

Equalities, Local Government, and Communities Committee

Evidence Paper

Welsh Government approach to tackling empty properties

Introduction

1. Empty properties are a scar on town centres, surrounding neighbourhoods, and a constant source of concern to the people who live in these communities. They soak up resources both in local and central Government, and are often expensive to remedy. However, they are obviously an underused community asset. Frequently large buildings, they could accommodate several housing (or commercial) solutions to fit the needs of the area.
2. Whilst our Regeneration agenda primarily focussed on Town centres, it is also focussed on making communities sustainable over the long term and improving the quality of life for people who live and work in and around those towns. Dealing with empty properties is an integral part of this work. We understand that empty properties attract antisocial behaviour, are often dangerous, and if untreated, can directly contribute to the decline of an area. They also create a perception of decline in the minds of local people and businesses which undermines confidence in the area.
3. There are a number of challenges associated with the issue of empty properties:
 - It can be difficult to identify and engage with owners who might be considered 'absentee' and have a lack of willingness to work with the public sector in order to renew buildings.
 - Current owners of problem buildings often have unrealistic expectations on what land or buildings are worth and are therefore waiting for market conditions to improve.
 - 'Market failure' is present in many town and city centres across Wales. There is little incentive for many private owners to provide renewed commercial or residential space.
 - Owners of properties are struggling to meet the financial commitment to renovate a property beyond what is absolutely necessary.
4. Welsh Government is delivering or facilitating a number of measures and interventions to tackle the issue of empty properties. These activities take place all over Wales and are delivered by a range of organisations in partnership with Welsh Government. We provide support, advice, and in most cases, bespoke solutions to tackle the individual needs of each local authority. We are committed to finding delivery solutions that give control

back to local people, giving them the responsibility to regenerate the communities they know so well.

5. All of our interventions support the objectives detailed in Prosperity for All, in particular the themes of Prosperous and Secure, and United and Connected. Welsh Government also ensures all interventions carry out sustainable development to deliver a Prosperous Wales, a Healthier Wales, a Wales of Cohesive Communities, and a Resilient Wales.

Data and Trend Analysis

6. Although there are many reasons why properties are empty, one challenge is to acquire the data to ensure we are tackling those properties that are persistently empty and not those only temporarily (for example, in a good state of repair and on the market). Given the current data available to us through Data Cymru, we estimate there are approximately 26,000 empty properties (empty for 6 months or more). We are currently using council tax records but this only gives us an indication of whether the property has been vacant for 6 months or more, rather than the preferred “vacant for **12** months or more” which would give us a more accurate representation of the real empty property issues in each authority.
7. Research has also identified that dealing with empty properties can have social, regenerative, financial, and strategic benefits for the area. The property consultants Hometrack conducted research in 2009 which showed that if your property adjoins an empty one, this can devalue your property by up to 19%. There is also evidence from No Use Empty (the Kent empty property initiative) that if the area feels in decline, then the wider community will not invest in their properties. The decline only has to be perceived and empty properties has a huge visual impact in these terms.
8. Tackling empty properties, could support the Welsh Government’s wider housing commitment to deliver 20,000 affordable homes during this government term. The 20,000 target captures multiple housing tenures and reflects the needs and aspirations of a wider segment of the population for whom the cost of housing is a real issue. Good progress is continuing to be made in meeting the 20,000 target however it is accepted that more social housing needs to be built. It is, however, clear that there are ongoing challenges in delivering the number of homes needed in both the market and affordable housing sectors.
9. The New House Building in Wales statistics for 2018-19 (published on 6 June 2019) indicated that during 2018-19, the number of new dwellings started decreased by 1 percent (to 5,974), compared to the previous year.

This is the lowest annual number recorded since 2013/14. The number of new dwellings completed also fell during 2018-19 by 13 percent on the previous year (to 5,777). This is the lowest annual number recorded since 2012/13. The latest statistical release of Affordable Housing Provision in Wales (published 18 October 2018) also showed that there was a drop in the number of affordable homes delivered last year. Despite record investment in housing, we cannot mitigate the slowdown in confidence of developers and potential home buyers, which inevitably comes with the uncertainty surrounding leaving the European Union. Bringing empty properties back into the housing sector could help overcome some of the challenges being faced.

Welsh Government Regeneration Programmes

10. Welsh Government has invested heavily in capital regeneration projects across Wales. Taking into account levered-in funding, by the time our current regeneration programmes are complete, we will have invested £800 million into town centres and nearby areas across Wales since 2014.
11. Supporting town centres and high streets is the cornerstone of these activities and many of the projects supported focus on bringing empty properties back into use.

a) Targeted Regeneration Investment (TRI) 2018-2021 - £100m

TRI commenced in April 2018 and will support regeneration projects in town centres that have been regionally prioritised by the Local Authorities. The programme's overarching aim is to promote economic regeneration with activities focussing on need and opportunity, whilst serving the aims of wider sustainable development.

A TRI programme together with funding allocations has been agreed for each region – North Wales (6 LAs) - £22m; Mid Wales (2 LAs) - £7m; South West Wales (4 LAs) - £27m; South East Wales (10 LAs) - £44m.

An example of this work is a project delivered in partnership between the Isle of Anglesey and Gwynedd Councils to tackle empty homes. They have received a £3.25m grant through the Targeted Regeneration Investment Programme and intend to bring back over 120 properties back into use over 3 years. The programme includes a First Time Buyers scheme and a Landlords Assistance Grant, which can provide a grant of up to £20,000 capital funding to renovate a long term empty property. A condition of receiving the Landlord Assistance grant is to provide the Local Authority with nomination rights over 5 or 10 years and to keep the rental cost at either intermediate rent or Local Housing Allowance rate.

b) Building for the Future 2017-22 - £54m

Regeneration programme funded under the European Regional Development Fund with the aim of acquiring, refurbishing or redeveloping

unused / derelict buildings and land within or close to town/city centres across West Wales and the Valleys.

c) Town Centre Loans (TCLs) - 2014- £31.5m

The programme acts as a catalyst in bringing vacant and underutilised buildings back into use in town centres. The loan works on a recyclable basis for private investors, over a 15 year period, after which it is returned in full to the Welsh Government. TCLs are currently being delivered within 34 settlement areas. For example, Vale of Glamorgan are using their Town Centre Loan Scheme to work with Registered Social Landlords to turn empty buildings in Barry Town Centre into affordable housing solutions for the area complementing the regeneration work that has, and is still taking place.

d) Business Improvement Districts (BIDs) – 2018-20 - £262k

BIDs are a mechanism that has been recognised as being successful in bringing local businesses and other stakeholders together with the aim of improving their trading environment and enhancing their profitability. A BID delivers a sustainable financial model to a defined geographical area, where businesses have voted to invest collectively in local improvements (in addition to those delivered by statutory authorities). BIDs are developed, managed and paid for by the commercial sector by means of a BID levy.

Through this programme 9 developing BIDs are being supported and there are currently 13 BIDs in Wales who collectively generating a total of £16.8m private funding to invest in town centres.

e) Property Loans (formerly Houses into Homes and Home Improvement Loans) - £40m - 15 year loan fund available until 2029

All Local Authorities have access to property loans from the Welsh Government aimed at bringing empty properties back into use. In the third year of Houses into Homes - the number of empty dwellings brought back into use as a result of the direct actions of local authorities, was 2,458: an increase of 13 per cent and an increase of 140 per cent on the baseline year before Houses into Homes commenced. The majority of local authority empty homes officers attributed the increase in properties brought back into use each year since the launch of Houses into Homes to the introduction of the scheme. In total, 20 out of 22 officers reported that the scheme had resulted in an increase in the number of long-term empty homes brought back into use as a result of direct actions by the local authority. In addition, 15 out of 22 officers reported that Houses into Homes had resulted in an increase in the overall number of empty non-residential properties brought back into use as accommodation.

Council Tax Legislation

12. Through the Housing (Wales) Act 2014, the Welsh Government have made changes to legislation which will give Councils the power to charge up to 200% council tax on properties that have been empty for more than 12 months to encourage owners to bring empty homes back into use. For example, Rhondda Cynon Taff County Borough Council have recently set their council tax for empty properties at 150%, and are actively marketing their property loans and grant schemes with leaflets attached to the increased council tax bills.

Empty Homes Strategies and Enforcement Powers

13. Every local authority has an empty homes strategy, and they have the ability to work collaboratively on empty homes whether that's with other local authorities, or with other areas of work. These strategies allow local authorities to set their own agenda on how they tackle empty properties.
14. There are a number of enforcement powers available to Local Authorities, and we have conducted a very basic survey to understand the extent to which these powers are being used. The result has been mixed, with some local authorities using all of the powers available to them and others choosing to use very little. However, the key message is one of a lack of resources, knowledge, and confidence to undertake the enforcement role, alongside the burden of financial responsibility to follow the enforcement through to conclusion. There also seems to be an issue internally in local authorities where powers have not been delegated to officers causing backlogs and a protracted process to deal with empty properties.

Further Opportunities for Welsh Government Intervention

15. Although the Welsh Government involvement in this area is far-reaching, we recognise that there is always more that can be done to help local authorities and communities tackle this challenging problem. Therefore, we have set up a dedicated team to review bespoke support to each authority willing to work with us. This team will be looking at the following issues to provide more support.

- Review how to synchronise funding streams to help simplify the process, we propose to provide bespoke advice and options for funding. We will be reviewing whether we can implement 'one pot' promotion and internal government allocation resources to the projects once they have been identified and reviewed by the local authority.
- As a Government we could do more to help ensure that more public bodies and partner organisations are located in town centres.
- Review empty homes strategy with local authorities, identify links with other Welsh Government policies and seek out opportunities for collaborative working. We will be developing a Toolkit for empty properties with local authorities for dissemination to prospective buyers, developers, community groups, BIDs, town councils, to bring a sense of collective responsibility for empty properties and not just a Government issue.
- Welsh Government would like to research options on how we can ring fence part or all of the Council Tax premiums so they can be kept by empty property teams to support this work. We would also be monitoring the figures attached to post Council Tax increases as there is evidence to suggest that an increase in council tax can result in false occupancy responses from owners. We will also review whether we should follow England's example and provide local authorities the opportunities to increase council tax to 300% if the property has been empty for more than 10 years.
- We are proposing stronger enforcement support to local authorities by providing procured expert training packages for officers and members highlighting the options at their disposal. Also to provide officers with an assessment of any skills and needs shortfalls on a one to one or group basis. We plan to create bespoke action plans and funding mechanisms to support any enforcement activities that may be required.
- We would also look to do some work with authorities on better data capture, and understand why some areas have much higher levels of empty properties than others and also research whether we can introduce measuring levels of empty properties to be able to confirm whether they are reducing.
- We will be reviewing the offer in both England and Scotland to find opportunities of best practice. We will be closely following the development of Empty Homes England following the parliamentary

review and hope that this committee will also be able to provide recommendations we can implement with our authority partners.

Conclusion

16. The philosophy of Regeneration is centred on the sustainable development of town centres and this includes targeting empty properties for new uses, which includes affordable housing, and also the services needed to make these enjoyable places to live and work.
17. This paper has highlighted the Welsh Government has a range of interventions whereby we are directly supporting communities in dealing with empty properties. These vary in scale and scope but the fundamental principles behind our interventions are they are bespoke and support the solutions as identified by local partnerships.
18. Although much has been achieved through our investment programmes, we recognise that there is always room for improvement and we have identified a number of themes to investigate in order to better enhance our support package. We welcome this review and are keen to explore any recommendations that evolve from this discussion.

Appendix 1

Summary of Welsh Government Interventions

Targeted Regeneration Investment Programme 2018-21

- Supports projects which redevelop or improve town centres or their nearby areas. £100m Capital (can also include element of loan funding)
- Maximum intervention rate per project is 70%
- All LA areas - LAs (can be with partner bodies) apply for support for projects within an agreed regional funding allocation.
- Will lever in c.£60m

Building for the Future 2017-22 -European Regional Development Fund (although residential is not eligible for support we do support other activities which enable residential works to be incorporated in the projects)

- Supports projects which redevelop or improve town centres or their nearby areas
- £54m Capital (of which £38m comes from the European Regional Dev Fund)
- Indicative max intervention rate is 70% but this can be flexed if justified
- Local authorities within West Wales and the Valleys
- LAs (can be with partner bodies) apply for support for projects
- Will lever in c.£54m

Town Centre Loan Schemes 2014 – ongoing

- Supports projects which redevelop or improve town centres
- £31.5m in interest free loans which has to be recycled 3 times in 15 years
- LAs administer fund but cannot use it for their own projects.
- All areas of Wales but 6 LAs currently choose not to participate.
- Application from LAs who pass on loan to third parties.
- Loan paid back to LA within 5 yrs. LA can then re-invest loan in new projects.
- Recycling the loan 3 times in 15 years will see over £90m invested in projects across Wales.

Business Improvement Districts (BIDs)

A BID delivers a sustainable financial model to a defined geographical area, where businesses have voted to invest collectively in local improvements (in addition to those delivered by statutory authorities).

Property Loan Schemes (Houses into Homes and Home Improvement Loans)

The Home Improvement Loans scheme aims to ensure that owner occupiers have a high quality, warm, safe, secure and energy efficient home. Launched in 2014/15, loans of up to 10 years can be provided to owners of substandard properties who pass affordability criteria and who are restricted by other sources of finance. As the loans are repaid to the local authority, the aim is that the funding will be recycled so that the loan fund will be available for the next 15 years.

The Landlord scheme was introduced to help bring empty homes back into use. This national scheme, launched in April 2012, makes loans available to bring privately owned, empty residential properties or commercial buildings back into use as homes for rent or sale. When the work is complete, the property must be sold or rented out. The loans are paid before work commences, are interest free and must be paid back within two or three years depending on whether the property is sold or let. There are standard terms and conditions applied nationally which were defined by Welsh Government.

Originally two separate schemes, a decision was taken to remove the individual allocations so that LAs can spend the funding according to demand in their areas. Currently some LAs have more demand for HIH loans whilst others have more demand for HILs. Removing the split gave the LAs more flexibility to meet local needs.

Social Housing Grant

Social Housing Grant (SHG) funds housing schemes that meet local needs and priorities as identified by local authorities. Since the 1980s nearly all new social housing has been provided by Registered Social Landlords (RSLs). One of the reasons is that RSLs can raise private finance to contribute towards the cost of new schemes.

SHG can be used to provide housing for rent or low cost home ownership through new build or the use of existing buildings. SHG can be used to support:

- schemes to increase the supply of affordable housing for rent
- schemes for older people including Extracare schemes
- Homebuy - to assist people to purchase a home
- schemes to address low demand and to support community regeneration
- schemes for people who need support with independent living.

The Social Housing Grant (SHG) programme is allocated to local authorities based on a formula and local authorities decide where their allocation is spent based on local priorities. The main focus of the SHG programme is building new social houses, but some local authorities use a small amount of their SHG to buy and refurbish empty homes for use as social housing. In 2018-19 4 local authorities allocated funding to empty homes, bringing 16 homes back into use.

Valleys Task Force (RCT+) Grant Scheme 2019-2021

£5m grant scheme available to Valleys Task Force Areas to bring empty properties back in to use. Properties must be empty for 12 months and capped at £20,000 per property. Also there can only be one application per person.

Vibrant and Viable Places 2014 - 2017

Historically, our ***Vibrant and Viable Places*** invested **£124m** between 2014-17 to support capital regeneration investment in town centres and elsewhere (including initiatives to bring empty properties back into use). This funding leveraged in further investment of £320 million, thus providing a £444 million boost to communities all over Wales.

Appendix 2

Case Studies – Regeneration of Empty Properties

Gwynedd Council - Bangor

103-105 High Street in Bangor was once Maxwell's Barbers commercial property situated on the periphery of the main shopping street. Planning permission was required to convert the commercial premises into 6 self-contained units and this took 10 months to secure. The owner of the property, Mr Roberts, a local business man, received financial support in the form of a grant through the Targeted Regeneration Investment programme and a loan through the Welsh Governments Houses into Homes scheme. He agreed to let the property at a local housing allowance rate for rent for 10 years, in return the council extended the repayment period of the Houses into homes loan to 10 years. Welsh Government approval was given to the council to provide this flexibility to change the terms of the loan to suit the needs of the Council.

This has resulted in the provision of 6 one bedroomed units which will be rented out for 10 years at a local housing allowance rate in Bangor which is very beneficial to the area.



Swansea Council - Swansea

71 High Street is a traditional four storey terrace building located opposite High Street train station at a key gateway to the City Centre. The property was in a very poor state of repair and had been vacant for approximately 10 years. The commercial unit on the ground floor had been boarded over to stop further vandalism and trespassing. Windows were broken, pigeons were causing further damage to the internals and there was evidence of dry rot and damp. The stone balcony on the 2nd floor had previously been removed due to structural defects and the stone work on the 3rd floor and roof were overgrown with buddleia. Financial grant support (£17,550) was provided from the Property Enhancement Development Fund to help towards the renewal of the ground floor shopfront to bring the commercial unit back

into use. Further grant funding (£58,210) from Homes Above Shops was also provided to convert the upper floor into 3, 1 bedroomed flats following planning permission.

In March 2015, the commercial unit on the ground floor had a new shopfront installed and included a large open space office with separate staff room and toilets and is now occupied by The Unity Centre providing 2 fulltime and 4 part-time jobs. The upper floors has seen the installation of new windows, new roof, painting of stonework and the reinstatement of the 2nd floor balcony. Internally there were 3 self-contained flats created providing living room with kitchen facilities a separate bedroom and bathroom. All 3 flats are currently occupied.

Before:



After:



City of Cardiff Council - Tramshed History

The Tramshed Depot is a large Grade II listed Edwardian building located in the suburb of Grangetown, Cardiff, which had, to a short vacancy previous to the renovation, been in continuous use for more than 100 years. The site originally housed Cardiff's trams and then trolley buses to become the Council's vehicle maintenance depot. The total project cost are £3.5m. The developer has designed it as a mixed use building. The music venue opened first, in October 2015. It is a high profile venue which is an important part of the ecosystem for music and performing arts. Since then, a bar/restaurant, and a tech hub have opened, alongside 20 live/work apartments. The work/live units provide an affordable living and business space in a prominent part of Cardiff. This development was supported by Welsh Government's £20m Town Centre Loans Fund, through the Homes and Places division, with an award of £500,000 accessed through Cardiff Council.

Before:



After:

