

Report of:	Head of Environmental Health
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Portfolio Leader:	Housing
Key Decision:	Yes
Report Track:	Cabinet: 20/02/13

CABINET
20 FEBRUARY, 2013
EMPTY PROPERTY LOANS

1 Purpose of Report

- 1.1 To agree the detail of the loan scheme proposed for owners of long term empty properties in the District.

2 Recommendations

- 2.1 That the interest free loan scheme be agreed by members and made available to owners of long term empty properties capable of being brought back into use as outlined in this report
- 2.2 That members agree the commencement of the scheme from 1st April 2013.

3 Key Issues and Reasons for Recommendation

- 3.1 In November 2012 members agreed a report outlining the concepts of a repayable grant (loan) scheme providing up to £10K worth of support to owners of long term empty properties across the District. Members requested that the detail of the scheme be reported once the scheme had been finalised.
- 3.2 This report outlines the scheme in detail and requests members to accept the arrangements and commencement dates.

4 Relationship to Corporate Priorities

- 4.1 This report supports the Council's Corporate Priorities as follows:

- (i) People – none specific
- (ii) Place -Increase the supply of housing available for use within the District within the private sector.

Improvement of the condition of the private sector stock
- (iii) Prosperity- indirectly increases the available jobs locally whilst refurbishment is undertaken and assists locally based business by adding to the available population using those facilities
- (iv) Transformation – None specific

5 Report Detail

- 5.1 The proposed scheme enables officers to offer a clear incentive to owners of such property to bring them back into use when coupled with the changes to the Council Tax rules. The outcome is a property available for occupation in either the private rented or owner occupier sectors.
- 5.2 The scheme is outlined in detail at Appendix 1 and further details of forms and conditions in Appendix 2.
- 5.3 There are about 400 long term empty properties within the District Council's area, many of which would be useable with relatively little work (often between £5K and £8K worth of work) Currently however there is only £150K resource available for the scheme so potentially there are 15 loans at 10K; however the scheme will recover the loan over a period of 24 months, so allowing future use of the resource for further properties.
- 5.4 The scheme will be administered through the Environmental Health Service, Finance and Legal Services ensuring the loan is maintained and recovered in a timely manner.
- 5.5 A schedule of the works required at the property will be prepared by officers of this Council in consultation with the owner, who then will obtain quotations for the work to be undertaken, these will form the basis of the loan negotiated (up to £10,000)
- 5.6 Once the costs of the work are clarified, discussions will be started with the owner about the value of the loan, the contractor who will undertake the works and agreement reached about the loan application and works to be undertaken. If the cost of works exceeds £10,000 then the owner of the property must be able to show that funding is agreed for the remainder of the work, prior to approval of the Council loan.
- 5.7 The owner will have to agree to undertake all the works required at the property, as part of the scheme. Money will not be released until all the works have been completed and the property is habitable and ready for occupation. In exceptional circumstances an interim payment may be made (see paragraph 5.13).

- 5.8 To ensure the scheme is targeted to the right owners throughout the District, the officer who undertakes empty property work within Environmental Health will approach owners of suitable properties rather than having the scheme generally advertised throughout the District.
- 5.9 The targeted approach will have the advantage that discussion can be had at an early stage with the applicant regarding the outcome of the scheme and it will ensure appropriate properties are brought back into use.
- 5.10 The scheme envisages the property being let to tenants on an Assured Shorthold tenancy under the terms of the Housing Act 1996, this type of tenancy is the one used in most situations in the private sector and runs for a minimum period of six months on a renewable basis.
- 5.11 Recovery of the interest free loan will be through the payment received by the owner as rent during the first 24 months of the use of the property, we would expect however that the property continues in use after that period of time, thus continuing to provide much needed accommodation within the District. To ensure continuity of income to the owner we will require the owner to take specialist landlord insurance to cover loss of rent and also buildings insurance during the 24 month period where the loan repayment occurs.
- 5.12 Where an owner opts for the sale option within the scheme, this Council will expect repayment of the loan in full on completion of the sale. Safeguards will be in place to ensure the recovery of the loan in these circumstances.
- 5.13 All work will have to be undertaken within twelve months of the agreement of the loan and no payment will be made until completion of the works to the satisfaction of this Council except in exceptional circumstances where one interim payment of at least one third of the value of the works can be made.
- 5.14 In the case of joint owners, all owners will have to agree to the loan and undertake to be responsible for the repayment of any loan given, within the terms of this scheme.
- 5.15 Where mortgagees are involved with the property already, consideration will have to be given to whether there is sufficient value remaining in the property once improved to ensure the recovery of the Council's outlay; also whether the other organisations are prepared to allow the property to be let in the future. Agreement in writing will be sought from those organisations prior to any loan being agreed.

6 Implications

6.1 Financial

It is proposed that interest free loans are given to eligible works bringing targeted properties back to Decent Homes standard.

After completion of the works the property will be available for rental for a two year period or alternatively sold with a legal charge on the property protecting the loan.

It is hoped that the loan repayments will regenerate the fund and further future loans can be made thus improving the housing stock of the district.

When administering the loan scheme officers need to ensure a robust record system is maintained that stands up to auditor scrutiny and protects the financial resources of the Council both in terms of the checks made of applicants and recovery of monies due.

Appropriate up to date searches should be made that ensure that charges can be placed on the property that protect the Council interests and procedures are drawn up that show the actions required in event of a default at any stage of the process.

Consideration should be made of the cost of searches for HM Land Registry, personal credit status checks of applicants, legal costs associated with legal charges and who bears the cost of such checks and legal fees.

Consideration should be made for officers checking and verifying the landlords insurance details to ensure the conditions protect the rental income to cover the income during void periods.

If the recommendations in this report are agreed, additional Council Tax revenue of up to £420,000 per year could be achieved with Cannock Chase Council retaining £54,000 of those funds.

Additional income would be received by way of increased new homes bonus. It should be noted that these figures represent the maximum yield that could be achieved and this yield would be reduced by:

- Any bad debts which the Council cannot recover
- Any exemptions, discounts or other reductions being awarded as a consequence of empty dwellings moving into an exemption category or being occupied by single people, students, claimants in receipt of Local Council Tax Support etc

6.2 **Legal**

This type of loan (being to a certain class of individuals with no interest payable and being secured on property) is exempt from the provisions of the Consumer Credit Act 1974. However, the Council should ensure that applicants are informed as to the potential implications of failure to make repayments under the scheme.

6.3 **Human Resources**

None – existing staff will undertake the work as part of their duties

6.4 Section 17 (Crime Prevention)

Reduction in the number of long term empty properties, so reducing the incidence of damage and vandalism within the locality

6.5 Human Rights Act

None specific

6.6 Data Protection

None Specific

6.7 Risk Management

None Specific

6.8 Equality & Diversity

Opportunity for all owners of long term property to have access to funding to improve their financial position, so indirectly improving the local economy

6.9 Best Value

The repayable nature of the scheme will enable ongoing availability of funding to assist owners of long term empty property.

7 Appendices to the Report

Appendix 1	Terms and Conditions of Scheme
Appendix 2	Information document
Appendix 3	Application Form

Previous Consideration

Outline proposal of scheme	Cabinet	15 November, 2012
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Background Papers

Cabinet report 15th November 2012

Housing Act 2004

Consideration by CCDC Legal service of the terms and conditions

Empty Property Loans **Terms and Conditions**

1. An Empty Property Loan is only available to an owner of a residential property which has been unoccupied for over two years.
2. The Council will provide a schedule which will identify the eligible works and an Empty Property Loan will only be considered for the eligible works specified in the schedule. The property will, on completion of the works, meet the *Decent Homes standard. The Council will decide what eligible works are required and their decision is final.
3. The maximum amount of loan for each property is £10,000, however the Council expects the applicant(s) to support the overall cost of the scheme wherever possible from their own resources, as well as receiving support from this Council. If the cost of the eligible works exceeds the maximum figure the applicant will be responsible for the additional expense.
4. The owner will be responsible for obtaining at least two quotes for the eligible works. Where the owner decides to do the works themselves, the loan will cover the cost of materials and specialist contractors only. Where the owner wishes to employ a series of sub contractors, separate quotes will be required from each contractor.
5. Any additional works carried out at the same time or works which are not specified in the schedule, will not be eligible for the Empty Property Loan. The only exception is unforeseen works. Unforeseen works are defined as works which are integral to the proper completion of the eligible works but could not have been reasonably foreseen until the works had started on site. Inclusion of unforeseen works in the loan will only be made if the Council has given prior approval. Unforeseen works must be inspected by the Council who will require a written quotation from the contractor. If the extra expense of unforeseen works increases the total cost to over £10,000 the applicant will be responsible for all costs over this amount.
6. Following completion of the works, all rubbish must be removed from the site, decoration must be carried out and the garden must be left in a tidy condition.
7. The eligible works must be completed within twelve months of approval of the Empty Property Loan. No money will be paid until works have been completed to the satisfaction of the Council
8. The Council will not make the loan payment unless they have been supplied with a copy of certificates or guarantees issued by the contractor at the end of the works, e.g electrical or gas safety completion certificates.

9. Where the eligible works are subject to Planning or Building Regulations, the Council will not make the loan payment unless Planning or Building Control have certified the works as completed and compliant.
10. Upon completion of the eligible works, the owner(s) will be required to sign a declaration form confirming that they are satisfied that the works have been fully completed to a satisfactory standard. The Council will not be involved with disputes between the applicant and any contractor.
11. Once the works have been completed, it is the responsibility of the owner to maintain and repair any appliances installed. If the property is let, the owner will be required to maintain the Gas Safety Certification annually.
12. Upon satisfactory completion of the eligible works, the owner will be required to either immediately place the property on the market for sale or to make it available for letting
13. The amount of Empty Property Loan paid will be registered as a local land charge and with the Land Registry.
14. Where the property is sold; upon completion of that sale the full amount of loan will become repayable..
15. When the property is let the total amount of loan paid will be reclaimed via monthly instalments from the rental income.(As an example borrowing £10,000 – this Council would require the repayment of the loan at a rate of £416.67 per calendar month for a period of 2 years from rental income at the property). The owner must take out specialist landlord insurance to guarantee rental income during any void periods in the 24 month timescale.
16. If the rental level achieved is below the figures outlined then separate arrangements will have to be made to determine the repayment level and timescale applied in that case.
17. Should an owner receive the loan and not make a genuine and reasonable attempt to either sell or let the property, the Council will commence proceedings to reclaim the loan money.
18. The loan availability is discretionary to this Council.
19. All money must be used for the agreed works only and for no other purpose.

- 20. Reasonable expenses incurred by this Council in deciding whether the loan may be given will be charged to applicant at cost, the costs can either be recovered by direct payment or recovered as part of the loan. (Costs involved will be Land Registry and Credit Agency searches and any other relevant searches related to the application)

I (We) have read, understand and agree to the above terms and conditions,

Signature:
(All joint owners to sign)

Print Name(s)

Date:

Signature:
(All joint owners to sign)

Print Name(s)

Date:

*Decent home standard means a home that is wind and weather tight, warm and has modern facilities, including suitable and sufficient thermal insulation. Further information can be obtained from this Council.

Empty Property Loans January 2013 Details of the scheme

Background

Last November members agreed the development of a scheme of repayable grants (loans) using capital funding available for Decent Homes work in the private sector housing responsibility of the Council. The scheme was presented as a way through which, owners of long term empty property could be supported to bring their property back into use. The outcome of the proposed scheme would be to ensure the property is brought back into use and occupied either by an owner or by tenants of the owner.

The scheme as proposed enables owners of this type of property to secure funding to undertake work at the property to make it useable and to enable the owners to add to the resources already available to them; the Council would expect the owner to be supporting the overall cost of the scheme wherever possible from their own resources as well as receiving support from this Council. The maximum payment under the scheme would be £10,000 per property.

There will be no interest charged on the loan, as the incentive is to ensure the long term empty property is brought back into use, to charge interest would reduce the effectiveness of the scheme.

Currently there is a 0.5FTE Environmental Health Service resource available to deal with empty property issues within the District.

Outline of Scheme

The scheme will only apply to residential property within the District; commercial premises of any type will not be eligible unless there is a change in the planning status of the building and it has been empty for two years or more.

1. The owner of the empty property is contacted, or contacts us with a proposal to bring the property back into use; the types of property which will be suitable are those where the extent of works is reasonable, having regard to the age and location of the property. Obviously ruinous buildings would not fit within the scope of this scheme.

Enquiries will be made regarding the ownership and financial standing to ensure the Council is able to recover the loan, on sale, if necessary. Checks will also have to be made regarding existing loans and mortgages on the property and whether there is sufficient equity within the value of the property to enable recovery of the Council loan made where the property is sold. There needs to be a flexible approach at this stage however, to ensure the owner is given every opportunity to understand the scheme and to be encouraged to participate in it.

2. A schedule of work necessary to bring the property back into use will be prepared in conjunction with the owner, agreement being sought to ensure works are carried out within 9 months to 1 year of the commencement of the scheme. Timescales less than that are not really effective, as necessary planning and Building Control consents may have to be obtained and contractors will have to programme the work into their diaries. Where it is possible for the work to be undertaken quicker, once the property is in a usable condition then letting or sale can be undertaken.

The schedule will outline the works and will not be a specification, the responsibility to prepare that will rest with the owner of the property and it will also be their responsibility to source at least two suitable contractors to undertake the work. Where the owner decides to do the work themselves, the loan will cover the cost of materials and specialist contractors only.

Where the owner wishes to have a series of sub contractors to undertake the work, quotations will have to be obtained by them to reflect the works being undertaken.

3. In all cases the works must not proceed prior to agreement of the loan, failure to comply with this requirement will lose eligibility for the loan in part or completely depending upon the extent of works completed.
4. Agreement between this Council and the applicant to pay the money on completion of works will be made at this stage, with a time limit of 1 year from approval of the scheme. No money will be paid until works have been completed to the satisfaction of this Council; there will however be scope for interim payments of not less than £3000.
5. The Council will expect the owner to undertake the work as quickly as possible and checks will be in place to ensure that the proposal does proceed. Failure to take reasonable steps to undertake the work will be monitored with a view to considering

the formal empty dwelling management order procedure, or possibly compulsory purchase of the property.

6. On completion of the works, the owner will enter into the previously agreed undertaking to ensure the property is let at a market rent for a period of two years from completion of the works. Alternatively the owner can opt for the sale of the property at this stage to an alternative owner.
7. To ensure the recovery, for reuse, of the money paid; the owner will have to agree to either repay the whole sum paid by the Council on the completion of the sale of the property; or the owner will enter into an agreement with this Council to repay the value of the loan over a period of two years from the income from letting arrangements during that time.

From information available (December 2012) the average letting figure for a 3 bedrooled house within the District is about £500 – giving a gross income of about £6000. In the circumstances it is not unreasonable to expect the repayment of the loan over a two year period at a rate of £416 per month – thus a loan of £10,000 can comfortably be repaid within 24 months. There will be a requirement that the property will be let under the terms of the Assured Shorthold Tenancy arrangements for the whole of the 24 month period, and an expectation that the property will be let for the full 5 year period.

The assured shorthold tenancy is a tenancy made under the terms of the Housing Act 1988 as amended by Housing Act 1996 where a tenant can occupy the property for a fixed term of a minimum duration of 6 months and a maximum of 5 years at market rent. This type of tenancy applies to private sector housing lettings only.

In circumstances where the letting arrangement ceases for unforeseen reasons within the two year repayment period, there will be an expectation upon the owner to take all reasonable steps to relet the property as quickly as possible or to arrange for the sale of the property; thus enabling the recovery of the Council's outlay.

7. The owner will enter into an agreement with this Council, where the property is let and a charge will be placed on the property, to ensure the recovery of the debt outstanding if sold. The charge will have to be Registered with the Land Registry to ensure ability to recover the debt.
8. Owners will be required to agree to the terms and conditions of the loan scheme prior to approval of the loan and will be made aware of the financial implications of agreeing to the loan.

Incentives

The owner of an empty property will be subject to payment of Council Tax at a rate of 150% on the property from April 2013; whereas previously no charge has been levied.

The owner is responsible for the maintenance and security of the empty property with no return from the cost of those works

The risk of arson and other serious events is considerably greater when property is left empty, especially where the owner fails to carry out even basic maintenance

Problems are caused to other local residents, especially when accumulations or rubbish or overgrown gardens occur.

No other funding is readily available to many of the owners involved thus making the proposal attractive, it is hoped.

Failure to take action will leave the Council alternatives of Empty Dwelling Management Orders where appropriate or Compulsory Purchase.

Outcomes

1. Long term empty property brought back into use which would otherwise remain vacant.
2. Opportunities for local businesses to benefit from the uptake of this scheme, particularly Building trades and associated suppliers in the short term and the economy more generally with occupiers using the facilities and services available in the area in the longer term.
3. Good use of available capital funding to ensure property, which is causing problems, is brought back into use.
4. Clear message to owners of this type of property in the area that the Council wish to support them to use their asset more productively for the benefit of the wider community.

Conclusions

Whilst there is only £150,000 Capital available for the funding of this scheme, it is hoped that over a period of time that properties will be brought back into use as the fund will be set up so as to allow the reuse of the Capital resource for future assistance.

Owners of this type of property have frequently mentioned that lack of funds prevents them from bringing a property back into use; hopefully this scheme will be the catalyst to ensure that argument can no longer be used to stifle action on such property.

Members need also to be aware of properties within their wards and encourage contact with owners of them to ensure they come forward for the funds that are available. Alternatively there needs to be a clear message to such owners that this Council means business to address the problem of these long term empty properties across the District.

D.R. Chaplin
Private Sector Housing Manager
January 2013



EMPTY PROPERTY LOAN

Application Form

Part One: Applicant Details

1.1 Please provide your details as the Empty Property Loan applicant:

Your name:

Title: Mr/Mrs/Miss/Ms/Other (please specify)

Address:

.....

.....

Your Telephone number:

Your Email:

1.1 Guidance note

Where the property is jointly owned, all owners details must be given—use a separate sheet if necessary.

Where another lender has an interest in the property, you must inform them of your application and give details on this form of the organisation involved. See also 3.5

Part Two: Property Information

2.1 Please provide the address of the property at which the works are to be carried out.

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2.2 What type of property is it?

A house

A bungalow

A self-contained flat

Other—please describe

.....

Part Three: Ownership and Eligibility Details

3.1 Are you, as the person stated in 1.1 above, alone or jointly with others:

The freeholder of the property

A leaseholder of the property, (how many years remaining?)

Other (Please give details) - see also 3.5

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3.1 Guidance note

A loan is available where the applicant is themselves the owner or jointly owning the property and legally has a right to make decisions regarding the property

3.2 If you own the interest jointly (e.g. with wife, husband or partner), please give the names and addresses of other interested parties:

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.....
.....

3.3 Guidance note:

You must prove ownership of the property. Usually, an official HM Land Registry search relating to the property will be most appropriate as it is final and conclusive as to ownership. Alternatively, if your solicitor looks after your title and deeds you can ask your solicitor to provide you with a certificate of title, which the council will accept as proof of ownership. You can also prove ownership by providing a copy of the title deeds yourself.

3.3 How are you proving ownership of the property?

- I am providing an official copy of the property register, which I obtained from the HM Land Registry within the last six months.
- I am providing a certificate of title signed and sealed by my solicitor.
- I am providing a copy of the title deeds.

3.4 How long have you owned the property?

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3.5 Please provide information about any mortgages, loans or other interests in the property?

1.

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3.5 Guidance note:

Give full details, use separate sheets if needed

Please ensure the other interested parties are aware of your proposals

2.

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Use separate sheets where there are more interested parties

Guidance note:

Where there has been insufficient space to properly answer any of the questions within the application form, please continue your information here ensuring you make reference to the question number. You may also use this space to provide any additional information to help support and clarify your application.

Part Four: Additional Information

(Please continue on a separate sheet if necessary)

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WARNING!
YOU MAY BE LIABLE TO PROSECUTION IF YOU KNOWINGLY MAKE A FALSE STATEMENT

Data Protection

All the information you give us is confidential and will only be shared with organisations such as the Land Registry and Credit Reference organisations related to your application for this loan. Your data will be held securely in accordance with the Data Protection Act 1998.

Any personal information you have given us will not be passed on to third parties for commercial purposes.

We will only use any personal information you send us for the purposes for which you provide it. We will only hold your information for as long as necessary for these purposes. Information you provide us with may be used for statistical research but will not be used in any way (beyond its original purpose) which enables you to be identified.

Part Five: Declaration

I declare that to the best of my knowledge and belief the information I have provided in this application is correct.

Signature:

Print Name:

Date:

Signature:

Print Name:

Date:

Please now read the following terms and conditions and SIGN AGAIN at the end to confirm your agreement to them.