

## Repair and Leasing Scheme (RLS)

### 1. I am a property owner interested in this scheme, what should I do?

Owners of properties that have been vacant for at least one year, and which require repairs to bring the property to the required standard for rented properties, should contact the vacant homes officer in the relevant local authority (see [vacanthomes.ie](http://vacanthomes.ie)) and complete an application form for the scheme.

### 2. How does the scheme work?

If a property requires repairs to bring it up to standard for letting, a local authority or Approved Housing Body (AHB) will fund the repair work (to a maximum of €80,000 per unit<sup>1</sup>) in return for the property being made available for social housing for a period of 5 - 25 years. There are two options available - a direct lease or a Rental Availability Agreement (RAA). The money provided for the repairs will be recouped from the lease (rental payment).

### 3. What is the main benefit for property owners?

The benefits of RLS to the property owner include -

- Guaranteed rent on a property that has not been generating an income.
- Upgrade of property that might otherwise become derelict.
- Avoid losing rent during vacant periods.
- No need to collect rent or find a new tenant.
- Avoid advertising costs.
- Give back to the community through renovation of vacant property and providing much needed housing.

### 4. What properties are suitable?

There are a number of requirements in relation to the scheme:

- the property has to be vacant for at least 12 months: proof of vacancy will be required.
- there has to be a social housing demand for the property.
- the property has to be assessed as being viable to provide social housing.

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<sup>1</sup> Where more than one home is leased to the local authority / AHB, multiples of €80,000 are available. For example, in the conversion of a former office building to 6 apartments, a loan of up to €480,000 (including VAT) can be provided.

If the property meets these requirements, it will be inspected by local authority or AHB staff who will identify the works that are required to bring the house up to the required standard.

RLS can be applied to a vacant portion of a property, even where the rest of the property is not vacant. For example, where there are vacant units above a shop, the vacant units may be brought back into use using RLS.

The scope and cost of the works required to meet the [Housing \(Standards for Rented Houses\) Regulations 2019](#), and the recoupment of the cost of the works through the RAA/lease payments, will be agreed between the owner and the local authority/AHB.

### **5. Can I apply for RLS before buying a property?**

A local authority or AHB may sign an agreement for lease and a lease with a proposer who does not currently own the property. However, the proposer must own the property prior to commencement of the lease. The local authority / AHB may require the proposer to be at a certain stage in the purchase process prior to engagement e.g. sale agreed; preferred bidder as confirmed by an estate agent etc.

In such cases, the proposer must be able to show good and marketable title (i.e. be the legal owner) before the lease commences; stage payments cannot be made on a property until the local authority / AHB is satisfied that the proposer has good and marketable title to the property.

### **6. What is the difference between a Rental Availability Agreement and a direct lease?**

There are two options for property owners under RLS – a direct lease or a Rental Availability Agreement (RAA):

	<b>Direct lease</b>	<b>RAA</b>
<b>Term</b>	5 – 25 years	5 – 10 years
<b>Rent</b>	80% / 85% of current open market rate less RLS offset	92% / 95% of current market rate less RLS offset
<b>Cost savings</b>	<ul style="list-style-type: none"><li>• No rent loss due to vacant periods</li><li>• No rent arrears</li><li>• No letting fees</li><li>• No advertising costs</li><li>• No RTB tenancy registration charge</li><li>• No day-to-day maintenance costs</li></ul>	<ul style="list-style-type: none"><li>• No rent loss due to vacant periods</li><li>• No rent arrears</li><li>• No letting fees</li><li>• No advertising costs</li></ul>

<b>Tenant management</b>	Local authority / AHB is the landlord	Property owner is the landlord
<b>Internal maintenance</b>	Local authority / AHB responsibility	Property owner's responsibility

## **7. What is the minimum standard required?**

Each local authority will set out its own specific requirements for properties. However, the following will apply in all areas:

- Properties must be in good structural condition and will be subject to inspection by the local authority or the AHB.
- Properties must comply with [the Housing \(Standards for Rented Houses\) Regulations 2019](#).
- BER certificates are required. Minimum BER criteria may apply in some local authority areas.

Property owners are also required to prove ownership of the house before the lease commences and must be tax compliant. It is the responsibility of the owner to ensure that they consult with their finance/mortgage provider and get consent to enter into a leasing arrangement, if required.

Details on the tax treatment of RLS are available on the Revenue website.

## **8. What is the role of Approved Housing Bodies (AHBs)?**

Approved Housing Bodies (AHBs) work with local authorities and property owners by both identifying properties and working with property owners to bring the properties up to the required standard.

AHBs may sign lease agreements with property owners, on behalf of and with the agreement of local authorities. These properties will then be managed by the AHBs on behalf of the local authorities. The local authority is responsible for nominating the tenants.

## **9. Who will inspect the property?**

If the property is suitable for social housing and in an area where there is demand for social housing, the local authority or AHB will arrange for a site visit of the property. This will determine the condition of the property and assess the level of repairs required to bring the property to the required standard.

At the end of the site visit, the local authority or AHB will provide the property owners with a checklist list based on the Standards for Rented Houses (see para. 7 above).

**10. Will the property owner have to arrange a contractor to complete the work?**

In the majority of cases, following the initial site visit by the local authority/AHB, the property owner will be responsible for the preparation of a schedule of works and must then get quotes for the works which must be agreed with the local authority/AHB before work begins. Works are to be carried out by an approved contractor who is fully tax compliant and has furnished all necessary evidence of same to the local authority or AHB as required.

On completion of the works, the property owner should arrange for an invoice from the contractor and present this to the local authority/AHB. The local authority/AHB will arrange for a site visit to the property and if all works have been carried out to the standard required, the local authority/AHB will provide the property owner with the agreed amount to settle the invoice. Proof of payment to the contractor must be provided to the local authority/AHB within 10 working days.

By agreement with the local authority / AHB, the repair works may be carried out by, or on behalf of, the local authority / AHB.

**11. Is there a maximum value of works allowed under the scheme?**

The purpose of the scheme is to restore suitable properties to the required standard for rented accommodation. The local authority or AHB will agree with a property owner the specific works and associated costs on a case-by-case basis having regard to the condition of the property. Not all properties will require significant works to bring them up to standard. However, it is recognised that others, especially those that may have been vacant for a longer period or those being converted e.g. from a commercial, use, may require more extensive repair.

The maximum cost of repairs that will be funded by the local authority / AHB is €80,000 per unit, including VAT. This means that where 4 homes are provided in the one finished property, a loan of up to €320,000 is available e.g. 4 apartments over a shop premises.

As the property owner is paying for the repairs through an offset against rental income, it is in the interests of the property owner that repair costs are not excessive.

**12. Is the property required to be furnished?**

Yes. All properties leased must be furnished and include certain appliances. Market rent is typically agreed on the basis of a furnished property.

The cost of providing furniture may be included as part of the loan, subject to agreement with the local authority on what furniture is required, appropriate costs and evidence of

purchase receipts. Where works are carried out by a contractor, it may be possible to request a "furniture pack" as part of the contract.

The list below is an indicative guide to the furniture that is required:

- a. All rooms or parts of the property must have an appropriate floor covering.
- b. All windows should have appropriate window coverings e.g. blinds and/or curtains.
- c. Each bathroom/en-suite should include a bathroom cabinet and the shower unit should have an adequate shower screen. Floor coverings should be water resistant.
- d. Each bedroom should include an appropriate sized bed for that room. Each bed should include a minimum of a bed base and a mattress. One wardrobe (integrated or free standing) per room should be provided as a minimum.
- e. The dining area should have a table and an adequate number of chairs to suit the expected occupancy level. The living area should include a minimum of a suite of furniture appropriate to the room size.
- f. The kitchen should include the following items as a minimum:
  - A cooker/oven and 4 ring hob;
  - Fridge-freezer unit or separate fridge and freezer;
  - Washing machine (a dryer may also be required in some circumstances);
  - Cooker hood or an extractor fan.

### **13. What can the property owner expect to receive in rent?**

Rents will be agreed through negotiation with the local authority / AHB, based on a percentage of current market rent. The local authority / AHB determines the current market rent based, where appropriate, on an independent valuation sought by the local authority / AHB. In the case of disputes, the Housing Agency can provide a mediation service which engages an independent valuer at the expense of the property owner.

The maximum rent under the terms of RAAs is 92% of current market rent (95% in the case of apartments with a significant service charge). The Residential Tenancies Act 2004, as amended, including the application of Rent Pressure Zones, applies to RAAs.

Under direct leasing, rents of up to 80% (85% in the case of apartments with a significant service charge) of the current market rent are available. Rent reviews will usually take place every three or four years. Rent review periods of less than 36 months should not be considered.

The cost of the repairs will be offset against the agreed rental payment until the value of the loan is repaid. The local authority / AHB and property owner will agree the offset period on

a case-by-case basis. Options include a rent-free period or a set reduction over the lifetime of the lease or for a period of the lease.

#### **14. What is the minimum length of a lease?**

The minimum length of the lease is five years; the maximum 25 years. In agreeing the term of the lease, it is important to have regard to the level of funding provided, the level of repayments and the duration of the agreement in order to ensure that the original funding is recouped.

#### **15. Who is responsible for maintaining the property?**

The owner is responsible for structural insurance, structural maintenance and structural repair. The owner is responsible for the payment of any management company service charge (usually apartments only), and any other charges for which the property owner is liable, for example Local Property Tax.

Properties will be returned to the property owner in good condition at the end of the lease term, subject to normal wear and tear.

It is the responsibility of the property owner to consult with their finance provider and to get consent to enter into a RAA/leasing agreement, if required.

#### **16. Will the property owner be the landlord?**

Under a RAA, property owners sign an availability agreement with the local authority: the property owner agrees to make the property available for a specific period for nominees of the local authority and to maintain the property in a lettable condition. The tenancy agreement is between the property owner and the nominated tenant. The property owner is the landlord and retains landlord responsibilities.

Under a lease agreement, the property is made available to the local authority or the AHB as accommodation to households who have been approved by the local authority for housing. Tenants will sign a tenancy agreement with the local authority or AHB. The local authority or AHB is the landlord and retains landlord responsibilities.

#### **17. What if I want my property back before the end of the RAA / lease term?**

A clawback provision is included to ensure for full repayment plus interest if the property is withdrawn or becomes unavailable before the end of the offset period of the lease. Local authorities may set the interest rate inserted under the clawback clause; however, the rate applied will be no less than 4%.

### **18. Can I sell the property during the term?**

Under a long-term leasing agreement the property can be sold by the property owner during the term on the condition that the lease agreement is transferred to the new owner and the local authority or AHB provide written consent in advance.

Under a RAA, a landlord may sell the property subject to the notification requirements of the Residential Tenancies Amendment Act 2019. These requirements are the same as other RTB registered properties.

### **19. What happens if the tenant damages the property?**

Under a direct leasing agreement, the local authority or AHB will be responsible for internal maintenance and repairs during the term of the direct lease. At the end of the term the property will be returned to the property owner in good repair order and condition, save for fair wear and tear.

When entering into a leasing agreement, property owners accept that, at the end of the term, furnishings and appliances may not be returned. Any furniture and appliances that are left in the property will revert to the ownership of the property owner and are not subject to the requirement to have them in the same condition as at the outset of the lease, subject to fair wear and tear.

Under a RAA, the property owner is responsible for internal maintenance and repairs.

### **20. What is the difference between RLS and the Vacant Property Refurbishment Grant (Croí Crónaithe grant)?**

<b>Vacant Property Refurbishment Grant</b>	<b>Repair and Leasing Scheme</b>
Grant to refurbish vacant property to use as principal private residence or as private rental property	Loan to refurbish vacant property in return for leasing to local authority / AHB to provide social housing
Grant of up to €70,000	Loan of up to €80,000 per unit; multiples of the loan available for multiple refurbished units
Maximum application to 2 properties (principal private residence; one rental property)	No limit on number of properties
Only available to individual	Available to companies and individuals
Minimum 2 years vacant	Minimum 1 year vacant
The owner is the landlord	Under a lease arrangement the local authority / AHB is the landlord