

Housing for Vulnerable Women Property Fund – FAQ

This document outlines our responses to the frequently asked questions (FAQ) in relation to the proposed housing for vulnerable women property fund. These responses are based on Big Society Capital's (BSC) internal research and discussions with over 60 women's sector organisations and practitioners. However, we acknowledge that it is impossible for a single solution to address the full range of housing needs of vulnerable women and this fund will need to complement the existing system and provision. Therefore, we look forward to working with the selected Fund Manager, potential investees and partners to test and modify our working assumptions.

For more details, please refer to [the call for Fund Manager blog and document](#) published in Jan 2019.

Application	
Where can I find the expressions of interest (EOI) form?	There is no standard form or template. Please refer to p.6 of the call for Fund Manager document (under "appointment criteria"), highlight your organisation's / partnership's most relevant experiences and describe your expectations of how we could work together. Please provide no more than 2-page by email by 28 February 2019.
Why is BSC running an open call for Fund Manager process?	We would like to use this opportunity to engage with socially motivated Fund Managers in the housing space to start meaningful conversations on potential partnerships. For Fund Managers who have not been shortlisted or selected for this particular opportunity, BSC welcomes further discussions on how our capital and expertise could facilitate the provision of affordable homes for those in need.
Fund Design and Considerations	
What is the preferred fund structure?	We typically invest in LP structures for similar opportunities. We are also open to other structures, such as co-investment facility, as long as it has the potential of attracting capital at scale and achieves the fund's financial, impact and systems change objectives.
What is the target return or duration requirement?	<p>From BSC's perspective, we seek a mid-single digit return at our overall portfolio level. For our portfolio in homes, we typically invest in funds that provide a target return of 5% or above (including capital appreciation and yield elements), which seems to align with our co-investors' expectations.</p> <p>For investment opportunities with greater potential to achieve greater social impact and systems change, such as this one, we are willing to accept lower returns, be more patient and risk tolerant in the near term – in order to catalyse significant amount of investment at scale in the future.</p> <p>We consider duration based on the merits of each fund, and do not have a fixed requirement. We have invested in funds with the expectation of exiting in a few years and also those with an open-ended or evergreen structure. We will work closely with the selected Fund Manager to determine the most appropriate structure and exit mechanism that aligns with the fund's objectives and other co-investors' requirements.</p>
What is the exit strategy?	At the fund level, we would like to work with the Fund Manager to structure the fund in a way that balances investors' need for exit and the fund's objective to create lasting impact for individuals and the sector. Exit could be achieved through property financing, sale in open market or to service providers / RPs. We are keen to explore innovative structures with the Fund Manager that are appropriate at seed and scaled up stages.

	<p>At level of each investment, we anticipate the Fund Manager to partner with the investees to determine the appropriate lease lengths (and terms of extension / break clauses if appropriate). However, we acknowledge that move-on can be a challenge for such an arrangement. We encourage the Fund Manager to work closely with specialist women's organisations and their partners to ensure positive outcomes for the tenants.</p>
<p>What are the target milestones?</p>	<p>We expect the fund to launch with a minimum of £15m investment over the summer of 2019, but ideally the first close should target £20m – 30m. Based on our experiences, there is a potential for this fund to reach £200m in 5 years' time. We do not have a strict threshold on number of units or tenants as we believe both quantity and quality of outcomes are important.</p> <p>Pre-fund launch: We will work with the shortlisted Fund Managers to determine appropriate milestones in Q1 and Q2 2019. We expect there are a number of major workstreams to be completed, including fundraising for first close and finalising the fund's structure and acquisition strategy (more details on p.7 of call for Fund Manager document under "Co-development stage"). In principle, we are willing to contribute to co-development costs incurred, which is repayable and subject to certain milestones and conditions.</p> <p>Post-fund launch: Key milestones will be set with the selected Fund Manager in relation to financial and social impact performances. Based on our previous experiences, we expect the Fund Manager to deploy £15m (i.e. size of minimum first close) within the fund's second year of operation.</p>
<p>What are the social impact measurement methodology / KPIs?</p>	<p>We will work with the selected Fund Manager to develop a methodology to measure, manage and report on social impact. We expect the methodology:</p> <ul style="list-style-type: none"> • To be consistent with the approach taken by BSC's existing homes portfolio, which includes a number of core metrics such as number of homes and number of people housed; as well as indicators of social outcomes depending on the specific investment objectives • To align with industry best practice such as the framework developed by Impact Management Project • To incorporate metrics in relation to gender lens investing such as the ones highlighted by GIIN's Navigating Impact initiative.
<p>Investment Strategy</p>	
<p>Are there specific requirements about the ideal properties?</p>	<p>The Fund Manager will work in partnership with women's sector organisations to understand the housing needs of tenants to determine the types and locations of properties.</p> <p>In general, the properties should be of decent size and quality, reflect the women's choices and preferences, and within proximity to the organisation's operations so that their clients can receive community-based or floating support (if needed). These units are dispersed accommodation that are "pepper potted" across the community. Women's sector organisations have indicated a need for 1, 2- and 3-bedroom properties, that have no or minimal requirements for adaptations (e.g. installing better locks and alarm system).</p>
<p>Are there preferred location / area / cities?</p>	<p>We envision the property fund to support organisations and people across the UK. Based on our findings, we have received strong interest from women's sector organisations based in London, Birmingham and Yorkshire.</p> <p>The locations of properties will be a key driver for financial returns and therefore should be carefully considered. To create a balanced portfolio that</p>

	<p>achieves the fund’s social impact and financial objectives, the property acquisition strategy should be determined based on a number of factors, including:</p> <ul style="list-style-type: none"> • Level of social need • Capability and commitment of local partners, such as women’s sector organisations and local authorities • Availability of stock • House prices and potential for appreciation • Level of Local Housing Allowance <p>The property acquisition strategy may also be influenced by other co-investor’s, who may have specific geographical requirements. We are keen to share our understanding of potential pipeline investments with shortlisted Fund Manager(s) to help them identify geographical hotspots for the fund’s first few investments.</p>
<p>Are there requirements on “quantum” e.g. number of units for each investment?</p>	<p>Quantum of each investment should be driven by a number of factors, including local need and capacity of organisations. 45% of our survey’s respondents indicated demand for 11 – 50 units; 18% indicated demand for 50 – 100 units.</p> <p>As the property fund is likely to work with small to medium size organisations, some with no or limited experience in housing provision. However, we also understand that there needs to be certain level of economies of scale for each investment to operate effectively. Therefore, we expect each investment may involve 11 – 50 units to start with, in partnership with one or more organisations operating in the same area.</p>
<p>What is the preferred length of leases?</p>	<p>Based on our findings, women’s sector organisations have indicated a preference for leases that are at least 3 years. This minimum length seeks to provide security for the tenants and certainty for the organisation’s operations, and presents a better offer compared to typical private rented sector accommodation.</p> <p>We have intentionally not set a maximum lease term or certain break clauses. We believe it is more appropriate for the Fund Manager to define general parameters of the fund that balances objectives of prospective investors and investees, then it can partner with each investee to finalise detailed terms on a case by case basis.</p>
<p>Who are the eligible “investees”?</p>	<p>Specialist women’s sector organisations are at the heart of the model that we envision, as we believe this achieves our ambition to achieve broader change at organisational and system levels.</p> <p>The current model assumes a lease-based model, so the relationship between the property fund and its “investees” is technically a landlord-lessee relationship. We have illustrated a model where the investee is a registered provider working in partnership with a specialist women’s sector organisation.</p> <p>However, the fund can also work with specialist service providers directly, or in conjunction with other organisations that can perform property management functions such as lettings agencies. We also welcome women’s sector organisations to form regional partnerships to access housing provided by this fund. We believe there is value in testing and generating learnings from a range of operational models.</p>

<p>Who are the eligible “beneficiaries”?</p>	<p>In the call for Fund Manager document, we have highlighted the housing needs of women who are homeless, survivors of domestic abuse and/or those who were in prison. We understand there is a much broader range of needs and vulnerabilities, and there are issues that disproportionately affect vulnerable women, such as modern slavery and human trafficking.</p> <p>We do not have a definition of vulnerability or ban on male tenants (e.g. we understand mothers with older male children have additional barriers in accessing refuge spaces). We expect the Fund Manager to work with women’s sector organisations to identify opportunities where access to decent and affordable housing can enable vulnerable women and their children fulfil better outcomes by addressing their other needs e.g. physical and mental health.</p>
<p>Governance and Others</p>	
<p>Will the Fund Manager also be the housing manager?</p>	<p>We do not expect the Fund Manager to perform day-to-day housing management functions, such as managing the letting process, responding to tenant complaints, or handling minor repairs. It would be an advantage if the Fund Manager can demonstrate these capabilities and experience, or close partnerships with organisations that can perform these functions in different areas across the country.</p>
<p>What is BSC’s role?</p>	<p>Subject to BSC’s Investment Committee approval, we view our role as a co-developer and seed investor in the fund. We are keen to share our understanding and network with the selected Fund Manager to further refine the fund’s proposition before launch.</p> <p>After the fund is launched, we expect to receive regular updates on financial and impact performances alongside other co-investors. We may also consider investing in future rounds for the fund to reach further scale. We will also work closely with the grant delivery partner(s) to share learnings and achieve shared mission.</p>
<p>What is the Steering Group’s role?</p>	<p>Members of the Steering Group have generously volunteered their time to provide expertise and guidance for this initiative. They meet every 6 – 8 weeks and are acting as a sounding board to:</p> <ul style="list-style-type: none"> • Ensure the initiative remains true to its mission • Provide expert input into the development of the fund, help identify relevant opportunities • Facilitate links with key stakeholders. <p>We encourage the Fund Manager to participate in the steering group activities where appropriate to leverage its expertise and network. We expect to review the terms of engagement after its current term (12 months).</p>
<p>What is the catalytic grant?</p>	<p>During our research, we have identified an opportunity for catalytic grant to amplify system change of this initiative through capacity building, shared learnings and advocacy. We are working with our partners, including Steering Group members, to further refine this grant proposition (in terms of scale, objectives, funders, delivery partners etc.). The Fund Manager will not be expected to administer or deliver the grant, but it should be open to share insights and network with the grant delivery partner(s) to achieve shared mission.</p>

If you have further questions, please contact Karen Ng (Investment Manager at BSC) at kng@bigsocietycapital.com before 28 February 2019.