

# BRINGING EMPTY PROPERTIES BACK INTO USE AS AFFORDABLE HOUSING

Bidding Guidance

December 2012

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## **Introduction**

1. The Government has already rolled out a £160m programme to bring up to 11,200 empty properties back into use. £100m of this funding was allocated to Registered Providers and community groups to bring over 7,000 homes back into use as affordable housing by 2015. The remaining £60m has been allocated to local authorities to tackle “clusters” of empty homes in areas of low demand.
2. The [Housing and Growth announcement](#) on 6 September 2012 included a commitment to bring up to 5,000 additional empty properties back into use using a share of £300m of capital funding.
3. Rt. Hon Don Foster MP announced on [26 November](#) that the Government wants to continue with this programme of bringing empty homes back into use. It is anticipated that this new round of funding will support a wider range of projects to bring empty properties back into use as housing.
4. Empty properties are a significant problem for some town centres, high streets and parades of shops. Where there is strong housing demand, surplus empty commercial property could potentially be put to better use as housing. That is why the Government would like to encourage applicants to think beyond the refurbishment of empty homes and consider where there might be other opportunities to create homes from empty property.
5. The Government wants to see more empty commercial property to be brought back into use as affordable housing and is encouraging applications from the 27 Portas Pilots and 326 Town Teams, working in partnership with local authorities and Registered Providers.
6. Mixed use schemes, where the project combines the refurbishment of an empty commercial space for ongoing commercial use but also includes the provision of new affordable housing, are eligible for bidding. However, funding is only available for the affordable housing element, and the value for money would be assessed against the affordable housing delivered.
7. Where a change of use is implied, applicants will need to clearly set out what planning implications there are (if any) and how they will be managed. Advice on planning issues can be found on the [GOV.UK website](#).
8. This funding is not intended to tackle widespread abandonment; there must be evidence of demand for the housing that will be created. However, projects which address multiple properties are eligible to bid.
9. There are two sets of guidance being made available; one for organisations that intend to work in partnership with or become Registered Providers, and the other for community and voluntary groups. Both sets of guidance set out the requirements, assessment criteria and timetable for bids where funding is sought and provide details of how to apply and where to obtain more information.
10. This bidding guidance sets out the requirements, assessment criteria and timetable for bids from HCA Investment Partners who are or intend to become Registered Providers or who intend to transfer properties on completion to a

Registered Provider who will be the landlord. This part of the programme is run by the Homes and Communities Agency (HCA). It is based closely on the previous [Empty Homes](#) guidance.

11. Community and voluntary groups who wish to apply directly for funding (and are not working in partnership with a Registered Provider who will be the landlord), and who do not intend to become a Registered Provider of Social Housing, should bid through the Community Led route via the grant giving intermediary. More information and the bidding guidance can be found at [www.grantsadmin.co.uk](http://www.grantsadmin.co.uk).
12. There is no pre-determined split of funding between the different types of organisations. Funding decisions will be determined by the quality and value for money of the bids.

## **Funding requirements**

13. All prospective bidders for funding are encouraged to read this bidding guidance alongside the Empty Homes section of the Housing Strategy, our Empty Homes Chapter in the [Affordable Housing Capital Funding Guide](#) and the [Affordable Homes Framework](#) published on 14 February 2011. Prospective bidders need to be satisfied that proposals conform to our programme requirements.
14. Bidders should note that the funding available is capital, to bring empty properties back into use. It can therefore be used to fund eligible acquisition, works and on-costs (where those can be capitalised in line with the statement of recommended practice). It cannot be used to fund revenue posts, for example, to provide general advice about empty homes.

## **Types of properties which may be brought back into use**

15. The funding available may be used to bring empty homes and other types of property into use as affordable housing. But particular attention will be given to bids which include proposals to bring empty commercial or town centre property back into use.
16. Funding could be payable in respect of property currently in the ownership of a number of types of organisations, for example:
  - Public bodies e.g. health authorities, Ministry of Defence, government departments and so on;
  - Unregistered landlords and co-operatives which are not subsidiaries of Registered Providers;
  - Private individual(s) or companies;
  - Local authority owned commercial property; and
  - Former Right to Buy properties that are in private ownership and not currently social housing.

Existing social housing is not eligible for funding.

17. To be considered for funding, properties must have been empty for at least six months and it is expected that most properties will have been empty for a significant period of time. Across the programme, we expect that properties will have been empty for an average of at least two years. Funding should only be sought for properties that could not be brought back into use without this support.
18. Within their bid, bidders will be asked to demonstrate how they will identify and bring forward a pipeline of properties, how this fits in with the wider housing strategy in the area, and meets housing needs identified by the local authority.
19. This may include properties in areas at risk of decline, or in former Housing Market Renewal areas. However there must be clear demand for the homes which will be created.

20. Properties may be brought into use for the range of uses set out below, to meet housing needs identified by the local authority either through Affordable Rent, or in the case of shared ownership, to enable economically active households to access affordable home ownership, and support economic activity in an area.

## Who should bid?

21. Bidding is open to all organisations who are, or intend to become, qualified as HCA Investment Partners. This includes housing associations, local authorities, private sector developers and community groups, among others.
22. Organisations that are not already qualified as Investment Partners with the HCA will need to submit an application for qualification. Applications for Investment Partner status assess an applicant's financial and technical capacity to undertake an agreed programme of new supply, and the organisation's good standing.
23. Providers must have achieved HCA Investment Partner status before any payment of funding can be made.
24. Further information on the Investment Partner qualification and requirements for application can be found on the [HCA website](#).
25. For community-led organisations, we will seek to ensure that our assessment processes are proportionate to the scale of funding sought to improve access to funding for community organisations where proposals meet an identified need and offer value for money.
26. It is a requirement of all HCA-funded affordable housing that the landlord of the property must be a Registered Provider.
27. Unregistered providers must achieve Registered Provider status with the HCA Social Housing Regulator if they intend to become the landlord of grant-funded affordable housing (including for Affordable Rent and Affordable Home Ownership). More information is available on the [Regulation](#) section of the HCA website.
28. Unregistered providers who do not intend to be the landlord must include, as part of their bid, details of the Registered Provider who will take ownership of the property on completion and become the landlord.
29. Bids are particularly encouraged from Registered Providers who will be the ultimate landlord of the properties, but who intend to work in partnership with local community groups and local authorities to bring empty properties back into use as affordable homes and/or where there may be opportunities for local community and voluntary groups to manage those properties on behalf of Registered Providers.

## Use of properties

30. Properties must be brought back into use as affordable housing<sup>1</sup>. Although it is expected that the majority of properties will be brought back in to use at an Affordable Rent, funding is also available for Affordable Home Ownership.

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<sup>1</sup> As defined by the National Planning Policy Framework 2012 Annex 2 sets out the acceptable forms of affordable housing [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/6077/2116950.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/6077/2116950.pdf)

## **Affordable Rent**

31. Homes for Affordable Rent are made available at a rent level of up to 80% of gross market rents including service charge. Affordable Rent housing is let by Registered Providers of Social Housing to households who are eligible for social rented housing.
32. Registered Providers offering properties let at Affordable Rent need to ensure that they comply with the social housing regulator's tenancy standard. This includes an expectation that tenancies should be for a minimum of five years, or for two years in exceptional circumstances.
33. Allocations and nominations processes for Affordable Rent homes funded through this programme should mirror local authorities' and Registered Providers' existing frameworks.
34. More detail on the [Affordable Rent](#) product is available from the HCA's [Affordable Housing Capital Funding Guide](#).
35. Social rent provision may be supported in limited circumstances. In cases where an Affordable Rent would otherwise be lower than the target rent for a property, the target rent will constitute a 'floor' for the rent to be changed.
36. It is expected that housing for rent funded through this programme will be let at Affordable Rent. Providers wishing to apply for funding for a scheme offering social rent should provide evidence, supported by the relevant local authorities, to demonstrate why Affordable Rent would not be a viable alternative. All such cases will be considered on their individual merits.

## **Affordable Home Ownership**

37. Shared ownership is an Affordable Home Ownership product that is designed to help people who are in housing need and who cannot otherwise afford to purchase without assistance. Through shared ownership the purchaser buys a share of the property on a leasehold basis and pays a low rent on the unsold share, typically not more than 2.75% of the value of the unsold share.
38. Initial shares can start at 25% and rise to an initial maximum purchase of 75%. Shared owners have the ability to 'staircase' - the process of obtaining further shares in 10% increments - until they are the outright owners of the property. The rent payable on the unsold share is reduced in accordance to the percentage of the additional shares purchased.
39. More information on [shared ownership](#) can be found in the HCA's Affordable Housing Capital Funding Guide.

## **Bringing properties back into use**

40. Although there is no fixed delivery model, it is anticipated that properties may be secured through two main routes that will enable the Registered Provider to take a legal interest in the property, and thus be the landlord.
41. The first route is on a lease and repair basis – i.e. leasing properties for a defined period from the property owner and at the end of that period, the property reverts to the long-term owner.

42. The second is on a purchase and repair basis – i.e. where the bidder purchases the property and becomes the long-term owner.
43. Where properties are to be brought back into use on a leased basis, we require that the minimum lease length will be five years. However, we wish to encourage longer lease periods where possible, and anticipate that the average lease length will be around 10 years.
44. There is no prescribed mechanism for the funding of repairs for leased properties – repairs may be carried out directly by the provider, or on the basis of a grant or loan to the owner. Owners should be encouraged to make their own contribution to the works costs wherever possible, to improve the value for money of the funding requested.

Bids may therefore include proposals to create or contribute to a revolving fund for the reinvestment of funding in delivering further properties as loans are repaid. In assessing value for money, we will take account of the first property brought back into use for the funding requested – but innovative approaches to create revolving loan funds are encouraged, and Providers should set out their proposals, including ongoing monitoring and reporting arrangements as part of their bid.

45. Providers should note that Empty Homes Funding replaces Temporary Social Housing Grant.
46. It is not anticipated that Compulsory Purchase Orders and Empty Dwelling Management Orders will be a widely used route to acquiring properties, and that they will be the exception rather than the rule. Funding is not available in respect of the costs for either type of order.
47. Where local authorities are securing control of empty properties via an Empty Dwelling Management Order it must be a final form of Empty Dwelling Management Order in order to satisfy our secure legal interest requirements.

## **Funding of mixed use schemes**

48. In addition to inviting bids for affordable housing, this second round of funding welcomes bids from Providers that intend to create mixed use developments, where part of the scheme includes affordable housing.
49. Funding is only available for the affordable housing part of the scheme and it is hoped that in supporting the affordable housing, this funding will enable the redevelopment of the commercial element of the scheme as well. The assessment of value for money of the scheme will only relate to the affordable housing.

## **Standards**

50. Where properties are brought back into use on a purchase and repair basis (i.e. as permanent housing), or on a long lease (i.e. greater than 15 years), bidders should meet the HCA's [Design and Quality standards 2007](#) for rehabilitation.



51. Leased properties should be refurbished to the Decent Homes standard as a minimum, and are encouraged to meet the standards outlined in the HCA's Design and Quality standards for temporary social housing. Where it is proposed that properties will have a longer than average lease length, (more than 10 years), providers are encouraged to exceed the Decent Homes standard wherever possible, and to outline their proposals for doing so as part of their bid.

## **Supporting employment opportunities**

52. Tackling empty homes often offers opportunities to deliver wider benefits to communities, including employment and training opportunities. We are keen to see bids which include such opportunities.

## **Homesteading**

53. Where appropriate, properties may be brought back into use as part of a homesteading scheme, where residents (or future residents) contribute their labour for example in exchange for a reduced rent or (in a shared ownership scheme) an increase in the share they own in the property.

## **The Green Deal**

54. Bringing empty homes back into use offers a sustainable way of increasing housing supply. The renovation which is almost always needed offers an opportunity to install energy efficiency improvements to a property.
55. The [Green Deal](#) is a framework which, from 2013, will enable households to buy energy efficiency improvements to their homes, at no upfront cost, recouping payments through a charge in instalments on the energy bill.
56. We would encourage Registered Providers to consider taking advantage of the Green Deal as they renovate properties to bring them back into use. This will allow them to include energy efficiency improvements to their properties, with no upfront costs. The golden rule of the Green Deal is that the expected financial savings must be equal to or greater than the costs attached to the energy bill, so future residents of the property have a more energy efficient property at no additional cost.

## **How to bid**

57. Bids for this additional round of Empty Homes funding must be submitted through the HCA's Investment Management System (IMS) by noon on Monday 25 March 2013.
58. For providers that are already HCA IMS users there is no requirement to register for a separate IMS account. Access will be through your existing HCA IMS user account and bidding for this round of Empty Homes funding is available through the Offers module.
59. Providers who do not already have an HCA IMS account should email [AHPOffers@hca.gsi.gov.uk](mailto:AHPOffers@hca.gsi.gov.uk) to request a registration pack.
60. Guidance on entering bids through IMS is available at [IMS Help](#).
61. For those familiar with the Offers system used for the Affordable Homes Programme (AHP), bidding for this programme uses the same processes and screens as submitting an AHP offer.
62. Bidders will be required to submit the following information:
  - Details of the bidding organisation, including who will be the landlord of the finishes properties and (if different) who will manage the properties, and confirmation of the proposed landlord's status as a Registered Provider (or their intention to apply to become a Registered Provider of Social Housing);
  - Information about the scheme for which they are applying for funding, including;
    - i. Number, size and tenure type of properties;
    - ii. Location of where the properties will be brought back into use;
    - iii. Where properties will be brought back in on a purchase and repair or lease and repair basis (supplying estimated lease length);
    - iv. Details of any proposals to fund properties on a revolving fund basis;
    - v. The estimated mix and size (by anticipated number of persons housed) of properties;
    - vi. The existing use of the property i.e. commercial, non-residential or residential;
    - vii. The estimated costs of delivery – broken down between lease or purchase costs, works costs, and on costs;
    - viii. The amount of funding requested;

- ix. Proposed rents to be charged, and for Affordable Rent properties, the percentage of the rent as a proportion of the market rent;
  - x. For affordable home ownership, the estimated initial sales value and proposed average initial sales tranche;
  - xi. Any contribution from the bidder's own resources (split between borrowing, other public subsidy, surpluses etc.) or from other funding sources (including through the Green Deal or contributions from property owners);
  - xii. The estimated timescale for delivery of properties brought back into use; and
  - xiii. The average length of time for which properties will have been empty.
63. Supplementary written information should be provided in a supporting statement covering the areas set out below. Supplementary information should be short and concise. Supporting statements should be emailed to [AHPOffers@hca.gsi.gov.uk](mailto:AHPOffers@hca.gsi.gov.uk) on Monday 25 March 2013 and should be saved with a file name or names that clearly identifies the provider and scheme name, ideally using the same names as in the IMS bid.

## **Additional information required**

### **Board approval**

- Evidence of the Provider's Board approval for this bid.

### **Registered Provider status**

- For Providers who are not currently Registered Providers of social housing and who do not intend to register, details of the Registered Provider who will take ownership of the accommodation on completion.

### **Meeting local authority needs**

- Confirmation of local authority support and details of local authority feedback.
- Information about how properties will meet local authority equality and diversity priorities.
- Supporting information about the suitability of homes brought into use where they are to be targeted at client groups such as vulnerable or older people.

### **Community benefits**

- Details of wider community benefits (for example: opportunities to work in partnership with local community and voluntary groups; information about local community support; proposals to support employment and training initiatives) delivered through the programme.

### **Summary of approach**

- Details of how a pipeline of properties will be identified and brought forward.
- Information about the property standards to be delivered.
- Details of any proposals to fund properties on a revolving loan basis.

## **Assessment criteria**

64. The HCA will assess all bids received against key criteria:

- Value for money;
- Deliverability within the timescales of the programme;
- Meeting with local priorities;
- Design and Quality.

65. Assessment will be on a scheme by scheme basis, with assessment and allocation decisions made on each scheme separately. This may lead to Providers receiving an allocation for some of their schemes and having others rejected or put on a reserve list.

## **Value for money**

66. Value for money will be a key factor in our assessment of bids. In assessing value for money we will take account of:

- The funding requested, number of properties to be delivered and estimated size;
- The amount of funding requested and whether properties will be purchased and brought into permanent use or leased, and the proposed lease length. Our expectation is that properties with shorter lease lengths will require less funding than properties with a longer lease or which will provide permanent affordable housing;
- The length of time that properties have been empty prior to being brought back into use.

67. Department for Communities and Local Government (DCLG) modelling carried out for the business case for this Programme assumed that most properties will be leased (for 5 – 20 years) rather than acquired outright. That modelling assumed that, for a five-year lease, grant rates range from £6,000 to £13,000. For a 10-year lease, grant rates range from £9,000 to £22,000. The HCA will be mindful, in assessing the value for money of the bids received, of the assumptions in the DCLG business case.

68. For properties to be brought back into use as permanent housing (i.e. purchase and repair properties), we will be mindful in the value for money assessment, of how the grant requested compares to the value for money achieved under the AHP (for Affordable Rent or for Shared Ownership).

## **Meeting local priorities**

69. We will only support bids which have clear local authority support, and where proposals meet local priorities or support local strategies to tackle empty homes. Bids that are awarded grant will still need to seek the appropriate permissions where a change of use is proposed.

## **Deliverability**

70. We will prioritise bids with a high degree of certainty of delivery. We will therefore take account of the certainty of delivery timescales and in particular proposals for identifying empty properties - including working with relevant local authorities.
71. It is an absolute requirement of the programme that properties brought back into use must be complete by 31 March 2015, the backstop date for funding within this Spending Review period.
72. Successful bidders will be required to enter into a delivery contract with the HCA. Where delivery is not in line with forecasts, there will be an opportunity for Providers to put right any delays. However, where progress is consistently behind forecasts, and there is a risk to overall delivery of the number of empty homes to be achieved, and to the funding allocated, the contract will allow for allocations to be withdrawn, and to be offered to Providers who have capacity, and have demonstrated through their delivery track record, the ability to do more.

## **Standards**

73. Good quality homes remain an important aim for the HCA and the assessment process will favour proposals which, subject to offering good value for money:
  - Exceed the Decent Homes standard (where properties are brought into use through lease arrangements, and the lease period is less than 15 years); or
  - Exceed the 2007 Design and Quality standards for rehabilitation (where empty homes are brought into use through purchase and repair as permanent properties or where the lease period is for 15 years or more).

## **Equality and diversity**

74. Local authorities and the HCA are subject to both general and specific equalities duties introduced by the Equalities Act 2010 from 1 April 2011. This means that we must have regard to the need to eliminate discrimination, advance equality of opportunity and foster good relations in the exercise of our functions.
75. In addition, the HCA and other public bodies listed in the Act were required to publish equality objectives by 6 April 2012. We published nine equality objectives which we will aim to deliver within four years. These objectives are outlined in our [Equality and Diversity Strategy](#).
76. We want to be sure empty homes brought back into use will meet the diverse housing needs of all sections of our communities and we expect that Providers will seek to address local priorities identified and agreed by local authorities. Providers will be expected to work with the local authority in which empty homes are brought back into use to agree nominations arrangements which comply with a local authority's allocation policies.
77. As outlined above, we wish to encourage Registered Providers to work in partnership with community groups who are able to offer assistance in bringing properties back into use, or in the subsequent management of homes.

78. We would also encourage Providers to consider provision for vulnerable and older people through this route. We will consider the appropriateness of the provision for the intended client group, and where providers propose to make homes available to vulnerable or older people they should submit a supporting statement outlining how the homes will meet the needs of the proposed client group. It is also important that the statement clearly sets out how any nominations will continue to meet equality legislation.
79. Bidders will be asked to confirm as part of their bid that their proposals will meet key equalities priorities that are identified and agreed by local authorities. Further information on discussions with local authorities will be sought for through quarterly contract management reviews with successful Providers.

## **Role of the Social Housing Regulator**

80. The Social Housing Regulator's review of bids from Registered Providers will form part of the overall assessment process for Empty Homes funding.
81. The Regulator will assess bids and provide advice on whether the Registered Provider(s) involved are:
- Currently in compliance with the regulators standards, including their Governance and Viability Standard; and
  - Likely to be able to continue to meet their standards, including the viability element of the Governance and Viability Standard if the bid is approved.

## **Contractual and other requirements**

### **Delivery contract**

82. Successful bidders will be required to enter into a standard form of delivery contract for the programme. A suite of contract variations are available for review on the [HCA's website](#). Where a successful bidder already has a signed and completed Empty Homes Framework Delivery Agreement (FDA) with the Agency in place for the existing Empty Homes Programme, funding allocated under this additional tranche of funding will be handled through either through a side letter or deed of variation, and added to the existing FDA and the Programme Agreement as a variation.

### **Funding and payment terms**

83. In line with arrangements for the Affordable Homes Programme, payment will be made 50% start on site and 50% at completion for Registered Providers. Bidders should take account of these payment arrangements in putting together and ensuring the financial viability of their bids.

84. There will be a separate payment rate for empty homes properties, based on the actual grant required for each scheme.

85. Once allocations are agreed, our expectation is that the proposed number of properties will be deliverable for the amount of funding sought. It will not be possible to increase the amount of funding available or to deliver fewer homes for the same amount of funding if assumptions change. Bidders will need to ensure that they are able to deal with changes in assumptions from within their own resources.

86. Bidders will not be able to gain agreement from the Regulator to convert existing social rent properties to an Affordable Rent to fund delivery under the Empty Homes Programme.

87. Providers are asked to note that the Agency reserves the right to make allocations either in part or in whole or conversely not to make any allocation at all.



## **Timetable**

1. The bid window opened on Tuesday 11 December 2012 for bidders to bring forward proposals for assessment. The window will remain open for a period of fourteen weeks closing at noon on Monday 25 March 2013. Bids should be submitted via the HCA's IMS system.
2. Bids will be assessed by Homes and Communities Agency area investment teams based on the criteria outlined above.
3. If you have any questions about this bidding guidance or the process for submitting a bid, please contact us by emailing [AHPFAQ@hca.gsi.gov.uk](mailto:AHPFAQ@hca.gsi.gov.uk).

Where questions that are raised which are in the general interest of all parties considering a bid, the HCA will reserve the right to publish these with the response on our [Empty Homes web page](#).

<b>Date</b>	<b>Description</b>
11 December 2012	Bid round opens
25 March 2013 – Noon	Bid round closure
31 May 2013	Announcement of allocations

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The Homes and Communities Agency is committed to providing accessible information where possible and we will consider providing information in alternative formats such as large print, audio and Braille upon request.

Publication date: December 2012