



Homes &
Communities
Agency



GET BRITAIN BUILDING

Programme Prospectus

December 2011



Ministerial Foreword

When this coalition Government came to office, house building rates had reached lows not seen in peace-time since the 1920s. Enough homes haven't been built in England for decades but the credit crunch made the problem even worse.

Lenders can't lend, builders can't build and buyers can't buy.

This has had a damaging impact on millions of people: costing jobs; forcing growing families to live in cramped conditions; leaving young people without a home of their own; and causing firms to go bust.

The Government's Housing Strategy - "Laying the Foundations" set out what we are doing to reverse the severe decline in house building. Getting Britain building again is essential to securing the economic growth that this country needs. Building more houses means more jobs. More houses for people who dream of owning their own home. More economic growth.

We need to get builders back on to "shovel ready" sites. Work has stopped on too many building sites that local people walk by everyday - people who are in desperate need of new homes.

In many cases builders have the planning permission needed but don't have the money to start building. That's why the Government announced a new £420 million **Getting Britain Building** investment fund in the Housing Strategy.

This new investment fund will support building firms in unlocking the finance needed to get builders back to work. This prospectus explains how to apply for these funds and how they can be used.

I want to encourage as many developers with commercially viable schemes as possible to apply. I'm particularly keen that small and medium sized builders can ask for funds so I've made sure we've kept things simple. Bids will be assessed purely on value for money and deliverability and there is a simplified 'expressions of interest' stage with an easy to use form.

As a housebuilder it must be really frustrating not to be building. It's what you know how to do. So here's your chance to get back on site – to get those shovels back in the ground. Laying the foundations for the homes you want to build, that people want to live in, and that will help the economy grow.

Together we can get Britain building again.



The Rt Hon Grant Shapps MP
Minister for Housing and Local Government

1 Purpose

1.1 Introduction

*Laying the Foundations: A Housing Strategy for England*¹, published in November 2011, set out the government's objectives for housing, including measures to increase housing supply.

Amongst the key immediate measures to increase housing supply announced in the strategy is a Get Britain Building Fund of up to £420m which will support building firms in need of development finance, including (but not limited to) small and medium-sized builders. This will help to unlock progress on stalled sites which have planning permission and are otherwise shovel ready.

This Prospectus provides more information about the purpose of the fund and how to bid.

1.2 Objectives

Get Britain Building is intended to unlock stalled sites with planning permission to stimulate construction activity and provide new homes where they are needed.

The programme is intended to address difficulties in accessing development finance faced by some housebuilders and to help bring forward marginal sites by sharing risk.

It is intended to focus on unlocking deliverable projects which can start or re-start very soon and achieve good value for money. It is open to all private organisations which control the relevant site and will carry out development.

Funding has been made available by the government for this programme on the basis that it is recoverable. The programme will operate by making direct investments in specific projects through loans to address cashflow issues or taking an equity stake to build confidence through risk-sharing.

The Homes and Communities Agency will contact local authorities to seek their views on each application. Section 3.1 (Local support) explains how this will be taken into account in the competition process.

Where the viability of a scheme is impacted by the scale of planning obligations, during the due diligence phase we would expect to have a three way conversation with the developer and local authority. This would consider whether a more pragmatic approach to balancing those contributions against scheme viability would advance the prospects of bringing forward development on the stalled scheme.

1.3 Type of projects supported

More information on eligibility is provided on pages 7 to 10 but in summary the programme is targeted at stalled sites in England, capable of starting or re-starting on site as soon as possible in 2012 and completing construction of eligible homes by December 2014.

The minimum size will be 25 homes.

¹ <http://www.communities.gov.uk/publications/housing/housingstrategy2011>

1.4 Type of funding available

More information on funding is provided in section 5.1 but in summary the type of support available is set out below, in order of the Homes and Communities Agency's preference for different funding types:

- i **Loans** at commercial rates;
- ii **Equity A** - Equity investments where the government invests alongside the developer and shares proportionately in risks and returns;
- iii **Equity B** - In limited circumstances where viability is marginal the Agency may consider recovery in part as in Equity A above and in part triggered when pre-agreed thresholds (e.g. level of receipts) are reached.

The amount and type of funding ultimately offered to any project will reflect the Homes and Communities Agency's assessment of the minimum support needed for the project to proceed.

The Homes and Communities Agency will look to recover its investment by March 2018, although the Agency reserves the right to receive additional repayment after that date.

The programme is not intended to support sites that have been stalled for fundamental viability and significant market failure reasons.

1.5 Decision-making

At the heart of the Homes and Communities Agency's investment decision-making will be value for money and deliverability. This includes delivering homes which meet local demand and taking account of local authority views, which will be sought by the Homes and Communities Agency.

1.6 Context

Up to 15% of the total funding may be allocated to schemes commissioned through the Homes and Communities Agency. Funding will be allocated to priorities identified through the Homes and Communities Agency's Local Investment Planning process², where projects are ready to start or re-start and where (re)starting construction to an accelerated timetable could create wider local benefits (e.g. tackling environmental blight, eyesore or addressing specific housing or regeneration need). The same value for money thresholds will be applied as to the programme as a whole.

Depending on the nature and value for money of the bids received, an element of the funding may be retained and made available to accelerate delivery on public sector sites, subject to affordability and value for money.

1.7 London

Get Britain Building is being delivered as a national programme and therefore the Mayor has asked the Homes and Communities Agency to administer it in London, in close partnership with the GLA. To reflect the post Localism Act devolution position the following governance arrangements have been agreed in London:

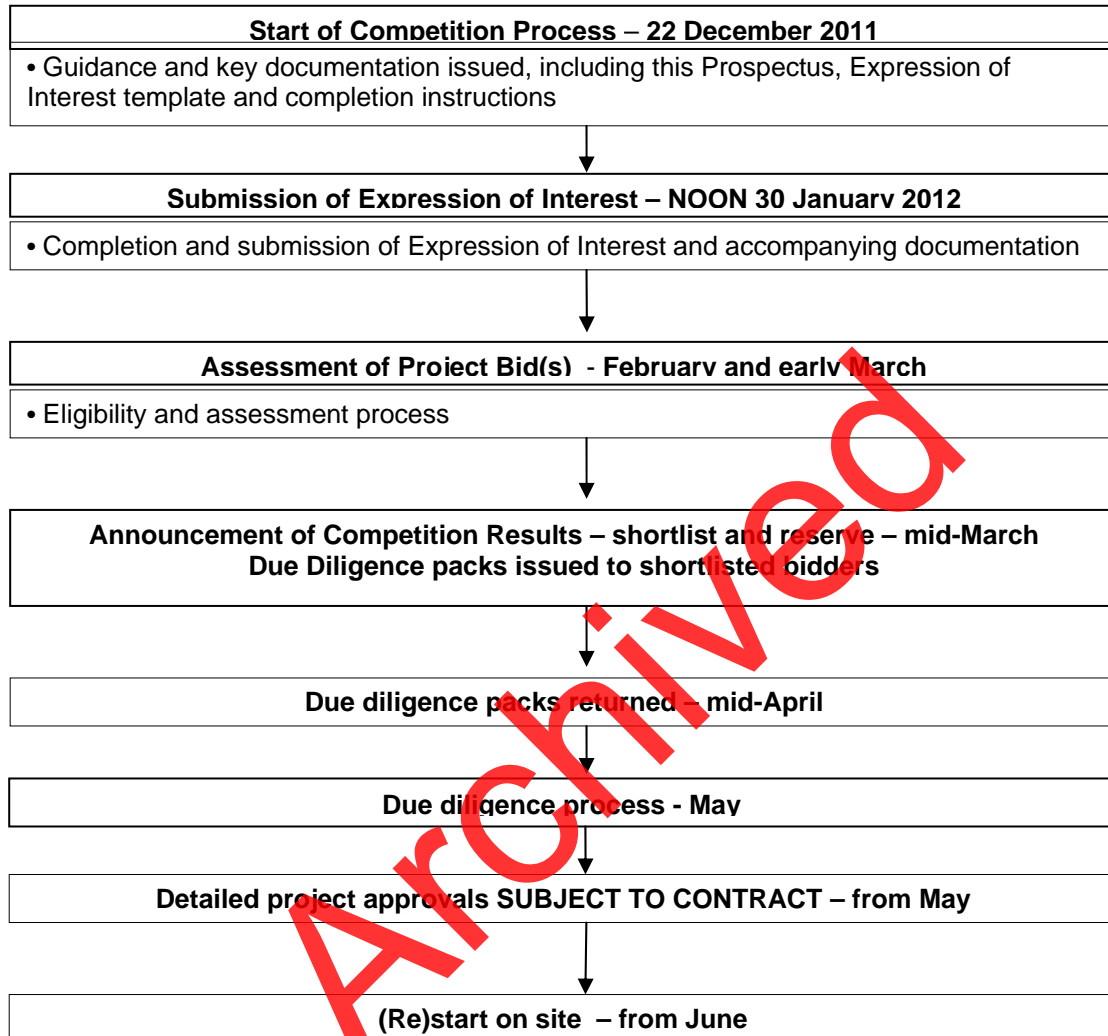
² HCA has worked with local authorities and groups of local authorities at their request to develop local investment plans. All but two areas chose to work with HCA on this basis and completed plans in 2010, which are now live documents. Local investment plans provide a basis for local authorities to identify and prioritise the investment needs of their places and communities. The priorities identified by local authorities in their local investment plans shape the HCA's business planning.

- London will be offered an indicative allocation of 20% of the budget covering commissioning, competition and public land. The share broadly reflects the proportion of stalled units in London;
- The Homes and Communities Agency's London Board and its successor will be given an opportunity to endorse the recommended shortlist and the final list of bids to be supported before they are announced. The Greater London Authority's Housing Investment Group will review the London bids to be recommended to the Homes and Communities Agency's Project Board; and
- The Greater London Authority will be involved in the Homes and Communities Agency's Project Board.

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2 Assessment process

The chart below summarises the timetable for the two-stage competition process. Commissioning via the Homes and Communities Agency and any support to public sector land will happen to separate timescales.



Longstop dates will be agreed for each project reflecting its characteristics. We expect projects to (re)start much sooner but absolute longstop dates for projects to be eligible under Get Britain Building are:

- Project (re)start on site – no later than December 2012
- All eligible homes completed – no later than December 2014

The next section of the prospectus describes the eligibility and assessment criteria at the Expressions of Interest stage.

3 Expressions of Interest

3.1 Introduction

The Expressions of Interest Template which bidders are required to complete is available on the Homes and Communities Agency website along with detailed guidance on completion. <http://www.homesandcommunities.co.uk/get-britain-building>

We set out below those factors that will be used to determine both applicant and project eligibility and those that will be considered as part of the assessment process. These factors are relevant both at the Expressions of Interest (Eol) stage and through the Due Diligence process.

Factor (and reference to corresponding area within Eol template)	Criteria
<p>Applicant</p> <p>(Applicant Screen Section B)</p>	<p>Eligibility</p> <p>Private sector organisations that will develop housing and currently have control of the site which is the subject of the bid.</p> <p>This includes principally housebuilders, developers and private Registered Providers (principally organisations who were Registered Social Landlords), although other organisations, such as joint venture partnerships, can apply.</p> <p>Public sector bodies (including local authorities) are not eligible to bid in their own right. If they have a private sector partner that will develop housing and is in control of the site, that private sector partner can bid.</p> <p>The Expressions of Interest template asks bidders to identify the turnover and number of employees of the housebuilding element of the company's business to provide an indication of company size. This will <u>not</u> be a factor in the eligibility or assessment process. The data is sought to allow reporting.</p>
<p>Control of land</p> <p>(Project Screen Section 6)</p>	<p>Eligibility</p> <p>Control of the site means that land should be secured under clear terms (freehold or long lease (over 100 years), or in the case of sites disposed by the public sector, under building lease or licence) at the time the Expression of Interest is submitted.</p> <p>If land is owned by a bank (or investment fund) which is working with another organisation to carry out development, the developer can apply, provided that a contract is in place between the two, allowing land to be drawn down for development once Get Britain Building funding is agreed.</p> <p>Land held under option or conditional contract is not excluded but there will be a presumption against it unless the applicant can demonstrate that the conditions can be satisfied within the timetable of the Get Britain Building competition process and terms are reasonable. The standard letter template (see website) should be used to provide information on option terms.</p>

<p>Project</p> <p>(Project Screen – Question 0.3)</p> <p>(Project Screen – Question 0.2)</p> <p>(Project Screen – Question 2.4)</p> <p>(Project Screen - Section 5)</p> <p>(Project Screen – Question 0.6)</p>	<p>Eligibility</p> <p>We will consider investment in stand alone schemes or individual phases within larger schemes, in accordance with the timing and delivery criteria below. As some applications will be for a single phase project and other applications will be for a phase within a wider project, the phrase “relevant phase” is used throughout the remainder of this document to refer to either a single phase project or element of a wider project which is the subject of the funding application.</p> <p>Stalled sites (which could be a standalone phase within a wider scheme) will be defined as those where there has been no construction activity on the relevant phase since 1 September 2011 (excluding site clearance/ remediation, affordable housing delivery construction where it has been possible to progress this in advance of other elements of the site and/or limited activity to implement or maintain a planning permission).</p> <p>The minimum size for the relevant phase of a project applying for funding is 25 units (including affordable housing).</p> <p>The relevant phase is expected to have a tenure mix (private sale and renting / affordable housing) which reflects local planning policies. Projects or relevant phases with over 50% affordable housing (PPS3 definition) will not be eligible.</p> <p>Only one bid can be submitted per project, and if multiple bids are submitted the project may be considered ineligible.</p> <p>Sites must be in England.</p>
<p>Local support</p>	<p>Eligibility</p> <p>The Homes and Communities Agency will review each bid with the relevant local authority. Local authorities will be given the opportunity to identify whether they have significant objections to the project, based on transparent factors.</p> <p>Assessment</p> <p>Through discussion with the local authority, projects will be considered for their fit with local authority strategies and policies.</p>
<p>Timing</p> <p>(Project Screen - Section 2)</p>	<p>Eligibility</p> <p>The relevant phase must be capable of (re)starting on site³ by 31 December 2012 at the very latest</p> <p>Eligible homes must be complete by 31 December 2014</p> <p>Assessment</p> <p>Preference will be given to those sites that will deliver early completions</p> <p>The Homes and Communities Agency reserves the right to review assumptions on timing.</p>

³ When the building contractor for the housing development takes possession of the site or property and the provider/developer and builder have both signed the building contract or, in the event that the developer does not sub-contract, when the developer commences physical works on the housing units.

<p>Deliverability</p> <p>(Project Screen – Section 3)</p>	<p>Eligibility</p> <p>Outline planning permission must be in place for the site (or if outline planning is not sought, full planning consent must be in place) at the time of submission of expression of interest.</p> <p>If it does not already, the site must have detailed planning consent by 30 June 2012</p> <p>If relevant any S106 agreements must be signed by 31 July 2012</p> <p>Assessment</p> <p>We will give preference to those sites that have full detailed consent, with preference then going to those that are closest to detailed consent, potentially using both bidder submissions and local intelligence to assess;</p> <p>All other necessary consents to allow start on site must be in place by 31 July 2012. There should be no title, technical, environmental, archaeological or other constraints to the scheme meeting the timescales described above</p> <p>We will consider deliverability in the round, with Homes and Communities Agency local teams using all the information provided in the Expression of Interest, local knowledge and feedback from local authorities.</p>
<p>Value for money</p> <p>(Project Screen – Section 9)</p>	<p>Eligibility</p> <p>Funding sought should be no more than 50% of total project costs (current land value and cost to complete)⁴ to ensure that the Homes and Communities Agency is a minority investor.</p> <p>Assessment</p> <p>The funding sought per unit based on the total number of homes (including affordable homes) unlocked by December 2014 and total investment sought will be calculated by the Homes and Communities Agency and used in the assessment process.</p>
<p>Recoverability</p> <p>(Project Screen - Sections 7 to 9)</p>	<p>Assessment</p> <p>The headline viability of the project will be assessed based on the project financial information. Projects showing a surplus will be given greater weight than marginal projects, which in turn will be given greater weight than projects showing a deficit.</p> <p>To meet the objectives for recoverability, the assessment process will give weight to reflect the Agency's preference for</p> <ol style="list-style-type: none"> 1. % loan; then 2. % equity A – pari passu equity investment; then 3. % equity B – where recovery will be in part as per Equity A and in part triggered when pre-agreed thresholds (e.g. level of receipts) are reached. (see section 5.1 for more information) <p>Because our investment is recoverable, we will consider the demand and</p>

⁴ Project costs will be calculated as the sum of: current land value, plus remaining: infrastructure costs, construction costs, professional fees, S106, sales and marketing, legal costs, any other costs, contingency, non-recoverable VAT, finance charges and overheads.

	competing supply for the project in the context of the local market.
<p>Finance and legal</p> <p>(Applicant Screen - Questions D1 to D3)</p>	<p>Eligibility</p> <p>Board and Finance Director (or equivalent) sign off</p> <p>Availability of development finance – submission of Funding Commitment Letter (covering the amounts available from each source)</p> <p>Acceptance of Heads of Terms</p>
<p>Other HCA investment</p> <p>(Project Screen – Question 0.4)</p> <p>(Project Screen – Question 0.5)</p> <p>(Project Screen – Question 6.6)</p> <p>(Project Screen – Question 6.7)</p> <p>(Applicant Screen - Question E1) & (Project Screen – Question 5.9)</p>	<p>Eligibility</p> <p>Any project phase which is in receipt of Kickstart investment from the Homes and Communities Agency will not be eligible.</p> <p>The new build mortgage indemnity scheme is expected to be of benefit to many sites in receipt of GBB support. We will seek more information about whether you are participating in this at the Due Diligence stage. FirstBuy allocations will not be available for GBB sites (including through proposals to move existing allocations).</p> <p>Organisations that have control of land (on a freehold, building lease or building licence basis) that has been disposed of by the Homes and Communities Agency (or its predecessors) are eligible to apply, subject to there being a legal agreement in place at the time the Expression of Interest is submitted. Where the land is still in the ownership of the Homes and Communities Agency, i.e. it has not been disposed of or is not currently under building lease or licence, the site is not eligible.</p> <p>If the Homes and Communities Agency (or its predecessors) is an equity/joint venture/housing gap funding investor, each scheme will need to be considered on a case-by-case basis to determine whether any investment under this route would impact on the legal (including European rules) or financial treatment of the existing investment. In such instances, you should speak with your Homes and Communities Agency lead contact in the first instance.</p> <p>Any agreements with the Homes and Communities Agency relating to the relevant phase will be reviewed as part of due diligence as part of the process of establishing the minimum necessary level and form of investment.</p> <p>Data is sought where the applicant is already an Homes and Communities Agency investment partner or the relevant phase is within the Homes and Communities Agency's affordable housing programmes. This is for information and will not be part of the Eol eligibility or assessment process.</p>

Expressions of interest will be reviewed by Homes and Communities Agency local teams and with the GLA in London. The Homes and Communities Agency will consult with local authorities and may share non-financial information with them in order to seek their views on the application and to check the planning status of the project. Other verification, for example site visits, may be undertaken. Where the Homes and Communities Agency's view of likely timing and deliverability (including start and completion dates and the number of homes completed by certain milestones) differs from that of the bidder, the Agency's view will be final.

Projects will be reviewed within the context of the programme as a whole and its strategic aims. The programme will be tested for risk prior to shortlisting (and during due diligence).

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4 Due diligence

4.1 Process

Shortlisted bids will undergo a technical due diligence review carried out by the Homes and Communities Agency. Projects will need to satisfactorily complete the due diligence process before funding is awarded, subject to contract.

A due diligence pack will be issued to all shortlisted bidders which will contain greater detail than summarised here.

In summary the due diligence phase will have three key elements –

A Project assumptions and finance

The Homes and Communities Agency will not fund schemes which would be funded in the absence of Get Britain Building. We will test this throughout the bidding process.

Homes and Communities Agency investment will not substitute for existing development finance and on all sites the Homes and Communities Agency will want to be comfortable that it is providing the minimum funding required to allow the scheme to progress, that the developer is making an equity contribution and that the Homes and Communities Agency funding is below a maximum of 50% of project costs.

Through the due diligence appraisal we will therefore seek (amongst other things) to:

- Appraise the project financial position and test underlying assumptions;
- Test that the developer is making an equity contribution;
- Identify the minimum funding needed to unlock the development;
- Consider the most appropriate form of Homes and Communities Agency investment;
- Secure potential for recovery of funding through loan repayment, interest, share of returns or overage;
- Favour those schemes which offer maximum opportunities for recovery of the Homes and Communities Agency's investment;
- Maximise value for money;
- Understand partner roles and responsibilities;
- Understand pricing and marketing strategies for the relevant phase;
- Independently value the developer's equity where Equity A or Equity B is sought – based on current market values; and
- Understand and consider the financial, commercial and market risks associated with the project.

Where appropriate the Homes and Communities Agency will enter into a three way conversation with the developer and local planning authority where the viability of a scheme is impacted by the scale of planning obligations.

B Bidder financial standing

Where the bidder is already a Homes and Communities Agency Investment Partner, it will not be required to undergo a separate assessment of financial standing, although where necessary you may be required to provide updated information such as recent accounts.

Organisations which are not investment partners will be asked to undergo a review of financial standing. Detailed guidance will form part of the due diligence pack but the

information sought is likely to follow the financial elements of Investment Partner qualification⁵.

For all bidders, the Homes and Communities Agency will consider the most appropriate form of security for its investment. This will involve the use of charges and guarantees and negotiation with existing financiers.

An assessment of creditworthiness and collateralisation will be required for all loan applicants.

We reserve the right to request additional financial information from any bidder if necessary. We also reserve the right to take account of a bidder's track record on investment recovery with the Homes and Communities Agency, through current and previous programmes.

C Deliverability

The Homes and Communities Agency and its advisors will want to test the programme and review the risks associated with the programme in relation to:

- ability to (re)start on site – including a review of title, planning and site constraints;
- development programme and underlying assumptions;
- sales programme and underlying assumptions.

4.2 Evidence

The Due Diligence pack will set out what bidders will be expected to provide at the Due Diligence phase for shortlisted sites. It is likely to include:

- programme, including showing key tasks to (re)start on site
- a completed cashflow in standard format
- evidence of planning permission (including S106) and other relevant consents
- up to date Certificate of Title
- evidence of bank (and other loan or equity investor) finance and terms
- layout plan
- scheme drawings
- most recent site valuation
- Finance Plan (including any other public funding agreed for the scheme)
- confirmation of roles of developer, and other partners involved in delivering the scheme, e.g. RSL, bank, contractor
- programme – construction and sales
- acceptance of standard Homes and Communities Agency contract
- financial standing information for organisations which are not already Homes and Communities Agency Investment Partners
- whether the bidder has signed up to participate in the Mortgage Indemnity scheme.

Homes and Communities Agency staff will meet with the bidder during the due diligence process.

⁵ See sections 1 – 3 of Investment Partner qualification at <http://www.homesandcommunities.co.uk/affordable-homes>

5 Terms

Heads of Terms will be available on the Homes and Communities Agency's website at the start of January. As part of the Expressions of Interest stage bidders are asked to indicate the amount of funding they are seeking under each of the available investment types and confirmation that they would agree to the Heads of Terms.

Standard form contracts will be available alongside the due diligence packs and as part of the due diligence process, developers will be asked to confirm that they are willing to accept Homes and Communities Agency terms and we will look to conclude the contracting process and get starts on site as quickly as possible after approval.

5.1 Investment

The level of investment offered by the Homes and Communities Agency at the end of the due diligence process will be based on the Agency's view of the minimum necessary for the project to proceed and of recoverability. Both the quantum and type of investment offered by the Homes and Communities Agency will be based on the Agency's appraisal of the project and might be less than the funding sought.

The Homes and Communities Agency will seek to structure its investment in the ways set out below. The order in which these are presented reflects the Agency's preferences, based on the requirement for investment recovery:

- i **Loans** – on commercial terms – to be repaid as units are sold with a longstop date of March 2018. The interest rate will be calculated using the EC Reference rate plus a Margin calculated on the basis of an assessment of creditworthiness and collateralisation. For more information see the competition website⁶.
- ii **Equity A** – on a pari passu basis – the Homes and Communities Agency invests alongside the developer's equity investment. The Homes and Communities Agency will not invest more equity than the developer. Once any loans are repaid, project receipts are shared proportionately between the Homes and Communities Agency and the developer⁷. There would be a longstop repayment date of March 2018, although the Agency reserves the right to receive additional recovery after this date.
- iii **Equity B** – in limited circumstances where viability is marginal the Agency may consider recovery in part as per Equity A and in part triggered when pre-agreed thresholds (usually defined in terms of levels of receipts) are reached. There would be a longstop repayment date of March 2018, although the Agency reserves the right to receive additional recovery after this date.

It is hoped that the longstop repayment date of March 2018 will allow those applicants considering inclusion of a private rented element within their project, the opportunity to let the homes and create a track record, prior to the point where refinancing / onward sale will be required to meet the longstop repayment date to the Homes and Communities Agency.

Under Equity A, where there are phases of the wider project that go beyond December 2014, the Homes and Communities Agency will consider taking an equity stake in the wider project. So for example, in a project of two phases, each of 100 homes, phase 1 might complete by

⁶ <http://www.homesandcommunities.co.uk/get-britain-building>

⁷ The developer is required to provide equity into the relevant phase, this will be valued and percentage equity shared between HCA and the developer agreed on this basis, with HCA providing no more equity than the developer.

December 2014 and phase 2 by December 2016. The eligible homes for GBB (and the basis for the cost per unit assessment) would be the 100 homes completing by December 2014. The Homes and Communities Agency's equity investment could be a stake in the 200 home wider project and recovered as a proportion of the wider project as revenue flows through.

Worked examples will be available on the Homes and Communities Agency's website in early January.

5.2 Other key terms

Other key terms will include:

- The developer will be contracted to build a given number of units by a particular date.
- The agreement will set out milestones for project delivery including longstop dates for starts and completions of homes.
- It is required that all schemes in which the Homes and Communities Agency invests, will be managed on an open book basis. Contracted partners will be required to provide monthly reports on progress including construction progress, homes started and completed, apprentices employed; and quarterly project cashflow updates.
- It is anticipated that funding will usually be drawn down against defined qualifying expenditure.
- It is anticipated that re-payment will be required by the sooner of when homes are sold or a longstop date (March 2018).
- The Homes and Communities Agency will invest no more than 50 per cent of relevant phase costs (current market value and cost to complete).
- The Homes and Communities Agency's liability will be limited to the value of its initial investment.
- All Homes and Communities Agency's investments will be secured appropriately, through use of second charges, parent company guarantees (subject to financial standing) or alternative approaches as appropriate.
- It is envisaged that in many projects an intercreditor deed (ICD) will be required. A standard form ICD will be available on the Homes and Communities Agency website at the Due Diligence stage.

6 Additional information

More information is available on the Homes and Communities Agency's website at:
<http://www.homesandcommunities.co.uk/get-britain-building>

The web page will be frequently updated throughout the competition process and bidders should check regularly for updates.

Any queries should be sent to the competition mailbox. The email address is
GetBritainBuilding@hca.gsx.gov.uk

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homesandcommunities.co.uk
mail@homesandcommunities.co.uk
0300 1234 500



Homes and Communities Agency
7th Floor
Maple House
149 Tottenham Court Road
London W1T 7BN
GetBritainBuilding@hca.gsx.gov.uk

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The Homes and Communities Agency is committed to providing accessible information where possible and we will consider providing information in alternative formats such as large print, audio and Braille upon request.

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