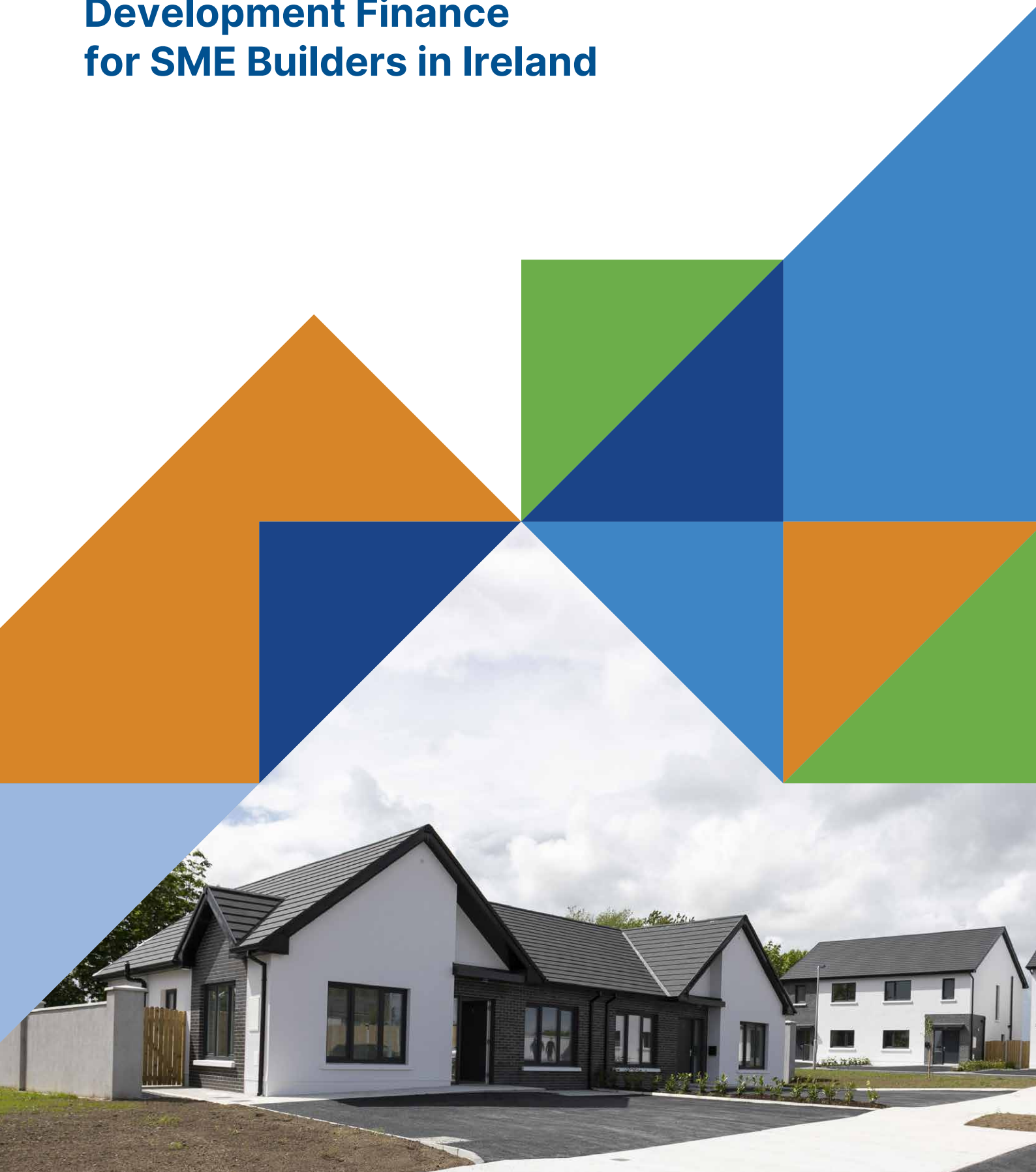




Maoiniú Teaghais-Tógála Éireann
Home Building Finance Ireland

Guide to Residential Development Finance for SME Builders in Ireland



**HOME BUILDING FINANCE IRELAND
GUIDE TO RESIDENTIAL FINANCE FOR SME BUILDERS IN IRELAND**

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1. Introduction

The objective of this guide is to provide an understanding of the residential development finance journey from an applicant's perspective, help reduce avoidable delays preparing funding proposals, and increase the likelihood that viable small-scale housing projects can successfully secure and manage development finance.



2. What is Residential Development Finance

Property companies, builders and developers use finance to buy land, begin development, or to convert or refurbish existing property. Funds are advanced upfront initially as a short-term loan towards land purchase followed by drawdowns in staged payments for building works.

Loans are calculated based on the overall cost of development, predicted value of the property at completion with factors such as project type, developer experience, level of build cost, and applicant equity taken into account.

Each stage release payment of a loan may be subject to sign off by an independent surveyor, working on behalf of the funder, to ensure the work is being done to a high standard and there is sufficient value in the site to release the next stage.

2.1 Key Aspects of Residential Development Finance

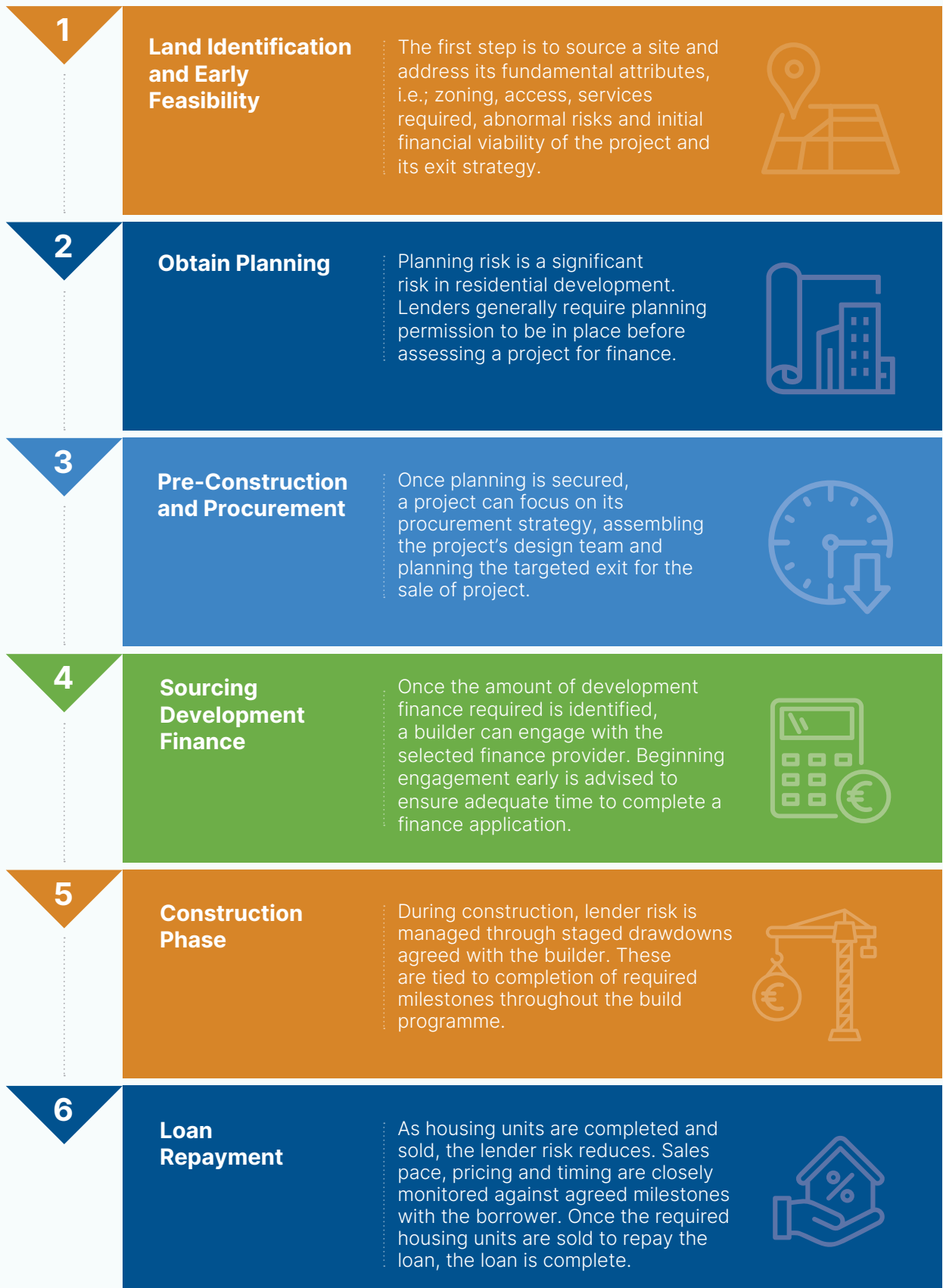
- **Usage:** Used for multi-unit residential developments, conversion, and refurbishment projects.
- **Loan Structure:** Usually released in stages, with independent monitoring surveyor signoffs ensuring work quality before releasing funds.
- **Costs & Terms:** Typically ranges from 12–36 months. Interest rates will vary from each lender based on level of loan required to overall development cost, referred to as the Loan to Cost (LTC), loan size and experience of developer. Reduced rates are typically available for social and affordable developments and for green loans.
- **Fees:** Costs also vary for each lender and typically include lender fees, monitoring surveyor fees, valuation fees and legal fees

2.2 Benefits of Residential Development Finance

Residential development finance enables projects to get off the ground by providing up to 100% of the build costs (subject to lender equity requirements).

By releasing funds in agreed stages, it helps maintain necessary project cashflow, can accelerate the project delivery and ensures a development can be completed in a timely and efficient manner to optimise the viability of its delivery.

3 Stages of the Residential Development Journey



4. How Much Can I Borrow?

Each lender will have their own criteria to calculate borrowing limits. The size of a loan is based on four key metrics:

- the value of the site with planning
- the build costs
- the Gross Development Value (GDV), i.e. the forecast revenue or sales value that is anticipated from the completed development project
- minimum borrower equity

The available loan as a percentage of the gross development cost will vary from different lenders. Every project is assessed on its own merits and structured to make sure there is adequate funding to complete the development.

Fees and interest charged by the lender are dependent on:

- the borrowed amount
- the percentage borrowed against the current value and build costs combined
- the term of the loan

Lenders often offer 100% of a project's build cost, but a lower percentage for the initial land purchase.

In general, up to 80% loan to cost is available from HBFI and up to 85% loan to cost for social and affordable housing where there is a pre-sale in place to an AHB/Local Authority/Land Development Agency.



5. Applying for Development Finance

Becoming “lender-ready” requires presenting a development project in a form that aligns with how a lender will assess a proposal for funding.

5.1 Pre-Application Preparation

- **Prepare a Feasibility Study:** Outline construction costs, expected revenue, and project timelines.
- **Highlight Experience:** Outline any previous experience of residential developments either as a developer, builder or work in the construction industry. Also, consider the experience of your professional team such as architects, contractors/sub-contractors.
- **Site Value:** The site value can form all or part of the borrower’s equity so an estimate of the site value will be required. A lender will require a professional valuation of the site with planning permission, but this is typically required after approval has been received.

All lenders have a different appetite based on loan amount required, experience of the borrower, location and size of development.

If you are planning to build five or more residential homes, HBFI is interested in talking to you. [Submit an Expression of Interest](#) and a member of our team will contact you to discuss your project.

Subject to meeting the minimum criteria outlined above, HBFI will assist and guide you through the information required to complete an initial assessment of the proposal, and an indicative Heads of Terms can be issued prior to any funding costs being incurred.

If an applicant is satisfied with the initial Heads of Terms, a full application will be prepared to submit for loan approval.



6. Making a Full Application for Loan Approval

6.1 The Essential Documents

The information required by all lenders is generally similar and includes:

- Details of planning permission and project drawings
- Full breakdown of project costs
- A brief biography on the borrowing company and main building contractor proposed for the project including details of development experience (this can include experience such as project management, or other specialist skills).
- Details of the team involved (e.g. Architects, Contractors, Engineers etc.)
- Schedule of works (broken down in stages), projected sales values and timings of sales
- If the project is to be sold on the open market lenders generally require information on projected sales prices and the target timing for the sale of the homes. This is often provided via a sales report from a local auctioneer.
- Statement of Assets and Liabilities

Applicants to HBFI will be provided with full support to complete documents during the application process, including access to standard templates such as monthly cash flow forecast for the construction and sales programme.

6.2 Loan Approval

If an approval is successful, one of the key documents issued by lenders governing the loan is the facility agreement. This will set out key terms for the facility.

At HBFI, a dedicated lending manager will guide a customer through the loan approval process from application to drawdown.

It is recommended that SME builders also engage their legal representative early to allow adequate time to assess all due diligence documents required to complete a timely drawdown for customers.

6.3 Post Drawdown Loan Management

Once funding is in place, customers have access to a dedicated portfolio manager in HBFI to assist with drawdowns at intervals as agreed with the customer and in line with receipt of reports from the monitoring surveyor appointed to the project.

6.4 Sales and Loan Exit

The loan is generally repaid in full from the sales proceeds. Security held on the loan is released once all loan obligations are satisfied.

7. Checklist for SME Builders

To assist SME builders with assembling the key project information required to apply for development finance, the following checklist is a useful tool to address some of the key considerations through the residential development journey.

7.1 Pre-Application Lender-Readiness Checklist

Before approaching a lender, applicants should be able to answer “yes” to the majority of the following:



Site and Planning

- Site ownership or legally binding site control is in place
- Planning permission is granted or planning risk is clearly defined
- Key planning conditions are identified and understood
- Access, services and rights of way are confirmed or realistically achievable



Development Definition

- Home unit mix, unit sizes and tenure are clearly defined
- Phasing strategy (if applicable) is agreed and viable on a stand-alone basis
- Any abnormal costs have been identified and costed



Financial Preparation

- A development appraisal has been prepared
- A monthly cashflow forecast of the build program is available
- Contingencies are included and defensible



Equity

- The levels of funds inputted by the applicant are sufficient to complete the development in addition to the loan amount requested
- The source of equity is clear and evidenced
- Applicants equity must be available prior to drawdown of any loan amounts



Professional Team

- It is helpful if key members of the project team such as, architect, assigned certifier, engineer and quantity surveyor have been identified
- Evidence that roles, responsibilities and insurances are clearly documented will be required prior to drawdown of any loan amounts



Sales and Repayment

- Sales values are supported and documented from market evidence in a report from a property agent
- Projected timings of sales are realistic
- Value of sales after deductions of any expenses is adequate to repay the loan within the approved Loan to Value (LTV)

Frequently Asked Questions

Can I apply for funding if a site does not have planning permission?

A site must have planning permission for a facility agreement to be signed and put in place between HBFI and the borrowing entity. However, contact can be made with HBFI at any stage to discuss a project.

How much can I borrow for a project?

Gearing is available up to 80% for a project being completed for private market sales and gearing of up to 85% is available for a project being completed for full provision of social or affordable housing.

Who can apply for funding?

Any individual in control of a site may submit an enquiry to HBFI for development funding but the applicant must be a corporate entity. A decision to approve funding will be made to corporate entities only.

What is the cost of HBFI funding?

The lending rate will depend on the risk profile of each project, the quality of collateral, the creditworthiness of the borrower and the track record of the borrower in delivering residential development projects.

What type/level of security will HBFI require to provide lending?

HBFI will usually require a first ranking full fixed and floating charge over the assets of the Special Purpose Vehicle (SPV)/borrowing entity, including the project.

Does HBFI provide funding for non-residential type developments?

HBFI was established to fund residential developments. Accordingly, HBFI funds developments which are predominantly residential. If a residential development has a planning approval which includes a creche or a neighbourhood retail space, this type of development can be funded by HBFI.

8. Sources of Further Information for SME Builders

Construction Industry Federation (CIF): The CIF is the Irish construction industry's representative body. It provides a broad range of services that assist members in navigating the political, business, economic, and regulatory environment.

ePlans: An easy to navigate online guide to planning applications in each local authority in Ireland.

Enterprise Ireland: Enterprise Ireland invest in and support the development of Irish-owned companies on their journey to achieving greater scale and growth. As part of assistance for the construction sector, the Built to Innovate initiative offers various supports aimed at increasing productivity and innovation and seeks to support Irish companies active within the residential construction sector who wish to enhance the operational performance of their business.

First Home Scheme: The Government of Ireland, in partnership with Participating Lenders, provides a Shared Equity Scheme to help home buyers bridge the gap between a deposit, mortgage, and the cost of purchasing a new home. They can advise SME builders on incorporating the scheme as part of a residential development.

Housing Infrastructure Services Company (HISCo): HISCo's objective is to deliver infrastructure that is holding up the delivery of much needed residential accommodation throughout the country, where there is no state funding available to deliver the infrastructure in question. They provide a design-build-finance service for both on-site and off-site infrastructure that facilitates residential development.

Home Building Finance Ireland (HBFI): HBFI offers dedicated supports for first time development finance applicants and tailored funding products for SME residential development. Further information on the SME development finance product is available [here](#).

Irish Council of Social Housing (ICSH): The ICSH is the national representative federation for approved housing bodies (AHB's) in Ireland. The website offers comprehensive information on the AHB sector in Ireland.

Irish Green Building Council (IGBC): The IGBC is a membership, non-profit organisation that was launched to support organisations and businesses from across the value chain of the built environment. Supports for SME builders include a new Home Performance Pathway certification to support Irish SME builders to gain access to lower cost development finance in recognition of delivering homes to the certification.

Local Enterprise Office: Local Enterprise Offices offer local supports for SME's seeking information and support on starting or growing a business in Ireland.

National Enterprise Hub: The National Enterprise Hub is a single source website where SME's can easily find and learn about the range of government support programs available to Irish businesses.

The Housing Agency: The Housing Agency is a government body working with the Department of Housing, Local Government and Heritage, Local Authorities and Approved Housing Bodies (AHBs) in the delivery of housing and housing services. The website includes guidance on housing delivery supports such as affordable purchase, cost rental, Croí Cónaithe (Cities) and the Help to Buy Scheme.







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