

Empty Homes Financial Incentives Recommendations 2016



Empty Homes Funding Recommendations Paper

Introduction

Part of the Scottish Empty Homes Partnership's agreed remit for 2015/16 is to review existing funding and financing options for empty homes work in Scotland and follow this up with a paper highlighting where financial products or government funding is needed to bridge the gap keeping empty homes vacant.

The Scottish Empty Homes Partnership recently produced an updated [Guide to Financing Private Sector Empty Homes Projects](#). Following on from this piece of work as well as an informal consultation with the Scottish Empty Homes Officer Network and other stakeholders, this paper puts forward a number of recommendations to plug specific gaps in funding provision for empty homes.

Gaps identified where funding is currently non-existent or hard to source are:

- Empty homes being renovated for owner occupation
- Empty homes being renovated for market rent or sale
- Funding for initial project planning and capacity building
- Grant funding options for local organisations and community groups

Funding Recommendations

Feasibility Funding

The Scottish Empty Homes Partnership believes that dividends could be realised in terms of the deliverability of empty homes projects by developing a rolling Scottish Government Empty Homes Feasibility Fund. We see such a fund building on the best practice in Perth & Kinross Council where match funded feasibility grants are offered to owners of long term empty property intended for both commercial and residential end use.

The Perth & Kinross Vacant Property Feasibility Fund allocated £132k over 3 years from 2013/14 to 2015/16 to owners of long term empty properties for use towards professional fees such as architects, chartered surveyors and structural engineers. The maximum feasibility grant was initially £5k and needed to be match funded by the owner. The council has now lowered the maximum grant level to £3k with appropriate match funding in reference to the average amount claimed by applicants. Additional flexibility is being considered to raise that maximum for larger projects. According to the Vacant Property Development Team at the council the pot is oversubscribed and only two projects which received funding since it began have not gone on to complete the renovation of their property.

We understand that the Scottish Government's Rural Housing Fund, currently at development stage, will include an element of feasibility funding which we think is a step in the right direction. But we would like to see this type of funding available more widely as we believe it is a crucial step in securing both public and private finance for empty homes projects.

Our vision of a national empty homes feasibility fund would:

- Be open to anyone considering renovation or conversion of a long term empty property with a proposed end use of 2 or more residential units.
- Properties should be below the tolerable standard for housing.
- Eligible fees should include:
 - Architect's design drawings
 - Quantity surveyor's cost estimates
 - Structural engineer's report
 - Chartered surveyor's valuation advice or development appraisal
 - Undertaking a survey/questionnaire or media work to determine levels of demand in an area that can't be evidenced by housing waiting lists
 - Community consultation where appropriate
 - And in the case of Social Enterprises, community groups or other non-profit organisations: Consultant's fees for preparing a project/business plan.

We believe such a fund would be best run on a rolling basis rather than a closed time framed bidding window. A reasonable amount to allocate to such a fund might be somewhere in the region of £3m over a 3 year period. Based on the Perth & Kinross output we would estimate this amount to result in approximately 2,800 residential units over 3 years. Some of these projects may go on to apply for other empty homes funding offered by local authorities or directly from the Scottish Government. Therefore these unit estimates would not necessarily be exclusive of unit estimates for other funds but equally not all projects will require additional funding.

If central administration is considered an issue for such small scale grants we think there are two options: 1) to allow local authorities to bid for a pot of feasibility funding to be administered locally within a set period of time; 2) to resource the Scottish Empty Homes Partnership to be the administrators of this fund.

We do not believe such a fund should stipulate an end use in terms of tenure as that is already a requirement of existing empty homes grant and loan funding. This fund should be aimed at unlocking the residential potential in Scotland's empty property. We know there are around 27,000 long term empty homes in Scotland which we estimate to be worth approximately £4.5b. We do not have figures for the potential value of long term non-

residential property whose best end use may be as residential units, but we believe there is vast potential and more should be done to encourage a national culture of re-use of our collective assets. New or recovered residential units even if sold or rented at market rates adds to the overall level of housing supply, thus relieving pressure on the affordable housing market.

Town Centre Empty Homes Fund – 2nd Round

The Scottish Empty Homes Partnership was pleased to see the introduction of the Scottish Government Town Centre Empty Homes Fund to encourage the reuse of long term empty property for multi-unit residential projects. We believe the mix of grant and loan funding provided by this fund is appropriate for tackling properties where renovation and conversion otherwise might not stack up.

With the expected introduction of the Rural Housing Fund which we understand will include an empty homes element, it seems appropriate to consider a second round of the Town Centre Empty Homes Fund.

As we have mentioned in the feasibility funding section we believe any new round of funding for creating homes from empty properties should be run on a longer term rolling basis, as is the intention for the Rural Housing Fund. We also would encourage such a second round to include feasibility funding as part of the package to help draw a wider range of players into this area of work and to help ensure project deliverability.

There are several reasons why a rolling programme as opposed to a short bidding window would be beneficial:

- Allows time for project planning & feasibility exercises
- Helps to ensure that funding is distributed at a time of year conducive to building works
- Encourages different players (community groups, charities, social enterprises, small scale developers) to consider bringing forward projects; not just organisations that are skilled at preparing bids to deadline.
- Removes the situation where projects that could benefit a town are left unpursued because there isn't a suitable funding stream open for bids.

Though it is too early to tell the outcomes of the first Town Centre Empty Homes Fund, the range of successful bidders and oversubscription of the fund indicates that there are a lot of exciting projects with the potential to greatly impact on town centre living and regeneration efforts that can be unlocked with this combination of grant and loan funding.

Scottish Empty Homes Community Grants Programme

The Scottish Empty Homes Partnership would like to see the introduction of a Scottish Empty Homes Community Grants Programme by the Scottish Government, building on the successful 5 year Empty Homes Community Grants Programme run in England from 2011-2015.

The Scottish Empty Homes Partnership believes that the way to scale up empty homes work in Scotland is to attract more players into empty homes work, including not-for-profit and community organisations and groups. This is not just about housing supply, acquiring and renovation of empty property also has the potential to achieve both service delivery outcomes and an income stream for social outcome focused groups and organisations. The 5 year Empty Homes Community Grants Programme in England brought 1,759 empty properties back into use as housing with £50m in capital funding to non-registered providers.

Reported benefits of the programme included the provision of affordable and accessible housing (especially for harder to place groups including offender resettlement); safer communities; employment and training opportunities; building strong and independent organisations and a vibrant community-led sector. Many projects in the English programme were able to show how they had used the initial grant from the Empty Homes Community Grants Programme (EHCGP) to leverage in more funding. The grants enabled organisations to lever in an additional £26 million of funding in other grants commercial loans and donations. One project in Gateshead reported that 2.5 properties were delivered for every 1 funded by the EHCGP.

There were 110 successful projects across the English programme over half of whom were from organisations who had not previously had a housing focus. The projects, while providing units of affordable housing, enabled them to grow stronger organisations and further their core aims. For local organisations and groups like these public funding is essential to leverage in funding and loans from elsewhere. Prof David Mullins from the University of Birmingham who analysed the results of the programme also reported that the grant was what enabled the sector to grow from 50 community based organisations clustered in particular areas, to over 100 organisations spread around the country.

Prof. David Mullins and Jon Fitzmaurice of self-help-housing.org (who was involved in capacity building and mentoring for funded groups) have offered to develop training for Scotland with regards to promoting take up from community based organisations.

A suitable size equivalent Scottish fund we would suggest should be £5m on a rolling basis over 3 or 4 years as discussed above, with additional access to feasibility funding.

We know there would be demand for such a fund. The Nationwide Foundation Empty Properties Funding Programme has recently closed for bids on its second year of empty property funding. The £1m Nationwide Foundation programme is open to non-profit organisations across the UK for empty homes projects that support the financial sustainability of the organisation and/or promote training and apprenticeships or use energy saving renovation techniques to combat fuel poverty for future tenants.

The programme this year received 147 applications (from across the UK). 11 applications were received from Scottish organisations (all not for profit). These 11 applications equated to requests of £1,909,658.00; of which £1,479,658.00 were grants and £430,000.00 social investment. The legal status of the Scottish bidders included 8 registered charities, 2 community interest companies and 1 not for profit limited company. 5 were from rural areas and 6 from urban areas. 17 projects UK wide were shortlisted, 1 Scottish project is through to the shortlist.

We believe this demonstrates a need for exactly the kind of Scottish Empty Homes Community Grants Programme we are proposing. We also believe that with a larger rolling pot such a fund would not only enable fruition of the existing aspirations of not for profit groups, but would encourage and inspire groups to use empty homes projects to achieve wider social aims and create financial stability for their organisations.

We have discussed the idea of such a fund with Charity Bank, Unity Trust Bank, Social Investment Scotland and Airdrie Savings Bank who have indicated that if the Scottish Government were to implement such a scheme they would be interested in developing complementary empty homes loans for community groups to allow any money invested in grants to go even further.

What should a Scottish Empty Homes Community Grants Programme fund:

- Purchase, lease and renovation of long term empty properties for reuse as affordable housing.
- Feasibility, project management and property management costs (for instance a local community organisation may wish to partner with a local RSL to handle day to day property management requirements).

Empty Homes Regeneration Loan Funding

The Scottish Empty Homes Partnership believes that the benefits of creating housing from empty property are wider than just housing supply. We also believe that even in purely housing supply terms not enough is being done to make use of as many of Scotland's empty homes as possible. Current empty homes funding streams, be they grant or loans, are

limited to an end use of affordable housing. However this limits both the properties that can be brought back into use and those who are interested in pursuing such work. Our [Empty Homes Value Tool](#) demonstrates some of the costs and benefits to communities of bringing empty homes back into use. This includes adding to overall supply and creating local jobs.

We have estimated that the value of long term empty homes in Scotland is £4.5b that is without counting empty homes where owners have not claimed the vacant dwelling council tax discount. This figure also doesn't include empty properties that are not currently residential but whose best end use is residential. The benefits to communities and to the environment of making every effort to reuse empty properties that are lying dormant requires further acknowledgment from the Scottish Government by way of an Empty Homes Regeneration Fund that focuses on increasing overall housing supply in order to free up affordable homes down the housing ladder, regenerate communities, and make efficient use of existing resources.

Using the Scottish Government's multiplier tables we have estimated that a £10m rolling 3 year loan fund would generate £16m in spend in the wider economy and create 102FTE jobs. We believe a fund of this size could bring into use upwards of 600 housing units.

There are of course also environmental benefits to the reuse of empty properties. According to the BSHF study [New Tricks with Old Bricks](#); *"Although new homes are more energy efficient once built, 50 tonnes of carbon emissions are generated in their construction, compared to 15 tonnes for the refurbishment of an existing property. In most of the houses studied, it took more than 50 years for this difference to be compensated for by the lower carbon emissions generated from the day-to-day energy use."* Using this figure a £10m fund creating 666 units from existing property @ an average of £15k per unit would save 23,310 tonnes of embedded carbon.

The types of properties that could be unlocked by a fund that seeks to achieve numerous outcomes from housing supply, to economic regeneration and environmental sustainability include:

- Empty homes being renovated for owner occupation
- Empty homes being renovated for market rent or sale
- Properties where affordable housing demand has not been demonstrated
- Difficult large scale conversion projects
- Historic properties needing specialist renovation
- Remote and rural empty property projects where higher renovation costs mean affordable housing end uses doesn't stack up

- Town centre properties and flats above shops with access issues that mean renovation for affordable housing end use doesn't stack up
- Properties where the owner is in negative equity and without support will continue to leave the property empty.

An Empty Homes Regeneration Fund could operate on a similar basis to the Kent No Use Empty Fund and the Welsh Houses into Homes Fund, both of which give interest free loans to bring empty property back into use for residential purposes for rent or sale.

Since it began in 2007, the Kent No Use Empty Loan Fund Scheme has approved over £13.8 Million of interest free loans. This has leveraged in excess of £21.1 Million of private sector funding (owner's contribution), giving a total investment through the loan scheme of £34.9 Million (up to September 2015). The loans scheme created over 666 jobs & homes for approximately 1,533 people. For each £1 spent on interest and administration, there was an estimated £20.63 being spent in the local economy (labour & materials). A survey of businesses and residents demonstrated an increase in confidence in localities as a result of bringing empty properties back into use.

During its first three years, the Welsh Houses into Homes Scheme used an initial investment of £20 million to enable local authorities to provide interest-free loans to owners of properties which have been empty for more than 6 months, to bring the properties back into use for sale or rent. The Welsh Government reports that 7,560 properties had been brought back into use under the scheme as of October 2015. Slightly confusingly this figure includes empty homes brought back into use by Empty Homes Officers outside the loan fund but the [report on the scheme](#) points out that the availability of the loan fund revitalised empty homes work in Wales and thus the increased complementary activity was also attributed as an outcome of the fund. Our estimate above for units that could be brought back into use by a Scottish Empty Homes Regeneration Fund are based on loan funded units only. The Welsh Government also announced in October 2015 that a further £10m would be allocated to Houses into Homes.

Conclusion

Current funding for empty homes work is making a difference. Over the past 5 years we have recorded over 1200 empty properties brought back into use and the recently announced Town Centre Empty Homes Fund is projecting a further 87 units brought back into use. However in the context of Scotland's current housing crisis more must be done to ensure as many units are realised from existing empty property as possible. This will free up units elsewhere on the supply chain and allow the housing market to function more equitably.

To achieve a real step change in reusing existing empty buildings and homes more players need to be enticed into the work of empty property renovations, from owner occupiers to community groups, to large scale developers. To do this a signal needs to be sent that the Scottish Government recognises the role that regenerating empty property can play not only to housing supply but to community wellbeing and environmental sustainability.

At the Scottish Empty Homes Partnership we believe funding for a range of empty homes solutions should be seen in a corporate way, as spending in this area creates so many more positive outcomes than just additional housing units.

We also believe that having a range of rolling funds will push the principal of reuse of empty property up the agenda and allow for real planning and assessment of projects where previous short-term bid funds can lead to less deliverable projects being taken forward.

The Scottish Empty Homes Partnership would be happy to discuss any of the ideas in this paper more fully.

The Scottish Empty Homes Partnership exists to help bring private sector empty homes back into use. The Partnership is funded by the Scottish Government and hosted by Shelter Scotland.

The partnership is hosted by **Shelter**
Scotland

