

## Frequently Asked Questions Repair and Leasing Scheme (RLS)



### 1. I am a property owner interested in the new scheme, what should I do?

Owners of houses or apartments/bedsits that have been vacant for at least one year and which require an amount of repairs to bring the property to the required standard for rented properties should contact their local authority and express an interest in the scheme.

### 2. What is the main benefit for property owners?

If a property requires repairs to bring it up to standard for letting, a local authority or Approved Housing Body will pay for this repair work up-front in return for the property being made available for social housing for a period of at least 5 years under either a direct lease or a Rental Availability Agreement (RAA) with the Local Authority.

### 3. What is the difference between a Rental Availability Agreement and a direct lease?

There are two options for property owners who are considering making their properties available to a Local Authority or an Approved Housing Body under RLS – a direct lease or a Rental Availability Agreement (RAA):

	<b>Direct Lease Agreement</b>	<b>RAA</b>
<b>Term</b>	5 – 20 years	5 – 10 years
<b>Rent</b>	80% of current open market rate less RLS offset	92% of current market rate less RLS offset
<b>Cost Savings</b>	<ul style="list-style-type: none"> <li>• No rent loss due to vacant periods</li> <li>• No rent arrears</li> <li>• No letting fees</li> <li>• No advertising costs</li> <li>• No RTB tenancy registration charge</li> <li>• No day to day maintenance costs</li> </ul>	<ul style="list-style-type: none"> <li>• No rent loss due to vacant periods</li> <li>• No rent arrears</li> <li>• No letting fees</li> <li>• No advertising costs</li> </ul>
<b>Tenant Management</b>	Local Authority/AHB responsibility <b>Local Authority is the landlord</b>	Property Owner's responsibility <b>Property Owner is the landlord</b>
<b>Maintenance</b>	Local Authority/AHB responsibility	Property Owner's responsibility

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### 4. What properties are suitable?

There are a number of requirements in relation to the scheme:

- the property has to be vacant for at least 12 months prior to submission: proof of vacancy will be required;
- there has to be a social housing demand for the property;
- the property has to be assessed as being viable to provide social housing.

If the property meets these requirements it will be inspected by local authority or Approved Housing Body staff who will identify the works that are required to bring the house up to the required standard.

If the owner wishes to enter into an RAA or a direct lease arrangement to make the property available for social housing with the local authority or Approved Housing Body the following conditions will apply -

- the minimum RAA/lease term is 5 years
- the maximum RAA term is 10 years and the maximum direct lease is 20 years;
- the RAA payments will be based on-
  - the general terms of RAAs which are set at 92% (95% for apartments) of the current market rental rates in the property location;
- the direct lease payments will be based on-
  - the general terms of leasing which are set at 80% (85% for apartments) of the current market rental rates in the property location;
- both payments will be subject to a further adjustment to off-set the cost of the repair/upgrade work until the cost of the work has been repaid.

The scope and cost of the works required to meet the Standards for Rented Houses Regulations, and the recoupment of the works cost through the RAA/lease payments, will be agreed between the owner and the Local Authority/ AHB.

### 5. What is the minimum standard required?

Each local authority will set out its own specific requirements for properties. However, the following will apply in all areas:

- Properties must be in good structural condition and will be subject to inspection by the local authority or the AHB.
- Properties must be compliant with the **Housing (Standards for Rented Houses) Regulations 2017** (see link <http://www.housing.gov.ie/housing/private-rented-housing/inspections/minimum-standards-rented-accommodation> )
- BER certificates will be required for all properties. Minimum BER criteria may apply in some local authority areas.

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Property owners will also be required to prove ownership of the house and tax compliance. It will be the responsibility of the owner to ensure that they consult with their finance/mortgage provider and get consent to enter into a leasing arrangement, if required.

### **6. What will the role of Approved Housing Bodies (AHBs) be?**

Approved Housing Bodies (AHBs) will be working with local authorities and property owners by both identifying properties and working with property owners to bring the properties up to the required standard.

AHBs may sign lease arrangements with property owners, on behalf of and with the agreement of local authorities. These properties will then be managed by the AHBs on behalf of the local authorities. The tenants who will occupy these properties will be social housing tenants.

### **7. Who will inspect the property?**

If the property is deemed to be suitable for social housing and in an area where there is demand for social housing, the local authority or AHB will arrange for a site visit of the property to determine the condition of the property and assess the level of repairs that may be required to bring the property to the required standard.

At the end of the site visit, the local authority or AHB will provide the property owners with a checklist list based on the Standards for Rented Houses (see para. 5 above).

### **8. Will the property owner have to arrange a contractor to complete the work?**

If the property owner wishes to make the property available under a lease arrangement with a local authority or AHB, then both parties sign an Agreement to Lease. This signals the property owner's agreement to the length of the lease arrangement, the market rent of the property and a schedule of the works required.

There are two options for the completion of the necessary works.

- A. Property owner arranges a contractor, or**
- B. Local Authority/AHB engages a contractor**

#### **Option A:**

Following the initial site visit by the LA or AHB, the property owner will be responsible for the preparation of a schedule of works and must then arrange for a quote for the works and this must be agreed with the Local Authority/AHB before work begins. The works of repair and refurbishment are to be carried out by an approved contractor who is fully tax compliant and has furnished all necessary evidence of same to the LA or AHB as required.

On completion of the works, the property owner should arrange for an invoice from the contractor and present this to the Local Authority/AHB. The Local Authority/AHB will arrange for a site visit to the property and if all works have been carried out to the standard required, the Local Authority/AHB will provide the property owner with the agreed amount to settle the

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invoice. Proof of payment to the contractor must be provided to the Local Authority/AHB within 10 working days.

### **Option B:**

For property owners who may not be in a position to engage a contractor, the repair works may be carried out by, or on behalf of, the Local Authority/AHB. In advance of the works commencing the property owner will be required to complete a Homeowners Agreement and License which gives authority to the Local Authority/AHB to conduct works on the property.

### **9. Is there a maximum value of works allowed under the scheme?**

The purpose of the initiative is to restore suitable properties to the required standard for rented houses. The local authority or AHB will agree with a property owner the specific works and associated costs on a case by case basis having regard to the condition of the property. Not all properties will require significant works to bring them up to standard. However it is recognised that others, especially those that may have been vacant for a longer period, may require more extensive repair. The maximum costs of repairs allowable under the initiative for houses/apartments will be €40,000, including VAT. As the property owner is paying for these repairs through an offset against rental income, it is in the interests of the property owner that repair costs are not excessive.

Where the vacant property being brought into the scheme is a "bedsit" type dwelling, approval may be sought to increase the funding available to €50,000, inclusive of VAT.

### **10. Is the property required to be furnished?**

All properties that are leased under the Social Housing Current Expenditure Programme (SHCEP) 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. The cost of providing the necessary furniture may be included, subject to agreement with the LA on what furniture is required, appropriate costs and evidence of purchase receipts. In some cases where works are being carried out by a contractor it may be possible to request a "furniture pack" as part of the contract.

The list below is an indicative guide to the furniture that is required:

- a. All rooms or parts of the property must have an appropriate floor covering. All windows should have appropriate window coverings e.g. blinds and/or curtains.
- b. Each bathroom/en-suite should include a bathroom cabinet and the shower unit should have an adequate shower screen. Floor coverings should be water resistant.
- c. Each bedroom should include an appropriate sized bed for that room. Each bed should include a minimum of a bed base and a mattress. One wardrobe (integrated or free standing) per room should be provided as a minimum.

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d. The dining area should have a table and an adequate number of chairs to suit the expected occupancy level. The living area should include a minimum of a suite of furniture appropriate to the room size.

e. The kitchen should include the following items as a minimum:

- A cooker/oven and 4 ring hob;
- Fridge-freezer unit or separate fridge and freezer;
- Washing Machine(a dryer may also be required in some circumstances);
- Cooker hood or an extractor fan.

### **11. What can the property owner expect to receive in rent?**

Rents will be agreed through negotiation with the LA/AHB. The maximum rent to be agreed under the terms of RAAs is 92% of market rent (95% in the case of apartments); under direct leasing the rate is 80% (85% in the case of apartments) of the current market rent. Rent reviews will usually take place every three or four years, to be agreed with the local authority.

The cost of the repairs shall be offset against the agreed rental payment until the value of the works is repaid. The Local Authority will agree with the property owner on a case by case basis what the appropriate offset period will be including interest on the capital amount advanced. 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 a term which is scaled against the duration of the lease.

Overall, the benefits of RLS 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;
- Avoid losing rent during vacant periods;
- No need to collect rent or finding a new tenant;
- Avoid advertising costs.

### **12. What is the minimum length of a lease?**

The minimum length of the lease is five years. Depending on the value of the repairs, the Local Authority/AHB may require the lease period to be up to 20 years. The cost of the repairs shall be offset against the agreed rental payment until the value of the works is repaid. The local authority or AHB will agree with the property owner on a case by case basis what the appropriate offset period will be.

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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 a term which is scaled against the duration of the lease, as set out in the examples 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

It is important that property owners have regard to the level of funding sought, the level of repayments and the duration of the agreement in order to ensure that the lease payments are of a level that will ensure repayment of the original funding over the term. 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.

### **13. Who will be responsible for maintaining the property?**

The owner will retain responsibility for structural insurance, structural maintenance and structural repair. The owner will retain responsibility for the payment of the management of company service charge (usually apartments only), and any other charges for which the property owner is liable e.g. Local Property Tax.

In the case of an RAA agreement, the property owner will be the landlord to the tenant and will manage and provide support to their tenants and maintain the property internally for the term of the agreement. Under a lease agreement, these responsibilities will be managed by the local authority or AHB. Properties will be returned to the property owner in good condition at the end of the lease term, subject to normal wear and tear. In some instances the property owner may agree with the local authority to include an 'option to purchase' as a condition of the lease. This gives the local authority the option to buy the property during the term of the lease. Both parties must be in agreement to include this condition and the specific terms can be negotiated.

It will be the responsibility of the property owner to ensure they consult with their finance provider and to get consent to enter into an RAA/leasing arrangement, if required.

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### **14. Will the property owner be the landlord?**

Where an RAA is used, property owners sign an availability agreement with the local authority. Under the terms of this agreement, the property owner agrees to make the property available for a specific period for nominees of the local authority and to maintain the property in a lettable condition. With an RAA, the tenancy agreement will be between the property owner and the nominated tenant. The property owner is the landlord and retains landlord responsibilities.

Under a lease agreement, the property will be offered to the local authority or the AHB as accommodation to households who have been approved by the local authority for housing. Tenants will sign a tenancy agreement with the local authority or AHB. The local authority or AHB is the landlord and retains landlord responsibilities.

### **15. What if I want my property back before the end of the RAA / lease term?**

Under an RAA / long term lease arrangement, the term will be for a minimum of 5 years.

In all cases a clawback clause will be included in the agreement if the property is withdrawn or becomes unavailable before the end of the offset period of the lease. This is to ensure the value of the works already paid for by the Local Authority/AHB is fully repaid with the appropriate interest amount.

### **16. Can I sell the property during the term?**

Under an RAA/ long term leasing arrangement the property can be sold by the property owner during the term, on the condition that the RAA/ lease agreement is transferred to the new owner and the local authority or AHB are notified in advance.

### **17. What happens if the tenant damages the property?**

Under a direct leasing arrangement, 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. Under an RAA, the property owner is responsible for internal maintenance and repairs whereas the local authority or AHB will be responsible for internal maintenance and repairs during the term of the direct lease.

When entering into a leasing agreement, property owners accept that, at the end of the 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.

### **18. How much money has been allocated to the scheme?**

As part of the implementation of Rebuilding Ireland, €140m million has been allocated towards the cost of funding the necessary repairs to properties out to 2021. A total of €32m has been made available for 2018 with a target of 800 properties.

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**19. How many properties are expected to become available for social housing under the scheme?**

Over the course of the next five years, 3,500 properties are targeted to be brought into social housing use under the scheme.

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