

From: Eamonn Waters - (DECLG)
Sent: 02 March 2016 10:23
To: Kieran Culhane (Kieran.Culhane@finance.gov.ie)
Cc: Lisa Clifford - (DECLG); Martin Hehir - (DECLG)
Subject: Background information for discussion on 9 March - private funding mechanisms for social housing / affordable rental

Kieran,

Thanks for agreeing to meet with us on Wednesday 9 March here in the Custom House at 10am. We are proposing to have a general and informal discussion on our work in developing two separate pilot schemes:

- The first involves changes to the existing arrangements under the Department's social housing current expenditure scheme to facilitate larger institutional private investors to come into the social housing market. These changes follow from recommendations made by the Clearing House Group.
- The second is a pilot Affordable Rental Scheme for low-income workers. €10million has been committed in 2016. This is to be an on-going annual commitment, funded from the proceeds of the sale of Bord Gáis Energy, for up to 20 years.

A key objective is that these initiatives would not negatively impact on the General Government Balance and be 'off-balance sheet'.

The high-level principles for the two schemes were agreed by Government at its meeting on 2 February 2016. A note setting out a summary of developments to date, including an overview of what was agreed by Government, is attached.

The first of the schemes is probably the more complex from the General Government Balance perspective. Essentially we are trying to provide additional incentives to attract investment, whilst not bringing any transactions on-balance sheet. The existing scheme to be modified operates on the basis of a Local Authority or approved housing body (AHB) leasing properties from a private owner/investor with the lease, where an AHB is involved, being supported through a 'payment and availability' or P&A agreement. As it stands currently, AHBs can lease properties from the private market and source private funding to purchase or build properties, with repayments in all cases supported by a P&A agreement. We are seeking to expand this as a potential funding mechanism by providing some additional incentives to try to encourage larger institutional investors to invest in constructing/buying properties to be provided under lease to LA's or AHB's. Much more detail on what is proposed, including a draft term sheet, is contained in the analysis paper which is also attached. This was submitted with the Memorandum that went to Government on 2 February. It is these proposed changes that we would like to discuss. In addition to looking at the outline of what is proposed, in our planned discussion we would also like to explore possible implications were AHBs less centrally involved. For example, if there was a more direct relationship between the Local Authority and the private investor. A further possibility suggested is that of a 'for profit' AHB could act as lessee.

In relation to the Affordable Rental Pilot Scheme, we have prepared Outline Business Case which is attached. It contains considerable detail, but the first section of this document summarises where we are currently at in respect of the development of the scheme, and different considerations arising. We would like to have a discussion on possible implications arising in respect of the General Government Balance. With the funding for the pilot scheme expected to be part of the General Government Balance, the main issue here is to ensure that any private investment leveraged does not come on balance sheet or bring the State investment on balance sheet.

Eventually we would expect a more formal submission to be made to CSO as the schemes are developed, in advance of being agreed by Government. However, in order to inform our further work a discussion at this point would be of assistance.

If you have queries, or want to clarify any points in advance of our meeting, please get in contact.

Thanks and regards,
Eamonn.

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