



Department for
Communities

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Department for
Commonities

www.communities-ni.gov.uk

Intermediate Rent Development of Policy and Model: Consultation

SCOPE OF CONSULTATION

Topic of this consultation:	This consultation seeks views on policy proposals for the introduction of an Intermediate Rent model for the housing market here.
Scope of this consultation:	We are keen to hear the views of all parties with an interest in the proposals so that relevant views and evidence can be taken into account in deciding the way forward.
Geographical scope:	These proposals relate across Northern Ireland.
Impact Assessment:	A summary of evidence to support the proposed changes is included in this consultation document, and we have also published an accompanying Section 75 Equality Screening document. A Rural Needs impact assessment and Data Protection screening have also been produced and are available on request. We are keen to receive feedback and to receive any other relevant evidence that should be considered.

BASIC INFORMATION

To:	This is a public consultation about plans to introduce new Intermediate Rent housing policy and model into the housing market here, and anyone with an interest in the proposals can respond.
Body/bodies responsible for the consultation:	This consultation is being run by Housing Division in the Department for Communities.
Duration:	The consultation will be open for responses from 18 October 2021 - 14 January 2022
Enquiries:	<p>For any enquiries about the consultation please email the Department at: AffordableRentBranch@communities-ni.gov.uk</p> <p>or write to: Intermediate Rent Consultation Affordable Rent Branch Department for Communities Housing Division, Level 3, Causeway Exchange, 1-7 Bedford Street, Belfast BT2 7EG.</p>

How to respond:

You can respond using the Citizen Space link on the consultation page at **<https://www.communities-ni.gov.uk/consultations>**

If you would prefer not to use Citizen Space, the consultation questions can be accessed in a Microsoft Word document on the consultation website. Responses prepared in this format should be sent to the email or postal address below.

In responding to this consultation please do not submit any sensitive personal data or information.

You are under no obligation to provide personal details in responding to this consultation.

In line with good practice and sustainable development this document has been published electronically. Responses are accordingly requested, where possible, in electronic format.

You can email your response to the questions in this consultation to:

AffordableRentBranch@communities-ni.gov.uk

Written responses should be sent to:

Intermediate Rent Consultation
Department for Communities
Housing Division
Level 3, Causeway Exchange
1-7 Bedford Street, Belfast
BT2 7EG

When you reply it would be very useful if you could confirm whether you are replying as an individual or submitting an official response on behalf of an organisation/group and include:

- Your name
- Your position in the organisation (if applicable)
- The name of your organisation (if applicable)
- An email address

We will only use your information for the purposes of analysis of feedback to this consultation, and to contact you at your request to follow up on matters raised if required. Whether you are responding on behalf of an organisation or as an individual, please indicate if you consent for your identity to be made public, or otherwise.

Consultation Response:	<p>We will consider the responses received and, following that, publish a consultation report on the Departmental website, which will outline feedback received (including the identity of respondents) and the Department's next steps.</p> <p>If at a future time you wish to withdraw your consent to your identity being published please contact the Department using the email/postal address details provided.</p>
Accessibility:	<p>A range of alternative formats are available upon request from this Department.</p> <p>Please email the Department at: AffordableRentBranch@communities-ni.gov.uk</p> <p>or write to: Intermediate Rent Consultation Department for Communities Housing Division, Level 3, Causeway Exchange, 1-7 Bedford Street, Belfast BT2 7EG.</p>

HOW WE CONSULT	
Consultation Principles:	<p>This consultation is being conducted in line with the Fresh Start Agreement – (Appendix F6 - Eight Steps to Good Practice in Public Consultation-Engagement). These eight steps give clear guidance to departments on conducting consultations.</p>
Feedback on the consultation process:	<p>We value your feedback on how well we consult. If you have any comments about the consultation process (as opposed to comments about the issues which are the subject of the consultation), including if you feel that the consultation does not adhere to the values expressed in the Eight Steps to Good Practice in Public Consultation-Engagement or that the process could be improved, please address them to:</p> <p>Email: AffordableRentBranch@communities-ni.gov.uk</p> <p>Or write to: Intermediate Rent Consultation Department for Communities Housing Division, Level 3, Causeway Exchange, 1-7 Bedford Street, Belfast BT2 7EG</p>

Freedom of Information:

The Department intends to publish a summary of responses on its website following analysis of the consultation responses. Any contact details that will identify a respondent as a private individual will be removed prior to publication.

All information will be handled in accordance with the UK General Data Protection Regulations (UKGDPR). Respondents should be aware that the Department's obligations under the Freedom of Information Act 2000 may require that any responses, not subject to specific exemptions under the Act, be disclosed to other parties on request.

For further information about Freedom of Information and UKGDPR please contact the Information Commissioner's Office at <https://ico.org.uk/>

After the consultation a summary of the responses to this consultation will be published and placed on the Government website at <https://www.communities-ni.gov.uk/consultations>

The summary will include a list of names and organisations that responded but not personal names, addresses or other contact details. However, information provided in response to this consultation document, including personal information, may be subject to publication or release to other parties or to disclosure in accordance with the access to information regimes e.g. Freedom of Information Act 2000 (FOIA) and the Data Protection Act 2018.

When you are responding if you want information, including personal data that you provide, to be treated as confidential please say so clearly in writing and explain why you need these details to be kept confidential.

If we receive a request for disclosure under the FOIA, we will take full account of your explanation, but due to the law we cannot provide an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your IT system will not, of itself, be regarded as a confidentiality request.

DfC is the data controller in respect of any personal data that you provide, and DfC's privacy notice, which gives details of your rights in respect of the handling of your personal data, can be found at: <https://www.communities-ni.gov.uk/dfc-privacy-notice>

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1. Introduction

- 1.1 The Department for Communities has begun to develop new policy around the introduction of an Intermediate Rent model for the housing market here. This paper has been produced to set out proposals around the shape of the model, including detail on funding, delivery and tenant eligibility, and to seek the views of interested parties. The feedback obtained as part of this consultation, alongside focused engagement with potential end users, will assist the Department in taking the final decisions on the shape and rollout of the Intermediate Rent model.
- 1.2 Intermediate Rent is a private rental product, situated in terms of tenancy duration and rent cost between social and market private rentals. It is variously referred to as 'affordable rent', 'Mid-Market rent', and 'cost rental' in other neighbouring jurisdictions, and seeks to provide high quality, well managed, affordable homes for rent for tenants who cannot or do not wish to access home ownership and would be unlikely to attain sufficient points to have a realistic chance of accessing social housing in an area of choice. Models of this kind have been operational across the UK and Ireland for some time, but have yet to be provided in any formal way in the housing market here.
- 1.3 Following a period of research, evidence gathering, and informal engagement, the Department has now developed an outline framework of proposals for the introduction of an Intermediate Rent model. The purpose of this consultation document is to set out these proposals and to seek your views on the proposed Intermediate Rent model framework. The Department intends to supplement this document with structured engagement with potential tenants and delivery partners to seek their specific views on the benefits or barriers for them with the proposed model.
- 1.4 Accompanying this document are questions aimed at helping the Department gather key information. Your views in response to the paper and to the questions posed, alongside any additional material you supply, will help inform the final decisions to be taken by the Department, and we would seek your agreement to engage directly with you to further discuss your comments, as necessary.

2. Executive Summary

- 2.1 At present, those wishing to access housing here are limited to the established models: social rented, private rented, and home ownership (either through a shared ownership product or directly from the market). The local housing market supports social renting through both the housing association sector and the Northern Ireland Housing Executive (the Housing Executive). It also has a long-established shared ownership model (where the major provider, the NI Co-Ownership Housing Association, also provides a market rental model: Rent to Own). There is, however, no formal provision aimed at tenants who cannot or do not wish to access home ownership and who would be unlikely to have a realistic chance of accessing social housing in an area of choice, but who can afford to pay higher than social rents.
- 2.2 In a statement to the NI Assembly in November 2020, the Communities Minister set out an ambitious housing programme, including the development of a Housing Supply Strategy and the introduction of new housing options to ensure every household has access to a good quality, affordable and sustainable home that is appropriate for its needs. Chapter 3 sets out the Executive's commitment to increase housing supply and housing options to meet the needs of people and families. Intermediate Rent

is one such option under development. This document sets out the issues and evidence explored by the Department to date, and aims to gain the views of a wide range of interested parties to help finalise the Intermediate Rent model in terms of the housing offering and the delivery and funding mechanisms.

What is Intermediate Rent?

- 2.3 Intermediate Rent, a product available under various titles within other neighbouring jurisdictions, seeks to offer an additional housing option aimed at lower income households who will struggle to attain a home which is affordable and suited to their needs. Intermediate Rent sits between social and private (market) rents in terms of cost, quality, security of tenancy, and support services. It allows eligible households the breathing space to more comfortably meet housing costs while providing a good quality home, at a more affordable price (when compared to some market rents) and offers tenancies for longer than the sectoral "norm" of 12 months. An Intermediate Rent model will also connect tenants with a network of support services to help them maintain their tenancy effectively. Arrangements in other jurisdictions are explored in more detail in Chapter 4 of this paper.
- 2.4 The Department has conducted and commissioned research and analysis which has concluded that there is a need

and potential demand for a product of this kind in the housing market here. Examining the levels of market and housing association rents, indications are that setting and maintaining rents at up to 80% of market prices would be a suitable starting point in Intermediate Rent setting, to make an evident benefit to households' housing costs. Analysis indicates that over 50,000 households are paying in excess of 25% of their income on housing costs, and could experience real benefits from access to an Intermediate Rent home.

- 2.5 Offering a standard Intermediate Rent tenancy of up to five years can allow people and families to feel a part of local communities, allow them to plan for future education and employment needs, and relieve the worry of having to frequently seek new accommodation. Chapter 5 of this paper explores the detailed proposals under consideration which relate to Intermediate Rent from the perspective of those who may choose to live there.

Delivering Intermediate Rent Homes

- 2.6 Introducing this new housing model here represents something of a departure from established practice, but builds on a wealth of experience in constructing, acquiring, renovating, and managing homes across tenures. Research indicates that a scheme could best be operated by a single entity, established

for and focused on that purpose. Delivering a supply of Intermediate Rent homes into the housing market will be a new endeavour, and will need to be provided by an organisation with relevant experience in housing supply and management. The Department intends to procure a suitably experienced partner organisation which will act as the dedicated Intermediate Rent programme operator.

- 2.7 It is critical to the achievement of a successful Intermediate Rent programme that the programme is based on a robust and viable funding model. In parallel it is important that, in developing a new housing option, this does not detrimentally impact the funding of new social homes. Detailed analysis conducted by a number of independent researchers has confirmed that a funding model based on a mix of long-term low-interest Government loan coupled with private finance can produce a supply of homes which, at scale, can be an attractive proposition to deliver and can produce a modest return. Chapter 6 explores the proposals around how an Intermediate Rent programme can be delivered, introducing a new affordable supply of homes for rent.

Monitoring, Evaluation and Impacts

2.8 Chapters 7 to 9 examine the monitoring and evaluation arrangements which will be put in place, and looks at the ways in which the Department will work with stakeholders in producing a final model for implementation. To support this proposal document some supplementary papers have been produced, namely:

- Equality Screening
- Rural Proofing
- Data Protection Screening

These documents are available for your review, and your comments on equality, rural need, and data protection impacts are also welcome.

How to Respond to these Proposals

2.9 The Department wishes to hear from a broad base of viewpoints regarding the proposals contained in this document, and any evidence or information which you believe could be helpful in developing the policy, model and implementation of an Intermediate Rent programme. The opening sections of this document describe the ways in which you can respond, and you are encouraged to use the online questionnaire to submit your views.

3. Increasing the Supply of Affordable Homes

Executive Priorities

- 3.1 Providing publicly funded homes contributes not just to the bricks and mortar, but puts the needs of those people and families who live there at its core, providing options which are appropriate to their needs at various times in their lives. Feeling a sense of “home” in a dwelling that is secure, good quality, affordable, and meets your needs can set people up towards better physical and mental health, improved quality of life, and better educational attainment and employment prospects.
- 3.2 At present, those wishing to access housing here are constrained in their choices to the established models: social rent, private rent, and home ownership (either through a shared ownership product or directly from the market). The local housing market supports social renting through both the housing association sector and the Housing Executive. In terms of accessible low cost home ownership, the established shared ownership model is also available. There is, however, no formal provision aimed at tenants who cannot or do not wish to access home ownership and who would be unlikely to have a realistic chance of

accessing social housing in an area of choice, but who can afford to pay higher than social rents.

- 3.3 The Executive has been clear in its intention to increase housing supply, and the draft Programme for Government (PfG) Outcomes Framework 2016-22 includes explicit outcomes and indicators aimed at growing housing supply to meet demand, and reducing housing stress.¹ The contribution to achieving the PfG outcomes is explicitly referenced in relation to indicator 8 – **‘the number of households in housing stress’** and indicator 48 – **‘gap between the number of houses we need and the number of houses we have’**. Among the delivery plan actions is the development of new affordable housing products. The recent Executive consultation² on a PfG Outcomes Framework supports extending the original housing commitments, explicitly prioritising investment in new social and affordable homes. The 2020 “New Decade New Approach” agreement further cements the Executive’s commitment to **“ensuring every household has access to a good quality, affordable and sustainable home that is appropriate for its needs”**. Supporting a diverse range of people to access the right type of housing for them can also contribute to the creation and maintenance of

1 Households in housing stress are those whose application has 30 or more points under the Housing Selection Scheme.

2 <https://www.northernireland.gov.uk/programme-government-pfg-2021#toc-2>

diverse communities because it can enable lower income households to live in communities where they have strong family or employment ties but could otherwise be excluded from the market without intervention.

3.4 The Communities Minister signaled, in a statement to the Assembly in November 2020³, that work is underway around a range of strategic and policy activities aimed at addressing some of the biggest challenges facing the housing system. The expansion of the Social Housing Development Programme is a key element, however, it is recognised that other mechanisms are needed to provide the housing choices that our modern society needs and expects. Accordingly, a commitment was made to expand the rental options available by the introduction of an Intermediate Rent model here, maximising the potential of novel funding streams, such as Financial Transactions Capital (FTC) loan funding, to deliver on additional housing options of this kind. Ensuring that a new model is not reliant on grant aid reinforces the Executive and Department's commitment to support and expand the development of more social homes.

3.5 The development of a Housing Supply Strategy has begun, drawing together the strands which should be addressed to increase the supply of homes across all tenures, and to increase access to more suitable types of homes to meet households' needs. The development of new products, such as Intermediate Rent, is an integral element of this developing Housing Supply Strategy.

Definition of Affordable Housing

3.6 For planning purposes the definition of "affordable housing" had previously been limited to social rented and intermediate housing (comprising shared ownership housing provided through a Registered Housing Association). In revising the definition of affordable housing, the Department sought to put in place the policy levers with which to expand affordable housing options. Following a period of consultation⁴, a revised definition has been established is as follows:

3 <https://www.communities-ni.gov.uk/news/housing-statement-communities-minister-caral-ni-chuilin-3-november-2020>

4 <https://www.communities-ni.gov.uk/sites/default/files/consultations/communities/dfc-consultation-paper-affordable-housing-summary-of-responses.pdf> DfC Consultation on the definition of Affordable Housing and DfC response

“Affordable housing is:

- a) Social rented housing**
- b) Intermediate housing for sale**
- c) Intermediate housing for rent that is provided outside of the general market, for those whose needs are not met by the market.**

Affordable housing which is funded by Government must remain affordable or alternatively there must be provision for the public subsidy to be repaid or recycled in the provision of new affordable housing.”

3.7 Broadening the definition of affordable housing to include the category of Intermediate Rent represents an important aspect in facilitating the development and delivery of new affordable rental models such as Intermediate Rent into the housing market here.

Targeting Resources

3.8 In the current funding environment, with pressures on both revenue and capital funding, it is imperative that Government carefully considers how resources can be targeted to greatest effect. In seeking to develop and deliver a new affordable Intermediate Rent model the Department has undertaken several pieces of bespoke

research, examining arrangements elsewhere in the UK and Ireland, and looking in depth at the housing market here, and the needs of those seeking to access affordable rented homes here. While it is clear from research that, for some people and families, social rental or home ownership are the optimal housing options, for others the supply of a good quality, secure, and affordable private rental home is an attractive option.

3.9 The Minister for Communities has been clear and consistent that the development of social rented homes is a key priority, and there is an aspiration to increase output and associated grant funding to increase social housing supply. It is acknowledged that increasing social housing alone is not the only solution, and that growing the supply of other affordable products can help address issues around the numbers of households experiencing housing stress. Reflecting the importance of not competing for the funding available for social housing development, alternative novel funding models have been considered. The most promising funding solution lies in the use of Financial Transactions Capital, and independent research undertaken on behalf of the Department corroborates the effectiveness of loan funding of this kind in delivering Intermediate Rent housing at scale.

3.10 Financial Transactions Capital (FTC) is a form of capital financing that was introduced by the UK Government in 2012/13 to encourage private investment in the delivery of public objectives and stimulate the economy. It is administered locally by the Department of Finance (DoF) and its key feature is that it can only be deployed by the public sector as a loan to, or equity investment in, private sector “non-government” entities. Therefore, it must be repaid to DoF under the conditions of a loan / equity agreement. The NI Executive is granted an annual allowance of FTC by HM Treasury which is in addition to the NI Block Grant. Therefore, whilst it is provided over and above the Capital DEL budget available to sponsoring Departments, it has its own ring-fenced budget and so any loan will be subject to the application process managed by DoF and will depend on other priorities and commitments for FTC in NI.

3.11 FTC can only be provided to those capital projects that will deliver the policy objectives of the sponsoring NI Executive Department and which are suitable for delivery by the private sector. The provision of the loan or equity investment must comply with the new rules as set out in the new EU-UK Trade and Cooperation Agreement. Initial indications are that the outline proposals contained in this document are likely to comply with the revised rules contained in the UK-EU Trade and Cooperation Agreement principles (often referred to as the TCA). Use of FTC may also require compliance with EU rules on State Aid that could, for example, involve the application of a market interest rate to any loans made under a programme. Departmental officials will continue to be mindful of the new arrangements which have emerged from the Trade and Cooperation Agreement in developing the final arrangements, and will complete the necessary assessments to ensure compliance.

4. Why Develop and Deliver an Intermediate Rent Model?

Intermediate Rent in other jurisdictions

4.1 For over a decade the housing markets in other parts of these islands have offered some form of affordable intermediate rental product, sitting between social and private rental products in terms of cost, security, quality, and affordability. Intermediate Rent products are aimed at households who either cannot afford home ownership, or who wish to live in the rented sector and who would struggle to afford market rents but may be able to pay above social housing rents. A brief table (Appendix A) sets out some of the detail of the approach to delivering affordable/intermediate rented dwellings adopted elsewhere.

Scotland

4.2 This section focuses on Mid-Market Rent (MMR), the product which has greatest commonality with Intermediate Rent. MMR is a type of affordable rented housing, introduced in the mid-2000s, which aims to provide quality affordable homes for low to moderate income households. It aims to help households

on modest incomes, who have difficulty accessing social rented housing, buying their own home, or renting privately. MMR property rents are pitched at a level between social and private rents (usually around 80% of private market rent or capped at Local Housing Allowance (LHA) level in some cases), targeted towards lower income singles/couples/ small families whose income usually sits at bands between £15k and £40k. Rent levels are set within the overall parameters established by the Scottish Government. Typical MMR tenants in Scotland are single people or couples.

4.3 The Scottish Government has made available grant⁵ and loan⁶ based funding to assist in developing more than 7,000 Mid-Market Rent (MMR) homes across Scotland since the mid-2000s⁷. One MMR provider, Places for People, has successfully secured Scottish Government loan funding of £47.5m, for which it will deliver 1,000 affordable mid-market rent homes. Tenants can both be on the social housing waiting list and apply for an MMR home, and can choose to remain on the social housing waiting list if they successfully apply for a MMR home. For loan funded MMR the target tenant group are those who would be in financial hardship if they were to rent in the private

5 <https://www.gov.scot/publications/affordable-housing-supply-programme-process-and-procedures-mhdgn-2019-03/>

6 <https://www.gov.scot/policies/more-homes/innovative-financing/>

7 Scottish Government Housing to 2040 Strategy <https://www.gov.scot/publications/housing-2040-2/pages/3/>

sector and are defined through the use of a 25% affordability test and upper / lower income bands.

That is:

- if they were to spend more than 25% of their gross household income on the annual median private rent for the same property in the relevant Broad Market Rental Area and
- that their annual gross household income doesn't exceed the most recent 7th decile of household income for that relevant LA area

4.4 Another example of a successful loan-financed MMR programme is LAR Housing Trust⁸ which was set up in 2016/17 as a charity from an initial concept devised by the Scottish Futures Trust (an arm's length body of the Scottish Government). LAR Housing Trust began with an initial target of 1,000 homes to be delivered using partial Government loan funding with the aim of attracting additional private finance. LAR has obtained a £55m FTC loan (over a term of 25 years repayable at 0.1% interest) from Government which has been used to attract £65m private finance. The latest annual review from LAR indicates that it has so far developed over 530 properties with 350 homes under construction or in planning.

4.5 LAR MMR homes are available to help people who are in work (or retired) on low to moderate incomes and who are spending a disproportionate amount of their monthly income on rent. This allows people who do not have a realistic chance of accessing social housing, or are unable to afford the rents charged in the private sector, to live affordably in an area of their choosing, offering security, stability, and a chance to plan for the future. Research has found that most people accessing MMR properties:

- Are young single adults between the age of 20 to 35 with modest earnings
- Have moved from the private rented sector to find more affordable accommodation, better quality or size of flat
- Are on the waiting list for social renting
- Are social housing tenants looking for a different size accommodation or a different location⁹

4.6 This list has much in common with those on the NI Common Waiting List with low points who are unlikely to be allocated a social rented home within a reasonable timeframe. MMR homes have not only provided much need housing supply, but have provided a real choice for people, like Sheena, who unexpectedly found herself in need of a new housing solution:

8 <https://larhousingtrust.co.uk/>

9 <https://www.gov.scot/publications/rent-affordability-affordable-housing-sector-literature-review/pages/6/>

SHEENA'S STORY¹⁰

For all that the housing sector is about bricks and mortar, the story behind LAR is a human one and 70-year old Sheena epitomises that more than most.

In fact, her situation was one of the key reasons and driving forces behind the formation of LAR in the first place. The organisation was set up to fill a gap in the mid-market rental sector offering long-term security and stability to those who fall between the twin hurdles of not being able to access social housing and not being able to afford rents in the private sector.

Sheena was a former psychiatric nurse at Edinburgh Royal Infirmary. After the tragic deaths of her son and husband within a short time period she was living alone in Edinburgh without family support. Her family wanted her to move back to Aberdeen but she would have too few points to qualify for a social home there and the cost of renting in the private rented sector was out of reach.

After searching for months for a home in Aberdeen without success, Sheena was finally offered a property in the city through the National Housing Trust Initiative, providing a five year tenancy.

Worried about the prospect of again losing a home and having to move again, it was a relief for Sheena when LAR stepped in purchasing the NHT properties in her area, and offering a mid-market rent tenancy without time limits.

Sheena says, "It sounds a bit dramatic, but first NHT and now LAR were my saving and I've been given a new lease of life. I can now look to the future and plan without a cloud of uncertainty hanging over me".

¹⁰ Sheena's name has been changed for privacy reasons. Other MMR tenant stories are available to view in the Annual Review papers on LAR Housing Trust's website <https://larhousingtrust.co.uk/page/publications>

England

4.7 In England, Registered Social Providers have been funded, under the auspices of the Affordable Rent Programme, to deliver a supply of homes for rent within specified eligibility criteria. Some bespoke models for specific markets, such as London Living Rent, have been developed in an attempt to meet the specific supply needs in highest value/demand locations. Homes for Affordable Rent are offered, normally, at up to 80% of market rent value, with lower rates set in areas of highest rent/demand. Some affordable rent models in England cap rent affordability at a maximum of 40% of the prospective tenant's overall income. Most tenancies are offered under the Assured Shorthold Tenancy arrangements for a term of five years, with the option to renew. In some cases the affordable rent provider will re-assess tenants' eligibility and offer move-on services where tenants no longer meet eligibility rules.

Wales

4.8 The Rent First model in Wales provides an Intermediate Rent solution designed for people unable to access home ownership but who can afford more than a social rent, at least in the short term. Rent First was established as a new capital grant funded housing (maximum of 25% grant) product by the Welsh Government in

2011. Rent First is targeted at households with annual incomes of between £16,000 and £30,000 and allows for the future purchase of their rented home by the occupier. It can also be provided as an Intermediate Rent product without the purchase option.

- 4.9 Rent First providers include Registered Social Landlords, Local Housing Authorities (including local authority owned companies) and private sector providers. The Welsh Government sees Intermediate Rent being targeted at a range of people in housing need who:
- Are on the waiting list/would be eligible to be on the waiting list for local authority or housing association social rented housing
 - Are on local authority or housing association waiting lists for Low Cost Home Ownership or Homebuy properties
 - Are re-entering the property market and in the same financial position as first-time buyers (such as former owner occupiers who are going through relationship breakdown)
 - Cannot currently meet their housing needs in the market in their local area
 - They are service or ex-service personnel and their partners (provided they meet the other eligibility criteria)

Ireland

4.10 The Cost Rental model is the primary intermediate/affordable rent product available in the Irish housing market, however, Cost Rental varies somewhat in its design and delivery from the models in England, Scotland, and Wales. Cost Rental is intended to be a not-for-profit housing tenure offering affordable, high-quality rental accommodation, provided by the State or local authorities, is independent of the private rental market, but operates as a Private Rented Sector (PRS) tenancy in line with the Residential Tenancies Act 2004¹¹. The key objective of Cost Rental is to make renting more affordable for moderate-income households. It intends to complement, not replace, social housing provision. Rents in a cost rental situation are expected to be generally lower than market rents.

4.11 It is anticipated that Approved Housing Bodies would be the main providers of Cost Rental Properties. The legislature has passed the Affordable Housing Act 2021¹² which allows for the extension of the Cost Rental programme beyond the current Government funded pilots which are underway. Typically there is some form of subsidy such as a provision of low cost finance, loan guarantees, or preferential access to land. Cost Rental aspires to ensure rents are made more affordable by:

- Provision of low-cost publicly owned sites
- Design with long-term maintenance in mind
- State contribution to development costs (Serviced Sites Fund)
- Availability of low-cost, stable finance that is paid back over a long-period of time

The NI Housing Market

4.12 The NI housing market has traditionally comprised social rent, private rent, and home ownership, with little to no deviation from these established housing options. Each model is quite clearly defined with social rented housing provided by the Housing Executive and housing associations, and private rented homes delivered mostly through people or organisations operating as landlords. Both of these rental models are subject to their own unique regulatory arrangements, with social rent development part-funded by Government grant. The only established “intermediate” housing option comes in the form of the shared ownership model (delivered predominantly but not exclusively through the Co-Ownership model), funded through Government loan and matched by private finance.

11 <http://www.irishstatutebook.ie/eli/2004/act/27/enacted/en/html>

12 <http://www.irishstatutebook.ie/eli/2021/act/25/enacted/en/html?q=affordable+housing+act&years=2021>

4.13 Unlike other parts of the UK and Ireland, there is no ‘intermediate for rent’ provision aimed at tenants. Fluctuations in the housing market over the past two decades, combined with the “right to buy” for social renters, has eroded the social rented sector in spite of significant grant subsidy, while the private rented

market has continued to grow year on year becoming effectively the second largest tenure after ownership. The table below provides a snapshot of the recent evolution in housing stock here, demonstrating the growth in the private rented sector from just over 60,000 homes in 2004, to just below 136,000 in 2016. The private rented sector, in growing its market share, is now estimated to be on a par with, or even exceed social homes.

TABLE 1: Northern Ireland Housing Stock Profile between 2004 and 2016

	2004		2006		2009		2011		2016	
	No.	%	No.	%	No.	%	No.	%	No.	%
Owner Occupied	462,180	68	468,900	66.5	461,800	62.4	469,100	61.7	494,660	63.4
Private Rented and Others	62,510	9.2	80,900	11.5	124,600	16.8	125,500	16.5	135,980	17.4
Housing Executive	99,580	14.6	93,400	13.3	85,650	11.6	85,900	11.3	85,340	10.9
Housing Association	19,450	2.9	21,500	3.1	24,550	3.3	24,800	3.3	35,550	4.6
Vacant	36,280	5.3	40,300	5.7	43,400	5.9	54,700	7.2	28,470	3.7
Total	680,000	100.0	705,000	100.0	740,000	100.0	760,000	100.0	780,000	100.0

Source: NIHE, House Condition Surveys between 2004 and 2016

4.14 Those households who wish to secure a social home must make an application to the Housing Executive and may be awarded points based on their circumstances and placed on the Common Waiting List while awaiting an allocation. A growing number of applicants await allocation of a social home¹³ with some 42,665 on the Common Waiting List (at Dec 2020). Of these, some 29,918 households are deemed to be in housing stress.¹⁴ Some 12,747 households on the Common Waiting List are in receipt of the lowest number of points (fewer than 30 points) and may struggle to attain affordable, good quality, well managed private rented accommodation. While developing more social rented homes will help address some housing supply and housing stress issues, social housing will not be the preferred or best option for every household. The introduction of new products, including Intermediate Rent, can help address some of the issues experienced by those awaiting the allocation of a social home, looking for a sound rental option outside the public housing realm, or those who are intent in future on seeking to enter home ownership but are not yet purchase-ready.

Issues in the NI Housing Market the Need for Intermediate Rent

4.15 The Department has produced and commissioned several pieces of research and analysis (including DfC desk research on arrangements elsewhere, initial need, demand and viability research conducted by CBRE¹⁵ and most recently a detailed examination by the UK Collaborative Centre for Housing Evidence (CaCHE)) around the need for a product of this kind in the NI housing market, the potential demand, and the mechanisms required to make a product viable to develop, deliver and live in. It is recommended that you read this paper in conjunction with the CaCHE report, **“Establishing an evidence base for the development of a viable intermediate rent model for the Northern Ireland housing market”**. The report is published on the DfC website alongside this consultation.

4.16 This combination of evidence sources points to a need and potential demand for an Intermediate Rent model arising naturally as a consequence of local housing market conditions including a large private rented sector, concerns about rental affordability in relation to income (which can be more pronounced among specific segments of society

13 According to figures supplied by the Housing Executive at December 2020

14 Meaning that they have applied for social housing and have been awarded 30 or more points on the Housing Selection Scheme

15 CBRE (2020) “Affordable Housing Market – establishing the need for Affordable rent providers for the Northern Ireland housing market”, May 2020. Copies available on request.

who are on low to moderate incomes in specific high-cost locations), as well as a recognition that many such people do not have sufficient points on the Common Waiting List to have a realistic chance of accessing social housing in an area of choice.

4.17 Over recent years (particularly prior to the Covid-19 pandemic) new housebuilding has been increasing, with house prices rising and sales growing steadily. Despite this, homeownership remains beyond reach for many, with amassing a deposit being the most significant barrier. Social housing development has continued, but has not matched the growth of private development, meanwhile applicants for homes in the social sector continue to grow. Homelessness levels in NI remain high, with the numbers of Full Duty Applicant¹⁶ households continuing to rise steadily.

4.18 The private rented sector has experienced rapid growth over the past decade, and continues to make a significant contribution as a realistic housing option for many.

The growth of the private rented sector, in combination with limited available alternatives, has led to a significant number of lower-income families living in the sector. It is estimated that 38% of those living in the private rented sector are in poverty, with over half of private renters relying on Housing Benefit to meet their rent.¹⁷

The Shape of an Intermediate Rent Model in NI

4.19 The Department has explored models elsewhere, and has examined the output of the series of commissioned analytical reports to provide an evidence basis to tailor an appropriate Intermediate Rent model for our housing market. Among the key considerations in developing an appropriate model are estimating the scale of need (those households who are expending an unaffordable amount of their income on housing costs), identifying the locations where market rents and demand are highest (where a product of this kind will have greatest impact), and identifying the appropriate rent levels to allow a viable product to roll out. The following sections examine the Department's findings around these three key elements.

16 Full Duty Applicant relates to any households which meets the four statutory homelessness "tests", and is owed a full housing duty. The Department, in conjunction with the Housing Executive, regularly publishes homelessness data available at <https://www.communities-ni.gov.uk/topics/housing-statistics>

17 <https://www.housingrights.org.uk/sites/default/files/Housing%20Rights%20Impact%20Report%202020%20low%20res.pdf>

Estimating the Scale of Need

4.20 The Department considers that households expending in excess of 25 to 30 per cent of their income on housing costs are likely to experience issues with affordability. As such, the evidence gathered examines and models the numbers of households who are currently estimated to be spending in excess of twenty five per cent of their income on housing costs. Modelling indicates that over 50,000 households living in the private rented sector are currently paying 25% or more of their income as rent and could stand to benefit from access to an Intermediate Rent home. These details can also help guide the setting of rental bands for Intermediate Rent homes.

Setting Rent Levels for Intermediate Rent homes

4.21 Evidence available to the Department also explores the relative affordability of rents in order to identify the broad parameters which will aid in setting a reasonable rent cost for Intermediate Rent homes provided through any Government intervention. The setting of an initial rent profile for Intermediate Rent homes will seek, as a starting point, to offer homes at up to 80% of the local market rent in the development locality, using an affordability assessment to ensure an incoming tenant will be able

to maintain the tenancy. The careful setting of reasonable rent levels can help alleviate some of the issues experienced, in particular by some households relying on housing-related benefits in reducing the shortfall between their benefits and their rent costs. Provision will be made to uprate rents over time.

Identifying Optimal Locations

4.22 The evidence gathered has suggested that in certain geographies, particularly in specific locations where demand is highest and rents more expensive, some households are spending significantly more than 25% of their income on rent costs. In some instances, market rents are in excess of 40% of some households' income. The CaCHE report provides a comprehensive analysis of the rental prices in the housing market here, and demonstrates the varying gaps across Local Government Districts (LGD) between housing association rents (at the higher end of social rents in many cases) and market rents. In four¹⁸ of the eleven Local Government Districts here the gap between housing association and market rents for two bedroom properties is greater than 25%, and across the same four LGDs the gap for three bedroom properties is greater than 24%. Again, this offers a reliable starting point to begin to deliver a product on the ground.

18 Ards & North Down Borough Council, Belfast City Council, Derry City & Strabane District Council, and Lisburn & Castlereagh City Council.

Making an Intermediate Rent Product Attractive

4.23 Having identified a need for a rental product of this kind, and indicators of primary development locations and indicative rental bands, it is critical that the detail of the model is attractive both to deliver and to live in. In addition to the core considerations around scale, location, and rental costs, it is critical that Intermediate Rent homes are accessible to lower income households, reducing barriers such as deposits. Similarly, these homes should be offered with enhanced security, offering longer-term tenancies than the private rental “norm” of 12 months. It is envisaged that Intermediate Rent homes will be retained for rent, and will not be available for purchase.

4.24 The Department expects to work with a Programme Operator experienced in housing provision and management when it comes to delivering new Intermediate Rent homes. A simple core product, providing funding for the development of homes around a core model, must be attractive to deliver. An important dimension for consideration is that the rental income from Intermediate Rent homes will assist the provider in servicing the associated financing and must therefore be set at an affordable

level while taking account of the need for viability. Where there is demonstrated need and where viability cannot be achieved due to other factors, the Department will also look for opportunities to apply flexibilities, such as the provision of public land on favourable terms.

Proposals for an Intermediate Rent model

4.25 As outlined in earlier sections of this document, there is an identified need for proactive measures to increase housing supply and choice of tenure here. Social housing alone will not address unmet housing need, as many households struggling with affordability in the private rented sector are unlikely to be able to access a social home in an area of choice. The Department for Communities intends to introduce an Intermediate Rent product for the housing market here, with this section outlining key considerations of the proposed model.

4.26 The development of an Intermediate Rent model intends to:

- create a new supply of homes in locations where Intermediate Rent is viable and attractive to deliver and live in
- provide much needed affordable quality housing for lower income individuals and families

- provide homes in areas where people wish to live
- set rent at a level which is more affordable for eligible households
- put in place an increased security of tenure meaning that tenants can remain in their Intermediate Rent home for the medium to longer term
- require the Intermediate Rent programme operator to make available a network of management and support services
- ensure rollout of the intermediate rented model where it can be viable for the programme operator, subject to approvals and funding

4.27 The specific details of the Intermediate Rent model remain to be finalised, although the model development will draw on experience elsewhere and research commissioned by the Department. **Your views on the shape of an Intermediate Rent model are welcome, and will contribute to the Department's considerations in developing the detail of the product.** The proposals have been grouped into two broad areas for your consideration and comment as follows:

Chapter 5: Intermediate Rent for Tenants
Chapter 6: Delivery, Funding and Regulation of Intermediate Rent

5. Intermediate Rent for Tenants

5.1 In developing a new housing option the perspective of the tenants who will make these buildings their homes is crucial. This chapter looks at the elements of Intermediate Rent that will have the most impact on potential tenants.

Would an Intermediate Rent home be suitable for me?

The Department proposes that: It will work with interested parties to develop a programme to supply Intermediate Rent homes offering secure, affordable, good quality, well managed homes to lower income households, at below market rents, in areas of choice. Prospective tenants will apply for an Intermediate Rent home in a similar way to other private rentals.

5.2 The availability of Intermediate Rent homes may be a suitable and attractive housing option for many households, including some who are on the Common Waiting List for social housing and with few points and limited prospect of attaining a secure social tenancy. Although unlike a social home, an Intermediate Rent tenancy will not be a “secure” tenancy, it should offer more

security of tenure than many market rented tenancies, potentially making it an attractive option for some households. It is expected that tenants can both be on the social housing waiting list and apply for an Intermediate Rent home, and can choose to remain on the social housing waiting list if they successfully apply for an Intermediate Rent home.¹⁹

5.3. Unlike the process for accessing a social home, Intermediate Rent homes would not be “allocated” from a points-based waiting list. Initial engagement has indicated that a completely separate model, clearly distinguished from the process for securing a social home would be best. Experience of rental products like this elsewhere has shown an application process based on a “first come, first served” basis (subject to meeting any relevant eligibility criteria) to be an effective method of matching tenants with properties. This would also mirror the arrangements commonly used to access other private rented homes.

5.4 The programme operator will conduct an affordability assessment for the applicant tenant and determine whether the applicant meets the eligibility criteria before offering a tenancy. This allows a prospective tenant to receive the information they need to decide whether an Intermediate Rent home is appropriate

19 Households on the Common Waiting List would be expected to advise the Housing Executive that their housing circumstances have changed in this case.

for them. This will help target those homes to households who may benefit most from a tenancy of this kind. The application process and eligibility criteria will be refined in conjunction with the appointed programme operator, based on the proposals outlined here, to ensure those who will benefit most from the affordability offered by an Intermediate Rent home will be eligible.

Who could benefit from an Intermediate Rent home?

The Department proposes that: Intermediate Rents will be normally set at up to 80% of local market rents. Rents will be reviewed regularly. This aims to assist lower income households who are currently paying in excess of 30% of their income on housing costs.

5.5 Analysis detailed in the research undertaken by CaCHE²⁰ for the Department estimates there are around 135,000 households currently renting in the private rented sector (PRS) and around 50,400 of these households are paying 25% or more of their income on rent, with 20,000 of these spending more than 40% of their household income on housing costs. This modelling illustrates the affordability difficulties experienced

by many private renters, for whom Intermediate Rent could be a more sustainable renting option. This is likely to continue to be a problem with modelling estimating around a further 2,000 new households seeking to access private rented homes year on year, of which 800-900 are estimated to experience these significant affordability issues.

5.6 It is anticipated that those who are most likely to benefit from, or to be interested in, renting an Intermediate Rent home are likely to come from the following groups, many of whom will already be spending more than 25-30% of their income on housing costs:

- People who are currently private renters
 - who are in receipt of housing-related benefits
 - who are on the social housing waiting list
- who have not applied for social housing (this potentially could include people who believe they may not have sufficient points to obtain a social home in a 'reasonable' timeline or people who feel social homes aren't available in their area of choice)
- People who are currently living with family members or who have had a change in circumstances

20 "Establishing an evidence base for the development of a viable intermediate rent model for the Northern Ireland housing market", UK Collaborative Centre for Housing Evidence (CaCHE), March 2021

Additional interest may come from:

- Social housing tenants moving to an Intermediate Rent home (where the driver may be location, quality or change in personal circumstances)
- Older people who currently rent and want to change property or location.

How will Intermediate Rent levels be set and reviewed?

The Department proposes that: Intermediate Rents will initially be set at up to 80% of market rent for the same type and size of property within the same geographical area. Regular rent reviews will operate, and an agreed uprating formula will be used to determine rent increases.

- 5.7 Setting affordable and sustainable levels of rent is key to Intermediate Rent providing an affordable rental level for lower income households. It is similarly important that rents are set at a level that makes delivering these homes a viable prospect for a programme operator. It is also essential to plan for uprating to inform tenants of approximate rental obligations for the duration of their tenancy.
- 5.8 Extensive analysis of the costs of private rents here, compared to housing association rents, and analysis of housing cost expenditure of households in receipt

of Housing Benefit has indicated that a significant proportion of households currently struggling to meet unaffordable rents could benefit immediately from a rent set at 80% of market rents. While the use of LHA rates in setting MMR rent levels may have operated well in Scotland, research indicates that there are challenges in applying this to a model for the purpose of rent setting, and that the application of a rent rate with reference to market prices would be most appropriate.

- 5.9 In locations where the differential between market and housing association rents is more pronounced, there may be merit in applying rent setting flexibilities to allow rent rates at less than 80% of market rents. The Department intends to work closely with the appointed programme operator around the detail of how and where such flexibilities might be applied.
- 5.10 Rents must also be reviewed and revised periodically. In terms of the uprating of rent it is proposed that a formula of CPI + 0 to 1% is used, again giving flexibility to the programme operator each year to determine the appropriate level for the area in which the property is situated and reassuring tenants of how potential rent increases will be applied. Rents may also remain unchanged or increase at a lesser rate than the agreed uprating formula with the agreement of the Department.

5.11 Rent costs should also be set to cover ancillary costs such as any service charges and domestic property rates where applicable. This can provide clarity and confidence for tenants, in understanding how their rent is calculated. In setting rents the programme operator will work with the Department and ensure consideration is given to maximise opportunities to ensure affordability of the rent for tenants.

What will the Eligibility Criteria be for an Intermediate Rent tenancy?

The Department proposes that: Targeting Intermediate Rent homes to lower income households is central to the programme. There will therefore be an income eligibility criterion.

5.12 As there will be a limited supply of Intermediate Rent homes, it is important that these be directed towards households which can best benefit from access to a product of this kind. The calculation methodology for income-related criteria elsewhere is devised by the calculation of a lowest income value at which the rent on the property is deemed affordable to a highest ceiling value, at which point it would be expected the prospective tenant could afford market rents or access home ownership. Income can come both from

earned income, interest on savings and eg private pension income as well as housing related benefits. The Department is also considering whether any savings should be included as part of eligibility and / or an affordability assessment. Intermediate Rent also gives those on lower incomes an opportunity to pay lower rents in order to better make ends meet or to save for a deposit to access market rent or low cost home ownership.

5.13 The Department therefore proposes that an Intermediate Rent product will have core income-related eligibility criteria. This will include an upper household gross annual income cap and a lower gross income floor to ensure affordability of the rent. It is proposed that the income band for Intermediate Rent eligibility in NI will be £18k to £30k for an individual application household and £20k to £40k for a joint application household.²¹ There may be scope for some variation on the income threshold criteria applied to properties, subject to the housing market in the area the property is located in to ensure affordability for tenants.

5.14 An Intermediate Rent tenant should not pay more than 30% of their gross income on rent, unless in exceptional circumstances e.g. they are currently paying a greater proportion of their income on rent and accepting an

21 Individual household refers to a 1 adult tenancy which may or may not include children and joint application household refers to a 2 adult tenancy which may or may not include children and other adults.

Intermediate Rent home will improve their housing affordability. It is proposed that these income bands would be reviewed at regular intervals (say on a five yearly basis) to consider uplifting the levels in line with any rise in household incomes.

5.15 Affordable rent schemes elsewhere variously include eligibility or prioritisation criteria which can help focus offers of tenancies. These can include family connections living in the neighbourhood, work or educational links to the local area. Several providers in the UK require that tenants' income includes some element of earned income, while others will accept tenants in receipt of solely benefits or pensions. Some providers also operate additional criteria giving priority to those living in expensive private rented accommodation, lack security in their current home or on the waiting list for social housing. There is therefore potential for providers to apply additional criteria to some properties in high demand, such as those relating to geographic links or giving priority to tenants in housing stress or insecure housing.

Would I need to provide references, a deposit or a guarantor?

**The Department proposes that:
In line with other private tenancies, Intermediate Rent tenants will provide references and can build up a deposit.**

5.16 The need for tenants to provide references from previous landlords (where available), a deposit (normally one month's rent in advance), and the nomination of an agreed guarantor are common requirements for most market private rental tenancies. The payment of a deposit can encourage tenants to take personal responsibility for keeping their home in good order and meeting rent costs. Research has cited the need to provide an upfront deposit as a major barrier for many in accessing a rented home. An alternative model may be to permit the programme operator to allow a tenant to build up a deposit gradually over the first 6-12 months of their tenancy. Not only would this provide a source of funds to meet repairs or arrears when a tenancy ends, all being well it can allow for a cash sum to assist in the future should tenants move on from the Intermediate Rent property. All deposits collected would be required to be secured in a registered tenancy deposit scheme.

5.17 Many private landlords require a nominated guarantor who will, for example, cover the tenants' rent costs if they are unable to pay. In other cases the provision of a larger deposit is deemed adequate and a guarantor is not required. The requirement for Intermediate Rent tenants to provide a deposit (which may be, for example, the equivalent of one month's rent), whether upfront or through a gradual contribution, may be sufficient to negate the requirement for a guarantor. References also provide comfort for landlords in the private rented sector, and an Intermediate Rent programme operator would benefit from similar arrangements. Ideally, any such references would come from the most recent landlord, however, there may be a need for certain exceptions (e.g. where the tenant is a first-time renter) where a personal reference could be acceptable.

How long would an Intermediate Rent Tenancy Last for?

The Department proposes that: Intermediate Rent tenancies would be offered for a duration of (up to) 5 years. Tenancies will be reviewed and may be renewed. Where a tenant moves on, the programme operator will work with them as they transition to a new home.

5.18 Intermediate Rent seeks to offer greater security to tenants by making available tenancies which are longer than those commonly offered in market rentals. The ability to offer an initial tenancy of up to five years can provide people and families with the ability to make their dwelling feel like home and allow them to plan for their educational and employment needs, as well as fostering a sense of belonging and community. Securing the rental of a home for a longer period can allow tenants to plan for the future, knowing that they can stay in their home for a number of years.

5.19 Intermediate Rent tenants could be offered initial multi-year tenancies, however, as with any tenancy, they would not be compelled to stay for the full tenancy duration and, if their circumstances change, the statutory notice to quit period would apply. Intermediate Rent homes will be regulated in the same way as other private rentals. At present, under the auspices of the review of the role and regulation of the PRS, consideration is being given to further extending Notice to Quit periods and any amendment will also apply to any Intermediate Rent product.

5.20 Research indicates there is strong support from housing stakeholders regarding longer tenancy lengths, however, the issue of what happens at the end of

a tenancy and the potential to renew the tenancy remains to be settled. The Department intends to work closely with the future programme operator to refine the detail and it is proposed that if a tenant requests to renew their tenancy after the initial 5 years, and still meets the eligibility criteria, this extension is granted. An assessment of the household's income will help determine whether the home remains an affordable option, and the programme operator will work with tenants to transition to another home where this is needed. It is anticipated that the programme operator will work with the tenant from the early part of the final year of their tenancy in considering options for renewal or to help the tenant move on to other accommodation as required.

What Tenancy Support and Management Services will be available?

The Department proposes that: Intermediate Rent tenants will have available a network of support services, provided either directly through the programme operator or through other organisations, to help support them to maintain their tenancy.

5.21 It is clear from research²² that many tenants, including those moving into the rented sector for the first time, could benefit from having a more effective relationship with their landlord and receiving advice on how to manage their tenancy and their new home. Effective tenant engagement can enrich the relationship between the tenant and the programme operator, assist both in better understanding each other's needs, and can provide advice directly or signpost tenants to advisory services. This can help build trust which can in turn allow a more open discussion around difficult issues, such as antisocial behaviour and rent arrears, allowing prompt, effective and early action.

5.22 Support services may be drawn from existing services provided through (for example) Housing Rights, Councils, etc. Routine support e.g. to minimise arrears and general tenancy guidance may be supplied directly by the programme operator. The programme operator can also help direct tenants to other useful services, such as benefits advice, money advice, health and social care services and so on.

5.23 It is anticipated that the majority of potential Intermediate Rent tenants will mainly have general tenancy needs, with

²² <https://housingevidence.ac.uk/publications/understanding-approaches-to-tenant-participation-in-the-private-rented-sector-in-northern-ireland/>

many already having had experience living within the PRS. It is not intended that Intermediate Rent would be best suited to provide the support services that the most vulnerable will require and it is not proposed that, for example, those who need supported housing services would be offered an Intermediate Rent home. It may be that Intermediate Rent is a good fit for those who are transitioning from supported housing into more general needs housing, as applicable.

6. Delivering, Regulating and Funding of an Intermediate Rent Model

Delivering an Intermediate Rent Model

6.1 An Intermediate Rent model can have a distinct and positive impact on the housing market, making available a supply of affordable homes for rent to supplement and complement existing provision. As outlined in the previous chapter, initial analysis has indicated that some 50,000 households could achieve an affordability benefit from being able to access to an Intermediate Rent home. The purpose of this section is to set out the Department's views on the delivery, implementation and management of Intermediate Rent homes.

Intermediate Rent Programme Operator

The Department proposes that: The Intermediate Rent programme should be delivered by a single programme operator. This could be a standalone charity established for this purpose or a housing association subsidiary, with housing experience, and dedicated to Intermediate Rent delivery.

6.2 An Intermediate Rent model can work effectively across different locations, settings, and solutions: for example standalone homes, as part of a mixed tenure development, through existing or new build, refurbishment and off the shelf, and delivered on greenfield or brownfield sites. In order to give effect to the spectrum of development options, it is proposed that a single entity should lead on the delivery, focused on providing Intermediate Rent homes. In order for this to succeed, partnership working between the programme operator, housing providers, developers, Councils, and lenders/investors will be critical to success. Evidence confirms that a model, based on assumptions set out in Chapter 5, can work in delivering sub-market rents on longer than standard private rental tenancies.

- 6.3 The Department recognises that, in order to make delivering Intermediate Rent homes attractive and viable, there will need to be a scaling up from a low base towards a scale that will generate a return (albeit a modest return) over the term of the FTC loan. To deliver these homes through multiple operators will reduce the scale within each, making the offering less attractive to private finance and less likely to achieve the desired economies that create the cheaper overall financing that makes the sub-market rent possible.
- 6.4 In order to maximise the supply and the impact of Intermediate Rent homes, whether as standalone properties, or within mixed tenure developments, it will be important that there is a single programme operator responsible for delivery of Intermediate Rent homes which is fully focussed on delivery of Intermediate Rent homes. This can underpin the delivery of good quality, well maintained homes which meet tenants needs in terms of security, cost, and access to any supplementary support services to help maintain their tenancy or, where appropriate, to transition to another home which best suits their needs. A single operator can also act as a single point of contact for developers, other housing providers, Councils, and other interested parties to engage with in providing a strategic and focussed product, and develop and deliver Intermediate Rent homes in a co-ordinated partnership approach. It will also provide clarity for tenants, in dealing with a single organisation in accessing a home, managing a tenancy, and engaging maintenance and support services.
- 6.5 Embarking on the delivery of this new type of private rented product will represent a new departure for housing providers here. While some will have experience in offering homes within the traditional private rented market, there will be some aspects which set Intermediate Rent apart from the rest of the private rent market. The expectation is that the model would be provided by a private or social enterprise organisation with housing delivery experience, or through a charitable trust. This is a requirement, in part due to the use of FTC funding to underpin the programme, which is limited in its use to private undertakings only.
- 6.6 The Intermediate Rent programme operator will need minimum scale, a good covenant in terms of the financial strength, and track record and reputation of the provider of the homes or their parent organisation (in the case of group structures) in order to attract the necessary private long-term debt finance. The programme operator will also need to possess a team of suitably experienced staff with knowledge of the housing market here, and the ability to secure

deals both in terms of private finance (equity and/or debt finance) and work with other housing providers (including developers, social housing providers, and other housing management organisations) to plan for and deliver a robust and sustainable supply of homes and match these to eligible tenants.

- 6.7 While pilot programmes can offer a useful tool in testing a new approach, the evidence supports a single dedicated programme operator, and the scaling up of delivering supply from a low base can help introduce the model with a test and learn approach via a single operator. Accordingly, in due course, the Department expects to procure an Intermediate Rent programme operator who will work with relevant housing market organisations including DfC, the Housing Executive, housing associations, private developers and others around the preparation and planning for and delivery and implementation of Intermediate Rent homes across identified areas of need.

Regulating an Intermediate Rent Programme Operator

The Department proposes that: Specific regulatory arrangements, complementing the Private Rented Sector regulatory regime, should be applicable to the Intermediate Rent programme operator to provide appropriate governance, and to provide confidence to attract private finance.

- 6.8 A robust system of regulation has been an important aspect of the funding and development of social housing in terms of good governance, financial risk management, comfort to private lenders and commercial third parties and, potentially, for quality of service provision and protection of tenants and the public interest. These measures have led to a reliable housing association sector here, which has the confidence of decision making authorities and commercial lenders, on whom they rely for much of the private investment required for social housing development. Some similar arrangements are expected to be necessary for the delivery of an Intermediate Rent programme, albeit as an arrangement delivered as a private rental product.

6.9 It is noted that if the programme operator appointed is a subsidiary of a Registered Housing Association (RHA) the social housing regulator would have an interest in their operations in respect of the implications for the finances, governance and service performance of the parent in the group structure. Initial engagement with the social housing regulator has begun to explore what may be possible to apply, in terms of regulatory scrutiny, to a housing entity which is not an RHA. An alternative approach may be to appoint an entity established as a non-profit charity to operate the Intermediate Rent programme. In such a circumstance, regulatory assurance could be attained through charitable regulation.

Delivering a Core Intermediate Rent Framework

**The Department proposes that:
A core framework model, informed by input from key statutory bodies, will provide an effective model for the delivery of much needed Intermediate Rent homes of good design and quality in areas of identified need.**

6.10 Research has concluded that a core framework delivery model, underpinned by long-term loan-based funding, with certain supplementary flexibilities deployed when necessary for difficult to develop sites, could provide a clear

and well understood regime. The Mid-Market Rent model operating in Scotland for over a decade now can provide a broad framework model upon which to construct a bespoke model suited to our housing market and the needs of tenants here, and the proposed model is detailed in the preceding chapter.

6.11 In addition to developing a close working relationship with the Department, the Intermediate Rent programme operator would be expected to work closely with a range of statutory bodies in developing and delivering homes. These include, but are not limited to, the Housing Executive, Planning authorities, Building Regulation/ Building Control authorities, and other relevant statutory authorities:

6.11.1 **The Housing Executive.** Among the Housing Executive's statutory roles is the assessment of housing need across tenures and the Department would expect close liaison between the programme operator and the Housing Executive in identifying locations for Intermediate Rent Homes. It will be important that these homes are well integrated within communities, with access to services including public transport connections, schools and medical services as well as other key services within a reasonable and accessible distance.

6.11.2 The Place Shaping teams within the Housing Executive would expect to have a key role in influencing the location and delivery of these aspects of Intermediate Rent. As it is anticipated that some of these new homes could be delivered as part of mixed tenure/mixed use developments, it will also be crucial for the Social Housing Development Programme Group to have a role in influencing and forming the delivery of an Intermediate Rent housing supply.

6.11.3 Intermediate Rent homes may offer an attractive option to those looking for more secure, affordable, good quality homes. Once homes become available, the Housing Executive's Housing Options team may be able to signpost clients towards Intermediate Rent as a suitable solution for their housing need.

6.11.4 **Planning authorities** – both in the **Department for Infrastructure** and in **Councils**. The development of new build homes, and the re-development or refurbishment of existing dwellings, relies heavily on timely planning decisions and the availability of key utilities (such as water supply, sewerage services, electricity and other energy sources, access via the roads network and so on). Councils are responsible for Local Development Plans, which are required

by regional policy to make provision for affordable housing within the District. The provision of an additional affordable housing product such as Intermediate Rent could improve the ability of developments to address any future policy requirements. Many new mixed tenure developments will be subject to Section 76 Planning Agreements, which may require early engagement between the Programme Operator with the planning authorities.

6.11.5 **Building Regulations and Building Control** officials in the Department of Finance would be a key contributor to the delivery of a programme of good quality homes, with a role for Councils in implementation and enforcement of regulations. The Programme Operator would expect to engage closely with officials to ensure that the design and quality standard of any Intermediate Rent homes (whether Off the Shelf, existing purchase, new build or significant refurbishment proposals) would be compatible with statutory building regulations while remaining viable, sustainable, and achievable to deliver. Sections 6.22 to 6.27 set out the options around the options available around construction, design and quality standards under consideration.

Designing, Delivering and Funding a Financially Viable Model

The Department proposes that:

A model based around the established practice (a blended approach between the social development and shared ownership delivery models) should broadly apply to a new Intermediate Rent model.

6.12 The financial viability of an Intermediate Rent product here will be influenced by a range of factors including projected demand, the level of rents set, the cost to provide the dwellings, and the scope and nature of funding to facilitate this development. It is vital to develop and implement a model which is viable, to ensure that all parties involved can achieve an attractive outcome from the delivery of Intermediate Rent homes. Learning from the experience of other comparable arrangements can help form the basis of a workable model which can deliver sustainable and good quality homes, using a blend of Government funding and private finance. Creating confidence to attract the necessary private finance requires minimum scale and also a capacity to let properties quickly and have a clear plan to scale up.

6.13 Initial engagement with representatives from the housing sector here has underlined the importance that Intermediate Rent must be distinct from other affordable rental products, most notably from social rented housing. The use of loan funding is one way to ensure that Intermediate Rent does not compete with social housing for funding. Research indicates that a combination of long-term low interest government loan and private finance can generate a viable intermediate product, generating a modest return over a longer term (i.e. between 20 and 30 years). Properties developed under an Intermediate Rent programme will fully become the asset of the programme operator at the end of the loan term.

6.14 New Intermediate Rent homes will be developed under the core loan-funded model, and it is accepted that certain additional flexibilities may be, from time to time, required to, for example, ensure difficult sites can be viable. It is also understood that in some situations Intermediate Rent cannot be made viable. It is therefore seen as a product which can be scaled up but is not suitable for development everywhere. Setting of intervention rates takes into account the anticipated rental income which the programme operator can expect to attract. The Department considers that the initial level of intermediate rents and their uprating thereafter will

need to consider the wider viability and affordability requirements of the programme and officials will work with the programme operator on this matter. Creating confidence to attract private finance requires minimum scale and also a capacity to let properties quickly and have a clear plan to scale up. This indicates that it is best to start with buying off the shelf until, for example, new build and refurbished units can come on stream. Delivery should centre around a simple, scalable and viable model delivered through a single programme operator, as discussed earlier.

6.15 Initial viability analysis conducted on behalf of the Department, based on broad assumptions around rents set at 80% of local market rents and with the tenant paying a maximum of 25% of income to rent ratio, concluded that Government funding of up to 50% of total costs (including on-costs) could be viable. In order to cement viability, it would be desirable to have some flexibility to exceed the level of 50% intervention, with a ceiling of 60%. This would assist, in particular in more difficult to develop sites, where the programme operator would have to garner less than half the development costs from other sources.

6.16 Using the established Total Cost

Indicators (TCI)²³ allowance used for social housing development may be considered a relevant point of reference for setting the levels of government subsidy allowed for Intermediate rent dwelling delivery. TCIs are all-in, forecast outturn development costs and include three main cost elements:

- Acquisition (including land)
- Works Cost
- On-Costs (professional fees, management costs and statutory charges)

6.17 The Department is mindful that there are a range of issues which have the potential to impact on the successful delivery of Intermediate Rent homes, including the availability of suitable properties to acquire, the availability of viable land for development in suitable locations, the potential constraints associated with Planning, the cost to develop and deliver the homes, and the sourcing of eligible tenants. The Department will work closely with the appointed programme operator, and with other interested parties, in finalising and publishing the detail of the scheme. Any such scheme will be kept under review and revised and developed as implementation moves forward.

23 <https://www.communities-ni.gov.uk/total-cost-indicators-tci-summary>

**The Department proposes that:
Delivering a scalable supply of
Intermediate homes for rent can
be achieved through a mix of long-
term, low-interest government loan,
matched with private finance.**

6.18 In considering the funding required to develop and deliver Intermediate Rent homes, the focus has been both on creating a viable model with an appropriate level of support from Government. In doing so, an important consideration has been to ensure that the focus of grant funding remains on increasing the supply of social homes. Chapter 3 of this paper discusses the use of loan funding using Financial Transactions Capital (FTC) loan, which would be the Department's preferred primary funding strategy for the delivery of Intermediate Rent homes.

6.19 Under the rules around use of FTC, it can only be used as support for private sector interventions and it has been much used across the devolved nations for private sector housing interventions, including the delivery of a number of significant and successful Mid-Market rent schemes in Scotland.

6.20 Preliminary indications are that Government loan support, coupled with a private finance element, can prove

viable over a longer-term loan period, for example, a term of between 20 and 30 years. The Co-Ownership model is a good example of the effective use of loan funding in delivering a supply of affordable homes, although key to its success is the established nature of the delivery body in providing confidence and in securing sufficient private finance on reasonable terms.

6.21 Working capital requirements over the early years of delivery are expected to be significant, regardless of the level of subsidy. Initial modelling indicates that this can be overcome by delaying payments of loan principal until at least year 10 of the loan term, and staged repayments over the term of the loan, or significant repayment deferred until towards the end of the loan period can help improve viability overall.

6.22 While the principles of the core Intermediate Rent model would seek to maximise the use of loan, this would not prevent site-specific 'flexibilities' that could reduce development costs which might include, for example, public land supplied at below market rate or as an in-kind contribution. Flexibilities would be supplementary to the core framework model and, as such, ad hoc and used only where development could not proceed within the core framework. If the cost of housing provision could be reduced by, for example, securing access to land at zero

or nominal cost and developing new build units that meet the required specification, then the viability of such products might be further improved.

Delivering Intermediate Rent Homes – Construction, Development and Standards

The Department proposes that: Intermediate Rent homes should meet the minimum statutory construction and quality standards, with opportunity for additional requirements as necessary.

6.23 The introduction of this new rental model will take some time to bed in, and in order to maximise the early impacts of Intermediate Rent it is proposed that initially new supply could come forward through off the shelf purchase of new dwelling units and, where necessary, through the acquisition of suitable existing dwellings.²⁴ Consideration will be given to any competition this may create with housing associations for such properties and subsequent impact on the delivery of the SHDP.

6.24 The quality standard associated with Intermediate Rent properties elsewhere varies between meeting established build and design standards for social housing and meeting the requirements of Building Regulations. The type of housing also varies from apartments to family houses depending on demand and site availability in the area. Programme operators elsewhere are responsible for the maintenance of properties. Offering a high design quality standard, including flooring, internal painting and the provision of white goods can both help in attracting and retaining tenants, and can provide a long-term saving due to lower tenant turnover. Provision of other fixtures and fittings, in order to offer turnkey, may not always be appropriate, and it should be flexible enough to respond to particular needs where possible.

²⁴ **Housing Association Guide** sets out the rules for Existing Satisfactory Purchase within the Social Housing Development arrangements. This provides an indication of the likely requirement for existing properties forming part of an Intermediate Rent Programme.

6.25 Indications are that a new supply of Intermediate Rent homes can be achieved primarily through specific new development or 'off-the-shelf' purchase of units. This can provide an opportunity to test some of the assumptions around rent setting, affordability and viability while opportunities can be identified to transition to include new build development and other routes to supply. While these could be standalone developments, Intermediate Rent may also form a part of larger mixed tenure schemes. Refurbishment of existing empty properties or the conversion of existing suitable properties may also add modestly to the supply of Intermediate Rent homes. Where Intermediate Rent dwellings are developed as part of a mixed tenure approach, ideally this should be planned for with a tenure blind approach.

6.26 It will be desirable that Intermediate Rent homes are developed to meet the identified needs, particularly those identified in the Housing Executive's assessment of housing need. This may include supplying dwellings suitable for single people, as well as for families and may comprise a mix of single bed dwellings and, where appropriate, providing for small-scale shared accommodation. It is not anticipated that Houses in Multiple Occupation will form part of Intermediate Rent dwellings, although where this is

proven to be a desirable outcome this may be considered.

6.27 It is important, in establishing a new subsidised housing product, to ensure that a high standard of building quality and that the internal layout and amenities and services within the home are suitable and sustainable. The forthcoming Housing Supply Strategy will set the agenda for the supply of new homes including construction standards. Properties within the Intermediate Rent programme will be required to meet all relevant statutory requirements including Building Regulations and Building Control requirements alongside at least the minimum standard of housing fitness. It is expected that Intermediate Rent homes will offer high quality, secure and accessible living that is sustainable, energy efficient and easily maintained. Furnishings such as blinds, floor coverings, and white goods such as cooker/ oven, washer, fridge-freezer and kitchen units may form part of the offering available to tenants. These details will be finalised subject to discussions with the programme operator.

6.28 At a minimum it is envisaged that all Intermediate Rent homes would be required to meet the building regulations requirements, selected or designed with sufficient flexibility to meet people's evolving needs. Many of the requirements of the SHDP general needs design

standard applicable to the development of social homes²⁵ could be appropriately applied to the provision of Intermediate Rent homes, however, there may be opportunities for flexibilities in terms of some elements as required. This will be further developed in conjunction with the programme operator.

Intermediate Rent homes should be provided or developed in a sustainable way, maximise energy efficiency and accessibility, as far as is practicable, and be developed in a way that is mindful of the Government's policy to move towards a net zero carbon position.

25 <https://www.communities-ni.gov.uk/design-standards>

7. Producing a new Intermediate Rent Model

- 7.1 An Intermediate Rent product should be understood as an additional tool in the armoury of interventions that helps address niche market failures or wider problems in the housing market. While it would not be on the scale of social housing interventions, it could make a significant difference to those households struggling financially to enable them to consume a higher quality of housing at below market rent and with greater security.
- 7.2 It is the Department's preference to establish an Intermediate Rent model which can be delivered at scale in those areas where it will be viable and where demand is evident. DfC is keen to commence rollout of a programme, beginning with acquisition of already developed dwellings for use as Intermediate Rent homes, and scaling up to new build development, including as an element of new mixed tenure developments. It is proposed that initial roll-out is on a modest scale in high demand areas delivered by a single programme operator who will then work towards operating at scale. This can allow for learning to be applied from initial delivery towards a larger scale programme.

- 7.3 The considerations and proposals outlined in this document have been informed by comprehensive research and analysis in conjunction with independent research and modelling, desk research on the needs of the housing market here, and through engagement both with Intermediate Rent programme operators elsewhere and with representatives with an interest in housing. While it is the Department's intention to continue with further direct and focussed engagement with potential tenants and potential programme operator organisations, we welcome feedback on any additional matters which the Department and any programme operator may wish to consider in developing, implementing, and operating an Intermediate Rent product here.

Co-Production

- 7.4 Meeting the breadth of challenges posed by the issues within our housing market cannot be addressed by Government alone. Partners such as the Housing Executive, housing associations, councils, private developers, private landlords, lenders, and the advice sector must also participate in the planning for and implementation of new affordable rental products. In order to play their part effectively, however, they need to have clarity on what is required and what is possible in terms of delivery.

7.5 This document aims to facilitate engagement and consultation with those who have an interest in the development and delivery of a new Intermediate Rent product, setting out the Department's thinking on what a core framework model will look like and how it might operate. This process offers an opportunity to ensure that from the outset all key interests can contribute to the discussion and help shape an effective new product which makes a difference in our housing market.

7.6 Restrictions as a result of the Covid-19 pandemic may constrain the extent to which we can engage in face to face events, and it is our intention to bring together groups of stakeholders, most likely via virtual meetings, to discuss the proposals and secure your input to shape the final model. Your contribution, in terms of submitting feedback during those virtual meetings and subsequently through your response to this consultation will help inform the Department's thinking and shape the final model for rollout.

Conclusion

7.7 The Department therefore, informed by your views in response to these proposals, intends to develop and implement a new Intermediate Rent housing programme. The finer detail around the funding model and the tenant offering will be finalised following engagement with interested parties, including the responses received to this consultation.

8. Monitoring and Evaluation

- 8.1 As far as possible, an Intermediate Rent programme will be evaluated for success using an outcomes-focused approach. This entails moving from simply measuring outputs, e.g. the number of homes delivered, or the number of households accessing a product, to assessing the impact that the policy has had, for example, how has the number of homes achieved the objectives and impacted positively on the circumstances and well-being of individuals, families and communities. This will be achieved by monitoring all performance against three key questions:
- 1) How much have we done?
 - 2) How well did we do it?
 - 3) Is anyone better off?

- 8.2 Among the key indicators of successful outcomes could be the extent to which Intermediate Rent:
- i) Addresses Housing Supply – How many Intermediate Rent homes are created; how many vacant properties/vacant sites are brought into use under the programme.
 - ii) Addresses Tenant Choice – How many households apply for and are successful in being offered an Intermediate Rent home; how many Intermediate Rent tenancies are created.
- 8.3 The Department will keep these initial indicators under review and finalise these, in co-operation with the Intermediate Rent programme operator, to ensure coherence and consistency in how outputs are measured, monitored and reported. It is intended that feedback will also be sought from Intermediate Rent tenants around their experience of living in an Intermediate Rent home, and what difference (if any) this has made for them.

Appendix A

9. Assessment of Impacts and Data Protection

9.1 These policy proposals have been screened for equality impact, data protection impact, and rural needs impact. No adverse impacts have been identified. We welcome any comments you may have in relation to the equality, rural, and data protection impacts of that which is proposed. The assessments prepared by the Department will be revisited as the detail of the Intermediate Rent model and its delivery is refined and revised to reflect any significant changes to the policy proposals as a result of consultation comments.

Privacy, Confidentiality and Access to Consultation Responses

9.2 For this consultation, we may publish all responses except for those where the respondent indicates that they are an individual acting in a private capacity (e.g. a member of the public). All responses from organisations and individuals responding in a professional capacity will be published. We will remove email addresses and telephone

numbers from these responses; but apart from this, we will publish them in full. For more information about what we do with personal data please see the Department's Privacy Notice at: <https://www.communities-ni.gov.uk/dfc-privacy-notice>

9.3 Your response, and all other responses to this consultation, may also be disclosed on request in accordance with the Freedom of Information Act 2000 (FOIA) and the Environmental Information Regulations 2004 (EIR); however all disclosures will be in line with the requirements of the Data Protection Act 2018 (DPA) and the UK General Data Protection Regulation.

9.4 If you want the information that you provide to be treated as confidential, it would be helpful if you could explain to us why you regard the information you have provided as confidential, so that this may be considered if the Department should receive a request for the information under the FOIA or EIR.

10. How to Respond

10.1 You can respond using the Citizen Space link on the consultation page at <https://www.communities-ni.gov.uk/consultations>. If you would prefer not to use Citizen Space, the questions can be accessed in a Microsoft Word document on the consultation website, responses may be sent to the email/postal address below.

10.2 In responding to this consultation please do not submit any sensitive personal data or information. You are under no obligation to provide personal details in responding to this consultation.

10.3 If you do not wish to use Citizen Space you can email your response to this consultation to **AffordableRentBranch@communities-ni.gov.uk**

or write to:
Intermediate Rent Consultation
Affordable Rent Branch
Department for Communities
Housing Division,
Level 3, Causeway Exchange,
1-7 Bedford Street,
Belfast
BT2 7EG

10.4 When you reply it would be very useful if you could confirm whether you are replying as an individual or submitting an official response on behalf of an organisation/group and include:

- Your name
- Your position in the organisation (if applicable)
- The name of your organisation (if applicable)
- An email address

10.5 We will only use your information for the purposes of analysis of feedback to this consultation, and to contact you at your request to follow up on matters raised. Whether you are responding on behalf of an organisation or as an individual, please indicate if you consent for your identity to be made public, or otherwise. The opening sections of this consultation paper provide further detail on how to respond and what we will do with feedback received.

Appendix A

Approaches elsewhere to intermediate or affordable rent				
Jurisdiction	Model	Main Subsidy	Rent approach	Governance
England	Affordable Rent Programme	Upfront Grant and cross subsidy from re-let existing stock	80% of market rent but varies inversely to demand (lower % in London)	Provided by regulated social landlords with social tenancies
England	Affordable rent/intermediate rent (various)	Grant	80% of market rent, typically	Examples run by regulated housing association group structures with subsidiaries
Scotland	Mid-market rent	Upfront Grant (plus a non-grant version by Castle Rock Edinvar HA/Places for People)	Linked to LHA – initial rent 30th percentile of BRMA rent over time rising to no more than median (50th percentile)	Generally run by regulated social rented group structures as subsidiary
Scotland	National Housing Trust	Local Authority (LA) loan and state guarantee	Originally 80%-85% market, later as MMR	SPV partnership of developer and LA; subsequently LA only model
Scotland	LAR housing trust	FTC loan and private finance	Similar to MMR but 30th percentile is initial rent cap	SCIO charitable trust model regulated by OSCR
Wales	Rent First	Upfront grant	80% of market or 100% of LHA	Option to purchase
Republic of Ireland	Cost Rental (pilot) closely linked to Austrian limited profit model	Land in kind and public loan	70% of market rent but linked to construction & finance costs	Pilot stage delivered by housing association partnering with councils & the housing agency

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