

**HOUSING DEVELOPMENT - LOAN APPLICATION:
FYNE HOMES – COURTHOUSE, ROTHESAY**

1.0 EXECUTIVE SUMMARY

- 1.1 This report deals with an application for an extension to an existing loan from Fyne Homes, subsidiary Fyne Initiatives for bridging finance for the Old Courthouse Development.
- 1.2 In August 2012 Members agreed to support the Housing Association development programme by providing access to £3.5m for short term front funding and £5m for long term loans. This application meets the criteria previously agreed.

1.3 RECOMMENDATION:

Members are asked to approve:

- an extension to the loan of £561,319 to Fyne Initiatives, on the same terms and conditions, for a further three years to 31 March 2021, in respect of the development at the Old Court House, Rothesay.

HOUSING DEVELOPMENT: LOAN APPLICATIONS
Fyne Homes – Courthouse, Rothesay

2.0 INTRODUCTION

- 2.1 In August 2012 the Council approved a recommendation to provide a short term loan facility from the Strategic Housing Fund and a Long Term Loan facility funded from Council reserves. These decisions were taken to enable the affordable housing development programme to continue in Argyll and Bute at a time when it was particularly difficult for Housing Associations to secure private finance.
- 2.2 **In 2012** Fyne Initiatives were provided with loan funding for an initial three year period in anticipation that the properties at the Old Courthouse would be sold within that timeframe. The downturn in the Housing Market since 2012 has resulted in low demand for these properties and a further extension to the loan was approved by the Community Services Committee on 11 September 2014. Fyne Initiatives have made application to extend their existing loan facility for a further three years.

3.0 RECOMMENDATIONS

- 3.1 Members are asked to approve:
- an extension to the loan of £561,319 to Fyne Initiatives, on the same terms and conditions, for a further three years to 31 March 2021 in respect of the development at the Old Court House, Rothesay.

4.0 DETAIL

- 4.1 **Fyne Homes Application.** In November 2011 Council approved a £1.9m 3 year loan to Fyne Initiatives, a subsidiary of Fyne Homes for the redevelopment of the former Council Chambers and Courthouse in central Rothesay. This loan arrangement will cease on 31st March 2018. At the time of writing, 17 properties had been sold leaving 8 remaining. As the properties are sold the capital loan is repaid directly to the Council and consequently the loan extension is for £561,319, considerably less than the original loan. Interest is payable at the PWLB rate applicable at the time of draw down plus 0.25%.
- 4.2 The New Supply Shared Equity Scheme (NSSE) was completed in March 2011 and comprises 25 x 1,2,3 bedroom shared equity properties. Fyne Homes have conducted extensive marketing campaigns but due to the downturn in the economic market, sales have been very slow. Feedback from applicants, other interested parties and the Estate Agent is that that the Old Courthouse development itself attracts great interest and that the properties are of good quality

and highly desirable. However there are two main elements affecting overall sales, these are the current market/economic conditions and the criteria to qualify under the NSSE scheme. The housing market in general is still very slow. There is a particularly high volume of flats available to purchase on Bute and feedback from the Estate Agent is that flats are still the most difficult to sell despite the quality and location of The Old Courthouse development

- 4.3 **NSSE qualifying criteria** –As house sales have started to move more recently The Old Courthouse development is still generating initial enquiries. The Scottish Government has a specific set of criteria which buyers have to meet in order to qualify to enter the scheme and purchase one of these properties. New Supply Shared Equity mainly aims to help first-time buyers. However, it can help others too in certain circumstances such as where there is a significant change in a person's household circumstances or if they have a disability and own a house which doesn't suit their needs. In these cases the person has to sell their current property and also has to meet the financial criteria. If the purchaser can afford more than 80% of the property whilst retaining a maximum of £5k savings they are deemed to be outside of the financial criteria of those the scheme aims to help. An applicant may retain £5000 of any personal contributions held. Above this amount, 90 per cent of the balance will be treated as a contribution towards the purchase of a property. These criteria are applied because of state aid issues but they do limit the number of people eligible to purchase these properties.

5.0 CONCLUSION

- 5.1 The Council has previously agreed to support the affordable housing development programme in Argyll and Bute by providing the Housing Association sector access to loan finance. There are significant challenges facing Fyne Homes due to the prevailing housing market conditions on Bute.

6.0 IMPLICATIONS

- 6.1 Policy: The proposals are consistent with current Council policy.
- 6.2 Financial: The financial appraisal and risk assessment will be updated.
- 6.3 Legal: A loan agreement will require to be signed by both parties.
- 6.4 HR: None.
- 6.5 Equalities: None
- 6.6 Risk: The financial risk assessment will be updated.
- 6.7 Customer Service: None

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