs;
- The property will be returned to the property owner at the end of the term in good repair order and condition, save for fair wear and tear.

The benefits of the of the RLS in conjunction with the rental availability arrangement to the property owner include

- Guaranteed rent on a property that has not been generating an income;
- Upgrade of property that might otherwise become derelict;

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<sup>6</sup> The minimum term was reduced from 10 years to 5 years on foot of the review of the scheme, effective from 1 February 2018.

- No loss of rent during vacant periods;
- No need to collect rent or find a new tenant;
- Avoid advertising costs;

The main differences between the two contracts are that under a rental availability arrangement, the owner retains responsibility for day-to-day property maintenance and is the landlord to the tenants. Under a rental availability arrangement the owner must also register the tenancy with the RTB. Under this type of arrangement, the owner receives approximately 92% of current market rent. This may vary and rents will be agreed through negotiation with the local authority. An availability arrangement can only be entered into with a local authority; it is not available to AHBs.

The benefits of each type of arrangement form the basis for discussion and negotiation on the terms and conditions of the scheme. The negotiation with the property owner will include discussion on the appropriate market rent to be discounted under scheme and then the further offset of the capital advance. Market rent is to be determined having regard to the most recent quarterly RTB published data. Where agreement cannot be reached on this basis, an independent valuation may be used, subject to the agreement of the local authority.

The maximum rent to be agreed under the terms of social leasing will be-

- Under the long term lease arrangements - 80% (85% in the case of apartments) of current market rent, and
- Under the Rental Availability Arrangements – 92% of current market rent.

Rent reviews will usually take place every three or four years. Periods of less than three years should not be considered.

The cost of the repairs shall be offset against the agreed rental payment until the value of the works is repaid. The local authority/ AHB will agree with the property owner on a case by case basis what the appropriate offset period will be. These arrangements may include scenarios whereby the offset is by way of a rent-free period; a consistent reduction over the duration of the lease or for example, a term which is scaled against the duration of the lease as in the table below.

<b>Cost of repairs</b>	<b>Minimum duration of lease</b>	<b>Offset to be cleared by</b>
Up to 5,000	5 years	Year 5
Up to 10,000	10 years	Year 8
Up to 20,000	15 years	Year 12
In excess of 20,000	20 years	Year 15

A Lease Calculator is provided to assist local authorities and AHBs with the offset calculations. This can be found on the Housing Manual together with detailed Process Maps which set out the suggested operation of the scheme.

As stated earlier, the RLS scheme is modelled on the existing direct lease and rental availability options under the Social Housing Current Expenditure Programme (SHCEP). Where a local authority is collaborating with an AHB in the context of a long term lease agreement, the same terms and conditions will apply. The Payment and Availability (P&A) payment to the AHB will be based on 80% (85% for apartments) of market rent and net of the additional offset agreed. See Appendix 2 for a summary of the Direct Leasing model.

## 7. Contractual Arrangements

The scheme has been designed to afford local authorities the maximum flexibility in terms of engagement with AHBs and property owners and a suite of legal agreements is in development to facilitate the likely scenarios for delivery under the RLS. The models envisaged are set out below:

1. **LA direct engagement- Property owner managing works (2 legal documents required)**
  - **RLS Agreement to Lease or Agreement for Rental Availability Agreement** signed at the point of agreement on works quote & offset arrangement.
  - **RLS Long Term Lease Agreement or Rental Availability Agreement** - signed at the point of works completion and payment of capital cost to owner.
  
2. **LA direct engagement- LA managing works (2 legal documents required)**
  - **RLS Agreement to Lease (LA contracting works) or Agreement for Rental Availability Agreement (LA contracting works)** - signed at the point of agreement on works quote & offset arrangement.
  - **RLS Long Term Lease Agreement or Rental Availability Agreement** - signed at the point of works completion.
  
3. **LA/AHB led model 1- AHB engaging with property owner-property owner managing works (3 legal documents required)**
  - **RLS Agreement to Lease AHB-** signed at the point of agreement on works quote & offset arrangement.
  - **RLS Lease Agreement AHB-** signed at the point of works completion and payment of capital cost to owner.
  - **Payment and Availability Agreement-** also signed at point of works completion between LA and AHB.
  
4. **LA/AHB led model 2- AHB engaging with property owner-AHB managing works (3 legal documents required)**
  - **RLS Agreement to Lease (AHB contracting works)-** signed at the point of agreement on works quote & offset arrangement.

- **RLS Lease Agreement AHB-** signed at the point of works completion.
- **Payment and Availability Agreement-** also signed at point of works completion between LA and AHB.

**Note: The template legal documents have been carefully prepared by the Department and the Housing Agency and are provided with editing restrictions. The templates have been proof checked and are based on existing templates for leasing arrangements with the required modifications for the RLS. Any additional amendments must be cleared through the Department/Housing Agency. The intention of the templates is to minimise the need for the local authority/ AHB or property owner to incur costs associated with obtaining separate legal advice.**

## **8. Furniture and fittings**

As per the *Guidance Note on the Furnishing of Leased Properties*, which is available on the Housing Manual, all properties that are leased under the SHCEP leasing scheme must be furnished and include certain appliances. Market rent is typically agreed on the basis of a furnished property. The furnishings and appliances provided within a property are a factor in agreeing the market rent level. Over the period of a long-term lease, typically 15 to 20 years, it is likely that furnishings and appliances would have to be repaired and upgraded. Property owners who enter into a direct leasing agreement with a Housing Authority or Approved Housing Body (AHB) will avoid any on-going responsibility for furnishing the property or for maintaining or repairing any furniture or appliances that are initially provided. Under a Rental Availability Agreement, the owner will retain responsibility for day-to-day property maintenance.

Property owners can factor in these cost savings over the course of their lease arrangement and make provisions for a refurbishment when the lease expires. When entering into a direct leasing agreement, property owners accept that, at the end of the lease term, furnishings and appliances may not be returned. Any furniture and appliances that are left in the property will revert to the ownership of the property owner and are not subject to the requirement to have them in the same condition as at the outset of the lease, subject to fair wear and tear.

In recognition that the units coming through the RLS scheme may have been vacant for a period and therefore in need of new furniture, the costs of providing the furniture required under Appendix 2 of the above listed Guidance Note may be included as eligible expenditure, provided the local authority or AHB are satisfied that the expenditure is vouched and reasonable having regard to the particular property. The cost of furniture must be included in the maximum cost of €40,000<sup>7</sup>.

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<sup>7</sup> From 1 February 2018, up to €50,000 may be made available in the case of a former bedsit being brought into line with the Housing (Standards for Rented Houses) Regulations.

## 9. Works completion and payment

### 1. LA direct engagement- Property owner managing works:

The property owner should provide the invoice from the contractor for the completed works to the LA. The LA will then arrange for a second site visit to check the property against the checklist for properties under the leasing scheme. If all is in order the LA will simultaneously sign the Lease or Availability Agreement with the property owner and release the funds agreed under the contractual arrangement. The property owner must provide evidence in the form of a receipt from the contractor within 10 working days.

### 2. LA direct engagement- LA managing works

On completion of the works the LA will request the property owner to confirm the works and sign the Lease or Availability Agreement. The LA will settle the invoice with the contractor directly.

### 3. LA/AHB led model 1- AHB engaging with property owner-property owner managing works

The property owner should provide the invoice from the contractor for the completed works to the AHB. The AHB will then arrange for a second site visit to check the property against the checklist for properties under the leasing scheme. If all is in order the AHB will simultaneously sign the Lease Agreement with the property owner, take the keys for the property and release the funds agreed under the contractual arrangement.

The property owner must provide evidence in the form of a receipt from the contractor within 10 working days. The AHB may seek recoupment from the LA on payment of property owner and confirmation of signed Lease Agreement. The P&A will be signed at this time also. Payment of lease monies from AHB to property owner should be contingent on provision of receipt from contractor.

### 4. LA/AHB led model 2- AHB engaging with property owner-AHB managing works

On completion of the works the AHB will request the property owner to confirm the works and sign the Lease Agreement. The AHB will take possession of the unit and settle the invoice with the contractor directly. The AHB may seek recoupment from the LA on payment of contractor and confirmation of signed Lease Agreement. The P&A will be signed at this time also. Payment of lease monies from AHB to property owner should be contingent on provision of receipt from contractor.

When finalising agreements, housing authorities will need to satisfy themselves that basic due diligence has been completed by the AHB, including that the properties have been inspected by the AHB and comply with the description in the schedule and are in a lettable condition.

## 10. Recoupment of costs from DHPCLG

Payment to local authorities for the capital repairs costs incurred under the RLS will be on a pay and recoupment basis and local authorities may seek recoupment of the expenditure from the Department once the payment has been made to either the property owner or the AHB by

submitting the details on **Form RLS004**. This form is available from the RLS section in the Department and on the Housing Manual. Payments to local authorities LAs will be made within 10 working days of submission of completed claim form.

The Lease payment or Payment and Availability payment in the case of AHB units can be claimed quarterly by the local authority through the existing SHCEP leasing scheme using a New Units claim form. Given the nature of the financing of the housing, it is very important that monies are paid to AHBs in a timely manner so as to ensure they do not default on their requirements. Authorities are requested, therefore, to make sure that payments are not delayed to AHBs, provided that they are in compliance the terms of the legal agreements.

### **Reporting Requirements**

Local authorities are required to report regularly to the Department on key information on the scheme. Appendix 3 sets out the RLS tracker that is circulated for completion on a quarterly basis and local authorities should ensure that the information is kept up to date and that there is regular liaison with AHBs where relevant to monitor delivery and progress on units that have been contracted for delivery. Information supplied will be collated to provide regular updates for government and will be published on the Department's website. Delivery under the programme will be reported as part of the quarterly reporting under Rebuilding Ireland.

Individual property details, such as addresses, are not published as part of the regular reporting framework.

## **11. Eligibility- terms and conditions**

- Local Authorities will retain overall responsibility for the operation of the scheme, and for oversight of the administration of the scheme by AHBs, in their administrative areas.
- Local authorities and AHBs must satisfy themselves that there is sufficient proof that the property has been vacant for at least one year
- Local authorities and AHBs must satisfy themselves that contractors engaged, either directly by local authorities and AHBs or by property owners under the scheme have demonstrated sufficiently that they are tax compliant by providing tax clearance certificates before payments can be made. Property owners must be notified of this requirement at the outset.
- Capital repairs cost on a single unit must not exceed €40,000<sup>8</sup>, or in the case of a bedsit being brought into compliance with the Standards for Rented Houses Regulations, €50,000.
- Eligible expenditure under the scheme is limited to the cost of essential works required to bring properties into compliance with the Housing (Standards for Rented Houses) Regulations 2008 (as amended). Where works that are in excess of these essential works are

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<sup>8</sup> From 1 February 2018, up to €50,000 may be made available in the case of a former bedsit being brought into line with the Housing (Standards for Rented Houses) Regulations.

undertaken, these should not be included in the €40,000 per unit and must be paid for by the property owner outside of the scheme. Where all works are being completed on a single contract, non-essential works costs must be itemised.

- All direct leases must be for duration of between 5-20 years. No shorter terms will be eligible.
- All Rental Availability Arrangements must be for duration of between 5 and 10 years. No shorter terms will be eligible.
- Properties are required to be furnished as per the Guidance Note on the furnishing of leased properties.

## 12. Additional Changes effective from 1 February 2018

- Funding for Former Bedsits: From 1 February 2018, local authorities may provide additional funding, subject to a €50,000 limit and subject to Departmental approval, where the unit in question is a former bedsit being brought into line with the Housing (Standards for Rented Houses) Regulations. There is a shortage of accommodation for single people and the remediation of former bedsit units will assist in providing additional accommodation of this type. Applications for approval for funding in excess of the €40,000 limit in the case of bedsit properties should be made to the RLS section in the Department at [rls@housing.gov.ie](mailto:rls@housing.gov.ie).
- Unfinished Properties: In 2014, the Special Resolution Fund (SRF) for Unfinished Housing Developments provided €10 million funding for Unfinished Estates. However, this funding related to works required to complete public /common areas, entrance roads and lighting etc. RLS funding may be made available in respect of empty, unfinished units for an owner to finish the units and return them to the market. Applications in respect of these properties should be made on a case by case basis and are subject to approval by the Department outside of the delegated sanction model.
- Apportioning the total funds between a number of dwellings once total funding doesn't exceed 40k per unit: Where an owner has multiple units in a single development, approval may be given to apportion funding between the units subject to a minimum spend on each unit - to be determined by the local authority taking into account the total number of units and total funding level and subject of the overall limit of €40,000 per property delivered under the scheme. So for example, if 6 dwellings are being brought into the scheme, total funding for the 6 properties may not exceed €240,000. This allows an owner to bring multiple dwellings into the scheme even where the repairs on one of those units exceed the permitted limit.

## 13. Other Grants available

Property owners **may** be able to qualify for complementary funding for the works done to bring their properties to the required standard. In this regard it is important to note that the capital advance is not a grant payment and is essentially being paid by the property owner through the offset arrangements. While a local authority and AHB may be able to provide information in relation to other funding opportunities, it is the responsibility of a property owner to consider, contact and apply for same. They should advise the SEAI and Revenue of their participation in the RLS scheme.

**Better Energy Homes** is a Government programme which gives fixed cash grants for insulation and heating system upgrades, helping to make homes more comfortable and cheaper to run. It is available to all owners of homes built before 2006. The scheme offers higher grants and cash bonuses if 3 or 4 measures are carried out and the grants are also open to previous applicants who wish to get additional works done

Where a home is availing of Better Energy Homes and Home Renovation Incentive the applicant must deduct three times the Better Energy Homes grant value from the Home Renovation Incentive qualifying expenditure. Note: all Better Energy grant-related expenditure can count towards meeting the €5,000 minimum threshold.

## 14. Taxation

It is a matter for individual property owners to satisfy themselves that they are meeting their tax obligations, particularly in relation to additional rental income that they will be receiving under the lease arrangements. However, in general the position is as follows:

- RLS provides for funding provided by the local authority to the property owner to carry out works necessary to bring the property up to the required standard for letting. As such, the capital sum received from the local authority is not subject to income tax in the year received. There is no additional taxable benefit conferred by the status of the funding as being interest free.
- Once the property is let the income tax treatment of the rent is that the amount of rent taxable is the amount of rent payable under the lease without allowing for a deduction of the amount recouped by the Local Authority in respect of the up-front payment. These recoupments are by way of repayments of a capital sum and are not allowable under the general principle which prohibits the deduction of capital payments against income. Where the repairs are recouped by the local authority by way of a rent-free period the rent chargeable will be the notional rent or rent foregone by way of repayment.
- Expenditure on repair of the vacant property does not qualify for the **Home Renovation Incentive (HRI)** as subsection 7 of section 477B of the Taxes Consolidation Act 1997. S477B(7) TCA 1997 provides that any expenditure in respect of or by reference to which a grant or compensation payments or any other sum has been received by the claimant directly or indirectly from any public body or local authority should be deducted from the expenditure figure for the purposes of calculating the HRI credit. The application of that subsection means



that HRI does not apply in the case of expenditure incurred under the repair and leasing scheme.

- Section 13 of the Finance Act 2017 inserts a new section 97A into the Taxes Consolidation Act 1997. The new section 97A provides that expenses incurred on a vacant residential premises prior to it being first let after a period of non-occupancy are authorised as a deduction against rental income from that premises. The section applies to expenditure on a property which has been vacant for at least 12 months and which is then let between the date of the passing of the Finance Act 2017 and 31 December 2021. The expenditure must have been incurred in the 12 months before it is let as a residential property. The deduction authorised shall not exceed €5,000 in respect of each vacant premises.
- Once the lease agreement has been signed, a landlord can claim capital allowances from Revenue, known as 'wear and tear allowances' or 'depreciation' as an expense to be deducted from the rental income of the property. These are based on the cost of furniture and fittings for the rental property. The current rate for these allowances is 12.5% of the cost, which is spread over eight years.

## **15. Early exits from the scheme**

A clawback provision is included in the Lease Agreement to provide for a full repayment of any outstanding capital owing with interest. Local authorities and AHBs will be obliged to ensure that this condition is pursued.

A clawback provision is included in the Lease Agreement to provide for a full repayment of any outstanding capital owing with interest. Local authorities and AHBs will be obliged to ensure that this condition is pursued. It is recommended that rate of at least 4% should be inserted into the lease agreement under the clawback clause. If a local authority seeks to include a rate higher than 4%, cognisance should be taken not to exceed the interest rates of current market comparables for home improvement loan products from leading lending institutions at the time of lease.

## 16. Resources and Templates

### Appendix 1

- Indicative Cost Framework

### Appendix 2

- Direct leasing Model

### Appendix 3

- RLS Tracker

### Templates:

- LA Application to DHPCLG for delegated authority – RLS001
- Application Form – RLS002
- Site visit checklist based on Min standards for rented accommodation – RLS003
- Offset calculator
- Recoupment form for LA to DHPCLG – RLS004

### Contracts:

- Agreement to lease
- Agreement for Rental Availability Agreement
- Lease Agreement
- Rental Availability Agreement

### Useful Information:

- Long term leasing guidance and brochures
- Guidance note on Furniture
- Link to Housing Manual

## Appendix 1

### Indicative Cost Framework for Repair and Leasing Scheme (RLS)

POTENTIAL WORK MEASURES	INDICATIVE ALLOWANCE €
<b>Insulation upgrade</b>	
Attic insulation	500
Cavity wall or dry lining	1,500
Extra over for external wall insulation	7,500
<b>Services</b>	
Replacement boiler	2,000
Replacement pipework and radiators	1,000
Replacement cylinder	600
Work to wastes	500
Upgrade electrical installations including smoke alarms	5,000
Rainwater	
Replacement of rainwater installations	1,000
<b>Windows &amp; Doors</b>	
Replacement of external windows & doors	5,000
Roof and Chimney Repairs	
Works generally	2,500
<b>Internal Upgrades</b>	
Upgrade kitchen	2,000
Upgrade bathrooms	2,000
Damp-proofing	900
Plaster repairs	1,500
Painting and decorating	4,000
<b>External works</b>	
Works to garden and boundaries	2,500
<b>Maximum Total Cost</b>	<b>40,000</b>

## Appendix 2

Direct Leasing – Who pays and for what				
	D/HPCLG Recoupment	Approved Housing Bodies	Owner of Property	AHB Tenant
Start up/Technical Costs	Once off payment from D/HPCLG to AHB. 5% of the annual lease cost agreed or vouched expenditure, whichever is the lesser.			
Lease Payments	Full lease cost paid to AHB on quarterly basis. Approved lease cost must be based on 80% of market rent as per standard lease arrangement. Payment during vacant periods is limited to 3 months.	AHB passes D/HPCLG payments to owner of property.		
Management and Maintenance	No recoupment entitlement	Responsibility of the AHB – cost to be met from differential rent income		
Reinstatement Costs	Paid to AHB: 50% of incurred costs subject to terms and conditions in the lease agreement			
Rent (tenant)				Differential rent collected weekly by AHB. (AHB required to use differential rent scheme.)
Insurance Responsibilities	No recoupment entitlement	Property, public liability, professional and employer's liability insurance	Building structure insurance	Contents insurance

**Appendix 3**



LA	LA file ref no.	Address of property	Eircode (if available)	Property type	No. of Beds	Date of desktop evaluation	Result of evaluation	Owner/ LA/ AHB carrying out works	Site visit date	Estimated cost of works	Confirmed cost of works	Anticipated completion date	Agreement to lease signed	P&A agreement signed	Lease duration (years)	Average monthly market rent	Rent payable (80%/85% of market rent)	Offset amount	Net payable
sample	abcd	Sample	X00 XX00	Apartment	2-Bed	01/03/2017	suitable	AHB	15/03/2017	€35,000.00		01/05/2017	25/03/2017		12	€800	€680	€243	€437

*This Guidance is an iterative document and may be updated and changed from time to time as required.*