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To: Cabinet – 17th September

Subject: Allocation of Capital Funding: Kent Empty Property Initiative.

Classification: Unrestricted

Summary: Towards 2010 incorporates a target (number 39) to “bring back into use the large number of empty homes in Kent.” To achieve this it is proposed that a current project – the East Kent Empty Property Initiative (EKEPI) will be rolled out to all Kent district Councils. This briefing identifies how capital funding currently utilised for the EKEPI will be used to support the Kent Empty Property Initiative.

For Decision

1. Introduction

1.1 Towards 2010 incorporates a target (number 39) to “bring back into use the large number of empty homes in Kent.” To achieve this 2010 target it is proposed that the current East Kent Empty Property Initiative (EKEPI) will be rolled out to all Kent districts and re-launched as the Kent Empty Property Initiative from January 2008.

1.2 The EKEPI runs for three years, ending in March 2008, and has a target of bringing 372 empty properties back into use. Based on the numbers achieved in the first two years and the Districts’ targets for 07/08 it is anticipated that the EKEPI will actually achieve 577 empty properties back into use.

1.3 Initial discussions with the potential new Kent district partners strongly suggests that resources, particularly financial resources will be a key determinant in their ability to join a Kent empty property initiative. Kent County Council, as part of its contribution to the EKEPI has made available a £5million capital funding pot. This funding is being utilised to support three financial schemes to support the Districts in their work to encourage owners to bring empty properties back into use: -

1. Empty Property loan scheme
2. Partnership fund
3. Empty Property Direct Purchase Scheme

1.4 The capital funding is operated as a revolving fund and irrespective of which of the above three schemes the funding is used to support it is made available as a loan, not a grant. I.e. as money is used to support a particular empty property scheme and repaid on completion it can then be reused to fund a new empty property project.

However, experience from first two years of the EKEPI indicate that a Kent wide initiative will not require the full £5million, but could work effectively with a capital funding pot of £3million.

2. The Financial Schemes

2.1 It is proposed that the three financial schemes be retained for a Kent wide Initiative

2.2 Empty property loan scheme

The loan scheme provides funding for owners and developers to renovate and/or convert empty properties so that they can be brought back into use as residential accommodation. When launched in autumn 2006 the scheme initially proved challenging to implement due to the legal requirement for KCC to charge interest (at a rate of 6.89%) on any loans approved for empty property refurbishment. To ensure the success of the loan scheme the partner Districts have agreed to pay an applicant's loan interest. The scheme is now fully operational and the first loan has been approved. Further applications are currently going through the approval process with an anticipated commitment of £550,000. New enquiries are still being received with 15 currently being assessed for suitability for inclusion in the loan scheme.

2.2.1 The loan scheme is considered an essential tool to support empty property refurbishment based on the following: -

- The offer of financial assistance does incentivise owners to refurbish and reuse their properties. However it is a condition of the loan that works are carried out to a good standard. Additionally as the assistance is a loan and not a grant all monies will be repaid to KCC.
- The loan scheme will allow Kent Districts to offer increased incentives to bring empty properties back into use and work with owners as opposed to working against them through enforcement.
- It has also been noted that many of the refurbishment schemes put forward for loan approval involve properties in the more run-down urban areas within the four East Kent districts, which are also the subject of major regeneration projects being undertaken by KCC, the partner districts, and others.
- A number of the Districts outside the EKEPI do have an existing loan scheme. However, their schemes are linked to the applicant accepting nomination rights for the refurbished properties. Whilst this does improve the availability of affordable housing and some owners find the rent guarantees a particular incentive, not all owners are willing to commit their properties to this type of scheme. The Kent loan scheme offers a viable alternative to existing District schemes
- The loan scheme is encouraging the provision of new homes from redundant empty properties, within existing communities and infrastructure, at a lesser cost than new-build.

2.2.2 It is proposed that the Kent Empty Property Initiative will make available a loan scheme for empty property refurbishment and that £1.5million from the capital fund will be used to support this scheme.

2.3 Partnership Fund

2.3.1 The partnership fund has been set up to provide funding for the Districts where owners prove unwilling to do anything positive with their properties and enforcement is considered necessary. Previously the districts had no access to the necessary and often considerable financial resources required to take certain enforcement actions e.g. compulsory purchase orders.

2.3.2 To support the Districts in their enforcement work the EKEPI has undertaken a number of training courses to improve the knowledge and skills of key empty property personnel on the full range of enforcement options. In anticipation of empty homes being included as a 2010 commitment these courses have been made available to all Kent local authorities.

2.3.4 This training is now being used by the EKEPI districts and is proving highly effective. The training and availability of funding has been widely reported. To date whenever owners have been informed of possible action through this fund it has prompted their positive action to bring their empty properties back into use. Consequently no funding has been utilised towards this scheme, but its availability is considered a significant contributory factor to the success of the EKEPI. As expertise develops the Districts will be enabled to tackle more problematic owners and therefore it is expected that at some point the partnership fund will be required to support future enforcement work by the Districts

2.4 Direct Purchase

2.4.1 When the EKEPI was originally launched in April 2005 research undertaken for the Initiative had identified a large number of empty properties that could be readily brought back into use for under £10,000. The original basis of the direct purchase scheme was that a number of these properties would be acquired, renovated and resold. Since the launch however housing markets in the East Kent districts have improved significantly and further surveys have established that the properties initially identified for this scheme are already back in use. However the direct purchase scheme is still considered an essential tool for a Kent wide initiative for the following reasons: -

- The scheme will facilitate the acquisition of key properties in the wider regeneration areas in Kent. This will enable KCC to demonstrate its commitment to regeneration and create good quality refurbishment schemes.
- It provides owners with an alternative to enforcement by offering a voluntary acquisition as opposed to formal statutory action. This is particularly relevant where a compulsory purchase order is being considered.
- Owners may prefer to sell to KCC, as a responsible body, as opposed to selling on the open market.

2.4.2 Any acquisition would be undertaken in accordance with the Direct Purchase report approved by the Leader in April 2007.

2.4.3 It is proposed that the current direct purchase and partnership fund be combined and allocated a total fund of £1.5million.

3. Repayment of the capital fund

3.1 The current MTP shows the repayment of the capital funding taking place at £2.5million in 09/10 and the remaining £2.5million in 2010/11. The majority of Kent Districts outside the EKEPI do not have access to the range of financial schemes developed for the current empty property initiative. Discussions held at the Kent Empty Property Forum suggest that further districts are keen to work with this project, but the availability of medium term funding is a particular incentive. It is therefore proposed that the repayment of the capital funding be deferred so that £500,000 is repaid in 2009/10 and the remaining £2.5million in 2010/11. This will provide an appropriate level of financial support for a Kent wide empty property initiative to achieve the 2010 target.

4. Recommendation

Cabinet is asked to;

- (i) Allocate £3million of capital funding to support the Kent Empty Property Initiative.
- (ii) Allocated the funding on the basis of £1.5million for the loan scheme and £1.5million for the joint partnership and direct purchase scheme.
- (iii) Defer repayment of the capital fund to £500,000 in 2009/10 and £2.5million in 2010/11. This may require re-profiling of the expenditure and income profiles currently shown for the scheme in the MTP.

Background Papers: None

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