



Briefing for Potential Local Mission Partners

London Missional Housing Bond

Diocese of London, Eden Network, Centre for Theology and Community,
Mission Housing

August 2014 – Final Version

This document sets out information on the purpose and nature of the Housing Bond, how any investment in housing would work in practice and how the Expression of Interest process works.

Contents

Section 1 – What is the London Missional Housing Bond?

- 1.1 Our aims
- 1.2 Our partners and how we came together
- 1.3 The investment model
- 1.4 Our first Missional House

Section 2 – What does being a ‘Local Mission Partner’ mean in practice?

- Step 1 – Selecting a Local Mission Partner
- Step 2 – Signing a Local Mission Partner Agreement
- Step 3 – Buying a property!
- Step 4 – Tenants moving in...
- Step 5 – And in 5 years’ time...?

Section 3 – How can we submit an Expression of Interest?

- 3.1 How much funding will be available?
- 3.2 Submitting an Expression of Interest
- 3.3 Next Steps

Please note that the organisations involved in promoting and administering the London Missional Housing Bond are not responsible for any costs incurred by organisations preparing or submitting Expressions of Interest, they do so at their own risk.

Section 1

What is the London Missional Housing Bond?

1.1 – Our aims

The purpose of the Bond is to support the church’s mission in deprived communities in London through the provision of affordable rented housing for key church missional workers.

The cost of housing, including rented housing, in even the most deprived areas of London is now so high that it has become a significant obstacle to church mission.

The level of remuneration required for church workers (youth workers, interns, missional community members, etc) to live within their parish is now very high. This means that either churches cannot afford to employ these workers, or that significant compromises must be made – with workers accepting lower remuneration or living miles away from the church. For a lot of missional work, living locally is essential to the work, not least as much of it can be in the evenings.

The Bond has sought to raise new social investment to enable our partnership to buy properties in London. The intention is to buy homes which will be rented out, at below-market levels, to workers involved in mission in some of London’s most disadvantaged communities. The housing will enable us to maintain a living working presence in these areas, as we continue to grow churches and transform communities.

We hope that there will be many Housing Bonds in the years to come, helping the church to include social investment as one of its regular habits. We believe that lending/borrowing is an underused source of finance for the church and its mission, and we hope that this Bond will play a small role in promoting a change of attitudes within the church community towards the more imaginative use of its resources.

1.2 – Our partners and how we came together

The Bond is a collaborative effort by a small group of Christian and church organisations, responding to a need we have seen in our own areas of work.

The Bond grew out of an increasingly obvious need to address the cost of housing in deprived parishes in London, and the challenge it posed to church mission. Conversations were being held in east London by the Centre for Theology and Community (previously the Contextual Theology Centre) with its partner churches in east London. The Diocese of London and the Eden Network were also involved in discussions about how to find affordable housing for missional workers.

In early 2012, this informal group of partners came together through mutual interest, and a feasibility study was prepared by the Centre for Theology and Community, partly funded by Diocese of London and the Mercers’ Company. The findings of the study pointed to a tried and tested funding model already being used by *Green Pastures*, a charity working with churches to provide affordable housing for the homeless. During 2012, the model was discussed and developed, and in the autumn, Affordable Christian Housing joined the group and agreed to act as the delivery partner.

In early 2013, a formal Framework Agreement was signed between the four main partners – **the Diocese of London, the Eden Network, the Centre for Theology and Community and Mission Housing (formerly Affordable Christian Housing)** - and in February 2013, the first Housing Bond was officially launched by the Bishop of London, at the Mercers’ Company in the City of London.

Who are we?

- The **Eden Network** brings together teams of Christians to live on challenging housing estates to build up the local church for the long-term.
- **The Centre for Theology and Community** equips churches to transform their communities - through the practices of community organising, theological reflection and prayer. We also help them to use their resources more effectively for this mission.
- The **Diocese of London** works across the whole diocese in supporting mission and ministry and developing and training new clergy.
- **Mission Housing** (MH – formerly Affordable Christian Housing) is a Christian housing association with 25 years’ experience in providing affordable housing to key Christian workers. It is registered with the Financial Conduct Authority and has charitable status.

All partners are non-profit making registered charities in the UK.

1.3 – The investment model

The investment opportunity

The Bond is issued in the form of fixed term, fixed interest unsecured loan stock by Mission Housing, an Industrial and Provident Society. This kind of investment is not suitable for all, and we recommended that investors seek independent financial advice if they were in any doubt.

We accept investments of £5,000 or above. We are offering the following fixed rates of interest, payable annually:

5 years: £15,000 or more: 2.00% £5,000 – £14,999: 1.25%	3 years: £15,000 or more: 1.25% £5,000 – £14,999: 1.00%
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The opportunity is intended to be of interest to individuals, churches and Christian organisations, including charitable trusts. Investors are able to choose to waive some or all of their interest. It is also possible to accept gift-aid donations from those who wish to support us in that way.

The model

Mission Housing is the primary delivery body for the Bond – taking receipt of monies from investors and then owning and managing properties on behalf of the other partners. In return for this, Mission Housing is paid for its services.

The roles and responsibilities of partners are clearly set out in a Framework Agreement, signed in early 2013. The partners meet regularly as a Housing Bond Management Board.

The rental income from the property is set at a level which will pay for:

- the operating costs of the house - Mission Housing's housing management services, building insurance, etc
- the operating cost of the Bond itself - Mission Housing is paid a modest fee for financial management
- interest payments to Bond investors (at modest rates)

We are confident that the business model is sustainable. **The low interest rates accepted by our investors allows us to charge a lower rent.**

Future years

Our hope and intention is that we will proceed to further fundraising in future years to ensure new funds which will allow any current investors that wish to do so, to withdraw their funds after 3 or 5 years without us having to sell properties. Our research into similar schemes suggests that on the expiry of investments, the rollover rate can be quite high and some may even be 'gifted', so the fundraising target to retain the properties may be relatively modest.

In the event of insufficient funds coming in, we would be required to sell one or more of the properties to be able to pay back investors, and to this end, will be asking investors 6 months before the expiry of their investment what their intentions are.

1.4 Our first Missional House

We launched our first Bond in February 2013 and by December 2013 when the Bond closed, we had raised **£380,000** of capital from individuals, churches and charitable trusts. Most investments are for 5 years.

Through a competitive selection process in the winter of 2013/14 we identified our first Local Mission Partner – the **Parish of St Peter's, Bethnal Green**, in the London Borough of Tower Hamlets.

This is where we have purchased our **first Missional House** – a two bedroom flat on a local housing estate near the church – where the church will be accommodating missional workers who will further the church's local mission.

Section 2

What does being a Local Mission Partner mean in practice?

Step 1

• Selecting a Local Mission Partner

- The Housing Bond Management Board wish to identify a Local Mission Partner who would benefit from a Missional House. **They must be a church which is closely associated with one of the London Missional Housing Bond partners** (see Section 3).
- **Full details of how this process works can be found in the next section.** Expressions of Interest will be invited from interested parties. All Expressions of Interest will be assessed and a shortlist of the most eligible proposals will be made by the Board, assuming that sufficient investment funds are available.
- The Board will then invite the shortlisted applicants to submit more detailed proposals.
- The Board will then choose the most appropriate final proposal and that organisation, subject to further discussion and contract, will become the Local Mission Partner.

Step 2

• Signing a Local Mission Partner Agreement

- Having ensured that the Local Mission Partner fully understands the nature of the opportunity being offered in the Missional House, we would sign a simple agreement with the Local Mission Partner, which clarifies the responsibilities on both sides. This 'Local Mission Partner Agreement' would be signed by both the Local Mission Partner (e.g. the church) and Mission Housing (on behalf of the Housing Bond partners).
- **The purpose of the Agreement is to ask, and to ensure that, the Local Mission Partner honours the intentions of the investors and of the London Missional Housing Bond partners at all times in the way that the house is used.** A range of Christian investors have entrusted their money to our partnership, through the Bond, in order to *"promote and provide affordable housing to....Christian church workers engaged in mission in deprived communities in Greater London."* These investors are accepting a low rate of interest on their financial investment in order to provide a social benefit to the church. In buying a house we are passing on the investors' generosity for the benefit of this local church (our local partner) and its mission to its local community.

- The Agreement provides a firm basis for Mission Housing to proceed to buy a house for the benefit of the Local Mission Partner. In practice, the Agreement would be signed just prior to the purchase of a property. So if, for some reason, no property is ultimately purchased (e.g. if there was no agreement on which property to buy) then neither of the parties have any further obligation to each other. If a property is indeed purchased, then the Agreement will become 'live' and both parties will be bound by it.
- A full copy of the Local Mission Partner Agreement is available, and we encourage any interested parties to read it carefully. The agreement covers a **specified and agreed period of time** (with agreed Start and End dates) – most likely to be 5 years, but this can be discussed. For the duration of this time, the key agreements that each party is making include the following:

Mission Housing agrees to....

- *Provide and let a property, keep it in good repair and manage the property as a responsible landlord*
- *Charge an agreed and reasonable level of rent to tenants, capped at a specified ceiling (which will only rise with the rate of inflation each year – i.e. the Consumer Prices Index. This is explained further below)*
- *Issue Assured Shorthold Tenancies to appropriate tenants as nominated by the Local Partner*

The Local Mission Partner agrees to....

- *Nominate tenants (all tenants subject to final Board approval) to live in the property who are appropriate and engaged in local missional work and to nominate appropriate tenants each time a vacancy arises (if it does)*
 - *If the property should become vacant, or a tenant failed to pay the rent, to step in and pay the rent until a new tenant can be found. This is called 'underwriting the rent'. This is explained in more detail below.*
- For the benefit of the Local Mission Partner, the Agreement also includes a 'get out clause' for use in unforeseen or exceptional circumstances. This allows the Local Mission Partner to give **12 months' notice** that they no longer wish to have the benefit of the Missional House and wish to exit the Agreement. We would hope that such a situation never arises, but recognise that circumstances can sometimes change quite significantly in unexpected ways.

Key Questions: what do I need to know?

We wish to be transparent with our partners. Here we unpack a few of the key features of the proposed partnership arrangement in order to be clear about how it will work. We welcome questions and discussion.

Q1 - What is a missional worker?

Good question! The purpose of the Bond is to *“promote and provide affordable housing to....Christian church workers engaged in mission in deprived communities in Greater London.”* So, the purpose of the house is to support the church’s mission to its local community. The way that the house is used should therefore add value and provide a ‘missional benefit’ to the church’s local mission. We therefore ask the church, when nominating tenants to live in the house, to ensure that:

- **All tenants** are active members of the local church who are intentionally involved in the church’s local mission to its local community
- **At least one tenant** is a ‘missional church worker’, defined as someone undertaking at least 10 hours per week on average of local missional work with the local church and who is on a low income (in a House with 3 or more bedrooms, we would expect at least two tenants to be ‘missional church workers’.)
- **There is a clear missional benefit** arising from the House through one or more of the following:
 - missional workers are enabled to **live in the local area** when they were previously unable to afford it
 - the local church makes a **financial saving** through lower employment costs
 - there is an **increase in missional work** because tenants are able to give more time to mission due to lower housing costs

Q2 - What is the rent? Will it increase?

We have committed not to charge more than 3.5% of the purchase price of the property in annual rent. This means that if we bought a £300,000 flat, we will not charge more than £10,500 per year in rent, which is £875 per calendar month. In most of inner London, this represents a significant (30-50%) saving on rents available on the open market.

In order to take account of how some of our operating costs are likely to rise in future, we will increase this ‘cap’ each year in line with the official Consumer Prices Index (CPI). So, in this example, the £10,500 capped rent in Year 1 will be no higher than £10,500 + CPI in Year 2. This rate of increase is (currently) well below the rate at which market rents are rising each year, meaning that the Missional House rent will become ever greater value each year in comparison with market rents.

Q3 - What is the ‘Underwriting Charge’? What happens if we can’t find a tenant?

For our own business model to work for this Missional House (so that we can pay investors their rate of interest) we need to ensure that we get a regular and reliable stream of income from the house – i.e. we need to ensure that the rent always gets paid. It is entirely possible that this can be achieved by selecting appropriate tenants and then, if they give notice that they wish to move on, finding a replacement tenant. There may be no ‘voids’ or gaps in tenancy.

However, in case there are any gaps between tenants (or in case a tenant doesn’t pay their rent), we ask the Local Mission Partner to act as a ‘back up’ payer. (This also provides a clear incentive on a Local Mission Partner to find tenants and ensure that the Missional House is always occupied.) So, for the duration of the Local Mission Partner Agreement (a period of time with clear start and end dates that we will agree) we will ask the Local Partner to act as ‘underwriter’ in case the rent is not paid. If all rent is paid, there will be no cost to this. But if some rent is not paid, then there may be a cost.

If a Local Mission Partner could not find any suitable tenants at all, then they would let Mission Housing know and we would seek tenants ourselves, from other churches. Note that the Local Partner would still be responsible for any voids, until the house was occupied.

We believe that the risks of significant costs are low, as both the Local Mission Partner and the Bond partners have a strong interest in keeping the house occupied and so we would work with a partner to ensure this. Tenants will also be required to give notice of any desire to move on, so there should usually be time to find replacements.

Q4 - Can we exit this Agreement?

In extreme or unforeseen circumstances, a Local Mission Partner may feel that they no longer need a Missional House. In this case, we have provided a ‘get out’ clause, whereby the Local Mission Partner can give 12 months’ notice of their desire to exit the Agreement.

Q5 - Can we use the property as we like?

The Missional House must be used for its intended purpose of supporting the church’s mission. It cannot be used for just any tenants, nor can rooms be rented out by the Local Mission Partner for its own purposes. Changes in tenants will be agreed in advance with Mission Housing, on behalf of the Board.

Step 3

• Buying a property!

- Mission Housing will work with the Local Mission Partner to find the most suitable property (within the available budget) and will then buy that property. It is important to note that Mission Housing will be the sole owner of the property.
- At this point, the local knowledge of the Local Mission Partner will be essential, in ensuring that the right property is identified in the right place. The initial searching and sifting process will probably be done by the Local Mission Partner, although we will also advise where appropriate. When an appropriate/preferred property has been identified, Mission Housing will then check it out and arrange for a formal survey and take the appropriate steps to purchase the property.
- After purchase, Mission Housing will then insure the property and undertake any necessary repairs or decoration. A modest budget is available for this purpose. (It is unlikely that properties requiring significant refurbishment would be appropriate for us to purchase.)

Step 4

• Tenants moving in...

- Mission Housing has over 25 years' experience of managing properties. They will be the owner and landlord of the property. When the property is ready for occupation, on a date agreed in advance, the Local Mission Partner will become responsible for nominating appropriate tenants.
- The Local Mission Partner, in discussion with Mission Housing will nominate appropriate tenants. These will be interviewed by Mission Housing on behalf of the Board and assuming they are approved as suitable tenants by the Board, Mission Housing will then issue standard *Assured Shorthold Tenancies* to each tenant and will manage the property as any normal landlord would. Normally, a 2 month deposit is required from each tenant. The tenant is also responsible for payment of the rent, Council Tax and all utilities. In some circumstances, the Local Mission Partner may want to pay the rent itself directly. Various arrangements are possible and can be discussed and agreed in advance.
- It is likely that the property would be let unfurnished. For some tenants, this is the most appropriate approach. If this is a problem, then, again, this could be discussed and various solutions may be possible.
- If and when a tenant gives notice that they wish to move on or they cease to be a missional worker, it will be the responsibility of the Local Mission Partner to find another suitable tenant. Normally, there will be plenty of time to arrange this, as it is unlikely to come as a surprise to the Local Mission Partner and tenants must give at least 2 months' notice. If there was a problem, Mission Housing would actively work with the Local Partner to find new tenants. In extreme circumstances where the Local Mission Partner was unable to find a tenant then Mission Housing themselves may be able to find tenants, although would obviously not be the preferred

outcome. If the Local Mission Partner felt that it no longer needed the property at all, then it will be able to give 12 months' notice of this, to exit the Agreement.

- From time to time, the Housing Bond Management Board will want to update investors on how the Missional House is being used and the benefits it is providing. We will ask Local Mission Partners to update us several times a year on the missional activities which have been enabled by the Missional House.

Step 5

• **And in 5 years time...?**

- Generally speaking, we wish to invest in mission for the long term. Although a Local Mission Partner Agreement will only be signed for a maximum of 5 years, we would hope to be able to re-finance the Bond and retain the house, if the Local Mission Partner still wanted it, and therefore further future Agreements may well be possible. This does not need to be agreed now, and will depend on a further Bond issue or other finance being available, but being able to offer such a possibility at the appropriate time is our clear intention. Given the present speed with which rents are rising in London, and our commitment to only raise rents in line with inflation, it is also worth noting that as each year goes by, the rent from a Missional House will become ever greater value in comparison with market rents.

Section 3

How can we submit an Expression of Interest?

3.1 How much funding will be available?

We are currently advertising the Bond and seeking investors. We will not know the final amount of investment, and therefore how much money we have to buy a property, until the Bond closes to investment on **28th February 2015**.

We are seeking Expressions of Interest in the meantime to allow us to purchase a Missional House quickly if sufficient funds are available.

Please note that we cannot guarantee in advance that the Bond will raise sufficient finance to purchase a Missional House, and therefore any organisation submitting an Expression of Interest does so at its own risk and at its own cost.

The first London Missional Housing Bond raised £380,000 of funds, and a two bedroom residential property was purchased at a price of £335,000. We hope to raise more than this in our second Bond, but would encourage applicants to be realistic about what funds are likely to be available.

As a simple guide, it is likely that any Missional House purchased would be:

- towards the more affordable end of the local housing market
- in good condition
- purchased in the spring/summer of 2015, with a view to the property **being available from September 2015**, but please note that these are only provisional dates.

3.2 Submitting an Expression of Interest

The Board wishes to receive and assess robust Expressions of Interest that will enable us to make a good investment, and which will enable a Local Mission Partner to better fulfil their own vision and aspirations for mission and ministry.

Churches may submit an Expression of Interest if they are closely connected with one of the London Missional Housing Bond Partners - either:

- **an Anglican church within the Diocese of London, which serves a deprived community**
OR
- **a church which is closely connected with an Eden Team in London**
OR
- **a church in east London working closely with the Centre for Theology and Community**

We are looking to find a partner with whom we can work successfully for several years, and possibly longer – for the benefit of the church’s mission. So, the purpose of the assessment process is to allow **both you and us** to be sure that any investment will contribute to our respective visions and missions and will also be robust. We want you to be sure that this is the right thing for you.

Please read all of the information provided in this Briefing carefully. It is provided to help you understand what responsibilities you would be taking on, as well as the nature of the opportunity.

If you think this may be the right opportunity for you, please complete an Expression of Interest Application Form and submit it to us. Full instructions on how to complete and submit the Expression of Interest are contained within the Application Form.

3.3 Next steps...?

Assuming that sufficient funds are available and that we have been able to shortlist some robust proposals, we would then ask no more than 3-5 shortlisted applicants to prepare Full Proposals to be the Local Missional Partner. This would be a chance to consider specific properties and specific tenants and for a fuller discussion and assessment in March/April 2015. At the end of this process, we would expect to identify our Local Mission Partner. Provisionally, funds permitting, we hope to be able to then purchase a Missional House in the spring/summer of 2015, to be available for occupancy in the autumn of 2015.

Contact Us

The **proposal assessment process** is being managed by **Tim Thorlby**, Development Director at the Centre for Theology and Community, Secretary to the Housing Bond Board, available on development@theology-centre.org

For further information about the **London Missional Housing Bond** more generally, including how to invest, please go to our website www.missionhousing.org.uk If you have further questions and would like to talk to someone about the Housing Bond contact **Jim Gilbourne**, Chief Executive of Mission Housing, available on jim@missionhousing.org.uk