European Investment Bank

London Green Fund –
Selection of Greener Affordable Housing
Urban Development Fund

Call for Expression of Interest

VP – 1068

Questions and Answers

European Investment Bank

31.08.2012

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Nr.	QUESTION RECEIVED	ANSWER EIB
1.	Does the envisaged Greener Affordable Housing UDF require the prospective UDF Manager to include proposals regarding the detailed structuring of the Fund from both a legal and tax perspective, or is there a pre-existing 'out of the box' structure that the LGF has already established for the purposes of the Greener Affordable Housing UDF?	There is no pre-existing or pre-established structure for this UDF. It will be for applicants to set out their legal/tax structure in their offer.
2.	With regards to Annex 3.II.a.(iii). can you confirm that the establishment of an Investment Board to oversee the management of the London Green Fund and its terms and conditions with UDFs pertains only to scrutinising recommendations at the level of the LGF and does not impact upon the ability of the prospective UDF Manager to have discretion over the investment decision.	We confirm this. The LGF Investment Board will approve the terms of the contract to be signed between the EIB and the successful UDF manager; but otherwise will have no role in appraising or approving individual project investments to be made by the UDF manager. The LGF Investment Board will however monitor ongoing performance by the UDF manager, based on reports submitted by the EIB. The UDF manager will also be expected to work closely with the GLA (who administer the Affordable Homes grant programme in London) in relation to project pipeline.
3.	With regard to Annex 3.II.d. is the proposed 'margin' that the UDF Manager shall be able to apply against interest rates charged to borrowers in order to cover their internal 'administration costs' separate from the proposed system of charging management fees against remitted interest payments to the LGF as set out in Annex 3. II.c?	No, they are in effect the same thing.

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4.	It is noted that the geographical scope of the UDF as set out in Annex 3.II(a)(iii) is limited to the area of London defined within the London Plan, or exceptionally 'there is the flexibility to invest elsewhere within Greater London'. For the purposes of this statement, should it be assumed that the 'Greater London' area does not extend beyond any of the London Boroughs?	Yes, that is correct, Greater London means within the London Boroughs.
5	With regard to the statement made in Annex 3.II(a)(iv), and given that there is 'no set lifespan for the UDF' as articulated in Annex 3.II.c, over what time period(s) should the performance criteria of the extent of 'jobs created/maintained as a result of the works' and the quantum of 'Expected Co2 reduction' be expressed in terms of the outputs delivered.	We expect that jobs created/maintained is a one-off figure, calculated at the start of each project, based on the value of construction works/contracts in that project. No further reporting or monitoring is expected to be required for the jobs figure. For CO2 reduction, we would anticipate a one-off, ex-ante calculation of the annual expected CO2 savings figure, based on the first year's expected performance of the measures installed. Year on year repeat calculations for many years are not expected.
6	More generally, do all investments have to be made into new projects or would it be acceptable under the terms of the UDF for loans to be issued in respect of existing energy efficiency programmes being undertaken the borrower in order to augment or support that current project by providing additional financing through the UDF?	It is possible for the UDF to lend to existing programmes. The key principle is that funds invested by this UDF should not displace or substitute existing funding. Complementing existing funding sources by providing additional investment to, for example, allow a project to be completed or indeed augmented/further improved (from an energy efficiency perspective for example), is also acceptable. Note that Article 46 of the relevant ERDF regulation (1828/2006) says 'Where Structural Funds finance urban development funds, the funds concerned shall not re-finance acquisitions or participations in projects already completed.'

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7	With regard to the issue of mitigating LGF risk through suitable project portfolio diversification, as articulated within Annex 3.II.c, is there a prescribed upper limit concerning the maximum proportion of the UDFs funds that can be invested in a single project at any given time?	No prescribed upper limit. We want to be flexible and allow applicants to put forward what they feel are sensible and prodent risk diversifaction limits, but we may wish to discuss this in more detail with the preferred bidder, where necessary, as part of our due diligence and contract negotiations.
8	With regard to the provision of additional capital investment into the UDF by the EIB through either the LGF, other UK ERDF or ESF Operational Programme funding mechanisms (as set out in Annex 3.I.d), from what date is it envisaged that these subsequent allocations may be made available to the UDF?	There is no other such funding currently identified, so this provision was mainly designed to allow flexibility in case this opportunity arises. We are aware of a number of other English regional Operational Programmes which currently have uninvested funds, and opportunities may become available before the end of 2013 for these to be diverted to/invested through this fund. There is also a new European funding period starting from 1 Jan 2014, and we wanted to also allow flexibility for funds under this new programme to potentially be invested through this UDF.