

Builders Finance Fund Frequently Asked Questions

Q: Is the Builders Finance Fund available to non-SME developers bidders?

A: Yes. SME and non-SME sized companies can bid for the Builders Finance Fund. For schemes between 15 – 250 units in size, the fund is open to all private organisations which control the relevant site and will carry out development. For schemes between 5 – 14 units in size, the fund will be exclusively for Small and Medium Enterprises.

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: The site proposed as part of our submission for the Builders Finance Fund has already received Get Britain Building (GBB) funding. Can we still apply for a further phase of developer?

A: The Builders Finance Funding is allocated against specific units/dwellings. Wider sites which have previously attracted Kickstart or GBB funding could be eligible for Builders Finance Funding, if the Builders Finance Fund site is for a separate phase of development. For example, if you have a large site with multiple phases or blocks, the various phases or blocks could attract separate funding – e.g. phase 1 receiving Kickstart, phase 2 GBB and phase 3 Builders Finance Fund. Individual units cannot receive funding from GBB / Kickstart and Builders Finance Fund.

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

A: The Builders Finance Fund has flexibility over the form (loan or equity) and structure (senior or junior) of its investment to accommodate the needs of different propositions and the requirements of the promoter and any other finance providers. Whilst the Agency has the ability to take a junior position, the taking of a senior ranking position will be preferable where possible.

Q: Will an equity investment by the Builders Finance Fund involve the purchase of share capital in a company?

A: No. Equity investments by the Builders Finance Fund will be structured as an equity investment in the proposition, which will enable the Builders Finance Fund to participate in the returns from the proposition in proportion to the level of equity investment made.

For example, if the Builders Finance Fund provides £5m of a total equity investment in a proposition of £10m, it will be entitled to 50% (£5m/£10m) of the net proceeds from the scheme.

The equity repayments to the Builders Finance Fund will be determined by the financial performance of the proposition concerned, with the Builders Finance Fund sharing any losses and participating in any profits pari passu with other equity investors.

Q: The site proposed as part of our submission for the Builders Finance Fund includes purpose built accommodation for students and care facilities for the elderly. Will the Builders Finance Fund finance these homes?

A: The fund will support new homes including self-contained homes with care facilities or are later accommodated by students. This does not extend to purpose built homes or buildings with shared facilities such as common rooms or specialised kitchens.

Q: I am developing a small site where I have the support of the local authority to apply for detailed planning without outline planning. Will my bid be eligible?

A: Yes. The Expression of Interest form will ask the applicant whether they have outlining planning consent. If the answer to this question is "No" the form will ask whether the applicant will be applying straight to detailed planning permission with the support of the local authority. The form allows supporting documentation to be uploaded with the submission if applicable. Support from the local authority will be further tested by the HCA during in the assessment stage prior to a shortlist being announced.

Bidders should note that all applications are required to have implementable planning consent in place **within 9 months after initial Expression of Interest submission**, to enable development to commence.

Q: The site proposed as part of our submission for the Builders Finance Fund has only recently stalled. I also have homes which are complete. Is my scheme eligible to bid and will the Builders Finance Fund finance the completed homes?

A: There is no time frame from which a site has to be stalled. Definitions of stalled and slowed down are provided in the Expression of Interest Guidance Glossary.

The Builders Finance Fund is intended to unlock or accelerate the development of homes; sites that will no longer be delivered by the market in the short to medium term due to current restrictions on funding. The fund will therefore not support completed homes.

Q: The scheme which I am requesting funding for is a phase of a wider development. The phase is fewer than 250 homes but the wider development is greater than 250 homes. Will the bid be eligible?

A: A phase of a wider site will be eligible if that individual phase complies with the eligibility criteria.

Q: Can I recycle receipts on my Builders Finance Fund scheme?

A: Recycling of receipts will be considered by the Agency and any approval of such arrangements will depend upon the level of recycling requested, the practicalities/mechanics, and its impact on investment recovery.

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: Will my bid be eligible if I hold an Option to Purchase Agreement over a site?

A: Yes. The Expression of Interest form will ask applicants whether they have control of the site. A text box will allow applicants to demonstrate the Option to Purchase is exercisable and that a start on site can commence by the expected date.

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. The HCA will consider all forms of land and/or property security, subject to due diligence and viability assessments.

If you have a question which is not answered here please consult the prospectus or email Builders.FinanceFund@hca.gsi.gov.uk