



MACQUARIE

# 24:7 Housing

## Affordable Housing Delivery via Revenue Funded Model in England

Oct 2021

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# Please contact



For any further information about the structure of this proposal please see below contact



## Richard Osborne

### Senior Vice President, Macquarie Capital London

- Richard has spent 10 years working on project finance solutions at Macquarie advising on infrastructure transactions across Europe and North America
- Prior to joining Macquarie, Richard spent 12 years in the construction industry delivery public infrastructure projects

### Professional Qualifications

- Chartered Civil Engineer (CEng MICE)

### Background

- Richard has led or acted on the delivery of over €4bn of infrastructure projects globally including:
  - Civil Infrastructure, UK - Mersey Gateway Bridge UK (£650m)
  - Social Infrastructure, Ireland – Grangegorman Tertiary Education Campus (€260m)
  - Social Infrastructure, Ireland – Delivery of 534 social housing homes in the environs of Dublin (€142m)



## Christine Hynes

### CEO 247 Living UK

- Christine has spent 15 years working in pioneering digital MMC Advanced Manufacturing in Construction (AMC), Cobots Technologies & the creation of the BOPAS Accredited MMC net-zero ecoTECH Fabric First & Passive House Build Systems, with the first homes built in 2008 For English Rural Housing Association followed by multiple Small Site projects for both Social and Affordable net-zero homes.

### Background

- Christine has led on the benefits of MMC for many years and has received awards from Cisco for her works with Parliament and Government on creating the Connected Home.
- This achievement was added to with awards for integrating technologies into homes as a standard:
  - Assisted Living Technologies - O<sup>2</sup>
  - Cradle-to-Cradle – Recycling a whole 3 storey building: Built with the ecoTECH Build System apartment & maisonette in partnership with the GLA

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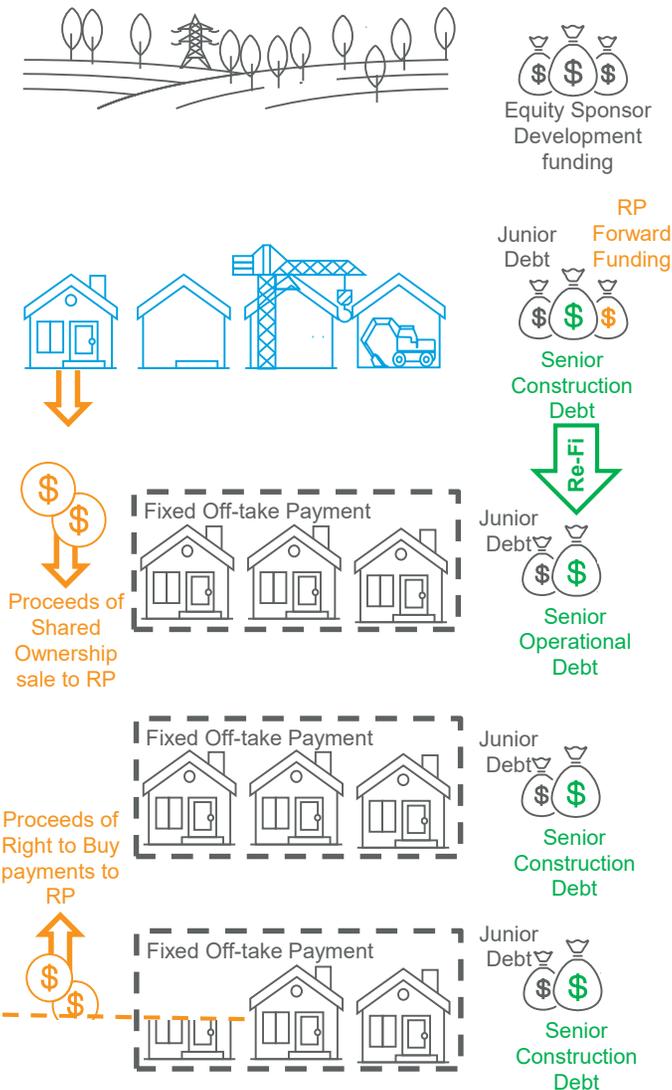
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# Stages of revenue and debt



## Pre Financial Close

- **Macquarie** – responsible for all design and planning [24:7 coordinate the design]
- **Macquarie** – negotiate debt docs, D&B Subcontract and take or pay “Subscription Agreement” with RP
- **Authority** – provide the land for a peppercorn for Macquarie to develop design + planning
- **Macquarie** – incorporate SPV and freehold is transferred to SPV by Authority

## Financial Close to Construction Completion

- **SPV** – responsible for construction of homes using a JCT fixed price and programme D&B Subcontract
- **SPV / Registered Provider** – @ Financial Close executed take or pay “Subscription Agreement”
- **Registered Provider** – Injects forward funding contribution to the construction as appropriate (e.g. any Homes England Grant or forward sale of shared ownership homes)

## Construction Completion

- **Registered Provider** – RP acquires freehold from Macquarie
- **Registered Provider** – RP sells the shared ownership homes (RP takes 100% of any upside)
- **SPV + senior debt** – places a “Charge” over the remaining freehold not sold under shared ownership

## 40+ Year Off-take

- **Registered Provider** – Manages the tenants, tenancy agreements and all maintenance and lifecycle
- **Registered Provider** – Pays a fixed fee to the SPV for [40+ years] indexed at CPI [+X%]
- **SPV + senior debt** – retains the Charge over the remaining freehold not sold under shared ownership

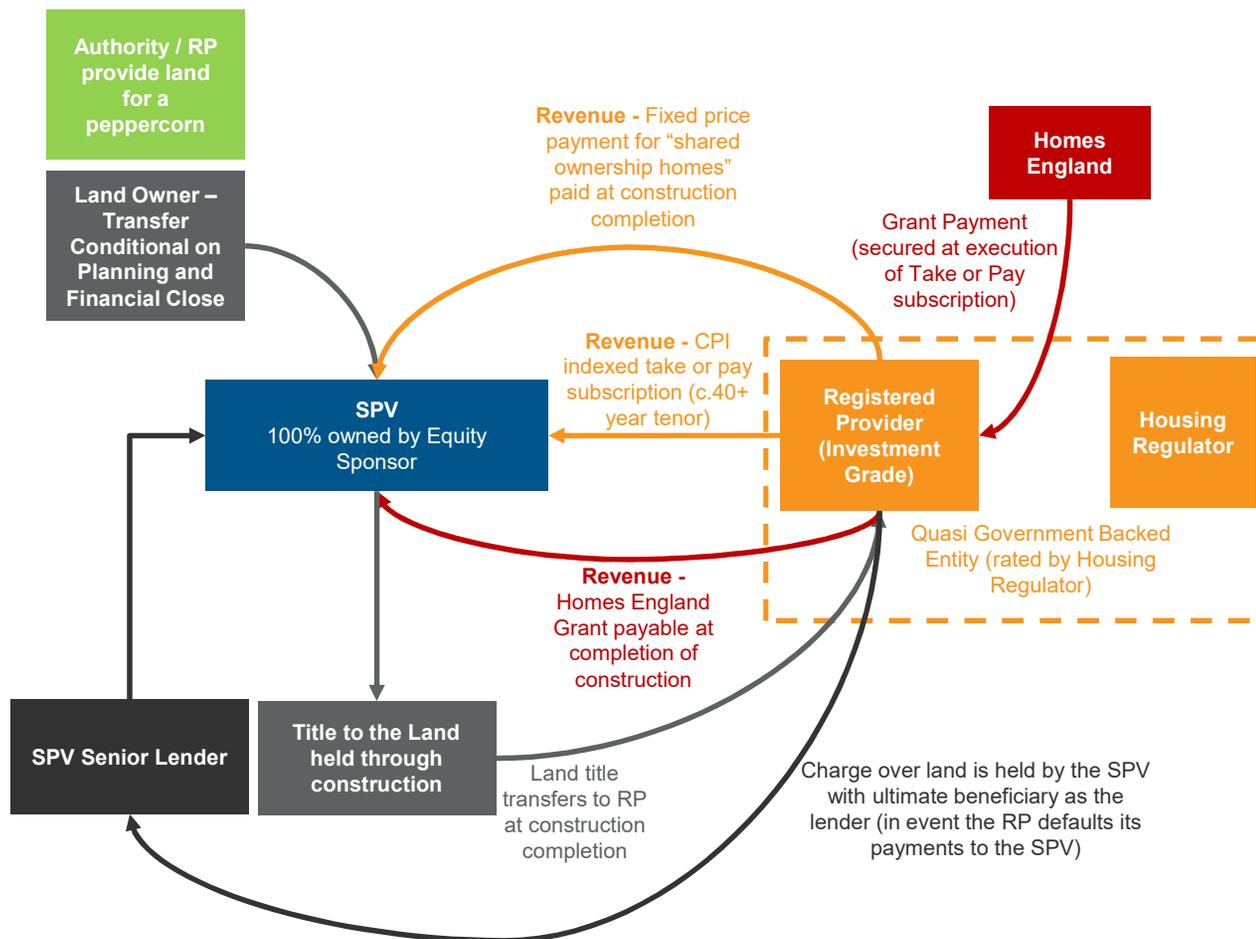
## Fixed Charge + Right to Buy / Staircasing

- **Registered Provider** – Owns the freehold with a fixed Charge held by SPV
- **Fixed Charge** – reporting by Registered Provider of any erosion in fixed charge through “Right to Buy” / “Staircasing”. Charge ceases to be valid at the expiration of the 40+ year Subscription Agreement.

# Project structure at financial close



Project Financed social/affordable housing solution, raising funding on the basis of a “Take or Pay” agreement (the “Subscription Agreement”) with Investment Grade rated Registered Provider (with implied UK government backing)



## Authority provision of Land

- Authority provide land for a peppercorn condition on the outcomes shown below at financial close.

## Construction funding and payments by RP

- Take or Pay subscription signed prior to submission of planning – obliges RP to take the asset on completion of homes. Land is transferred to RP at end of construction.
- RP pays a fixed price for the portion of homes that will be utilised by the RP as “shared ownership homes”. Fixed price is pre-agreed within the Take or Pay subscription agreement.

## Homes England grant

- Homes England Grant negotiated by RP prior to submission of planning by Equity Sponsor. Payment contracted within the Take or Pay subscription (signed prior to submission of planning) makes grant payable by RP at the end of construction.

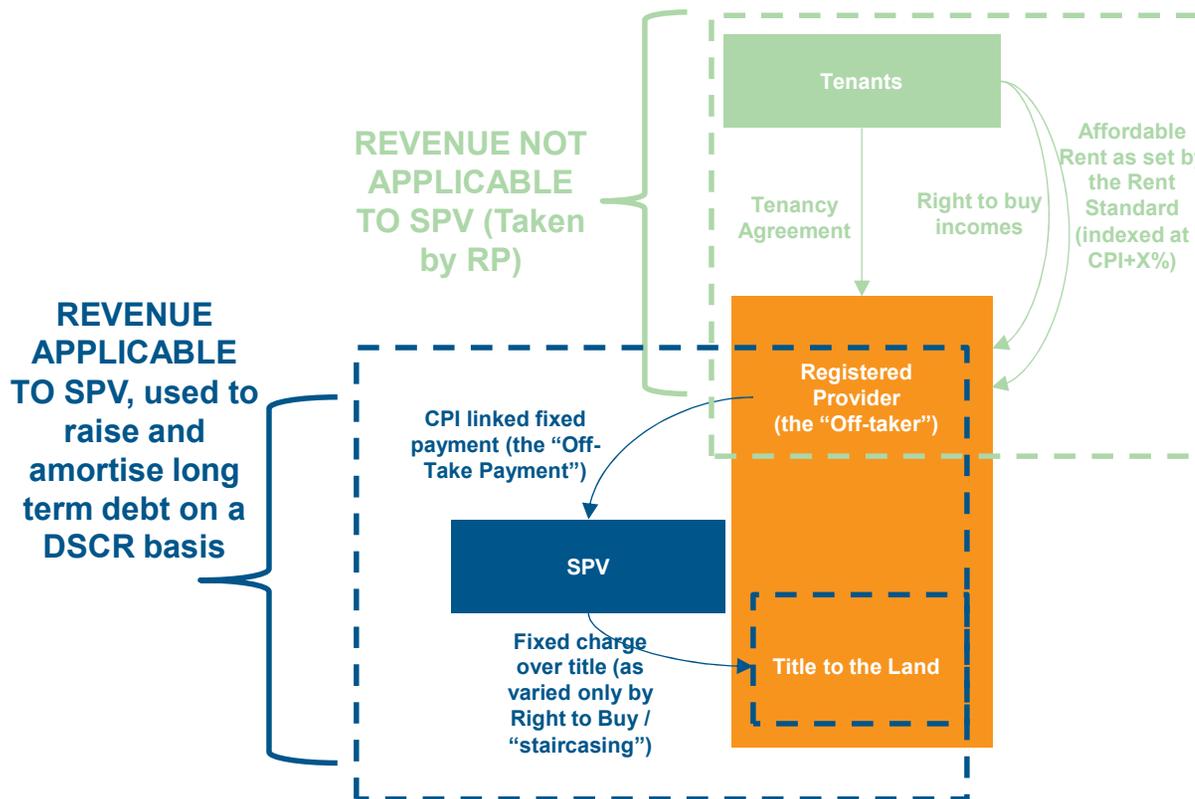
## SPV takes fixed price construction risk

- SPV engages EPC Contractor on a fixed price, fixed programme contract. Likely NEC option A or a JCT form of contract.

# Cash flow structure after construction completion



Project Financed social/affordable housing solution, raising funding on the basis of a “Take or Pay” subscription agreement with Investment Grade rated Registered Provider (with implied UK government backing)



## Registered Provider responsibilities to SPV post construction set out in Subscription Agreement

- Registered Provider undertakes all the facilities management and tenancy management services for a fixed fee (index linked). This fee is netted off from the Subscription Agreement fixed payment (linked to CPI + [X%])
- Registered Provider pays a fixed, index linked subscription payment over 40+ years as a “take or pay” arrangement (backed by an investment grade rating for the RP), i.e. taking rental and occupation risk.

## The “Charge” held to benefit of SPV (and its lenders) over the underlying assets

- SPV holds “Charge” over the underlying asset (the freehold) varied only by the “right to buy”.
- The Charge is exercised where the RP defaults in its obligations under the Take or Pay subscription with the SPV or becomes insolvent.
- Where Charge is eroded by “Right to Buy” / “Staircasing”, the RP will replace the Charge with an equivalent asset (noting clearly the geography may change).
- Charge ceases to exist at the end of the 40+ year subscription payments.

# 24:7 Living MMC net-zero future standards housing for social change, diversity, equity & inclusion: BOPAS Accredited



**Net-Zero**



**Affordable Housing**



**For Everyone**

