

# YOUNG DEVON LOAN REQUEST

Community Connections



## 1. EXECUTIVE SUMMARY

Plymouth City Council to provide financial support Young Devon to purchase 4 units of accommodation for young people who are homeless in Plymouth to move into as settled housing, through the provision of a capital loan.

- Young Devon will buy 1 property totalling £300,000 which will be refurbished into 4 units.
- Young Devon requires £210,000 capital investment and has agreed to an interest rate of 6.1%
- Loan will be secured by way of legal charge on the property

## 2. BACKGROUND

Access to good quality and affordable settled accommodation remains challenging in Plymouth. With LHA rates tied to the CPI rather than market rents; means there is a growing gulf between LHA rates and the market. Our data shows that there is a lack of affordable settled accommodation for young people within the City.

## 3. ALTERNATIVE OPTIONS

Other forms of finance and funding has been considered by Young Devon and the Council:

- Capital funding through the Department of Levelling Up, Housing and Communities has only recently become available and is not suitable for this funding stream as this project is well advanced and Young Devon has just exchanged contracts in the last week.
- Young Devon has considered finance from the open mortgage market, but prefers to work in partnership with the Council. This means that the Council has influence over how this service will be tenanted and managed by Young Devon.

## 4. FINANCIAL IMPLICATIONS AND RISK

<i>Potential Risks Identified</i>		<i>Likelihood</i>	<i>Impact</i>	<i>Overall Rating</i>
<b>Risk</b>	Not being able to find properties at a reasonable price	Medium	Low	Low
<b>Mitigation</b>	We will not go ahead it is unaffordable	Low	Low	Low
<b>Risk</b>	Ability to repay the loan	Low	Low	Low
<b>Mitigation</b>	Property could be sold and capital repaid	Low	Low	Low
<b>Risk</b>	If PCC cannot sell the property	Low	High	Medium
<b>Mitigation</b>	Develop an arrangement where the property is given to PCC to cover the capital loan repayment	Low	Low	Low
<b>Risk</b>	Bad debts ( maintenance, voids and arrears exceeds overall rent and service charge income )	Medium	Low	Low
<b>Mitigation</b>	Costs can be managed by Young Devon with contingency in place	Low	Low	Low

- The key risks are around Young Devon being able to purchase the property at a reasonable cost and that the rental income stream does not exceed budgeted costs. These risks have been considered and are considered low in impact as Young Devon has secured a reasonable price for this property.

## **5. TIMESCALES**

Young Devon has exchanged contracts and building will need to be refurbished. This process could take 12-18 weeks