

NOTE OF INTENT

THE GROUP

Kennedy Cassy
Regina Durazzini
Lisa Gache
Yufei Jiang
Quentin Lapeyre
Chitraksh Sharma
Anissa Sidhoum
Solene Verhaeghe



PROPOSED BY
HOUSE KEYS



PROBLEM

The high level of vacant accommodation in Paris is a major contributing factor to the housing demand crisis in the city. As of 2017, the average apartment vacancy rate in Paris stood at 15%, with an increased rate of 26% in the four central arrondissements (APUR, 2017). To combat this phenomenon, the Mairie de Paris introduced a 60% tax on secondary residences in January 2017, yet the issue remains. Not only does this phenomenon prevent key workers accessing accommodation close to their place of work, it also produces a ripple effect further down the housing supply chain, where demand for social housing cannot be met. The average waiting time for social housing in Paris is on average 6 years for a F1, 9 years for a F2 or F3, and 10 years for a F4+ (Le Monde, 2018). In 2017, more than 709,000 applications for social housing were submitted, and demand far outweighs supply (Le Monde, 2018). The excessive rate of housing vacancy in the capital exacerbates the breach between the demand for and supply of available accommodation.

PROPOSED SOLUTION

To tackle this issue, we would launch a new platform to better facilitate the distribution of vacant housing. Our platform would attract homeowners with vacant apartments to register their assets which could then, in cooperation with the Mairie de Paris, be matched to key CDD workers. Prospective participants will be

PROPOSED BY

HOUSE KEYS

targeted through the use of incentives such as rent guarantees, fixed-duration rental contracts, maintenance services and thorough background checks on tenants. Further benefits to homeowners would be the quick and efficient comprehensive service provided by us, whereby they could increase the profitability of their real-estate and related fiscal benefits. By forming a partnership with the Mairie de Paris, we would be able to utilise their data concerning key CDD workers in the civil service and state infrastructure to match them to available accommodation. This solution would be advantageous to numerous stakeholders, including owners of vacant apartments, key workers gaining affordable accommodation (30% cheaper than the average rent in Paris), and those who would profit from higher housing availability in the suburbs as a result. A similar initiative, Multiloc, was launched in 2015, but has been largely unsuccessful. The weakness which hindered this initiative, a lack of interest from homeowners, has been addressed with a clear and precise vision of the target audience, with guarantees and incentives put in place to encourage their participation.

EXPECTED POSITIVE IMPACTS

The project intends to improve the economic efficiency of the city and of its infrastructure. A variety of positive impacts will benefit different interest groups:

1) THE WORKERS : The key workers of the city, who are arguably the most valuable human capital the city possesses, will be brought closer to their workplace, thereby improving their their productive efficiency and work satisfaction. By providing better working and living conditions for these workers, the economic productivity of the city can be improved. It is important to note that a substantial number of these key workers currently reside in social housing and live far from their workplace in relatively unsatisfactory conditions.

2) THE HOMEOWNERS : The homeowners will benefit financially by renting out their property, through acquiring lower tax obligations; they will no longer have to pay the high surtax required on vacant houses. The proposed tax exemption from the contribution on rental income for 3 years for owners renting vacant dwellings will prove to be a substantial benefit for them. Homeowners' concerns regarding squatters shall also be assuaged by ensuring fixed-term rental contracts and comprehensive renovation of the apartments by the agency (covered by the first rent payments). Moreover, since these workers are employed by stable industries, for example those affiliated with the city's most important infrastructures, there is a reduced risk of non-payment of rent. Selecting tenants employed in short-term or temporary contracts (CDD), an increasing trend in these sectors, mitigates the main risk of them not departing upon contract termination. Finally, homeowners shall be offered legal advice and reassurance concerning issues of non-respect of the rental contract by tenants, using the resources of the City Hall. The collaboration with City Hall will mitigate risks for homeowners, utilising their legal department for prevention/solving litigations, as well as putting in place a system of finding new housing for key workers at the end of the previous renting contract.

3) THE CITY : The city benefits from the provision of more apartments on the housing market and improvement in the overall housing situation. The positive externality of additional housing being freed up for social provision to the underprivileged is a great incentive to the city.

Given that we intend to use up resources that would otherwise lay in waste, the project promotes both current and future well-being without the need of extracting or exploiting significant additional resources.

MAJOR RISKS AND ACTIONS TO REDUCE THEM

The major risks facing the project's implementation include the agency's inability to convince the flat owner to rent out their properties and to convince Mairie De Paris to partner with us on the project based on value proposition. Red tape, bureaucracy and the mismatch in the demand and supply of the rental period are the other challenges that need to be addressed. To manage these risks, the following actions are recommended :

1

Provision of clear and precise data and information to reassure flat owners and to be able to match renting times. This can be done through our own primary research conducted beforehand by cooperating with other third-party databases to solve the imbalance of rental period supply and demand dynamics.

2

Create the agency's image as a goodwill project and help the flat owners to associate with this image by creating a label/marketing flats and owners who provide their houses as proponents of "Good Citizenship" etc. They may be granted other privileges or benefits since they help the key workers who are mainly public sector employees.

3

Developing a broad and penetrative communication strategy in tight collaboration with the City Hall to popularise the platform among flat owners & key workers.

4

Recruit an influential and well-known spokesperson to deliver our message and convince both the general public and political leaders of its importance and social value.

DEPLOYMENT STRATEGY AND MAJOR MILESTONES

Early Steps:

What do we have to do now to prepare our project to get public? We have to focus on necessary and initial partnerships, data collection and fundraising to legitimize the project and, then, build trust among customers.

- Negotiate and Establish a Partnership with the Mairie de Paris: Contact and Collaboration Contract (Clearly stating what we will do together - our expectations and our commitments)
- Collect Data on Vacant Flats and Key Workers and Do Primary Research
- Establish Other Key Partnerships and Collaborations in Housing Industry (Paris Habitat), Research Agencies and Organizations (APUR) and Maintenance Sector.
- Partner with the finance sector and particularly their wealth managers. Focus on the ones offering a smarter and more sustainable investment approach combining financial objectives and social gains
- Find Fundraising Opportunities (such as possible subsidies...).
- Find an incubator to support us in kick starting our project

Development Steps:

What do we have to do to get the project started? We have to get the project widely known and recognized by our customers, to make them want to use our platform which would provide a service they need.

- Create a Social Renting Label (with the Mairie de Paris)
- Launch of Crowdfunding (Goals: Fundraising and communication - Getting money while making our project known).
- Define and Launch Marketing and Communication Strategy and Plan.
- Create Online Platform and Provide a Communication and Payment System for Flat Owners and Seekers.

Operation & Sustainability Steps:

What will we have to do to get the project going? We will have to provide a consistent service to justify our alternative to the Multiloc device, with great communication and monitoring mechanisms.

- Constant Updating of our Databases
- Apply and Upgrade Consistently Marketing and Communication Plan
- Regularly Make Reports on Efficiency and Improvement Points

RETURN ON INVESTMENT ANALYSIS

Statement: Our platform does not intend to make profit. We strive to provide a social service to the people who need it the most

Sources of Costs

- Flat Maintenance and Renovation (15 000 euros as maximum threshold)
- Team Wages and Office Rent (8@Po will be paid at SMIC for the first months + 2 IT employees paid 2500 euros every 3 months for maintenance work)
- Platform Creation and Maintenance (IT costs : around 5 000)
- Organization of Fundraising Campaign
- Communication through Mairie de Paris (free)
- Research and Data

(Possible cost of data from other agencies, cost of primary research...)

Resources

- Crowdfunding
- Subsidies
- Sponsoring (Marie de Paris, influential individuals...)
- Commissions on rents of 15%

Gains

- Commissions on Rents of 15%

ORGANIZATION

8@Po serves as a platform to connect with Mairie de Paris, owners of vacant housing and the key workers. The specially created platform is a professional organization which has three main resources.

First is the intellectual resource. We will collect large amount of data and information to back up our business model. These data mainly come from three sources: Mairie de Paris, wealth managers and APUR agencies.

Second is the human resources, including members of 8@Po and the future possible employees and the employees from Mairie de Paris.

Thirdly, we anticipate that our financial resource will mainly be obtained through minor fundraising and crowdfunding operations, which includes launching and communication operations.

In order to be able to obtain the resources mentioned above, we need good interpersonal skills and negotiating skills to communicate with our partners and customers effectively. On top of that, we also have to know how to manage the organization, how to operate it and how to manage the employees in the future. Therefore, management skills and knowledge are necessary. Besides, we should acquire enough communication and marketing skills to know how to launch fundraising or any other marketing and communication campaigns.

We assume our key partners as follow:

1. Mairie de Paris, which can provide metrics and data on key workers i.e. number of the housing needed among the key workers, number of CDD in key sectors per area, etc. and they can also sponsor our operations and give us necessary administrative support.
2. Wealth managers. They are the redirect clients towards, we may get extra information on the owners of the vacant houses.
3. Paris Habitat. We may also cooperate with Paris Habitat and expand our data resources through their database.
4. Owners of vacant apartments. Owners will register their assets on our platform thanks to proposed incentives.
5. APUR urbanism agencies. We can get more useful information through their professional research on housing and consumers in Paris.

BENCHMARK

Average rent in Paris : 30euros per m²

Multiloc proposition : 20% less than the average, so we should proposed even better : 30% less then the average rent. We could proposed 21euros per m².

Average price of reparator works : 57 000 euros. Obviously, we cannot do that much, so we can settle a threshold at 15 000 euros. (Good to know : up to 80% of the price of works can be subsidised by the State)

Average revenue for key workers : 2000 euros

Two superficies of flats to rent : 59m² (average in Paris, INSEE) and 30m²

59m² : for at least one couple (and maybe one or two children)

Rent : 1239 euros

(with help from CAF and APL, it can reach 900 euros per month).

Our commission there would be : 185 euros

If we do some renovations, and 50% of the cost is subsidised, then the cost of works (7500 euros would be covered in 7 months).

30m² : for a single person or a couple

Rent : 630 euros (with CAF and APL it can reach 300 euros).

Our commission would be 94 euros.

The cost of renovation (with 50% subsidy) would be covered in 15 months.