Westminster City Council

EMPTY PROPERTY STRATEGY
2004/05
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INTRODUCTION

Westminster has a long history of tackling the problem of empty homes in the private sector, through a combination of compulsory purchase, renovation grants and leasing schemes. In 2001, a full time dedicated Empty Property Officer was appointed to cement the various strands into a comprehensive and robust strategy that would co-ordinate all departments and agencies concerned with the issue, and provide a focal point for action.

Since then, over 200 properties have been brought back into use, and the target over the five-year period up to 2006 is 500.

Westminster is now seen as one of the country’s leading authorities in tackling empty homes and, in particular, in its use of compulsory purchase orders as a last resort.

This document has been written to show what the City Council intends to do about privately owned empty properties in Westminster and how it will go about it. The Strategy demonstrates our commitment to tackling this issue, and shows property owners the steps we will take to help them bring their properties back into use.
OBJECTIVES OF THE STRATEGY

The objectives of the City Council's Empty Property Strategy are:

- To maximise the re-use of empty homes and other buildings;
- To improve the existing built environment;
- To provide good quality, affordable housing;
- To raise awareness of the issue of empty homes; and
- To support the Civic Renewal, Housing Strategy and other City Council objectives.
BACKGROUND

The scale of the problem in Westminster

The latest Council Tax figures show that in Westminster there are 3,251 empty properties: 1,114 of those have been empty for more than six months, and 496 have been empty for more than one year.

The figures are probably higher than this, as this figure is based on the number of properties claiming a discount on Council Tax due to being vacant. Because Westminster enjoys one of the lowest Council Tax charges in the country, many owners are thought not to bother to apply for the discount. This is verified by the large number of empty properties that the Empty Property Officer deals with that do not show up on Council Tax records.

Westminster’s House Condition Survey (2000/01) estimated that 4.5% of the private dwelling stock in the City were empty dwellings. Based on an estimated stock total of 98,739 dwellings, this translates as some 4,400 empty homes. As expected, this is higher than the overall national position of 3%, derived from the English House Condition Survey 2001.

For the reasons given above, it is difficult to determine the exact number of empty dwellings in Westminster. Based on the statistics available, and a reasonable level of local knowledge, our Strategy assumes that there are between 3,000 and 4,000 vacant dwellings in the City.

Why are empty properties a problem?

Empty properties are a waste of resources. If one balances the figures above against the figure of approximately 3,000 homeless households in B+B and temporary accommodation in Westminster, the waste becomes very clear. Also, Westminster has a large number of high value properties. These are a particular waste given their value. They play an important part in housing choice in the City, and also need often complex and comprehensive solutions to bring them back into use.

London is one of the most vibrant cities in the world. This places great demands on its housing stock. To have property that requires little or no work to be done to bring them up to standard, lying empty for no good reason, is indefensible. They could be utilised to house people who need good quality rented accommodation for a range of uses, for example, people who need temporary accommodation. If left, they can in time become long-term vacants with all the problems these exhibit.

Long-term empty property, empty over twelve months, are of course a greater problem, especially ones in poor condition. They quickly become an eyesore, and can attract vandals and squatters. When this happens, the area can become devalued.
The City Council often receives complaints from members of the public, and the Police and Fire services often have to attend incidents at vacant sites. The City Council is sometimes required to use public health enforcement powers to carry out minor works to stop problems escalating and affecting neighbouring properties.

Because owners of empty property only have to pay 90% Council Tax, there is a resulting loss of Council Tax revenue of at least £285,360 per year.

The Royal Institute of Chartered Surveyors (RICS) estimates that an empty property takes 10% off the value of neighbouring properties. This means that nearly £300,000,000 is being wiped off capital values on property across Westminster.

**Why are there empty dwellings in Westminster?**

It is important to recognise that there are characteristics unique to central London, which have a huge influence on our Strategy.

Large insurance companies, investment firms and individuals own property that they are sometimes happy to leave empty, being interested only in the freehold value of the property rather than any potential income to be derived through letting. This is especially true with flats over shops.

Even property that is empty and in very poor condition can often attract a high price, simply because of its location. However, because of this owners of empty property are often reluctant to sell, viewing the property as a ‘nest egg’ to be cashed in at a later date. This phenomenon is particularly prevalent in central London which is viewed by foreign and national owners as a safe haven for their capital.

**The national policy setting**

There is increasing pressure on local authorities to develop effective strategies for tackling the problem of empty homes. Government statistics show that on 1st April 2003 there were over 700,000 empty properties in England. In London alone there were over 104,000 empty homes. Empty property is now considered an important strategic issue nationally, as emphasised by a number of recent developments.

**Towards an Urban Renaissance** – the Urban Task Force was set up in 1998 to identify the causes of urban decline, and to recommend practical solutions to encourage people back into urban areas. Recommendations included:

- making empty property strategies a statutory duty for local authorities;
- the reduction of VAT on conversion and refurbishment;
- changes in Council Tax rules to enable authorities to impose higher charges on empty property;
- the streamlining and consolidation of Compulsory Purchase Order legislation in order to accelerate the process; and
- an investigation into issues around flats over shops, building on the work done by Living Over The Shops (LOTS).

Apart from making it a statutory duty to have a strategy, all other recommendations in the report have been addressed.

In 2000/01, the Government introduced a specific Best Value Performance Indicator, number 64. This requires the Council to record the number of empty properties brought back into use as a direct result of action by the authority.

Released in November 2000, the Urban White Paper raised the profile of empty property by proposing that the Regional Development Agencies promote the issue by funding regional seminars to raise awareness and spread best practice.

In the March 2001 Budget, the following measures were introduced:
- The VAT rate was cut to 5% for the cost of:
  - renovating dwellings that have been empty for 3 years or more;
  - converting a residential property into a different number of dwellings, (e.g. converting a house into flats);
  - converting a non-residential property into a dwelling or a number of dwellings; and
  - converting a dwelling into a house in multiple occupation.
- VAT on conversions for the sale of property empty for over 10 years was removed; and
- A capital allowance for creating flats over shops was introduced.

In August 2001 the House of Commons Select Committee on Transport, Local Government and the Regions held an inquiry into Empty Homes. Several recommendations were made and endorsements of previous ones expressed. The most attention grabbing was the idea of compulsory leasing of empty property, or Empty Homes Temporary Management Orders as they are currently known.

On the 18th November 2003, section 85 of the Local Government Act 2003 came into force, allowing information gained for Council Tax purposes to be used for the purpose of identifying vacant dwellings and for taking steps to bring vacant dwellings back into use. Previously, this information had not been available to Empty Property Officers.

In 2003 the Government provided advice for local authority Empty Property Officers - Empty Property, Unlocking the Potential. This shows the continuing support generally for empty property work, and its growing importance on the political agenda. Whilst not being a statutory function, it is now incumbent upon local authorities to tackle the issue or risk suffering loss of funding or credibility under the Comprehensive Performance Assessment (CPA) process.
How our strategy works

Westminster has a dedicated Empty Property Officer and a Compulsory Purchase Manager, the latter working predominantly on empty property matters. The City Council also expends considerable resources on internal and external legal support and as explained elsewhere, various departments and external agencies also play important roles.

Westminster’s approach to tackling empty property follows three simple steps:

1. **Identify**
   To identify the empty properties in Westminster, establish ownership and prioritise for action.

2. **Enable**
   To enable the owner to bring the property back into use by providing advice and assistance, including all the various local authority schemes available.

3. **Enforce**
   To enforce where necessary the refurbishment and re-occupation of the property by using enforcement tools such as environmental/planning notices or compulsory purchase.

Each of these steps is outlined further in the following sections.
1. Identify

Our first priority is to identify where empty properties are located. This can be achieved in many ways.

- **Council Tax records** – Properties fall into various categories depending on their circumstances, for example, vacant and unfurnished, vacant and owner in prison, vacant and property subject to probate. At present some of these classes attract a discount and records can be used to determine those properties against which empty property action may be targeted.

- **Environmental Health** – Environmental Health will have files on properties where they have received complaints from the public due to infestation, damp to neighbouring properties etc. They may have served notices on them, or carried out works to the property to effect repairs.

- **Building Control** – They will have details of properties that are in very poor condition and possibly warranting demolition.

- **Planning** – Especially the enforcement section who often serve planning notice on problematic empty properties.

- **Social Services** – When elderly owner-occupiers are placed in care, their homes are often left empty. A charge is often put on the property by Social Services to enable them to claim back fees.

- **Members of the public** – They are often keen to see action taken. In Westminster, a dedicated telephone number hotline has been set up along with an email link from the Council’s website for people to report empties.

Once the properties have been identified, and targeted for action, the challenge is to trace the owners. A visit is made to each property identified for action to ensure it is vacant. At this time, photos are taken for the file, and the neighbours contacted to see if any local knowledge is available.

Checks are also made through:

- **Council Tax** – To see if the owner is claiming a discount, or if any owner’s details are available.

- **Land Registry** - It is important that this check is made in all cases, as the information on Land Registry overrules all other and is used during the Compulsory Purchase procedure.

- **Specialist companies** – In some cases, where all alternative avenues have failed, private tracing will also be used.

Having found the owner’s address details, standard letters are used to write to them, outlining the various incentives that may be available to them. These letters allow
time for the owner to respond, but also let the owner know on an increasing threat basis, that non-action is not acceptable.

**What happens next?**

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<th>The owner responds to say that a scheme is in place or is going to be implemented soon.</th>
<th>The owner responds, and has no plans for the property.</th>
<th>The owner fails to respond.</th>
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| The Empty Property Officer will look to see if they can advise of any financial incentives to the proposed scheme, e.g.:  
  - could a VAT certificate (i.e. a 5% VAT rate) be issued if the property has been empty for more than 3 years?  
  - is it a flat over a shop? If so, is the owner aware of the capital allowances available?  
  
  This could help the project to reach a speedier conclusion. If not, the Empty Property Officer will agree a timetable of works and monitor the case to ensure that the project is completed. If works ever stop, the EPO writes to the owner asking why. It may be necessary to start compulsory purchase action on a property that was in the middle of works but not completed. | Discussions will then centre around the best option for them. The Empty Property Officer will visit again with the owner to determine the best course of action, outlining the various incentives that may be available.  
  
  The officer will work up a timetable based on the owner's preference, and help them to implement it. This may include helping apply for a grant, identifying architects and contractors.  
  
  The officer will monitor the project through to completion, taking action if necessary should the scheme cease at any time. | In this case, if the property has been vacant for a long time and in poor condition, it will become a priority case for compulsory purchase. The Empty Property Officer will simply put in motion the order through to completion and purchase.  
  
  Attempts to reach a voluntary solution continue in tandem with the compulsory purchase action – a process that takes a small number of years to complete. Should the owner ever come forward with an expression of an intention to bring the property back into use during this process, then the previous two points will apply. |
2. Enable

Once the property and its owner have been identified, it is the job of the Empty Property Officer to assist in bringing the property back into use. This means that they are able to provide whatever help, advice or assistance may be necessary to bring the property back into use. These include:

- Advice on council schemes that may help, for example, grant funding, leasing schemes or sale to a housing association
- Advice on raising finance to self-complete schemes. For example, re-mortgaging or taking out loans
- Advice on project management, how to identify architects, builders etc, as well as advice on planning issues and how to monitor a contract.
- Advice on making best use of the property.

Options for property owners

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<td>In the case of dwellings requiring little work to bring them back into a habitable state, it is normally advantageous for the owner to finance this with private sources of finance.</td>
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<td>Advice can be given as to how this can be achieved. Re-mortgaging, a temporary loan or even use of a credit card can facilitate the re-use of a property. In a vibrant property market such as in Westminster, it will be relatively easy to rent out the property when refurbished, thus allowing a chance for any expenses to be recouped. Once done, it may be possible to lease it to a housing association for a guaranteed rent over a fixed period, with the association being responsible for repairs and maintenance and the management of the tenants.</td>
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<td>It may also be possible to arrange for local key-workers, such as teachers or nurses, to rent the property as sharers. The Empty Property Officer will broker between owners and suppliers of tenants such as schools, universities or local agents prepared to help with such lettings.</td>
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<td>If this is not appropriate, advice will be given on renting in the private market, and guidance given on finding a suitable letting agent or managing the property oneself.</td>
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<td>The Empty Property Officer will also advise on the standards required for letting or ensuring property meets the decent homes standard for letting. They will also advise on how to carry out works, how to employ qualified builders and how to monitor the works.</td>
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Empty Property Grants

The City Council has an annual budget for the provision of grants to effect major repairs to empty dwellings in return for nomination rights. In 2004/5 the budget of £200,000 has been supplemented by a further £400,000 through the provision of a discretionary capital grant from the London Housing Board.

The key features of the grant are:

- The dwelling must meet the decent homes standard on completion of works and reach a prescribed level of energy efficiency;
- The dwelling must be available for a prescribed period determined by the value of the grant to tenants who are nominated by the City Council;
- The completed dwelling must be managed by a housing association approved by the City Council.
3. Enforce

As a last resort, the local authority can take a range of enforcement action to ensure the wholesale renovation of a vacant property. This is above and beyond any action that may be taken to deal with issues such as vermin, refuse, unsecured entrances and ‘nuisance’ to adjoining properties etc. It must be stressed that these are always used as a last resort, as it is more cost-effective to secure a voluntary approach.

The following is a list of the actions available to the City Council and when they may be used.

| Enforced Sale | Where the City Council has spent money on works to an empty property under certain legal provisions, and put a charge on it, instead of pursuing the owner for the money, it can apply to the courts for an order to enforce the sale of the property. Under these provisions the City Council has in effect the same rights as a mortgagee in possession. In Westminster, the value of works carried out in default of the owner is rarely a significant amount having regard to the value of the property. In these circumstances the courts are reticent to allow the use of this measure. This route is therefore not generally pursued. |
| Empty Dwelling Management Orders | This measure has at the time of writing been introduced as a late amendment to the Housing Bill by the Government. It involves the imposition of an enforced ‘lease’ and the carrying out of works to make a dwelling habitable, costs being recouped through the future rental stream. The City Council will closely examine the details of this procedure as they emerge and assess their applicability to Westminster. |
| Compulsory Purchase Orders | The final solution to any empty property problem. Section 17 of the 1985 Housing Act (as amended) allows local authorities to acquire property for either “quantative or qualitative gain”. For properties where the owner proves unwilling to co-operate, or is untraceable, the local authority will seek to compulsorily purchase the property. Normally this will be for resale to a housing association partner who can redevelop it for social housing subject to financial viability. Where this cannot be effected the dwelling is sold in the open market subject to covenants that ensure its renovation and occupation. This is always carried out as a last resort as it is labour intensive and can take a number years from start to finish, in order to give owners every possible opportunity to voluntarily bring the property back into use. However, without it as a viable option, the empty property strategy will always lack credibility, as some owners will simply ignore any council involvement. This is the ultimate sanction and often, as owners know that it will be used, voluntary measures are more likely to be pursued. |
PRIORITISATION AND PRODUCTIVITY

Targets

Westminster’s Housing Strategy has a target of 400 dwellings brought back into use over the five years to 2008/09. For the year 2004/05, we have set a target of 103 dwellings.

Targets are reviewed on an annual basis and it is anticipated that our longer term target will be exceeded.

Prioritisation

Properties are targeted on a ‘worst first’ basis taking into account two factors – the length of vacancy and the condition of the property. In practice, there is usually a large degree of correlation between length of vacancy and condition. At present, no dwellings that are vacant for less than 12 months are pro-actively actioned.

Monitoring

The authority is duty bound under the Best Value process to report its progress to the Audit Commission under BVPI64. Performance is also monitored and reported to senior managers and Members monthly.
396 & 398 Harrow Road, W9

396 and 398 Harrow Road comprise two adjoining four-storey terraced houses which are over 100 years old. The basement and ground floors of each property comprise commercial accommodation, with residential accommodation on the first and second floors.

The long term empty and dilapidated condition of the residential parts of these properties was brought to the City Council’s attention by a local resident in mid 2000. A subsequent inspection revealed the properties to be in very poor condition both internally and externally. Window openings to the residential parts were boarded up and the properties had become an eyesore in the area. In short the properties represented a waste of potentially good quality residential accommodation in an area of acute housing need.

Attempts by the City Council to encourage the owners to improve the properties and bring the upper floors into residential use met with statements of good intent but no positive action. As a result the City Council decided in mid 2001 to make the properties the subject of a Compulsory Purchase Order. Faced with the real threat of compulsory purchase the owners decided to co-operate with the City Council.

At this point, various options were discussed with the owner. The most favourable option to all was the offer of a renovation grant linked to nomination rights.

The total cost of works for this project was in the region of £200,000. The City Council gave a grant of £120,000, in return for a five-year lease on each of the four flats.

These four two-bedroom flats will provide safe and secure accommodation for up to 12 residents at a time, who would possibly otherwise find themselves in poor quality bed and breakfast.

This case study shows how the City Council’s Empty Property Strategy backed up by the use or threatened use of compulsory purchase powers as a last resort can achieve the refurbishment of dilapidated properties and bring redundant residential accommodation back into use. In this case, through the lever of grant aid, the City Council has also secured nomination rights to residential units for a period of five years and perhaps beyond. This will generate significant savings in homelessness costs.
7 Warwick Avenue

7 Warwick Avenue is a very large four-storey, triple fronted property in a select part of Maida Vale. The property had been left vacant for 15 years, and had fallen into serious disrepair. It had also become an eyesore, and the local Amenity Society had been trying, unsuccessfully, to make the owner fulfil his obligations towards the property.

The owner was traced and contacted by the City Council in December 2001. No reply was received to correspondence, and so in February 2002 the threat of Compulsory Purchase was made.

Builders then went on site, but works were sporadic at best, finally ceasing completely in August 2002. After further threats of compulsory purchase, builders again went back on site in October 2002, and continued work up until October 2004 when the refurbishment was completed.

During this whole period, numerous phone calls were made to the owner, letters written, and meetings held both on site and with local residents. This case illustrates the need for a dedicated officer who can chase cases through to completion.

20 Harcourt Street

20 Harcourt Street is a four-storey building just off the Marylebone Road. It had been used as an office on the ground floor and basement, with two floors of residential above. However, when the City Council became aware of the property in February 2001, the upper floors had already been vacant for several years. The business on the ground floor was in decline and due to close, which it did in December 2001.

The building was then left empty, until the threat of Compulsory Purchase was made in June 2002. Then a period of negotiation and advice ensued as various plans were discussed. One of the problems was the type of scheme the owners wanted, as opposed to the type of scheme that planners would accept. Joint visits were done with all parties until an acceptable solution was found.

Works began in December 2003 and these were monitored until the refurbishment was completed and the building occupied. This case shows the effectiveness of a dedicated officer, backed up by the real threat of Compulsory Purchase.