

ANGUS COUNCIL

COMMUNITIES COMMITTEE – 24 MAY 2016

ESTABLISHMENT OF EMPTY HOMES LOAN FUND USING FUNDS FROM THE AFFORDABLE HOUSING BUDGET

REPORT BY HEAD OF PLANNING AND PLACE

ABSTRACT

This report seeks approval to establish an Empty Home Loan Fund using funding from the Affordable Housing Account. Criteria for the scheme will be extended to enable participants to sell their empty home in addition to renting it for fixed term affordable housing.

1. RECOMMENDATIONS

1.1 It is recommended that the Committee:

- (i) notes the position in relation to the existing Angus Empty Homes Loan Fund, funded by the Scottish Government.
- (ii) approves a proposal for the Council to establish a new Empty Homes Loan Fund using Council Tax revenue raised from additional charging levies, enabling empty home owners, once the property has been brought back into use, to either rent their property at an affordable rate for a minimum of 5 years or sell the property within local threshold rates.

2. ALIGNMENT TO THE ANGUS COMMUNITY PLAN/SINGLE OUTCOME AGREEMENT/CORPORATE PLAN

2.1 This report contributes to the following local outcomes contained within the Angus Community Plan and Single Outcome Agreement 2013-2016:

- Angus is a good place to live in, work and visit
- Our communities are safe, secure and vibrant
- Our communities are developed in a sustainable manner

3. BACKGROUND

3.1 Since 2012 the Council has been actively working with the Scottish Empty Homes Partnership, funded by the Scottish Government and co-ordinated by Shelter Scotland, to develop services aimed at bringing private sector empty homes back into use.

3.2 Angus Council has a successful Empty Homes Loan Fund Project in operation which is funded by a loan of £120,000 from the Scottish Government. The Loan Fund provides interest-free loans to owners of empty homes who are required to let the homes at an affordable rent for a minimum of five years. The Council must repay 60% of the Scottish Government funding by 2020 and the remaining 40% by 2024.

3.3 Report No 106/15, Appointment of Shared Services Empty Homes Officer, was approved by the Communities Committee on 3rd March 2015. The post was established in December 2015

and will operate as a pilot scheme for a period of two years, with the officer splitting their time equally between Angus and Dundee City Councils.

4. CURRENT POSITION

- 4.1 The Council has committed to increase staff resources to help tackle the problems associated with empty properties. It is however vital that the officer is equipped with the necessary tools to ensure as many successful outcomes as possible.
- 4.2 Early feedback from a recent survey of empty home owners in Angus suggests that almost 1 in 3 are interested in accessing loans to help bring their property back into use. Many of those surveyed have cited that whilst advice and information is helpful, access to a loan fund option would be most beneficial to them.
- 4.2 The current loan fund of £120,000 has almost been fully utilised (£94,000 spend to date with the fund expected to be fully utilised by mid-2016) and has brought six empty homes back into use. Although the success highlights that there is an appetite for this type of funding in Angus, feedback from empty home owners indicates that they have rejected participation in the scheme citing their reluctance to be tied in to letting their property for a period of five years, suggesting instead that the property be sold upon completion of the refurbishment.
- 4.3 This position is mirrored by other Council's participating in the Scottish Government scheme. Consequently, the Scottish Government widened the criteria for the existing scheme to include 'loan to sell' loans. Under this arrangement the owner would receive a loan to bring the property back into use and following refurbishment the property would be marketed for sale. On conclusion of the sale, the loan would immediately be repaid in full to the Council. In order to ensure the 'loan to sell' option retains a focus on increasing the supply of affordable housing, selling prices would be constrained to the local price thresholds used for the Scottish Governments Open Market Shared Equity scheme (OMSE). The local prices for Angus are:

OMSE, Dundee & Angus

*Property Size	2 Apt	3 Apt	4 Apt	5 Apt	+6 Apt
Selling Threshold	£70,000	£80,000	£100,000	£150,000	£185,000

*a 2 Apt is regarded as a property with 1 bedroom & 1 living room.

5. PROPOSALS

- 5.1 Funding of £120,000 has been identified to enable the Council to initiate a new Empty Homes Loan Fund incorporating both 'loan to rent' and 'loan to sell' options for properties that have been empty for at least 6 months. We aim to operate a revolving loan fund, whereby all monies recouped (including interest charged) from both options will be recycled immediately to ensure readily available funding for empty home owners.
- 5.2 The 'loan to rent' element of the scheme will operate on a similar basis to the current loan fund, each applicant and property being subject to our scoring matrix to determine strategic fit and value for money, at the Council's discretion. The main criteria for applicants will be:
- the property will be let as affordable housing for a minimum period of 5 years;
 - the loan will be secured against the property and repaid in monthly instalments;
 - the equity level must be at least double that of the loan.
- 5.3 The 'loan to sell' element will also be subject to our scoring matrix and will include assessment (as far as possible) of the likelihood that the property will sell. The time limit for the sale of the property will not be indefinite and we must ensure that all reasonable steps are being taken to dispose of the property. The main criteria will be:
- equity must be at least double that of the loan;
 - the full loan amount will be secured against the property and recouped upon sale;
 - the OMSE selling thresholds for Dundee & Angus will be applied;

- a 26 week time limit to sell - commencing from the date of loan release, and culminating with a formal review;
- upon satisfactory review that all reasonable steps are being taken to dispose of the property, a further 26 week time period will be applied;
- upon the maximum time period elapsing (52 weeks), the property will be let as affordable housing for a minimum period of 5 years and the outstanding loan repaid in monthly instalments.

5.4 Loans will be subject to a fixed interest rate based on the Public Works Loan Board (PWLB) rates. All charges incurred will be added to the Empty Homes Loan Fund. In the event that the loan fund is terminated, any remaining funds, including sums accumulated from interest, will be transferred to the Affordable Housing Account.

5.5 Consideration will be given to targeting priority areas, such as Arbroath and Montrose town centres, where recent Charrette events have highlighted the detrimental effect of empty homes in town centres. A more proactive approach will be taken to promoting the Loan Fund and linking with other initiatives in these areas.

6. FINANCIAL IMPLICATIONS

6.1 Funding of the loan can be met within existing resources. £120,000 has been identified from the Affordable Housing Revenue Account from revenue raised from the increased Council Tax levy to homes empty for 12 months or more.

6.2 It is anticipated that additional staff time will be absorbed within existing Legal Services and Finance Services staff resources. The shared services Empty Homes Officer will project manage the scheme.

NOTE: The background papers, as detailed by Section 50D of the Local Government (Scotland) Act 1973 (other than any containing confidential or exempt information) which were relied on to a material extent in preparing the above report are:

- R205/14, Review of Council Tax Long Term Empty Property Discount, 29/4/14
- R106/15 Appointment of Shared Services Empty Homes Officer, 3/3/15

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