

PLACE

Empty Homes Loan Scheme

Information Booklet



Epping Forest
District Council



HERTSMERE



Harlow
Council
Working together for Harlow



Chelmsford
City Council

I. Introduction

The PLACE Scheme, made up of a consortium of Local Authorities exists to assist owners of long term empty properties (those that have been registered as empty for 6 months or more) to bring those homes back into use.

The Empty Homes Loan scheme is an interest free loan of up to £50,000 per unit of accommodation (up to a maximum of £175,000) that is available to eligible property owners to bring a property up to the required standards so that it is suitable for immediate occupation. The property will either be sold or let by the owner on completion of the works. The loan will be registered as a Land Charge and repayable to the Local Authority in line with the scheme conditions. All loans under the scheme are repayable.

There are 2 loans available; a loan to sell, and a loan to let. This booklet details the loan scheme and explains the procedure for applying for a loan.

All loans approved are subject to sufficient funds being available at the time of application. In cases of a proposed conversion requiring a loan for multiple units, approval will be required by the PLACE Consortium. The loans are subject to a number of conditions to ensure the loan fund monies are “recycled” to assist as many owners as possible.

Enquiries for a loan can be made either by phone, e-mail, post or in person at the office of the relevant Council.

2. Purposes for which the loan may be applied for

- To renovate an empty dwelling to the Decent Homes Standard (as a minimum, so that it is suitable for immediate occupation; whether by selling it (loan to sell) or renting it out (loan to let)
- To convert an empty property into one or more units to the Decent Homes Standard, so that it is suitable for immediate occupation whether by selling it or renting it out.

Persons applying for the above must be the property owner and they must be able to supply security for the loan as detailed in section 4.

The Council may consider enquiries from a prospective owner but a formal loan application can only be made once the property has been purchased and registered at the Land Registry in the loan applicant's name.

To be eligible for loan funding, the works must

- On completion, result in the property / units being suitable for immediate occupation as a dwelling
- Comply with Building Regulations, and
- Achieve the Decent Homes Standard (as a minimum).
If the property can be renovated to achieve this a schedule of works will be drawn up by the Council and agreed with the applicant prior to the offer of any loan. This will form part of the loan conditions.

Any costs, which would be eligible for assistance under an insurance claim or third party claim, will not attract loan assistance.

Works outside the curtilage of the property are not eligible for assistance unless they relate to the provision of essential services such as water, gas or electricity; or they are works that are specified in the schedule of works as being essential in order to meet the scheme requirements.



Buildings not attracting loan assistance

Loan assistance is not available for the following:

- Properties, which are not of a permanent nature such as houseboats and caravans
- Buildings not suitable for conversion to habitable dwellings
- Sheds, outhouses and extensions such as conservatories which do not have Building Regulation approval
- Where a building is being converted into multiple units for residential use and one of the units is to be occupied by the owner or a family member, the cost of works associated with that family unit will not attract loan assistance. In the case of provision of essential services or shared facility (e.g. electrical installation) the costs will be shared proportionally between all units and that proportion attributed to the family unit will not attract assistance.

3. Types of loan and amount of assistance

All loans under the scheme are repayable. The maximum amount of loan is given below:

£50,000 per unit of accommodation is available up to a maximum of £175,000 (subject to funds being available). The amount available is dependent on the total cost of the eligible works. These costs will be assessed by the Council to ensure that they are reasonable and present value for money.

A 2 bedroom family house would be eligible for a loan of up to £50,000 (classed as one unit)

A house converted into 2 self-contained flats would be eligible for up to £100,000

A large house converted into 8 self-contained flats would be eligible for the maximum amount of loan of up to £175,000.

The amount is the total of all eligible costs i.e. the cost of the eligible works plus any eligible fees including VAT.

Loan to Sell: This loan is repayable either, immediately upon sale of the property, or within 2 years of the dated Loan Facility Agreement (whichever is the sooner).

Loan to Let: This loan is repayable within 5 years of the dated Loan Facility Agreement, or upon the future sale of the property (whichever is the sooner).

If the loan is to convert a property into multiple units and there is a disposal of one or more units then the applicant must repay the lesser amount of either the gross sale proceeds or the amount of loan outstanding. If after this there are still monies outstanding on the loan, then the applicant must repay this on whichever occurs the earlier of either the disposal of the final unit or the relevant date set out in Loan Facility Agreement.

The loans are interest free providing there is no default on the loan agreement.

Loan to let example:

Mr Jones borrows £150,000 to renovate a large house and convert it into six flats. On entering into the Loan Facility Agreement, Mr Jones intends to let the flats out to tenants once the works are completed. The works complete on the 1st April 2014 and soon afterwards Mr Jones begins to let all the flats out to tenants. However, after a while, he decides that he no longer wants to let out all of the flats. Therefore, he sells one of the flats on the 1st August 2014 for £100,000. On completion of that sale Mr Jones must repay £100,000 to the Council.

Mr Jones then sells another flat on the 1st Jan 2015 for £110,000. On completion of that sale Mr Jones must repay £50,000 to the Local Authority. If Mr Jones had not sold the second flat, but had continued to rent it and the remaining properties out, he would have had to pay the £50,000 within 5 years from the date of the loan approval.

4. Securing the loan

To secure the loan, all loan applicants will be required to agree to a Legal Charge being placed on the property, which is the subject of the loan application.

Generally we will not consider accepting a charge on an alternative property. However, in exceptional circumstances a Local Authority may bring such a proposal to the Consortium for consideration. The Consortium will make their decision on a case by case basis.

Where it has been agreed to accept a Legal Charge on an alternative property that is not the subject of the loan application, the alternative property must be located in the same Local authority district.

All Legal Charges must either be first or (where the Council received confirmation from the first charge holder that it consents to a second charge) second charges. Third or subsequent charges will not be accepted.

5. Eligibility and the loan process

On receipt of a loan enquiry the Council will determine whether the property owner (applicant) qualifies for a loan. The Council will verify that:

- The property has been empty and unoccupied for at least the last 6 months and registered as so for Council Tax purposes
- The property has been acquired already and is in the ownership of the applicant and registered with the Land Registry
- Works are required to bring the property up to the Decent Homes Standard. This will be assessed by a full property inspection. The Council will then draw up a schedule of works that will be eligible for loan assistance. This will form part of the Loan Facility Agreement
- Any required consents for the works have been obtained by the applicant e.g. party wall consent, full planning permission, building regulation approval, listed building and conservation area consent, where applicable. Where conditions have been placed on any consent or approval the applicant must show that they are able to comply with the conditions.
- The owner intends to either sell the property or rent it out on completion of the works.
- There is sufficient equity in the property and the risk rating is acceptable.

- Confirmation that there are no legal constraints or restrictive covenants on the property that would prevent the proposed works / conversion from being undertaken.
- If the application is from a company they must be registered in the UK
- If the loan applicant lives abroad the property that is being used to secure the loan must be in the UK and the applicant must have a Solicitor acting for them that operates from the UK

The Council's Empty Homes Officer will arrange with the loan applicant to carry out a full inspection of the property. The property will be assessed using the Housing Health and Safety Rating System and the Decent Homes Standard will be applied to draw up a schedule of the works that are eligible for loan assistance. If the works are extensive then you may need to employ a surveyor to draw up a more detailed schedule of works.

If the property owner agrees the schedule they will be sent an application pack in order to formally apply for an Empty Homes Loan. The pack will include: an application form, the Schedule of Works and draft copies of the Loan Facility Agreement and Legal Charge.

You will send your completed loan application to the Council. This will consist of:

- Your completed application form
- Evidence of your identity
- Confirmation of ownership of the empty property (Land Registry)
- A valuation report provided by a qualified RICS surveyor of the empty property
- Evidence of any outstanding mortgage or loan on the property
- Permission from mortgagee / existing charge holder for a second charge to be registered against the property
- A minimum of two itemised quotes from suitably qualified Contractors and any associated fees e.g. structural engineers fees. The Council will approve a loan based on the lowest priced quotation where this is considered reasonable. You are able to choose to go with a higher priced quotation but will have to fund the difference in costs. Evidence of the applicant's ability to meet this cost will need to be provided.
- Specialist reports, Building Regulations, Planning Permission and plans where required.

Full details of the evidence and information required to apply for the loan are detailed in the application form.

The Council will assess each loan application on an individual basis. All applications for a loan are subject to a risk assessment that forms part of the decision to approve a loan. Preference will be given to those applications scored as low risk.

6. Am I responsible for any costs?

As part of the application process you will have to provide an office copy of the Title Plan from HM Land Registry confirming ownership of the empty property and any other property included in the application. This is currently £14 per property. If you already have a current copy of this document you do not have to purchase a new one, you will just have to provide it to the Council so that they can take a copy of it.

You will also have to pay for the following costs up front but if your application is successful these may be included in the loan amount if you wish:

1. A valuation report of the empty property and any other property included in the application.
2. If you have a mortgage on the property you may be required to obtain a mortgagee report for which there may be a charge.
3. If the property is not currently registered you will need to pay the costs to the Land Registry to register the property.
4. If your application for a loan is successful, you will also be responsible for paying for the registration of the Legal Charge (currently £40) and, if you are a company, a registration fee to Companies House (currently £10).
5. Any fees you incur to solicitors, surveyors or other professional advisers in connection with the loan procedure.

The loans are provided free from interest providing there is no default on the loan payments. In a case of default you will be charged interest at a rate of 6% from the date the loan monies were released to you.

7. What happens when the loan is approved?

The applicant will be notified of the outcome of their loan application in writing. If the application is refused the applicant will be advised of their right to appeal the decision.

Approval of loan. The applicant will be given:

- A letter confirming the loan offer. This will specify the amount of loan; the repayment period; agreed installments if it is a multiple loan; the loan conditions
- Two copies of the Loan Facility Agreement. To accept the loan offer one copy of this agreement is to be returned to the Council, signed and dated by all borrowers. The offer will remain open for 12 weeks.

If the applicant wishes to proceed and has returned the Loan Facility Agreement the Council's Legal Services will draw up the Legal Charge. Once prepared this will be sent to the loan applicant to be signed and returned. Once this is returned Legal Services will carry out the required checks and if everything is in order the Loan will be paid to the applicant and the loan amount will be registered as a charge with the Land Registry.

8. The works

Once a loan has been approved the applicant can arrange for the works to begin. The contract for the works is between the applicant and their chosen contractor. It will not include the Council or any of the PLACE partner authorities.

The Council will inspect the works to ensure they are carried out according to the specification of work and in accordance with the Decent Homes Standard and good building practice. However they will not be liable for any poor workmanship, nor provide any guarantee.

Once the works are complete the applicant will notify the Council and an Officer will inspect to ensure that:

- The works have been completed to a satisfactory standard and in accordance with the loan offer and quotations, current Building Regulations and in accordance with the specification of works issued
- Copies of certified guarantees and test certificates requested as part of the agreed schedule
- The repair and renovation of the property complies with the Decent Homes Standard

For further information contact the relevant Council's Empty Homes Officer

Chelmsford City Council

Housing Standards team

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East Herts District Council

Empty Homes Officer

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