Appendix A to this report is exempt by virtue of paragraph 3 of the Access to Information Procedure Rules set out in the Constitution pursuant to Schedule 12A Local Government Act 1972, as amended in that it contains information relating to the financial or business affairs of any particular person (including the authority holding that information). The public interest in maintaining the exemption outweighs the public interest in disclosing the information.

CABINET	**12 June 2024**
Subject Heading:	Establishment of a company to manage leased properties
Cabinet Member:	Cllr Keith Darvill, Cabinet Member for Climate Change and Housing Demand
ELT Lead:	Barbara Nicholls, Strategic Director of Place
Report Author and contact details:	Darren Alexander, Assistant Director, Housing Demand Patrick Odling-Smee, Director of Living Well
Policy context:	The demand for accommodation from homeless households has remained high since the end of the pandemic. The cost of accommodating those households has increase putting pressure on the Council's homelessness budget. Alternative arrangements are needed to increase the supply of affordable properties.
Financial summary:	The overspend in the homelessness budget for 2023/24 was £6.2m. As a result, the Council has sourced the provision of a number of properties through a contractual agreement with Chalkhill for 150 properties. The contract will run over ten years. The paper proposing the creation of a CIC company to take the underlease of these properties. This arrangement will reduce the cost to the Council by £0.5m by the end of 25-26, and up to £13m over the course of the 10-year contract compared to the Council managing the properties received from Chalkhill themselves.

Is this a Key Decision?	Indicate grounds for decision being Key: (c) Significant effect on two or more Wards
When should this matter be reviewed?	June 2025
Reviewing OSC:	People Overview and Scrutiny Sub-Committee

The subject matter of this report deals with the following Council Objectives:

People - Things that matter for residents **X**
Place - A great place to live, work and enjoy **X**
Resources - A well run Council that delivers for People and Place. **X**

SUMMARY

1. Cabinet agreed in June 2023 to acquire 150 properties on 10 year leases from Urban Impact Plumpton Ltd (the "Fund"), a real estate investment trust established by Chalkhill Partners. The acquisition programme is about to commence as the Council has entered into the Portfolio Agreement with the Fund under which it will accept leases from the Fund of properties which satisfy specified criteria. This will increase the supply of affordable housing in the borough.

1.1 The Cabinet report in July 2023 recommended that, once the Council had taken the lease from the Fund, then an underlease would be signed with Mercury Land Holdings (MLH), the council's wholly owned management company. They would be able to let the properties on an assured shorthold tenancy, which is financially advantageous compared to the Council letting the properties on a licence.

1.2 Following lengthy negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing another company to take on the underleases for the stock. The report sets out the business case for establishing the wholly owned company contained in the Exempt appendix 1.

RECOMMENDATIONS

2. To approve the establishment of a wholly owned company to manage private sector leased housing (the SPV).

3. In the event that the establishment of a wholly owned company by LBH to manage private sector leased housing (the SPV) does not proceed approval to establish a joint venture with an appropriate entity that meets all our requirements.

4. To delegate to the Director of Living Well, in consultation with the Monitoring Officer and the Lead Member for Climate Change and Housing Demand the establishment and form of the SPV.

5. To delegate to the Director of Living Well, in consultation with the Strategic Director of Resources, the Monitoring Officer and the Lead Member for Climate Change and Housing Demand the final forms of the following agreements:
   5.1 SPV Portfolio Agreement
   5.2 SPV Underleases
   5.3 SPV Management Agreement

5.4 Assured Shorthold Tenancy Agreement
5.5 Nominations Agreement
5.6 Deficit Funding Agreement

Each of these agreements are more particularly described in Section 7 of this report.

REPORT DETAIL

6. Cabinet agreed in June 2023 to acquire 150 properties on 10 year leases from the Fund and agreed that once the Council had taken the lease from the Fund, then an underlease would be signed with Mercury Land Holdings (MLH), the council's wholly owned management company.

7. MLH would be able to let the property on an assured shorthold tenancy, which is financially advantageous compared to the Council letting the property on non-secure tenancy. The Council is legally restricted from issuing an assured shorthold tenancy and is required to issue a non-secure tenancy under the Housing Act 1985 as a discharge of duty to homeless households.

7.1 Following negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing the SPV to take on the under leases for the stock.

7.2 The report sets out the business case for establishing the SPV contained in the exempt appendix 1. The assumptions on costs have been based on previous experience in the management of the council PSL stock.

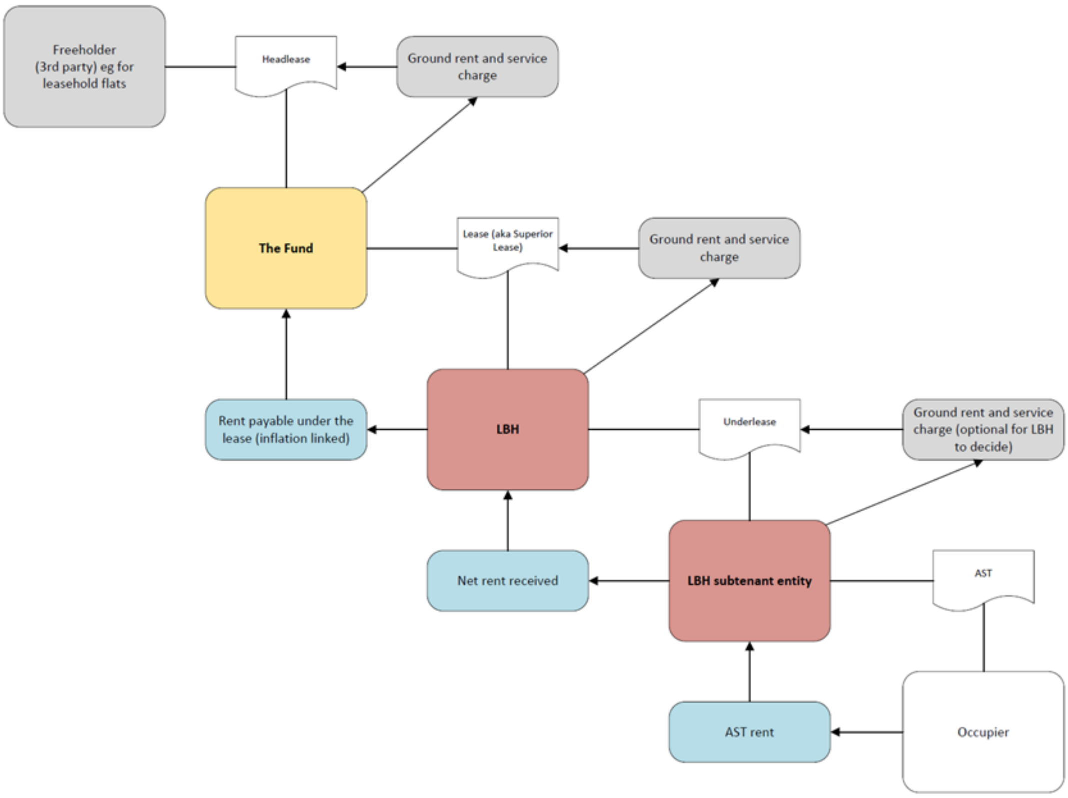
7.3 The Council's contractual counterparty in the property acquisition structure is the Fund. The Fund is a UK domiciled entity. Corporate entities of this kind are typical holding vehicles for real estate in general, reflecting their tax benefits which, in turn, lower the cost of capital.

7.4 The Fund will acquire properties (on a freehold or long leasehold basis) from the open market and lease those individually to the Council (in each case for a term of 10 years) pursuant to a "Portfolio Agreement". The properties acquired will conform with agreed property selection criteria which pertain to locality and bedroom numbers. The rent payable by the Council to the Fund will be at the April 2020 LHA rate less a fixed sum for the management and maintenance of the properties (subject to subsequent annual increases in lease rental charges which will be based on the Consumer Price Index (CPI)). There is no cap and collar.

7.5 The housing benefit rules relating to temporary accommodation to are defined as '**Non Housing Revenue Account'** placements set out in HB Circular

S5/2017: Housing Benefit Circular S5/2017: Removal of temporary accommodation management fee in Housing Benefit subsidy from 1 April 2017. The rules stipulate that housing benefit is limited to 90% of the relevant Local Housing Allowance (LHA) rate in the applicable Broad Rental Market Area (BRMA) that was in place in January 2011. This is approximately 30% lower than the 2024 LHA rates allowed under an AST issued by the company. See para 5.4 below.

7.6 The structure of the arrangement is set out below:



7.7 The SPV recommended in this report will take the role of the “LBH subtenant entity”.

7.8 Properties will be acquired on the open market and brought up to an agreed and specified lettable standard required by the Council at no extra cost. The Council will then be granted a lease (in each case for a term of 10 years) by the Fund and will enter into an underlease with the newly formed SPV who will issue Assured Shorthold Tenancies (ASTs) for tenants nominated by the Council. Rents will be set at the maximum LHA level (April 2024) for the area.

7.9 In order to not fall foul of the SS24 and 25 of the LGA 1988 the Council needs to charge the SPV a “market rent” for the underleases. Similarly, the Council will need to charge a market rent payment for its management services. The SPV was then going to retain any money from the ASTs and use this to pay the market rent under the underlease. To the extent there is a deficit between the money coming into the SPV and going out of the SPV, the Council would then plug the gap using the Deficit Funding Agreement.

7.10 The SPV will let each property (subject to nominations rights in favour of the Council) on a Assured Shorthold Tenancy (AST) subject always to the residual term on the Council’s head lease from the Fund. The Council, through a nominated discharge of duty protocol, will discharge its main duty to the household and relinquish responsibility as per the Housing Act 1996 (as subsequently amended by the Localism Act 2011). The Council will manage the properties on behalf of the SPV through a management agreement.

7.11 Officers will send a letter to the applicant when making an offer of private rented accommodation, setting out the following:

- the duty under which the offer is being made
- possible consequences of refusal or acceptance
- the right to request a review of the suitability of accommodation
- that the Council is satisfied that the accommodation is suitable
- that the Council regards itself as ceasing to be subject to its homeless duty.
- during the first 2 years of a tenancy, the Council will provide support to the applicant to help sustain the tenancy.

Form of Company

7.12 The options in relation to wholly owned companies are:

- Company Limited by Shares
- Company Limited by Guarantee
- Company limited by Guarantee or shares also designated as a community interest company

7.13 Any form of SPV which is wholly owned by the Council (be it a company limited by shares, guarantee or a CiC) will likely benefit from being a “Teckal” company (depending on its detailed governance arrangements), allowing Council to directly award public contracts to it, and vice versa, the SPV may directly award public contracts to the Council.

7.14 However, the Council may decide on a Community Interest Company (CIC) as this allows the SPV to benefit from the ability to provide supported housing under the housing benefit “exempt accommodation” arrangements.

7.15 The arrangement for the leases and the payments will be as follows:

	Year 1	Year 2	Year 3	Total over life of contract
	2024-25	**2025-26**	**2026-27**	
Number of properties	60 by 31/3/25	150 by 31/3/26	150	150
	£	**£**	**£**	**£**
Total net income	- 525,977	- 2,160,324	- 2,986,474	- 29,365,583
Total lease cost	442,413	1,871,615	2,665,110	28,122,027
One-off start up costs	88,000	132,000	-	220,000
Other costs	124,908	528,420	752,450	7,939,788
Total Net cost to LBH	129,344	371,711	431,086	6,916,232
Equivalent cost without the REIT arrangement	149,322	841,275	1,760,281	19,818,263
Equivalent cost of using Hotels	855,900	3,620,862	5,155,974	54,405,419

Assumptions: 60 properties by 31/3/2025, 150 properties by 31/3/26
Start up costs are spread over the first two years, until we get to 150 properties

7.16 Estimated cost reductions compared to Private Sector Lease and Hotels.

	Year 1	Year 2	Year 3	Year 10	Total over 10 years
	2024-25	2025-26	2026-27		
	£	£	£	£	£
Cost reduction compared to LBH managing the properties directly	19,661	468,262	1,329,195	1,316,181	13,248,493
Cost reduction compared to Hotel usage	726,239	3,247,849	4,724,888	4,983,365	48,111,893

REASONS AND OPTIONS

Reasons for the decision:

8.0 For residents in receipt of benefits the Local Housing Allowance (LHA) rates have significantly reduced the number of properties within affordable reach.

8.1 LHA is the level at which Housing Benefit and Universal Credit is paid to private renters. LHA rates are calculated for every local area based on local rents. For Havering, those areas are Outer North East London (the majority of the borough) and South West Essex. The maximum amount of support a household can claim will depend on where they live, the number of bedrooms they need, and their income. Most private renters that need their income topped up by housing benefit will face a monthly shortfall between the actual cost of their rent and the support available.

8.2 The Government announced that it would increase the LHA rates from April 2024 based on the lowest 30% of January 2024 market rates.

8.3 For households accommodated in properties leased directly by the council, or Private Sector Leases, as they are classified as temporary accommodation by the Department for Work and Pensions (DWP), the amount of Housing Benefit subsidy the Council can receive is capped at the January 2011 LHA rate less 10%. Rental charges paid to a landlord for a PSL is related closely to the market rent and therefore a significant gap is created which, on average, is in the region of £5,000 per property per year. The government has provided Homeless Prevention Grant (HPG) (Formerly known as Flexible Homelessness Support Grant (FHSG) to meet this shortfall however there is no certainty that this will be provided in the future, and with the rising rent levels the gap is increasing.

8.4 The table below shows the differences for the Outer North East London area between the 2024 weekly rates, and the 2011 weekly rate less 10%.

Bed size	2011 LHA less 10%	April 2024 LHA Rate
1 bed	£140.19	£230.14
2 bed	£176.54	£287.67
3 bed	£218.08	£345.21
4 bed +	£290.77	£414.25

8.5 Properties let through an assured shorthold tenancy (AST) are classified as private rented accommodation by the DWP and the benefit is paid for through Universal Credit at the 2024 LHA rate. The proposed property acquisition and leasing structure described in this report seeks to minimise the risk of such a funding gap and provide alternative accommodation that does not have this funding shortfall. This could save the council £12m over the 10 years of the lease.

8.6 A property management and letting company as proposed could also carry out other functions. For example the provision of supported housing. Residents of supported housing are not permitted to transfer to UC and the support they receive in eligible for payment through the HB. A CIC would be able to take advantage of this exemption to provide supported housing. This is a practice that is commonly used by the private sector. Any decision to proceed down this route would be subject to a separate business case and decision.

8.7 Other options considered:

8.8 This report is being considered due to the alternative options not being viable.

8.9 Following negotiations with MLH, they have not felt able to agree to take on leases and therefore this report recommends establishing the SPV to take on the under leases for the stock.

8.10 Negotiations have also taken place with Capital Letters to take on the under-leases. While Capital Letters are keen to take the under leases, they also wanted to manage the properties, and take a surplus to fund their other activities. There have also been delays in agreeing the terms of the arrangement that have meant the recommendations in this report have been taken forward. They have also tried and failed to enter into similar arrangements with other boroughs.

IMPLICATIONS AND RISKS

Financial implications and risks:

9.0 The estimated total cost over the ten-year life of the scheme is £6.920m. The funding for this scheme is to come from the Homelessness Prevention Grant. This funding is secured for 2024/25 at £3.302m.

9.1 There is a risk that this funding stream may be reduced or discontinued during the ten-year life of the lease. In the event of this happening alternative funding will need to be identified as the Council is contractually committed to this scheme. To get best value from this scheme the Council needs to establish a Company arrangement for the management of the 150 properties.

9.2 There is a risk of the total net cost being higher or lower than the expected amount. This figure was calculated on a ‘basket’ of properties in terms of property sizes and areas of purchase. If the final mix of properties is spread over significantly different areas, the final amount will change. However, the cost to us and the income receivable from tenants will both move in the same direction, substantially mitigating any fluctuations. However, we do need some leeway on total cost, in case of fluctuations. As an example, if we swapped

20% of the cheapest properties in the initial calculation for 20% at the most expensive price, it would cost a further £80k per year.

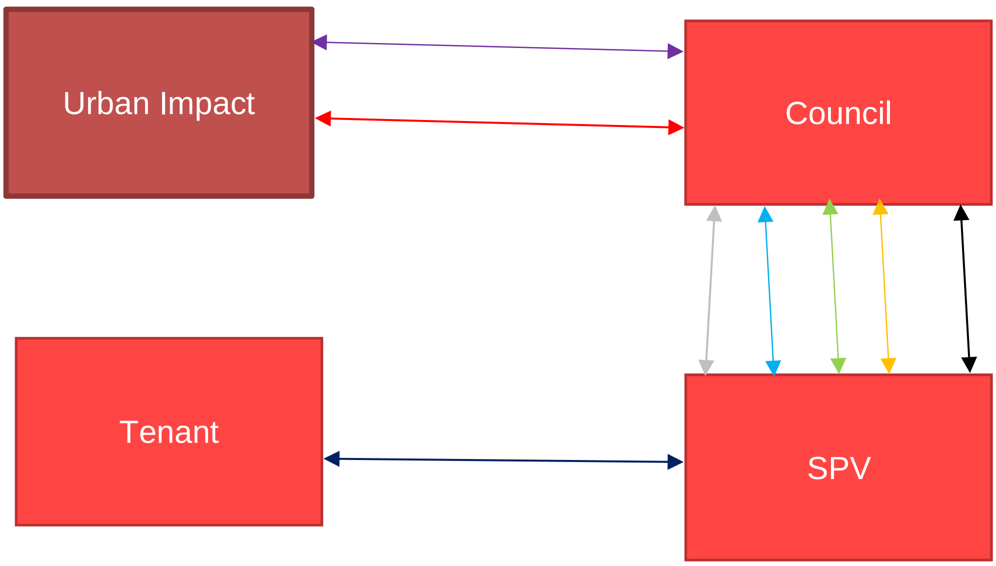
9.3 Inflation rates for the ten-year period have been taken from the HRA Business Plan.

9.4 The costs of providing temporary accommodation by other means, if we don't proceed with this scheme, are significantly higher: £19.82 million over the ten-year period if we were to manage the properties provided by Chalkhill without setting up a company, or £54.40 million if we need to use hotel accommodation (see table 5.14).

9.5 There is an option to use a company set up by Chalkhill's Community Benefit Society, in a Joint Venture with Chalkhill, if setting up our own company is not possible. Chalkhill would run this company at cost as this arm of their business is non-profit-making, so it shouldn't increase the costs, as all costs are already built in to the price. In practice, there may be a small amount extra costs if we were to choose this option as we may be charged for some functions that would otherwise be subsumed into the normal work of LBH employees.

10 Legal implications and risks:

10.1 The below diagram and key set out the key legal agreements which will be entered into:



KEY

10.2 **Portfolio Agreement:** This is an agreement between the Council and the Fund which regulates how the Fund will source suitable properties, bring those properties up to the required standard, and then the process under which the Council will take a Lease of the properties from the Fund.

10.3 **Leases:** This is the form of Lease which will be entered into between the Fund and the Council for each property sourced by the Fund pursuant to the terms of the Portfolio Agreement.

10.4 **SPV Portfolio Agreement:** This agreement is between the Council and SPV and broadly mirrors the terms of the Portfolio Agreement. It sets out the processes to be followed by both the Council and SPV in order to enter into underleases for the properties sourced by the Fund.

10.5 **SPV Underleases:** This is the form of Underlease which will be entered into between the Council and the SPV for each property. This will need to be for a market rent.

10.6 **SPV Management Agreement:** The Council will manage the properties on behalf of the SPV so an agreement will be put in place to govern the provision by the Council of these services to the SPV. Under this agreement the Council will need to provide the services to the SPV at a market rate and on market terms.

10.7 Assured Shorthold Tenancy (AST): The SPV will let the properties out to end tenants using an assured shorthold tenancy agreement.

10.8 **Nominations Agreement:** The Council will have a nominations agreement with the SPV under which it will have the ability to nominate end tenants to the SPV who will then take an Assured Shorthold Tenancy from the SPV for a property.

10.9 **Deficit Funding Agreement:** In essence this is an agreement under which the Council agrees to fund any deficit the SPV would sustain as a result of the difference in funding received under its ASTs and the amount paid to the Council under the Underleases and the SPV Management Agreement.

10.10 The Council has obtained detailed legal advice from Browne Jacobson regarding the transaction structure.

11 <u>Vires</u>

11.1 There is a reasonably strong argument that the properties acquired by the Council via leases from the Fund fall outside of the Housing Revenue Account. Therefore the appropriate disposal power for the Council to rely upon in order to grant underleases to the SPV is S123 of the Local Government Act 1972, which imposes an obligation on any disposal to be for the "best consideration reasonably obtainable". Furthermore, S25(1) of the Local Government Act 1988 (LGA 1988) prohibits the Council from disposing of the properties to the SPV for less than a market rate. In short, the Council has the vires to dispose of the properties to the SPV provided it charges it a market rent.

11.2 The Council has the vires to enter into all of the other agreements contemplated as between the Council and the SPV. The Council will need to charge the SPV market rates for the management services it provides to the SPV because of the restriction contained within s24 and s25 of the LGA 1988.

11.3 The Council has the vires to provide the financial support contemplated by the Deficit Funding Agreement under Consent C issued under S25 of the LGA 1988.[1]

11.4 The Council has the vires to establish the wholly owned SPV (irrespective of whether it is a company limited by shares, guarantee or a CiC) under the general power of competence outlined in S1 of the Localism Act 2011.

12 <u>Procurement</u>

12.1 As indicated earlier in this report, it is likely that the SPV will satisfy the "teckal criteria" set out in Regulation 12 of the Public Contracts Regulations 2015, depending on the detailed governance arrangements put in place. This means the Council can directly award contracts for goods, services or works to the SPV without running a procurement process, and similarly the SPV can award such contracts directly to the Council.

13 <u>Subsidy Control</u>

13.1 It is likely that the funding provided by the Council to the SPV through the Deficit Funding Agreement will constitute a "subsidy" under the Subsidy Control Act 2022 (SCA). Therefore, the Council will conduct an assessment against the subsidy control principles set out in the SCA prior to entering into the Deficit Funding Agreement to ensure that the support being contemplated is compliant with those principles. This may also require a referral to the Competition and Market Authorities' Subsidy Advice Unit, depending on the value of the subsidy being given, which the Council is currently calculating.

14. Human Resources implications and risks:

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[1] The general consents under section 25 of the Local Government Act 1988 (Local Authority assistance for privately let housing) 2010 (publishing.service.gov.uk)

14.1 The recommendations made in this report do not give rise to any identifiable HR risks or implications that would affect either the Council or its workforce.

14.2 However, there is recognition that staff in the Homeless Accommodation team will likely see their FTE split across this area with 20% of their roles funded through the leasing arrangements and this will looked to be reflected in their job profiles once approved through the normal channels.

14.3 It is anticipated that the extra revenue generated from this proposal will ease some of the financial burden within the existing budgets.

15 Equalities implications and risks:

15.1 The Public Sector Equality Duty (PSED) under section 149 of the Equality Act 2010 requires the Council, when exercising its functions, to have 'due regard' to:

15.1 The need to eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010;

15.2 The need to advance equality of opportunity between persons who share protected characteristics[2] and those who do not, and;

15.3 Foster good relations between those who have protected characteristics and those who do not.

15.4 The Council is committed to all of the above in the provision, procurement and commissioning of its services, and the employment of its workforce.

15.5 In addition, the Council is also committed to improving the quality of life and wellbeing for all Havering residents in respect of socio-economics and health determinants. The scheme will benefit households at risk of homelessness by providing good quality, affordable housing. Households with protected characteristics are over-represented as homeless and therefore this scheme will have a positive impact on those groups.

16 Health and Wellbeing implications and Risks

16.1 It is anticipated that the implementation of this proposal and its subsequent delivery of better quality properties will generate positive health and wellbeing benefits directly to households who have a need to be accommodated by the Council.

16.2 Havering council is committed to improving the health and wellbeing of its residents. The provision of good quality and affordable housing is an important determinant of health and wellbeing as housing impacts both our physical and

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[2] 'Protected characteristics' are age, disability, gender reassignment, marriage and civil partnerships, pregnancy and maternity, race, religion or belief, sex/gender, and sexual orientation.

mental health and wellbeing. Inadequate housing and poorly designed housing is associated with increased risk of ill health including cardiovascular and respiratory diseases, depression and anxiety as well as risk of physical injury from accidents.

16.3 Housing conditions, quality, affordability and tenure (particularly for women due to safety issues) plays an important part in pathways long term sustainability as well as well as means through which people living in Havering can build a new life (e.g. access to employment, identity, living practices, creation of social networks etc.).

16.4 There is an impact for families placed outside of the borough but the risks of remaining in insecure accommodation particularly for children weigh higher.

16.5 A full Equalities Impact Assessment will be prepared where appropriate as part of the delegated decision process to enter into the arrangements contemplated by this report.

17.0 ENVIRONMENTAL AND CLIMATE CHANGE IMPLICATIONS AND RISKS

17.1 The acquisition of the properties will involve the improvement in the environmental performance. All the properties will be brought up to at least EPC C Standard and the energy performance of the properties will be monitored during the course of the letting, subject to the consent of the tenant. Tenants will be encouraged to apply for “Green Tariff” energy supply contracts, where this will not increase their level of fuel poverty.

17.2 Tenants will also be provided with facilities and information to improve their recycling.

BACKGROUND PAPERS

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Exempt Appendix 1. Business Plan for a joint venture company for the management of private sector leased accommodation.

Full model of costs for Chalkhill Properties													
Projected inflation	**3%**	**3%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	**2%**	
	Year 1	**Year 2**	**Year 3**	**Year 4**	**Year 5**	**Year 6**	**Year 7**	**Year 8**	**Year 9**	**Year 10**	**Year 11**	**Year 12**	**Total for life of contract**
	£	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**	**£**
Number of properties	**60 by 31/3/25**	**150 by 31/3/26**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150**	**150 to 90**	**83 to 0**	
Rent income at maximum LHA rate	- 571,715	- 2,348,179	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 3,246,330	- 2,133,560	- 898,151	- 28,890,533
Void loss costs	28,586	117,409	162,317	162,317	162,317	162,317	162,317	162,317	162,317	162,317	106,678	44,908	1,444,527
Bad debt provision	17,151	70,445	97,390	97,390	97,390	97,390	97,390	97,390	97,390	97,390	64,007	26,945	866,716
	- 525,977	- 2,160,324	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 2,986,474	- 1,961,692	- 825,801	- 26,578,090
Lease cost (payable to Urban Impact)	442,413	1,871,615	2,665,110	2,718,412	2,772,781	2,828,236	2,884,801	2,942,497	3,001,347	3,061,374	2,052,243	881,198	25,188,586
LBH Mgt & repairs costs	80,803	341,836	486,762	496,497	506,427	516,556	526,887	537,425	548,173	559,137	374,827	160,944	4,600,504
One-off start up costs	88,000	132,000											
Pass through rechargeable costs	32,217	136,293	194,077	197,958	201,918	205,956	210,075	214,276	218,562	222,933	149,447	64,170	1,834,266
Insurance costs	11,888	50,290	71,611	73,043	74,504	75,994	77,514	79,064	80,645	82,258	55,143	23,678	676,810
											-	-	
Total net cost to LBH	129,660	373,012	431,086	499,438	569,156	640,268	712,803	786,789	862,254	939,228	669,968	304,189	**5,943,695**
Cumulative	129,660	502,672	1,217,536	1,716,974	2,286,130	2,926,398	3,639,201	4,425,990	5,288,244	6,227,472	6,897,440	7,201,629	
Cost pa per property	864.40	2,486.75	2,873.91	3,329.58	3,794.37	4,268.46	4,752.02	5,245.26	5,748.36	6,261.52	4,466.45	2,027.93	
Total net cost without the REIT arrangement	276,340	1,203,112	1,776,194	1,843,113	1,911,371	1,980,993	2,052,008	2,124,443	2,198,327	2,273,689	1,524,205	654,468	**17,639,591**
Extra cost without the REIT arrangement	**146,680**	**830,100**	**1,345,108**	**1,343,676**	**1,342,215**	**1,340,725**	**1,339,205**	**1,337,655**	**1,336,073**	**1,334,460**	**854,237**	**350,279**	**11,695,896**
Further comparisons													
Equivalent cost of using Hotels	855,900	3,620,862	5,155,974	5,259,093	5,364,275	5,471,561	5,580,992	5,692,612	5,806,464	5,922,593	3,970,309	1,704,783	**48,730,327**

Notes: each property will have a ten-year lease. Due to acquiring the full number of properties over the first two years, this means that LBH’s relationship with Chalkhill will extend over twelve years.