**BUild To Rent - Round 2**

**MAY 2014**

**DETAILED DUE DILIGENCE**

**DDD2 – Questionnaire**

**Summary of Contents:**

1. **Assessment of counterparties and creditworthiness**
* Section 1: Project Delivery Partners and Structure
* Section 2: The Proposition Summary
1. **Availability of equity and other funding**
* Section 3: Project Finance
1. **Security position**
* Section 4: Security
1. **Project Assessment & Exit arrangements**
* Section 5: Long Term Management Strategy
* Section 6: Exit Strategy
* Section 7: Project Details (by site)
* Section 8: Indicative Scheme Layouts and Unit Design
* Section 9: Proposed Milestones and Build Programme
* Section 10: Viability and Appraisal
* Section 11: Risk Register and Management Plan
* Section 12: Contract

**BTR R2 Detailed Due Diligence: BTR Questionnaire**

|  |  |
| --- | --- |
| **A. Assessment of counterparties and creditworthiness** |  |
| **Section 1: Project Delivery Partners and Structure** | **Submitted** |
| 1.1 | Please provide the contact details for the project lead | Name:      Position:      Organisation:      Tel. (landline):      Tel. (mobile):      Email:      Address:       | YES/NO |
| 1.2 | Please confirm who will be the contracting party or parties | Name:Registered Number:       | YES/NO |
| 1.3 | Please provide the name and contact details of the contracting party’s legal advisers:*(Please note separate enquiries, for example, with respect to certificate of title will be made directly to the contracting party’s legal advisers.)* | YES/NO |
|  | Name:      Position:      Organisation:      Tel. (landline):      Tel. (mobile):      Email:      Address:       | YES/NO |
| 1.4 | Who are the other main parties on the project? – RP / contractor / exit partner etc. Provide a summary of roles and responsibilities. |       | YES/NO |
| 1.5 | Please outline the proposed delivery team and their respective roles and responsibilities (please include the proposed delivery team structure) |       | YES/NO |
| 1.6 | Please clarify the legal structure of the contracting and delivery partner relationships (and guarantor). To include details of ownership of proposed contracting party (including identity of any intermediate and ultimate parent companies, companies under common control and ultimate owners)Group structure diagram (where applicable)Most recent filed accounts for applicant and parent company/ proposed guarantor (where applicable)Where balance sheet date in filed accounts is more than 6 months ago, supply copies of draft statutory or recent management accounts |  | YES/NO |
| **Section 2: The Proposition****(Please note that throughout the Detailed Due Diligence Guidance Notes and templates the term ‘PRS Phase’ means the wider scheme elements that are integral to delivering the PRS units, i.e. which maybe wider infrastructure works, housing tenures and land uses. Your submission must include relevant information for all elements of the ‘BTR Phase(s)’, to enable HCA to assess their viability and deliverability.)** |
| 2.1 | Please confirm how many BTR Phases / sites the PRS units will be delivered on and the number of PRS units to be delivered on each BTR site / phase. |  | YES/NO |
| 2.2 | Please confirm your estimated total development costs for delivering all of your proposed BTR Phases (i.e. including cost to deliver the PRS and non - PRS tenures and land uses integral to delivering the BTR phase) |  | YES/NO |
| 2.3 | Please confirm your assumed pro-rata costs for delivering the PRS units only.  |  | YES/NO |
| 2.4 | Please confirm any changes to your bid from that submitted in as your expression of interest |  | YES/NO |
| **B. Availability of equity and other funding** |  |
| **Section 3: Project Finance** |  |
| 3.1 | Please confirm the total ungeared Peak Funding requirement at the proposition level, i.e. to complete all of your proposed BTR Phases. |  | YES/NO |
|  3.2 | Please confirm the total amount of BTR Loan and or/Equity applied for. |  | YES/NO |
| 3.3 | Please confirm the total amount of Bidder Equity invested / to be invested across the BTR sites / Phases.Where part of equity contribution is being met by value of the site (or part), confirmation of site value supported by an independent RICS Red Book valuation. Evidence of funds to meet equity cash contributions will be required in second stage due diligence. |  | YES/NO |
| 3.4 | Please confirm the total amount of bank debt and / or other finance invested / to be invested across the BTR sites / phases.Documentation from banks or other third party funders to confirm facilities and associated conditions: - facility agreements - heads of terms - indicative letters of support |  | YES/NO |
| 3.5 | Please confirm the total amount of BTR support bid for as a % of the total pro-rata costs of delivering the PRS units only.  |  | YES/NO |
| 3.6 | Please provide a project finance plan covering development and management phases (including any other public funding agreed for the scheme). Indicate any conditions attached to award or draw down of any funding. |  | YES/NO |
| 3.7 | Please provide the following information in respect of proposed bank funding: * details of the bank(s) that will be providing development finance for the proposed BTR project; (including bank name, address and contact details for bank relationship manager(s));
* a copy of the bank facility agreement covering development finance for the proposed BTR project, including details of the main terms and conditions. In the event that a bank facility agreement is not yet in place, bidders should provide a draft facility agreement/Heads of Terms together with details of any outstanding conditions/requirements that need to be satisfied before bank funding will be available and the expected timetable for bank funding to be in place.
* A summary of the key terms and condition of the facilities to be used to fund this scheme including security (fixed / floating charge), covenant requirement, interest rate, fees and repayment terms
* A copy of the most recent covenant compliance report provided to your existing lenders
* Cashflow projections demonstrating adequacy of funding facility and continued compliance with financial covenants
* Details of the current balance and headroom on the facilities to be used to fund the scheme
* confirmation of whether the proposed project is to be financed by a corporate facility or through a project specific facility; and
* in the event that funding is to be provided through a corporate facility provided by a syndicate of banks, please confirm whether you have contacted the banking syndicate about BTR and, if so, whether the banking syndicate has raised any issues about the basis on which BTR funding is intended to be made available.
 |  | YES/NO |
| 3.8 | Please provide evidence to support the availability of equity/funding to be introduced by the bidder into the proposed project. Evidence could include (but is not limited to) valuation of site, confirmation of sunk costs, most recent management accounts, copies of bank statements or letter of support from a parent/another related company. |  | YES/NO |
| 3.9 | Please provide details of the proposed funding strategy in the event that funding requirement for the project increases over the course of the proposed development (e.g. if costs increase and/or sales are delayed): |  | YES/NO |
| **C. Security Position** |  |
| **Section 4: Security** |  |
| 4.1 | What form of security is being offered?  |       | YES/NO |
| 4.2 | For sites offered as security please provide a site plan and details of your estimated residual value (scheme development appraisal) of the sites at pre-construction and also the GDV of the developments at the sites at PC which the charge(s) will remain over. Confirmation of site value supported by an independent RICS Red Book valuation. Please also provide details of any existing or anticipated security interests or other conditions (negative pledge or restrictive covenants) or charges granted or to be granted. |       | YES/NO |
| 4.3 | Please provide a draft certificate of title for any land being offered as security if not the site which is the subject of the BTR bid (7.3). |  | YES/NO |
| 4.4 | If security is land and not the site which is the subject of the bid, submit the latest valuation. |  | YES/NO |
| **D. Project Assessment & Exit Arrangements** |  |
| **Section 5: Long Term Management Strategy** |  |
| 5.1 | Please submit the long term management strategy for the private rented units; including the management and lettings strategy; management and maintenance cost assumptions; unit quality and specification; details of the whole life cycle approach.  |  | YES/NO |
| **Section 6: Exit Strategy** |  |
| 6.1 | Please confirm the proposed scheme exit strategy, including whether exit is expected to be through sale to an institutional investor, RP, other party or re-finance, details of the proposed long term exit partner, whether exit is expected to involve the Housing Guarantee Scheme, key milestones and anticipated timescales |  | YES/NO |
| **Section 7: Project Details by BTR Phase/site**  |  |
| 7.1 | Please provide a short description of each of the proposed BTR Phases that make up your proposition (The ‘BTR Phase’ includes the wider development necessary to enable the delivery and letting of the PRS units. i.e. including other housing tenures and land uses which are integral to the delivery of the PRS Phase.) |       | YES/NO |
| 7.2 | Please provide redline plans of your BTR Phases. These should be at an appropriate scale and capable of being printed on A4. |  | YES/NO |
| 7.3 | Please confirm the current ownership and provide a certificate of title for each BTR phase / site within the proposition. |  | YES/NO |
| 7.4 | Please confirm the planning status of the BTR Phases /site(s) which form your proposition, providing planning reference numbers and decision dates  |   | YES/NO |
| 7.5 | Please provide a list any conditions not yet discharged or Agreements (e.g. S106, S278 agreements) not yet signed. Please include the anticipated dates for achievement / signing. Please provide copies of such documents if available. |  | YES/NO |
| 7.6 | Please confirm the site value attributed to each BTR Phase (which should correlate with the figures stated in your individual BTR Phase cashflows) Please also supply valuation evidence to support the book values of the sites (including details of when valuation was undertaken and by whom) | BTR Phase Site Value =  | YES/NO |
| **Section 8: Indicative Scheme Layouts and Unit Design**  |  |
| 8.1 | Please provide an indicative layout plan for each BTR Phase within the proposition |  | YES/NO |
| 8.2 | Where the PRS units on an individual site form part of a wider project, please provide a tenure plan for the wider project illustrating all the proposed tenures and land uses that are integral to the delivery of the PRS Phase. |  | YES/NO |
| 8.3 | For each site / BTR Phase, please provide an accommodation schedule detailing the type and tenure of housing units proposed; gross and net areas of each unit type; no. of bedrooms etc.) |  | YES/NO |
| 8.4 | For each site / BTR Phase, please provide detailed scheme drawings for all unit types including unit specifications |  | YES/NO |
| **Section 9: Proposed Milestones and Build Programme for each BTR Phase** |  |
| 9.1 | Please set out dates when key milestones are expected to be achieved across each site: Please include additional milestones where relevant.(If there is more than one Phase in your proposition please copy and paste this table in order to repeat for each BTR Phase,) |

|  |  |
| --- | --- |
| **Site Name:** | **Date** |
| Detailed planning permission gained |  |
| Contractor Appointed |  |
| Site preparation work started  |  |
| Site preparation work completed |  |
| Primary infrastructure works started |  |
| Primary infrastructure works completed  |  |
| Housing Construction Works started |  |
| Marketing starts |  |
| First units Completed |  |
| Last units Completed |  |
| Transfer of units to PRS Fund [start and end dates] |       |
| First Units Let |  |
| Scheme Fully Let |  |
| HCA Exit |  |
| *Other*       |       |
| *Other*       |       |

 | YES/NO |
| 9.2 | Please provide a legible Gantt chart for each BTR phase setting out the envisaged development and lettings periods [including all pre-development stages/construction period/marketing and lettings period] confirming that construction works can start by 31 March 2016. |  | YES/NO |
| **Section 10: Viability and Appraisal – Please submit these details for the PRS Phase** |  |
| 10.1 | Please submit (for each BTR Phase).a copy of your own development viability appraisal and a separate scheme cashflow in the HCA format |  | YES/NO |
| 10.2 | Please provide a site constraints plan and the proposed mitigation strategy for each BTR Phase. |  | YES/NO |
| 10.3 | Please provide a breakdown of abnormal costs to support the total abnormal costs included in the cashflow |  | YES/NO |
| 10.4 | Please provide a breakdown of S106 / CIL costs to support the S106 / CIL total cost included in the cashflow |  | YES/NO |
| 10.5 | Please provide a breakdown of overheads to support the overhead cost included in the cashflow |  | YES/NO |
| 10.6 | Please provide a Market Report detailing the justification for rental levels, letting rates, occupancy levels and capitalised value of the private rented units on exit for each BTR phase. Please provide a unit rental schedule , to include:* a breakdown of unit types (including houses, flats and number of bedrooms) and net internal areas
* for market rented units (broken down by the above) gross and net rents (explanation as to whether these are furnished or unfurnished rents and whether these include or exclude car parking revenue for spaces allocated to the scheme)

Please provide a commentary relating to; * evidence of anticipated rents being achieved in local area;
* forecast letting rates over the period to full occupancy;
* forecast occupancy levels over the period until exit or re-finance;
* value forecast to be generated on exit or re-finance, including forecast yield
* details of any anticipated ground rent, car parking, commercial or other scheme revenues
 |  | YES/NO |
| 10.7 | Please provide a breakdown of all lettings cost assumptions (including voids, management costs, service charges, repairs and maintenance costs) |  | YES/NO |
| 10.8 | Please provide schedules of base residential costs (by way of a cost plan) for all tenures and land uses forming part of each BTR Phase (see cashflow guidance for detail). This should include* a breakdown of unit types (including houses flats and number of bedrooms) and tenure and gross and net internal areas
* base residential construction costs broken down by the above
* if BTR units / block is an integral part of the wider phase then the whole scheme appraisal will also be needed
 |  | YES/NO |
| **Section 11: Risk Register and Management Plan** |  |
| 11.1 | Please submit a project risk register and risk management plan for each site (including planning, development, financial, commercial and market risks) |  | YES/NO |
| **Section 12: Contract** |  |
| 12.1 | Confirm acceptance of draft heads of terms |       | YES/NO |