

**Manchester City Council
Report for Resolution**

Report to: Executive - 12 February 2020

Subject: Empty Houses to First Time Buyer Homes – Update Report

Report of: Strategic Director (Growth and Development)

Summary

In October 2017 the Executive approved the establishment of the Housing Affordability Fund (HAF). The HAF brings together in one place a range of funding streams targeted at the provision of affordable homes across the city. The 2017 report also detailed a number of products that would facilitate the delivery of good quality affordable homes. One of the products was the Empty Homes Scheme that was aimed at providing new ways for first time buyers to get onto the property ladder.

In March 2018 the Executive approved two new products for the delivery of affordable housing one of which was the Empty Homes Scheme. This report provides an update on the Empty Homes Scheme.

Recommendations

The Executive is recommended to:

1. Approve grant funding to Mosscafe St Vincent's (MSV) under the provisions of Section 22 of the Housing Act 1996 in order to bring empty properties back into use for affordable home ownership.
 2. Authorise the City Solicitor to enter into any agreements to give effect to the recommendations.
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Wards Affected All wards

Our Manchester Strategy outcomes	Contribution to the strategy
A thriving and sustainable city: supporting a diverse and distinctive economy that creates jobs and opportunities	This scheme will support the city in providing the right mix of housing that is affordable for aspiring first time buyers across a range of income levels to support a functioning Manchester and sub-regional economy.
A highly skilled city: world class and home grown talent sustaining the city's economic success	These homes will be well connected to employment opportunities and schools.
A progressive and equitable city: making a positive contribution by	Increasing the supply of good quality affordable homes for sale will provide the

unlocking the potential of our communities	opportunity for Manchester residents to raise their individual and collective aspirations.
A liveable and low carbon city: a destination of choice to live, visit, work	The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.
A connected city: world class infrastructure and connectivity to drive growth	This approach recognises the importance that a balanced housing offer plays within a well-connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met.

Full details are in the body of the report, along with any implications for

- Equal Opportunities Policy
- Risk Management
- Legal Considerations

Financial Consequences – Revenue

None

Financial Consequences – Capital

Capital costs of £2.0m to be funded from a combination of S106 contributions available for affordable housing and capital receipts.

Detailed project and funding proposals are also subject to review and approval via the Council's Capital Strategy Checkpoint Process.

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Background documents (available for public inspection):

The following documents disclose important facts on which the report is based and have been relied upon in preparing the report. Copies of the background documents are available up to 4 years after the date of the meeting. If you would like a copy please contact one of the contact officers above.

- Housing affordability in Manchester, Executive 1st June 2016
- Housing affordability in Manchester, Executive 14th December 2016
- Housing Affordability Plan, Executive October 2017
- Manchester's Housing Affordability Plan – New Products, Executive 7th March 2018

1.0 Introduction

- 1.1 On 7 March 2018 the Executive approved the Empty Homes Scheme (“the Scheme”) and delegated approval of the final agreement to the Director of Housing and Residential Growth in consultation with the Deputy Leader of the Council with responsibility for Housing; and authorised the City Solicitor to enter into any agreements to give effect to the recommendations.
- 1.2 Adactus Housing Association (now Jigsaw Housing) was identified within the 2018 report as the registered provider partner that would work with the Council to bring the Scheme forward with the aid of a grant under section 22 of the Housing Act 1996.
- 1.3 A section 22 grant agreement was completed on 18th October 2018 between the Council and Adactus Housing Association whereby the Council was to advance £2million to Adactus to acquire empty properties and procure the necessary refurbishment, upgrading and marketing for sale of the properties. However following a mutual agreement between the parties and prior to the grant funding being released the agreement was formally terminated by a Deed of Termination 2019.
- 1.4 Following the termination of the grant agreement between the Council and Adactus Housing Association discussions have taken place with alternative registered provider partners which has resulted in a new partner being recommended for approval.

2.0 Background

- 2.1 Manchester residents on lower incomes need and expect a diverse range of affordable housing types and tenures. Tenure types include a range of rental options at different levels as well as tenures that allow residents affordable purchase options.
- 2.2 MCC is committed to delivering 6,400 affordable homes over a ten year period to March 2025 via a range of delivery options. We are working with Registered Provider (RP) partners to identify MCC owned sites for new build development. Where sites are clustered master planning development proposals are being progressed and funding is being sought for sites in need of remediation.
- 2.3 In relation to providing affordable homes via refurbishment, examples include the larger properties acquisition project, where we are working with a number of RP partners to offer settled accommodation at affordable rent for households currently in temporary accommodation. We are also working with an RP to intervene in the private rented sector near our selective licensing areas to ensure access to homes for affordable rent. This will complement their new build rent to purchase homes located nearby. The Council has also recently agreed a policy to work with RPs to buy back former Council properties and bring them back into use as affordable, rented housing.

3.0 Mosscafe St Vincent's (MSV)

- 3.1 Both MSV and One Manchester expressed an interest in delivering this acquisition and refurbishment Scheme. However, during a meeting between One Manchester, MSV and the Council, One Manchester conceded that MSV would be best placed to deliver the Scheme due to MSV's expertise in acquiring and refurbishing properties for onward sale and One Manchester's other commitments.
- 3.2 The Council agrees that MSV has the necessary expertise to enable the efficient delivery of the Scheme and therefore wishes to move forward with MSV. MSV have carried out due diligence and confirmed that they have the capacity to deliver the Scheme.
- 3.3 The overall aim of the Scheme is to bring empty privately owned properties back into use for affordable home ownership. The definition of affordable will be in line with the Council's Housing Affordability Policy Framework (HAPF).
- 3.4 This Scheme supports Manchester's Housing Strategy 2016 – 2021 to make best use of all our homes. It also supports the Council's Housing Affordability Policy Framework by providing homes that are affordable to residents on or below the average household income.

4.0 Empty Houses to First Time Buyer Homes

- 4.1 As detailed in the October 2017 report to Executive approximately 75% of the city's existing homes fall into council tax bands A and B which implies that the city has a significant stock of lower value homes to purchase and rent. At present there is no practical support to buy or rent these homes other than through the traditional high street mortgage, market rent or, subject to eligibility, a social home through Manchester Move. In addition, potential owner occupiers struggle to compete with investors who are able to offer quick cash purchases whereas most potential owners occupiers need to access a mortgage with its inherent delays. However, in terms of Manchester's Housing Affordability Fund, the city's existing older housing presents the biggest opportunity to support some of our aspiring lower income households into the tenure of their choice.
- 4.2 The Council has already run two pilot schemes, one of which related to purchasing empty homes, refurbishing them and selling to owner occupiers. The second related to housing providers disposing of surplus stock. This has contributed to reducing the number of long term empty homes over recent years. This was supported as part of the national funding programme but as this is coming to an end the Council has been developing ideas with both public and private sector partners. This pilot project is based around the basic premise of purchasing empty homes, refurbishing them and selling them to First Time Buyers (FtB) or lower income households for owner occupation.

- 4.3 In order to make this viable in some neighbourhoods, this is likely to require both equity investment and grant funding. As mentioned above, the Council has delivered a similar empty homes scheme where an approximate 19% 'subsidy' was needed to bridge the gap between acquisition and refurbishment costs and the final sales receipt. This was due to very high refurbishment costs so this is an area that needs to be addressed in any future scheme.
- 4.4 To bring down costs of the refurbishment, officers have worked with partners to develop a good quality 'occupational standard' which in turn would reduce the level of subsidy required. The occupational standard is being finalised with partners to ensure this does not detract from the overall quality of the finished product.
- 4.5 These discussions will become formalised into a proposed agreement between the Council and MSV. The grant payment will be secured under the provisions of section 22 of the Housing Act 1996. Under section 22, the Council has the power to provide financial assistance in the form of grants or loans to a registered social landlord for the provision of housing. The terms and conditions of the grant funding will be set out in a formal section 22 Agreement.
- 4.6 MSV will acquire the empty properties, undertake their refurbishment and market them for sale to First Time Buyers or to residents on or below the average household income, who wish to become owner occupiers. Based on combined acquisition and refurbishment costs of circa £120k and a sales programme which requires a 10% non-recoverable subsidy the initial investment of £2m could potentially deliver 90 homes before it diminishes. This is based on recycling and reinvesting the sales receipts over several phases.

Note: If MSV retrofit each property to be as near to zero carbon as possible this may increase the cost by up to £50,000 but will, almost certainly, not increase the sales value. If the sales value remains the same (and the fund has to subsidise the sale price) the £2m investment, recycled, could potentially deliver just over 30 homes.

- 4.7 In undertaking the refurbishment works MSV will be able to trial a number of methods for reducing fuel poverty and carbon emissions in an attempt to identify the most cost-effective interventions. MSV will work with the Council and other members of the Manchester Housing Providers Partnership to share their experience and knowledge.
- 4.8 There have been early discussions with Manchester College on how this project can generate an increased level of social value. There are clear opportunities around employment, skills and training through a partnership between the private sector partners and the College. We are also exploring the option to develop 'green skills' as part of our commitment towards low/zero carbon solutions.

5.0 Conclusion

5.1 This Scheme will give Manchester residents the opportunity to access the home of their choice. By being more creative and working with both public and private sector partners, this can be delivered at a scale that would not be possible if the Council did this alone.

5.2 Recommendations appear at the front of this report.

6.0 Contributing to the Manchester Strategy

(a) A thriving and sustainable city

This Scheme will support the city in providing the right mix of housing that is affordable for aspiring first time buyers across a range of income levels to support a functioning Manchester and sub-regional economy.

(b) A highly skilled city

The new and existing homes will be well connected to employment opportunities and schools.

(c) A progressive and equitable city

Increasing the supply of good quality affordable homes for sale will provide the opportunity for Manchester residents to raise their individual and collective aspirations.

(d) A liveable and low carbon city

The right mix of quality energy efficient housing is needed to support growth and ensure that our growing population can live and work in the city and enjoy a good quality of life.

(e) A connected city

This approach recognises the importance that a balanced housing offer plays within a well-connected city and the neighbourhoods within it. It seeks to create neighbourhoods where residents will choose to live and their housing needs and aspirations are met.

7.0 Key Policies and Considerations

(a) Equal Opportunities

This approach to new homes will enable the provision of a diverse range of housing to meet the needs of the growing and changing population. Local communities will be engaged through appropriate consultation, giving all stakeholders opportunities to engage in the development of Manchester's policy and associated schemes.

(b) Risk Management

Assessment, mitigation and management of risk will be overseen through the city council's governance arrangements associated with residential growth.

(c) Legal Considerations

Under section 22 of the Housing Act 1996 the Council has the power to provide financial assistance in the form of grants or loans to a registered social landlord for the provision of housing. The conditions of the grant funding to Mosscafe St Vincent's will be in accordance with the provisions contained in a section 22 Agreement.