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Homelessness Property Funds

Local Government Association

September 2017



Resonance Profile

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- Social impact investment company
- Established since 2002
- FCA Authorised Fund Manager
- c. £150m Funds Under Management
- 7 operational impact investment funds
- Team of over 30 with finance, property and social enterprise experience
- Offices in London, Manchester, Bristol, Birmingham and Cornwall

"Ventures"

corporate finance advisory work and deal arranging, enabling social enterprises to become investment ready and raise capital from investors

"Fund Management"

creating, structuring, raising and managing investment funds where this is the right tool to scale up or replicate good models for social enterprise

Our mission is to connect capital and social enterprise

Homelessness Property Funds

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Invest in Properties

UK wide residential portfolio (mainly 2 bedroom homes)

Leased to leading homeless charities

3 x Funds currently £134m (2 open for investment)

Financial Return

Investors return made up of 2 elements:

Cash yield + capital appreciation

Local Authorities also receive substantial TA savings

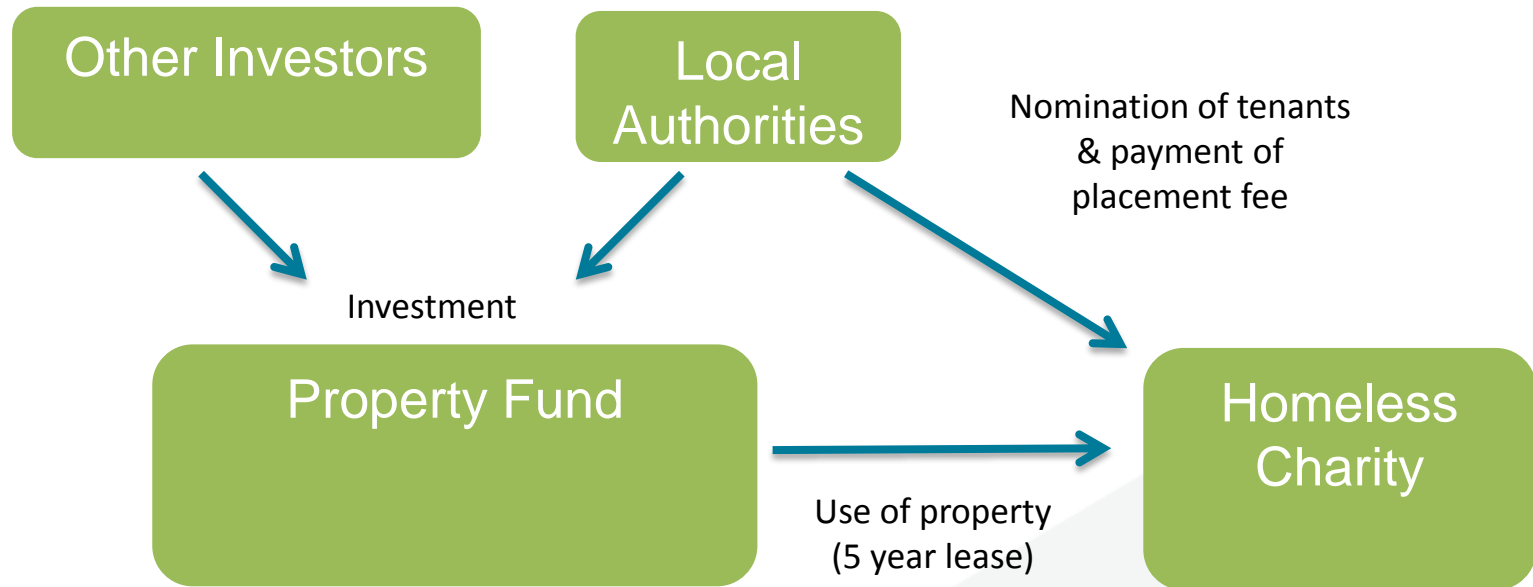
Social Impact

Move on accommodation to independent living

Real affordable housing (LHA rent)

Annual Impact reports showing encouraging results

Fund Structure



- ✓ Predictable pipeline of suitable properties for Homeless Charity
- ✓ Standard lease with Homeless Charity taking on risk of bad debts / voids / maintenance etc
- ✓ Local Authorities who invest also gain rights to nominate tenants out of expensive TA with a discharge of duty

Growing Initiative - Key Learning



Sourcing properties	Partnership approach
Investment committee	High volume of acquisitions
Negotiation	Quick cash buyer
Conveyancing	Part of the team
Refurbishment	Agreed spec / rates
Nominations to LA	Communication

Strategy

- Expanding existing areas
- Launching in new key areas
- Next milestone 1,000 homes

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[#resonanceltd](https://twitter.com/resonanceltd)

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Appendix



Local Authority - Cost v Benefit

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Cost



Benefit

As an **Investor** into local move-on property stock

Initial LA capital investment



Other private investment



Yield and capital appreciation



Property Stock

- Creation of a portfolio of suitable move-on accommodation in the area
- Potential to lever in private sector investment
- Delivering low-risk steady investment returns on public capital

As a **Provider** of services for homelessness

Placement fee (per tenant housed)



Saving on temporary accommodation or hostel space



Discharge of Duty

- Predictable stream of nominations for suitable tenants
- Immediate savings on temporary accommodation costs
- Better progression and outcomes for vulnerable tenants

LA Investment - Routes Available



LAs can invest in the Fund from three potential sources:

- 1) **Capital budget** since these are investments which might otherwise have been required into direct housing investments to address housing policy issues.
- 2) **Treasury funds** since an investment in the fund can be shown to be a commercial risk-adjusted return (low risk) and may fit with guidelines for investment of treasury funds.
- 3) **LA Pension fund** since an investment in the fund can be shown to be a commercial risk-adjusted return (low risk) and there may be a strategic imperative for investment in projects which bring long term social benefits to the area.

LA Investing v Direct Purchase



The Fund offers a number of key advantages to LAs over direct purchase of properties:

- 1. More “Bang for Buck”**, because LA investment in the fund could bring in additional private sector investment
- 2. Speed of response**, because the fund can quickly establish a pipeline of suitable properties and begin to assist the LA with its temporary accommodation burden
- 3. “Discharge of duty”** is possible to Private Rented Sector properties in fund, whereas LAs cannot discharge into their own stock
- 4. Quality of accommodation, strength of covenant and track record**
 - ✓ properties meet or exceed Decent Homes Standards
 - ✓ Homeless Charity backs the initiative with its infrastructure, processes and specialist experience in this area
 - ✓ Homeless Charity track record of successful tenancies and strong focus on supporting people to make more permanent / move on arrangements
- 4. LAs retain influence** over location and property type (through Nominations Agreement with Homeless Charity) and also over key strategic parameters of fund (through fund governance arrangements)
- 5. Limits LA risk** in relation to voids, bad debts and maintenance costs, since these are taken by Homeless Charity

Social Impact

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What we measure ?

1. Improving housing opportunities
2. Progressing towards work
3. Improving resilience against homelessness



Selected Investors to Date

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CROYDON



PANAHPUR
Can Money Sing?



City Bridge Trust
The City of London Corporation's Charity



JRF JOSEPH ROWNTREE FOUNDATION



HNW individuals



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