

SOCIAL AND SUSTAINABLE HOUSING

IN MAY, SASC WAS DELIGHTED TO ANNOUNCE THE LAUNCH OF SOCIAL AND SUSTAINABLE HOUSING WITH £26M OF COMMITMENTS FROM 19 INVESTORS. THE FUND AIMS TO SUPPORT 30 ORGANISATIONS TO HOUSE 10,000 VULNERABLE PEOPLE OVER THE NEXT 10 YEARS. IN THIS SECTION WE DISCUSS HOW THE FUND CAME INTO BEING AND OUR PLANS FOR THE FUTURE.

HOUSING - A PROBLEM FOR CHARITIES

Since SASC launched its first two funds in 2014 we have met dozens of great charities and social enterprises that faced a common problem: a lack of access to safe, high quality housing for the vulnerable people they support. These include adults with learning difficulties, people with drug and alcohol problems or mental health issues, children leaving care, ex-offenders, refugees and victims of domestic violence.

Many of the organisations had thought about buying property, but decided that traditional mortgages were not a realistic option. For some it was a challenge to find the deposit (typically 30% of a property's purchase cost). Others were concerned about the risks. For many it was both. Often they ended up relying on the private rental sector. But finding landlords with high quality properties who were prepared to accept society's most vulnerable was challenging. This predicament always left us frustrated.

Then a meeting in 2017 with Lisa Hilder, trustee of Hull Women's Network (HWN), made us focus on finding a better way. For 14 years, this dynamic charity had been supporting women fleeing domestic violence. Statistics show that

women return to their abusers on average seven times before they finally break free. HWN had found that if a woman had access to safe, stable and appropriate housing, she would leave on her first attempt and never return.

HWN had built up a portfolio of 99 houses. It leased some of them from private landlords and owned others thanks to grants it had received to bring empty homes in Hull back into use.

But HWN had almost 200 women on their waiting list, some suffering violence on a daily basis. The story of Social and Sustainable Housing (SASH) started in that meeting as we discussed with Lisa the best way to address HWN's housing challenge.

RECOGNISING THE NEED FOR CO-DESIGN

Our first proposal to HWN was that SASC would provide mortgages for the full amount required to purchase more homes. We thought this was an unbeatable offer because it removed the need for a deposit. But HWN turned us down. They were concerned about committing to fixed loan repayments and the unpredictability of house prices. Add in the uncertainty around housing benefit and a traditional mortgage loan structure just felt too risky to HWN.

THE SOLUTION: CO-DESIGNED WITH CHARITIES FOR CHARITIES



Lisa's response was a turning point. With residential housing as the underlying asset, we saw an opportunity to co-design a product that would work for both investees and investors. The SASC team caught the train back to Hull and began discussing this in detail with Lisa. We returned only after agreeing a structure that we believed worked for all involved.

THE SOLUTION - IMPACT LED

The new loan to HWN covered the entire cost of purchasing the new housing, including the properties themselves, renovation, adaptation, and professional fees. Since internal capacity is often an issue for charities and social enterprises, the loan also funded a member of staff to manage the roll out of the new activity.

The key innovation in the new structure is the way risk is shared. Instead of making fixed repayments, HWN passes on the net rent it receives after deducting property management costs. These costs include ongoing repairs, maintenance and insurance. This payment structure insulates HWN from risks such as voids, reductions in housing benefit or the non-payment of rent.

HWN purchased 33 additional houses with the funding made available by SASC. Over a ten year period, these houses will allow more than 300 women and children to flee violent relationships.

MAXIMISING OUR IMPACT - CREATING A NEW HOUSING FUND

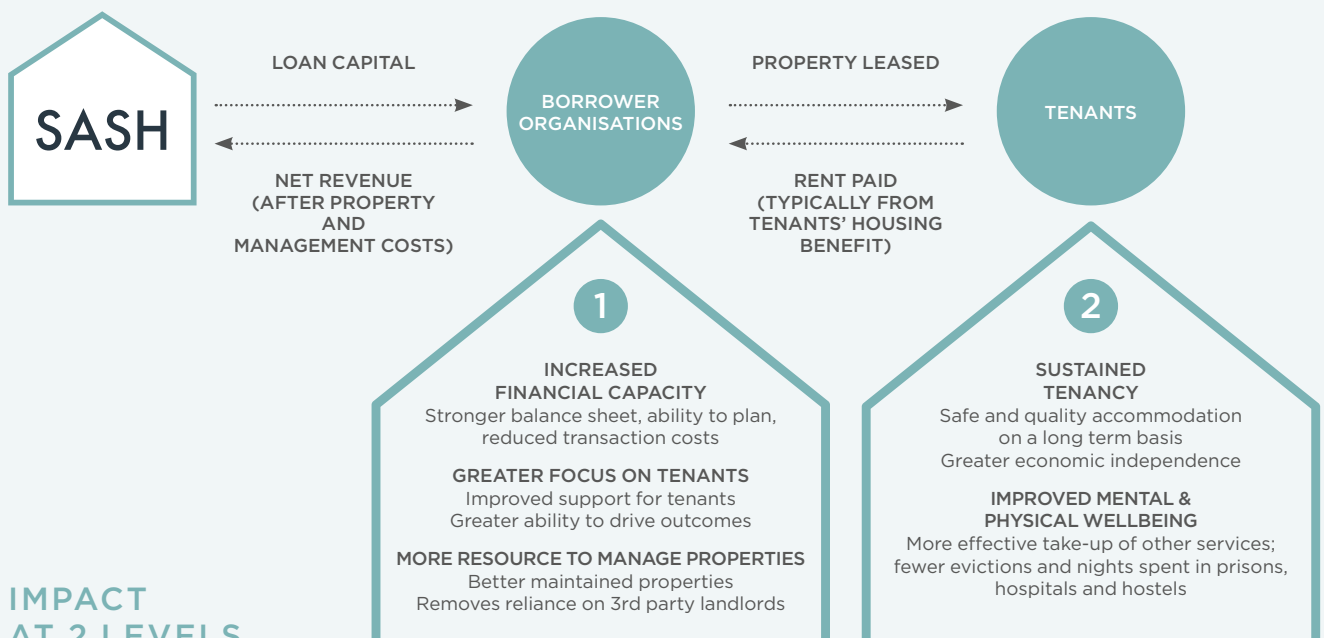
Our experience with HWN, and then with Homes for Good (based in Glasgow) and Caring for Communities and People (based in Cheltenham), led us to see the potential for a fund dedicated to loans like this.

Social and Sustainable Housing (SASH) reflects our desire to put the control of housing in the hands of exceptional charities and social enterprises across the UK. Control will enhance the quality of support they can offer to vulnerable tenants.

SASH received an overwhelmingly positive response from a wide range of funders, and we are very grateful to those who led the way at the very earliest stage.

These investors' desire to see innovation in social investment gave our efforts a significant boost. It provided a powerful endorsement for others, some of whom were new to the sector. As we move into the next phase of SASH, we would like to pay tribute to the vital role played by these early adopters.

A critical part of the design of SASH has been to recognise the different ways that borrowers and investors think about property. A small to medium sized charity that works with vulnerable people may recognise that lack of control over housing can limit their ability to provide support to its service users. But buying property may seem either too risky or simply out of reach.



IMPACT AT 2 LEVELS

BORROWERS

More than 1000 charities provide accommodation-based support but struggle to find housing for their beneficiaries



Investors welcomed our decision to focus on small to medium sized, locally rooted charities and social enterprises. Organisations with deep local knowledge see it as a priority to be able to buy homes in areas that they identify as appropriate for their beneficiaries. Homes in the right locations can prevent vulnerable clients feeling isolated, and so magnify the impact of the support provided.

By supporting property ownership as opposed to rental, SASH seeks to build each charity's asset base and its ability to plan for the long term. The fund offers organisations a 15% discount to market value after ten years. This is designed to help borrowers re-finance and retain ownership for the long term, thus increasing the chances that properties will remain in the sector beyond the life of the fund.

In delivering this new fund, we would like to see a number of key outcomes:

1. Small and medium sized charities and social enterprises getting stronger and becoming key players in the delivery of housing for vulnerable people;
2. 1,000 additional homes made available to deliver safe, stable and appropriate housing for vulnerable people over the long term;

3. Increased understanding of how secure access to housing helps to deliver long term social outcomes;
4. A new precedent for further social investment funds.

AHEAD...

We are very encouraged by the response to date - Social and Sustainable Housing has clearly struck a chord with both investors and investees.

SASH shows that an impact-led approach can mobilise a wide group of investors to support effective charities and social enterprises. These organisations would struggle to grow if they only had access to traditional kinds of finance. We hope SASH will influence the way the sector approaches social investment more broadly.

First close was a significant milestone. We are now working hard with inspiring charities and social enterprises across the UK to deliver housing for vulnerable people.

We would like to thank all those who have contributed to our work so far and look forward to working with others in the future.