

Estate Regeneration Programme Frequently Asked Questions

Q. How can we show that our scheme has support from the local community and that local people have influenced decision-making?

A. We are asking applicants to submit quantified evidence that the local community have been involved and have had a say in decision-making. This could include copies of consultations and the results.

We will look very closely at the type and depth of engagement that has taken place with local people, and will pay particular attention to evidence that shows the wishes of local people have been taken into account. For example, we will discount consultations that have not offered serious options to their communities on matters such as housing style, layout, height, materials and split between public/private spaces.

Q. What is meant by ‘well-designed housing’?

A. This is about homes that are built with good quality materials, that will be sustainable and secure and that meet the needs of local people. Further information on design is set out in the National Planning Policy Framework and Practice Guidance.

Well-designed housing in London must meet the Mayor’s Housing Design Guide requirements and policies contained within the London Plan and linked documents, as well as local plans.

There are a number of organisations that have carried out work on design approaches, such as The Princes Foundation for Building Community, the Design Council and Create Streets.

Q. Can tower blocks be built? If so, how big can they be?

A. We believe that higher density can be achieved through better design and better use of space. . Create Streets has demonstrated that higher densities can be achieved whilst going back to traditional streetscapes. However, we understand that some schemes may need multi-storey developments to make them commercially viable. We will not rule out schemes where that is the case. Local community engagement on the scheme design, including around multi-storey developments, is important.

Q. When would demolition of existing housing be justified?

A. Demolition could be justifiable in cases where, for example, it would allow remodelling of an estate lay-out and an increase in housing density, it has the backing of the local community, it would allow for the creation of more mixed communities, or when the existing stock is too expensive to maintain. More information on the best approach is in George Clark’s twelve point plan, available at <http://www.emptyhomes.com/what-we-do-2/campaign-demands/2470-2/>

Q. What counts as ‘appropriate security’?

A. We will consider a number of forms of security as being appropriate, including: legal charges over land/property, guarantees (corporate or personal) and performance bonds subject to due diligence and viability assessments.

Q: As part of my proposal, can I offer security as a charge over alternative unencumbered assets which I hold an interest and/or control over?

A: Yes. All forms of land and/or property security will be considered, subject to due diligence and viability assessments.

Q. Will funding be available for *phases* of projects as well as for entire projects?

A. Yes, provided that such bids comply with the eligibility criteria. Applicants will be asked to submit bids via an online Expressions of Interest form. The form will require aggregated information about the phases for which funding is being requested, whether this be one or a number of phases on a wider site or all phases of the entire site.

Q: Will you accept a junior position in the debt structure?

A: A senior debt position is the preferred position. We can consider a junior position if justified, but only with reference to and within an acceptable overall programme investment profile.

Q. At what stage will a fully completed Certificate of Title be required?

A. A fully completed Certificate of Title must be provided at the due diligence stage. Once an initial assessment of bids has been performed, successful shortlisted applicants will be invited to the due diligence stage. It is anticipated that the due diligence stage will commence towards the end of the calendar year.

Q. How will it be decided that a scheme is financially viable?

A. The criteria to assess the financial viability of schemes are set out in the prospectus. Schemes will be subject to analysis including stress-testing to enable a view to be taken on financial viability assessment.

Q. Who will provide the funding?

A. A Government-approved body, the designated lender, will provide the funding.

Q. Who will receive the funding?

A. Funding will be provided to the approved developers of a scheme. These must be private sector entities.

Q. Will there be a legal agreement?

A. There will be a legal agreement covering funding, i.e. the funding agreement, between the designated lender and recipients of loans, as well as any other relevant legal documents (e.g. legal charge documents) to protect the commercial position of the parties.

Q. What will this funding legal agreement cover?

A. The funding agreement will cover a number of terms and conditions of the funding, including: the amount of funding to be provided, its permitted application or use, the drawdown and repayment of funds, loan interest, security and guarantees, and events of default as well as other relevant terms.

Q. Will it be possible for funding payments to be stopped or repaid earlier than the scheduled payment or repayment? If yes, on what basis?

A. The funding agreement will cover the action and processes that would apply with regard to breaches of its terms, including ceasing payments or implementing early repayment if warranted.

Q. On what basis will the interest rate be set on loans?

A. Loan interest rates will be set with regard to European Commission guidance including State Aid guidance and assessment of the creditworthiness of borrowers, and the security (or collateral) offered.

Q. Will recipients of loans be able to recycle returns on the investment?

A. It is not proposed that this is a recyclable fund.

Q. Will funding need to be spent in the year it is provided, as opposed to being committed?

A. Funding will be provided on an annual basis and must be spent in the financial year it is provided.

Q. Why are bidder equity commitments required?

A. A bidder who is willing to invest their own equity in a project is considered more likely to have a greater interest in ensuring the successful delivery of the project and in maximising the profits generated. This is a standard commercial approach to investment.

Q. What type and quantum of collateral will be required for the investment?

A. The security required will be determined on a scheme by scheme basis.

Q. What monitoring arrangements will exist?

A. The designated lender will require regular and timely progress reports e.g. monthly or quarterly and at other times in response to emerging risks, which provide comprehensive management information on schemes including the development's progress, costs, values, and the project's funding position, as well as the borrower's financial position.

Q: If my bid is successful what other finance costs will I be expected to pay?

A: Applications which successfully complete the due diligence and contracting stages will be expected to pay the related costs for a Monitoring Surveyor appointed by the HCA. The developer will also be expected to pay their own legal fees and loan interest charges. The HCA will pay its own legal fees.

Q: What qualifies as developer equity?

A: Equity may include the following, but will be assessed on a case by case basis and will be subject to due diligence (with the Agency's decision being final):

- Current (evidenced) market value of the development site net of any debt secured against the site,
- Cash invested in the site from the developer's own resources, rather than cash drawn from a debt facility secured against the site, subject to any inter-creditor arrangements.

Q: Will sunk cost details be required in my bid?

A: Details of sunk costs will be required as part of the due diligence process in order to assess issues including: scheme economics, the value of security offered, the bidder's equity contribution and the maximum sum the Agency will be willing or able to invest.

Q. Who will funding be provided to?

A. Funding will only be provided to private sector partners, this includes private Registered Providers. The delivery body must not be classifiable as a public sector body.

Q: How can I access the fund?

A: Applicants are invited to bid for funding via the Partner Portal Expression of Interest form. A bidding competition round will open in early July, at which point a link to the online form and supporting information will be published on the website:

UPDATE, 4TH SEPTEMBER 2014

Q: How will you assess the prioritisation criterion on “schemes that deliver the greatest increases in housing density on sites using a mixture of different types of well-designed housing”?

A: When assessing the design statements in the bids received, we will apply seven basic principles of good design:

1. Character - a place with its own identity
2. Continuity and enclosure - where public and private spaces are clearly distinguished
3. Quality of the public realm - a place with attractive and well-used outdoor areas
4. Ease of movement - a place that is easy to get to and move through
5. Legibility - a place that is easy to navigate
6. Adaptability - a place that can change easily
7. Diversity - a place with variety and choice

As part of this, we will score the design aspects more positively when schemes are based on streetscapes with low or medium rise developments (maximum eight stories). Exceptions to this will be made when the areas surrounding the scheme already have high quality high rise developments and where the context is

appropriate for this type of development and where viability is clearly affected by quality higher rise development

<https://www.gov.uk/government/publications/estates-regeneration-programme>

Applicants are asked to register their interest by emailing the following address:

EstateRegeneration@hca.gsi.gov.uk