



Opportunity for Property Owners to **Lease/Rent** Residential Properties

Information Booklet





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Disclaimer:

The material contained in this booklet is for information and guidance purposes only and is not intended and does not constitute professional advice. You should not act or rely on this information without seeking appropriate advice in advance. Any and all information is subject to change without notice.

Purpose of this booklet

The purpose of this information booklet is to set out details of the opportunities for property owners and landlords in Ireland to engage with local authorities and approved housing bodies in leasing and renting arrangements for residential properties.

This information may be of interest to property owners, developers, estate agents, financial institutions, investors, accountants, solicitors and property management companies.

Housing & Sustainable Communities Agency

The Agency was established in May 2010 by the Department of the Environment, Heritage and Local Government. It is replacing a number of existing housing related agencies. The Agency will work with and assist local authorities, approved housing bodies and the Department in the delivery of housing, planning and related services.

For more information visit www.housing.ie

Further information

For more information or to submit properties for consideration please visit
www.housing.ie/leasing

Alternatively contact Pat Fitzpatrick or Adele Lacey at the Housing and Sustainable Communities Agency at 01 656 4100 or leasing@housing.ie

Introduction

The Government has allocated funding for local authorities and approved housing bodies to lease or rent residential properties from private owners. These properties will be used to provide accommodation to people who are currently unable to source suitable properties from their own resources.

Local authorities and approved housing bodies are available to discuss proposals with owners of all types of properties who are interested in making properties available. The Housing and Sustainable Communities Agency (Housing Agency) is also available as a central contact point for general enquires.

Properties must be of good quality and can be new or previously occupied. Each local authority

and approved housing body will also assess the suitability of properties proposed with reference to the housing needs that have been identified for that area and its overall compliance with planning and building control.

In return, the local authority or approved housing body will enter into a legal arrangement with the owner for the use of the property for an agreed term and guarantee rent payments for the term.

Approved Housing Bodies

Approved Housing Bodies, more commonly referred to as 'housing associations', 'voluntary housing associations' and 'housing co-operatives', are independent non-profit making organisations that provide rented housing for low income families or for vulnerable people with special needs.

These organisations are approved by the Minister for the Environment, Heritage and Local Government and provide housing management and related services. For more information on approved housing bodies visit www.icsh.ie and www.nabco.ie.

Arrangements

There are two options for property owners who are considering making their properties available to a local authority or approved housing body:

- 1. Long-term lease arrangements (10-20 years)**
- 2. Shorter-term rental arrangements (typically 1-10 years)**

Details of each individual arrangement are set out in the following sections together with advice on how to have properties considered.



Option 1: Long-term lease arrangements

This arrangement will suit property owners and landlords who want to retain property as a long-term investment and have a long-term security of income, but who do not wish to retain responsibility for the day-to-day requirements of managing a residential property.

Suitable properties can be leased to the local authority for periods of between 10 and 20 years.

During the term of the lease:

- The local authority will guarantee payments to the owner;
- Payment will continue regardless of vacancy periods;
- The local authority will be responsible for day-to-day property maintenance;
- The local authority will be the landlord to tenants.

In addition, property owners who have leased their properties to a local authority will:

- Have no rent collection or rent arrears obligations;
- Not incur advertising or administrative overheads;
- Not be liable for the Non Principle Private Residence (NPPR) charge;
- Have no Private Residential Tenancies Board (PRTB) registration fees.

Lease Amount

Owners will receive a lease amount of approximately **80%** of the current market rent.

Rents will be agreed through negotiation with the local authority. The rent discount is applied to take account of the tenant management and property maintenance responsibilities taken on by the local authority and the elimination of vacant unoccupied periods where a property owner would normally not receive a rent payment.

Rent reviews will be negotiated on a case by case basis and will usually be every three to four years.



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Lease Terms

- The owner will retain responsibility for structural insurance, structural maintenance and structural repair.
- The owner will retain responsibility for the payment of the management company service charge.
- The local authority or approved housing body will manage and provide support to its tenants.
- The local authority or approved housing body will maintain the property internally for the term of the lease.
- Owners will receive an income of approximately 80% of the current market rent.
- Payments will be made quarterly or monthly in advance.
- Upward and downward rent reviews will apply periodically.
- Properties will be returned to the property owner in good condition at the end of the lease term, less 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.

Lender's Consent

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

Tenants

The properties acquired under this arrangement will be offered by the local authority or the approved housing body 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 the approved housing body. The property owner will have no responsibilities to the tenant.

Option 2: Shorter-term lease arrangements

This arrangement may only be entered into with a local authority. It will suit property owners who want to retain landlord responsibilities or want to enter into shorter-term arrangements.

The Rental Accommodation Scheme (RAS) is an example of the shorter-term rental arrangements that many property owners have already engaged in with local authorities. There are two common contract types available under these arrangements. The most common is the availability type arrangement under which property owners will:

- Receive guaranteed rental income from the local authority monthly in advance;
- Receive rent payments for vacancy periods;
- Have no rent collection or rent arrears obligations;
- Not incur advertising or administrative overheads;
- Not be liable for the Non Principle Private Residence (NPPR) charge;
- Be required to register tenancies with the Private Residential Tenancies Board (PRTB).

Under the shorter term arrangements the property owner will:

- Retain responsibility for day-to-day property maintenance;
- Be the landlord to tenants nominated by the local authority;
- Register tenancies with the Private Residential Tenancies Board (PRTB).

The other form of contract is a tenancy by tenancy arrangement where an agreement remains in place for a specific tenant and ceases once that tenant moves out. Payments are not made for vacancy periods under this arrangement. The property owner may offer the property to the local authority at the end of the initial agreement.

Rent Amount

Owners will receive a rent amount of approximately **92%** of the current market rent. The rent discount may vary in this arrangement and rents will be agreed through negotiation with the local authority. The rent discount is applied to take account of the fact that the property owner is paid for vacant unoccupied periods, rent is paid in advance and the normal landlord tasks associated with filling voids are eliminated.

Rent reviews will be negotiated on a case by case basis and will usually be every three to four years.

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Legal Agreement

Where the availability type arrangement is used, owners will sign an 'availability agreement' with the local authority. Under the terms of this agreement, the owner agrees to make the property available for a specific period for local authority tenants and to maintain the property in a lettable condition.

In addition:

- The owner will retain responsibility for structural insurance, structural maintenance and structural repair;
- The owner will retain responsibility for the payment of the management company service charge;
- The local authority will nominate tenants when vacancies arise;
- Owners will receive a rent of approximately 92% of the current market rent;
- Payments will be made monthly in advance;
- Upward and downward rent reviews will apply periodically.



Summary of leasing and rental options

	Long-Term Leasing Arrangement	Shorter-Term Rental Arrangement
Term of Arrangement	10-20 years	Typically, one to ten years but can be for the duration of the existing tenancy only.
Properties Required	New or existing properties in good condition Range of property types required Need will vary across local authority areas	New or existing properties in good condition Range of property types required Need will vary across local authority areas
Rent	Approximately 80% of open market rent Paid monthly or quarterly in advance Payments guaranteed for the lease term No rent loss due to void periods Periodic Rent Reviews No tenant rent collection responsibilities	Approximately 92% of open market rent - <i>depending on contract type</i> Paid monthly or quarterly in advance Payments guaranteed for the term No rent loss due to void periods Periodic Rent Reviews No tenant rent collection responsibilities
Internal Maintenance	Local Authority's/Approved Housing Body's Responsibility	Property Owner's Responsibility
Structural Maintenance	Property Owner's Responsibility	Property Owner's Responsibility
Tenant Management	Local Authority's/Approved Housing Body's Responsibility	Property Owner's Responsibility – landlord/tenant relationship exists between property owner and tenant
Furnishings	Not required	Required
Cost Savings	No vacancy periods No rent arrears No letting fees No advertising costs No refurbishment costs Reduced maintenance costs NPPR charge not applicable PRTB tenancy registration charge not applicable	No vacancy periods – depending on contract type No rent arrears No letting fees No advertising costs NPPR charge not applicable
End of Term	Local Authority/Approved Housing Body returns property in good repair order and condition, save for fair wear and tear.	Property Owner retains ongoing maintenance responsibility for the property as normal.

Property requirements

Properties are required where there is a general demand for housing, primarily in urban areas, i.e. towns and cities around the country. Generally, one, two and three bedroom houses and apartments are required. A limited number of four bedroom houses are required. Bed-sits will not be considered.

Property standards

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 condition and will be subject to inspection by the local authority or the approved housing body;
- Properties must be compliant with the Housing (Standards for Rented Houses) Regulations 2008 and must comply with all Planning and Building Regulations;
- BER certificates will be required for all properties. Minimum BER criteria may apply in some local authority areas;
- The long term leasing arrangement requires unfurnished properties;
- Bed-sits will not be considered.

How to make a proposal

Property owners interested in either of the options available can submit details of their property to the local authority or an approved housing body either on the submission template enclosed or you can access online at www.housing.ie/leasing. Enquiries in relation to the Rental Accommodation Scheme can also be made by contacting the RAS co-ordinator in the local authority directly. Details

for the relevant contacts in each local authority area are enclosed with this information brochure and can be accessed online.

Property owners considering making proposals to an approved housing body should contact the organisation directly. Contact details for approved housing bodies are available on www.icsh.ie and www.nabco.ie.

What is the process?

1 Property Owner Submits Proposal

The local authority/approved housing body considers the proposal and will make an assessment as to the need for housing in the area and consider if leasing or renting the property complies with its sustainable communities policy.

The local authority/approved housing body will contact the property owner to discuss the proposal in more detail. The local authority or approved housing body will also discuss the rent amount payable on the property at this point with the property owner.

2 Property Owner Facilitates Inspection

If the property is in a location where the local authority has a housing need, the property will be inspected to determine if it is appropriate for leasing or renting.

3 Lease, Rental Agreement and Supporting Documents

Once the property passes the inspection process, a proposed lease or rent agreement and request for supporting documentation will be issued to the property owner.

Supporting documents required may include proof of ownership, lenders consent if required, and evidence of planning and building control compliance, etc. A tax clearance certificate and BER certificate is required.

4 Sign Agreements

The property owner and the local authority or approved housing body sign the lease or rental agreement for a set term. Tenants are allocated to the property and both parties adhere to the conditions of the arrangement for the term agreed.

Frequently asked questions?

What types of properties are required?

Generally, one, two and three bedroom houses and apartments are required. A limited number of four bedroom houses are required. Bed-sits will not be considered.

What if I want my property back before the end of the lease term?

Under the long term lease arrangement, the lease term will be for a minimum of 10 years. Break clauses after 10 years can be negotiated as part of the lease agreement.

Can I sell the property during the term?

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

What happens if the tenant engages in anti-social behaviour?

Under the long term leasing arrangements the local authority or the approved housing body will be the landlord to the tenants and will have the responsibility to deal with anti-social behaviour issues.

Under the shorter term rental arrangements, responsibility for dealing with anti-social behaviour remains with the property owner who is the landlord. However, the local authority will cooperate with and assist the property owner in addressing these issues should they arise.

What happens if the tenant damages the property?

Under the long term leasing arrangements 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 local authority or approved housing body will be responsible for internal maintenance and repairs during the term of the lease.

Where the property owner retains landlord responsibility under the rental arrangements, maintenance and repair will be a matter for them. Where damage is caused to the property, which is above routine wear and tear, the local authority may be willing to guarantee the equivalent of up to one month's rent towards the cost of repair/replacement, subject to negotiation with the owner.

Can I transfer my existing rent supplement tenant to these new arrangements?

Landlords with existing SWA rent supplement tenants can contact the local authority to discuss the option to avail of the rental arrangements under the Rental Accommodation Scheme. Contact details are included with this information brochure and are also available online at www.housing.ie/leasing.

How can I find out if my property is suitable and meets the required standard?

You can contact your local authority or an approved housing body directly and discuss the suitability of your property for long or shorter term lease/rental arrangements. Alternatively, you may contact the Housing Agency.

How is current market rent decided?

The local authority or approved housing body will discuss the market rent in the area directly with you at an early stage of the process. Local authorities have good operational knowledge of local rents from their experience operating the Rental Accommodation Scheme. Some local authorities will engage a valuer to determine rents in an area. The rent review mechanism will be set out in the terms of the agreement negotiated between the parties. This will be either by way of market rent valuation or a linkage to the CPI rental index.

Are the lease payments liable for VAT?

Where the property owner chooses to charge VAT on the transaction (rent/lease payment), the negotiated rent/lease payment will be deemed to include VAT at the appropriate rate.





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Further information

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