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To: Growth, Economic Development & Communities Cabinet Committee – 25 September 2020

Subject: **No Use Empty (NUE) – Update**

Classification: Unrestricted

Electoral Division: All

**Summary:** Kent County Council (KCC) launched the No Use Empty (NUE) initiative in 2005 in East Kent. Following the success of NUE, the initiative was rolled out across Kent in 2008/09 and is now delivered by KCC in partnership with all 12 districts and borough councils.

The primary aim of the initiative is to improve the physical urban environment in Kent by bringing empty properties back into use as quality housing through a range of interventions.

In addition to this, NUE is helping to deliver increased Council Tax receipts and Business Rates.

NUE operates a loan scheme providing short term secured loans registered as a first or second charge. On repayment of the loan, funds are recycled to the next project.

NUE previously reported to Cabinet Committee in March 2020.

The purpose of this report is to provide Cabinet Committee with a further update on the initiative, its performance to date, progress regarding Treasury Investment (£12m) and specifically NUE's involvement regarding social and affordable housing, all of which help contribute to accelerating the delivery of good quality housing in the County.

**Recommendations:**

The Cabinet Committee is asked to consider and comment on the NUE initiative and performance to date.

**1. Introduction**

- 1.1. Kent County Council (KCC) launched its 'No Use Empty' (NUE) campaign in 2005 as part of its Public Sector Agreement (PSA2) targets, to examine better ways of delivering services, and particularly at working more effectively with district councils. The primary aim of the initiative is to improve the physical

urban environment in Kent by bringing empty properties (defined as empty for over 6 months) back into use as quality housing.

1. 2. The initiative originally focused on the following districts: Thanet, Dover, Folkestone and Hythe (Shepway) and Swale, as the research found most empty properties (over 3,000) were in these areas. As the project was very successful KCC expanded NUE to include all 12 Kent district councils in January 2008.
1. 3. NUE is now firmly established as the longest running and most effective empty property initiative in the country winning several national awards for partnership and regeneration.

## **2. Achievements**

- 2.1 There were 9,000 long-term empty properties in Kent when NUE was launched in 2005. As at 30 June 2020, NUE has returned 6,572 long-term empty properties back into use across the County to the decent home standard. Long term empty means those dwellings that have been unoccupied or substantially unfurnished for over six months.
- 2.2 Latest Council Tax records show there are a total of 5,340 long term vacant dwellings in Kent (Kent area). NUE on average is returning 500 long-term empty properties back into use (based over the last 10 years). For clarity this excludes Treasury investment activity which is focused on new builds.

## **3. Finance**

- 3.1 NUE operates a recycling loan fund providing working capital to help owners/small developers refurbish/convert empty homes or redundant commercial buildings to provide good quality residential accommodation.
- 3.2 To date, NUE has awarded £34.9m in short term secured loans and has levered in £32.3m from the public/private sectors, giving a total investment of £67.2m across Kent. All loans are subject to a risk assessment and secured as a 1<sup>st</sup> or 2<sup>nd</sup> charge and offered typically over a 2-3-year period. The loans are offered interest free to first time applicants.
- 3.3 The investment has funded 325 individual projects creating 1,101 homes with 776 of these classified as new homes (change in numbers). These new homes will generate new Council Tax receipts worth approximately £781,898 per year.
- 3.4 A summary of NUE investment by district is at Appendix 1.
- 3.5 In July 2019 it was agreed that the NUE initiative would be extended to at least 2021-22 with a further update to be provided at that time. (The record of decision is appended as a background document to this report).
- 3.6 The following is an extract for the NUE initiative as described in Section 2 of the Budget Book 2020-21 to 2022-23 (approved 13 February 2020).

Capital Investment Plans				Cash Limits			
Ref	Project	Total Cost of Scheme	Prior Years Spend	2020-21	2021-22	2022-23	Later Years
		£000s	£000s	£000s	£000s	£000s	£000s
19	Kent Empty Property Initiative (NUE)	37,287	27,729	3,160	5,105	61	1,232
20	NUE – Affordable Homes	4,824	2,105	1,111	0	0	1,608
	Total	42,111	29,834	4,271	5,105	61	2,840

#### 4. How NUE has evolved

4.1 NUE remains innovative and has taken advantage of funding opportunities as they have arisen to offer different loan products, deliver more homes and bring vacant commercial properties back into use.

4.2 These include:

Loan Product	Funding Source	Summary	Outcomes
NUE Affordable Homes Project (2012-2015)	HCA - £750k	5 Year Loans ( final repayments due 2020/21) to be recycled	42 affordable homes in Dover, Folkestone, Hythe and Sittingbourne
NUE Top Up Loans (on going)	Dover DC - £600k Folkestone & Hythe DC - £ 1.5m Tunbridge Wells BC - £100k	In addition to the £25k per unit from NUE, an extra £15k is provided as a 'Top Up'	146 units funded with a Top Up Loan
Live Margate (on-going)	GPF - £2.6m	NUE allocated funds to assist with the delivery of this KCC project	64 long term empty properties are currently funded and on track to achieve target
NUE Commercial (2018-2022)	Growing Places Fund (GPF) - £1m	The project aims to return long term	The project is required to return 8

		empty commercial properties back into use for residential, alternative commercial or mixed-use purposes with a specific focus on town centres (particularly coastal areas of Kent).	commercial units back into use and provide a total of 28 residential units by March 2022.
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4.3 **NUE Commercial.** A total of 12 individual projects have been funded to deliver 15 commercial units (8 more than required) and 28 residential units by March 2022.

4.4 Recent projects completed include a new Mediterranean-style restaurant/deli in Deal. In Dover, works are nearing completion to provide a convenience store and a fitness centre in the town as well as new office accommodation in Whitfield.

4.5 The final projects are on track to be completed by March 2021.

4.6 A summary of NUE Commercial is at Appendix 2 including example projects.

## 5. **NUE 2020-21**

5.1 Bringing long term empty properties back into use is a key method of driving regeneration which not only provides new homes but also new sources of employment and a sense of community.

5.2 **NUE main loan scheme.** NUE will continue to offer interest free loans to first time applicants.

5.3 Demand for the traditional empty property loans has not diminished during the pandemic. NUE has continued to process applications. A total of 20 loans have been approved (April to August 2020) with a value of £1.2m.

5.4 **NUE Derelict Sites (£12m).** NUE launched a new loan product this financial year following support from Treasury Management and agreement from the Deputy Leader and Cabinet Member for Finance, Corporate and Traded Services. £12m has been made available to provide secured, by way of first charge, short-term interest-bearing loans (recycled) to developers of derelict/vacant sites, in order to create new build residential units in Kent.

- 5.5 Radio Kent interviewed the Cabinet Member for Economic Development and there was countywide press coverage which has prompted on average 3-4 calls per week.
- 5.6 NUE has processed 9 loans (value £5.8m) since April 2020 to bring forward empty/derelict sites which have planning permission to create new housing. A total of 47 new units (Dover, Folkestone and Ramsgate) are currently supported.
- 5.7 The maximum limit on the amount to be lent to each developer is £1m and maximum duration is 3 years. All loans awarded will be subject to agreed drawdown and routine monitoring/site visits which is consistent with existing NUE procedures.
- 5.8 A modest return is made to KCC Treasury for the opportunity cost of using investment funding. In addition to this NUE is helping to increase Council Tax receipts which represent a high percentage of the KCC budget and seeking to convert existing buildings which means less brownfield/green sites are needed to meet housing targets.
- 5.9 Demand is such that the £12m could be allocated in a shorter timescale than originally envisaged. Several more projects have been identified which the NUE team is following up.
- 5.10 An example of a project supported by Treasury funds is shown at Appendix 3.

## **6. Social and affordable housing**

- 6.1. The primary aim of the NUE initiative is to improve the physical urban environment in Kent by bringing empty properties back into use as quality housing through a range of interventions.
- 6.2. Whilst Kent is not the housing authority, NUE has previously delivered an Affordable Homes Project 2012-2015 with HCA funding – 42 units.
- 6.3. In addition to this NUE has funded the following projects which are in keeping with the aspiration to provide social and affordable housing. A total of 59 additional units have been supported using re-cycled HCA funds and NUE funds.

6.4. These include:

<b>Year</b>	<b>Project</b>	<b>Units</b>	<b>Loan Value</b>	<b>Outcome</b>
2013-14	2-3 Bedford Place, Maidstone	7	£175,000 (repaid)	Developer sold to Housing Association to meet their Affordable Homes quota
2014-15	12 Tonbridge Road, Maidstone	9	£175,000 (repaid)	Homes for adults with mild-learning difficulties –below market rent
2015-16	1 Dover Road, Folkestone (using recycled HCA funds – 5 Year Loan)	11	£400,000	Managed by Optivo on Affordable Terms
2016-17	56-58 New Street, Ashford,	6	£350,000 (repaid)	Developer sold to Housing Association to meet their Affordable Homes quota
2017-18	239 Boxley Road, Maidstone (using recycled HCA funds – 5 Year Loan)	8	£400,000	Homes for adults with mild-learning difficulties – below market rent
2018-19	12-14 Princess Street, Folkestone,	8	£410,000 NUE £120,000 F&HDC (repaid)	Developer sold to F&HDC for their housing stock
2019-20	Tower Street, Dover	10	£500,000 (repaid)	3 bed houses on market for £210,000 each (below average Dover price) and

				there is the help to buy option.
Total Units / Funding	59	£2,530,000		

6.5. In addition to the above table, NUE is currently supporting (using Treasury investment) a new build project in Dover which the developer has agreed to sell on completion to the local district council. This will provide 8 units of affordable accommodation.

## 7. Conclusion

7.1. Continued support for NUE will allow the initiative to:

- Support economic growth including through new commercial activity: attracting new business rates, creating and safeguarding jobs
- Increase the number of new homes available as a result of mixed-use developments: generating new council tax receipts
- Support wider regeneration, assisting in the vitality and viability of existing commercial areas, improving the quality of the local environment, complementing wider regeneration activities and supporting community safety and cohesion.

## 8. Recommendation(s):

8.1 The Cabinet Committee is asked to consider and comment on the NUE initiative and performance to date.

## 9. Appendices and background document:

Appendix 1 - Summary NUE Residential (Countywide Investment)

Appendix 2 - Summary NUE Commercial and example projects (updated)

Appendix 3 - Summary NUE Derelict Sites - example project

Background document: Record of key decision: July 2019:

<https://democracy.kent.gov.uk/ieDecisionDetails.aspx?ID=2270>

## 10. Contact details

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