

Rural Housing Development Funding Application – Ulva Ferry

1.0 SUMMARY

- 1.1** A Rural Housing Development Fund (RHDF) application has been submitted by Mull and Iona Community Trust (MICT) for grant funding contribution to the cost of building two affordable houses at Ulva Ferry, Mull by Ulva School Community Association (USCA).

2.0 RECOMMENDATIONS

- 2.1** Members are asked to approve:
- £180,000 RHDF grant, to MICT for two affordable houses at Ulva Ferry, Isle of Mull subject to the conditions detailed at 3.9 and 3.10 below.

3.0 DETAIL

- 3.1** MICT are providing capacity building support to USCA and together have formed the Ulva Ferry Housing Partnership (UFHP). UFHP states that it operates as an initiative of MICT to provide secure, affordable, community owned, rental housing for the people of the Ulva Ferry area of the Isles of Mull, Ulva and Gometra. UFHP is not constituted in its own right and operates as a sub-committee of MICT and is governed by the MICT Articles of Associations. It is their stated intention “to initially build two three bedroom houses and in the future expand their operation with the best interests of tenants and community at the forefront of their work”.
- 3.2** MICT as a formally constituted organisation will, on behalf of USCA and the Ulva Ferry community:
- Own the legal title of the housing plots and of the two rental houses when they are constructed.
 - Apply for and be the recipient of such grants and loans as are required to finance the construction of the two housing units.
 - Issue all contracts for professional services, procurement and construction associated with the development of the project
 - Act as the landlord for all leases for tenants in the rental properties
 - Register with the Scottish Government for Rural Housing Body Status and then place the necessary Rural Housing Burden on the sale of the donated plot

- 3.3** A local landowner has made available, a plot of land adjacent to Ulva Ferry primary school, for purchase with assistance from the Scottish Land Fund (SLF). As match funding for the capital grant, a second plot has been donated free of charge by the same land-owner and this will be sold with a Rural Housing Burden to ensure that the house built on it is available at an affordable price in perpetuity.
- 3.4** The SLF is funded by the Scottish Government and made available through the Big Lottery Fund. It is being delivered on behalf of the Scottish Government by a partnership between the Big Lottery Fund and Highlands and Islands Enterprise. The Big Fund is the trading identity used by the Big Lottery Fund when distributing funds of other bodies. There are no lottery funds used in the Scottish Land Fund.
- 3.5** MICT have been awarded £141,760 by the SLF Committee, on behalf of the Big Lottery Fund acting as the Big Fund to acquire the land. Details of the award are shown in Table 1 below.

Table 1. Land Fund Award

	Capital	Revenue	Total
Year 1	£94,120	£22,500	£116,620
Year 2	£2,640	£22,500	£25,160

The grant has been awarded for the project described as:

“Mull and Iona Community Trust, in partnership with Ulva School Community Association, will acquire two areas of land totalling 0.75 hectares (1.9acres) at Ulva Ferry on the Isle of Mull, for the development of new affordable housing to address local needs and help build a more sustainable community in this remote rural area.”

This 2 year grant from the SLF will part-fund the capital cost of the acquisition and associated legal and conveyancing costs and part fund revenue costs including the employment of 1 new part-time Project Officer.

- 3.6 Rural Housing Development Fund.** In 2010, the Council established RHDF, to support small housing developments in settlements with a population of less than 1,000 and, with limited available social rented housing. In total, since its inception, Members have identified £1.9m to be used for this purpose. To date commitments amount to £1.059m. This does not include an award of £180k to Iona Housing Partnership which has expired. The amount of grant per unit was revised in September 2013, in line with national benchmarks and is currently set at £90k per unit.

Approvals to date and an update on each of the developments, going forward, is summarised in Table 2 below.

Table 2 RHDF Commitments

Council approval	RSL	Development	Grant 000's	Progress Update
March 2012	ACHA	8 properties Port Ellen, Islay	480	Completed Sept 2013
September 2013	Fyne Homes	6 properties Ardfern	423	Going on site Spring 2014
March 2013	ACHA	2 properties Bonawe	156	On site
Total awarded up to Sept 2013			1,059	

3.7 The RHDF application identifies the indicative, initial feasibility build costs, for the two properties, would be £310,005. The identified funding package comprises:

- £36,005 from the sale of a gifted plot of land and fundraising;
- £95,000 Triodos bank loan (still to be confirmed) and,
- £180,000 Council RHDF grant.
- Rents charged will be £434pcm

3.8 In assessing this application consideration has been given to the level of housing need in the area. There is limited waiting list evidence for this area due to the lack of social rented properties, but the local community business plan refers to 'extensive community consultation'. In 2011 HIE identified the Ulva Ferry area as economically fragile. HIE employed a local development officer who initiated a community consultation leading to the development of a community plan. A key concern of the community was found to be the need for development of affordable social housing. The area has been identified as a priority area in the SHIP and the delivery of a small scale development was an underlying assumption factored into the recent HNDA for Mull.

3.9 Members are therefore requested to approve, in principle, a grant award to MICT of £180,000 for the development of two 3 bedroom houses for affordable rent. Payment of the grant will be conditional on:

- MICT registration as a rural housing body to ensure that the land sale is subject to a rural housing burden. A rural housing burden means that there is a perpetual personal right of pre-emption contained within the title deeds of a property in favour of that rural housing body. This allows the rural housing body the right to re-purchase the property in in the event of it coming up for sale and as a consequence gives the ability to control future sales.
- Rents charged are equivalent to mid-market rent
- All permissions and all funding is in place;
- A tender has been accepted, and
- Work commenced on site.

3.10 In addition, as MICT is not a registered social landlord and not therefore subject to regulation and scrutiny by the Scottish Housing Regulator, it is

proposed that the grant is conditional on the allocation, management and rent policies being approved by the Council in order that the Council is satisfied that they follow best practice and afford the tenants' the same letting standards which are required by other social landlords who are in receipt of public funds.

4.0 CONCLUSION

4.1 The Council recognises the importance of housing development in providing both economic and social benefits to our communities.

It is a high priority for the Council that the grant funding provided is utilised in the most cost effective way to ensure that quality and affordability are paramount in all the developments. MICT and its partners have worked intensively with their local community to meet their aspiration to deliver affordable rented housing. The Council contribution to the project is an essential component to ensure achievement of the objectives and working together it will assist this community to realise its potential.

5.0 IMPLICATIONS

5.1 Legal: Legal services will require to be satisfied that appropriate governance arrangements are in place for the grant receiving body.

5.2 Financial: Rural Housing Development Funding has been identified for the grant award and is within previously agreed budget.

5.3 HR: None

5.4 Policy: Proposals are consistent with current Council policy.

5.5 Equal Opportunities: The proposals are consistent with aims and objectives set out in the local housing strategy which has been subject to an EQIA.

5.6 Risk: The proposal has been subject of a financial risk assessment and it has been established that there is minimal risk to the Council in providing grant assistance to MICT for the stated purpose.

5.7 Customer Service: Increased access to suitable, affordable housing .

**Cleland Sneddon
Executive Director
25 March 2014**

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