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<b>Subject:</b>	<b>GRANT SCHEME FOR PROPERTY RENOVATIONS</b>
<b>Meeting and Date:</b>	<b>Cabinet – 10 September 2018</b>
<b>Report of:</b>	<b>Mike Davis, Director of Finance, Housing and Community</b>
<b>Portfolio Holder:</b>	<b>Councillor Mike Conolly, Portfolio Holder for Corporate Resources and Performance</b>
<b>Decision Type:</b>	<b>Key Decision</b>
<b>Classification:</b>	<b>Unrestricted</b>

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**Purpose of the report:** To introduce a grant scheme to support commercial buildings in the town centres of Dover, Deal and Sandwich being brought back into use or being upgraded and improved and to work in tandem with other initiatives to improve the high streets.

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**Recommendation:** That Cabinet:

1. Approve the outline Grant Scheme for Property Renovations (GSPR) as set out in this report.
2. Authorises the Directors of Finance, Housing and Community and Environment and Corporate Assets, acting in consultation with the Leader of the Council, to establish the detailed operation and terms and conditions of the scheme, and to make amendments to the scheme as required in the light of experience; and
3. Authorises the Director of Finance, Housing and Community to administer and operate the scheme.

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## 1. Summary

1.1 This report explains how Business Rates are applied and mitigated for small businesses and develops a proposed grant scheme for qualifying properties (vacant and / or in poor condition) in the agreed areas (within Dover, Deal and Sandwich Town Centres) to incentivise and support investment in those properties and encourage businesses to move into them with the objectives to:

- (a) Support small and local businesses in these properties
- (b) Improve the properties' appearance
- (c) Bring "long term" empty properties back into use and improve properties in poor condition.
- (d) Improve the retail offer
- (e) Create local employment opportunities
- (f) Complement and be consistent with the use of s215 of the Town and Country Planning Act 1990.
- (g) Work with KCC to improve the street scene and to complement the KCC "No Use Empty" scheme.
- (h) Dovetail with the "Mean While" space at the former Co-op site to assist entrepreneurs in testing ideas and products and moving into the high street.
- (i) Complement, but not duplicate or replace existing schemes

- (j) Make business advice available to small businesses.

## 2. Introduction and Background

- 2.1 The Council is committed to the regeneration and development of its high streets. That commitment does not end with the St James' scheme, nor does it end in Dover itself.
- 2.2 On 31st January Council resolved, inter alia, that:

*“Dover District Council explore the possibilities of operating an incentive scheme to aid small businesses in Dover’s Town Centre (from Bench Street to the Maison Dieu) in order to help them benefit from the developing DTIZ with a report back to Cabinet.*

*This scheme should look at:*

- a. How business rates are applied*
- b. Relocation to a more advantageous position in the town.*
- c. Appointing a Small Business Advisor”*

- 2.3 This report has been produced to discharge the Council resolution and to introduce a simple and practical scheme to provide grants to assist small businesses and to improve the offer on the high streets in the agreed areas through the renovation of commercial properties in poor condition.

## 3. BUSINESS RATES FOR SMALL BUSINESSES

- 3.1 Business Rates (BR) are levied in accordance with the national scheme. The Rateable Values (RV) of premises are determined by the Valuation Office Agency (VOA) and then the “rate in the pound” is set by government and applied to the RV.
- 3.2 The RVs were meant to be recalculated by the VOA every 5 years, the most recent revaluations being in 2010 and then in 2017. Revaluations are meant to be “fiscally neutral” overall. So the multiplier set by government is adjusted so that when applied to the total RV for England, the income generated is the same after the revaluation as it was before. Within this overall arrangement, the RVs in some areas will have gone up, and in other areas may have gone down.
- 3.3 The Chancellor’s Spring Statement on 13 March announced that the next valuation will be brought forwards one year to 2021 and they will then be three yearly with the following revaluation in 2024. In broad terms the 2017 revaluation saw a general reduction in RVs in the Dover district, but with some sectors, such as public houses, generally seeing an increase.
- 3.4 Businesses are able to appeal against their RVs. Although there are still appeals outstanding from the 2010 revaluation, a new system call “Check, Challenge, Appeal” was introduced for the 2017 valuation. This has seen rates of appeal fall by circa 90%. DDC, working with the Dover Chamber of Commerce provided a breakfast Business Network briefing to Dover businesses to assist them in understanding their RV and also how to appeal, should they wish to do so.
- 3.5 The BR system also includes a wide number of reliefs, of which the most significant is Small Business rates Relief (SBRR).
- 3.6 The current arrangements for SBRR relief are:

- a. Units with RV below £12,000 – no BR charged (Provided the ratepayer occupies no other premises with RV over £2,899 and the total RV of combined properties does not exceed £20,000).
- b. Units with RV between £12,000 and £18,000 – BR charged on a sliding scale from 0% to 100% (Provided the ratepayer occupies no other premises with RV over £2,899 and the total RV of combined properties does not exceed £20,000)
- c. Other BR reliefs – mandatory charity relief at 80% if the premises are wholly or mainly used for charitable purposes.

3.7 In addition, the Council can award discretionary relief to other BR payers. The most frequent recipients of discretionary relief are charities, with up to 20% in additional discretionary relief in addition to the 80% mandatory relief. In all past revaluations there has also been transitional relief so that those businesses facing a significant increase do not have to do so all in one year.

3.8 Other reliefs include Enterprise Zone Relief, reliefs for rural public houses and post offices and local newspapers.

#### 4. GRANT SCHEME

4.1 The grant scheme below has been developed to improve the appearance, occupancy and use of vacant and run down properties in Dover, Deal and Sandwich high streets.

##### Geographic Scope

4.2 The Council resolution only applied to Dover Town Centre. However it is proposed to extend this to any qualifying properties within the defined town centres of Dover, Deal and Sandwich on the District Council's Adopted Policies Map (2015). Please see maps at Annexes 1, 2 and 3 for the defined areas in Dover, Deal and Sandwich respectively.

##### Current Situation

4.3 The Town Centre Surveys, commissioned by Planning and summarised at Annexes 5, 6 & 7, show the specific vacant units at the time of the survey and show the levels of vacancy as :

(As at 31 March 2018)	Dover	Deal	Sandwich
% of vacant properties in primary frontages	13.88%	3.12%	3.46%
Number of vacant properties	45	10	6

4.4 The vacancy rate in Dover is slightly higher than the national average of 11.2%. Deal and Sandwich are consistently below the national average (as calculated in the Experian Retail Planner Briefing Note 15, December 2017).

4.5 The Council has completed a Retail and Leisure Study which has amongst other matters considered the extent of the Town centre boundaries and Primary and Secondary Shopping Frontages for Dover, Deal and Sandwich. The geographic boundaries of this scheme may be amended to reflect any change in the boundaries as a result of the retail and leisure study.

4.6 Without extensive surveys it is difficult to establish precise reasons for specific retail units remaining empty. One of the key trends that has impacted on the whole retail

sector and shopping patterns over the last decade has been the growth internet shopping. The value of internet sales is estimated to be £55.1bn (at current prices). This represents an increase from £42.1bn in 2015 and a +13% increase from £48.9bn recorded in 2016 – please see Retail and Leisure Study on DDC’s intranet for further information.

4.7 Other factors will generally include:

- a. Natural churn – there will always be a level of vacancy associated with changes in owner or tenant.
- b. The size, layout and condition of the unit compared with modern requirements
- c. Location within the shopping area
- d. Trends in shopping patterns
- e. Rents – as set by the owner and influenced by market forces
- f. Business Rates – set by government
- g. Overall footfall in the area
- h. Competitive pressures

4.8 The Council’s ability to exercise control over many of these factors is limited. However it can seek to exercise beneficial influence over some of them. In particular:

- a. Business Rates – the Council already operates various BR reliefs as set out above.
- b. Footfall – the development at St. James and the work to link the new development with the “old town” including the “Mean-While” project on the former Co-op site and this proposed grant scheme are all intended help boost footfall in the high street, which is already showing an increase of circa 60% following the start of trading at St.James.
- c. Size, layout and condition of the unit – the proposed grant scheme is intended to assist local businesses in making currently empty shops into viable units for the future.

Existing Scheme

4.9 The Kent Empty Property Initiative (KEPI, also referred to as “No Use Empty”) is a loan scheme operated by KCC and is intended to bring unused commercial and residential properties into a suitable condition for immediate occupation as dwellings. The full scheme is available on the KCC web site and there is also a direct link from the DDC web site (<https://www.dover.gov.uk/Housing/Private-Sector-Housing/Empty-Homes.aspx>).

4.10 Dover’s new scheme is intended to apply only to commercial properties that are being upgraded for commercial use. Therefore it does not duplicate or compete with the KEPI scheme. Applicants could not apply to both schemes for the same project elements, although the DDC scheme may be used for a shop frontage with KEPI used for residential accommodation above.

New Grant Scheme for Property Renovations (GSPR)

4.11 The final details of the scheme will be produced in consultation with the Leader. An indication of how the scheme may operate is set out at Annex 10, but in summary, the scheme is intended to provide assistance in improving the ground floor interior and the front elevations of high street commercial premises with grants of up to £10,000.

Assessment of Applications

- 4.12 Each application will be reviewed by a working group of officers who will consult the Portfolio holder(s) and make recommendations to the Director of Finance, Housing and Community on the applications. It is proposed to assess applications on a monthly basis.
- 4.13 Applications will be reviewed on a case by case basis, but proposed factors to be taken into consideration will include:
- a. The property must be within the designated areas
  - b. The prominence and condition of the property
  - c. How long the property has been empty
  - d. The plans for the subsequent use of the property
  - e. The suitability of the proposed works and finishes, taking into account the property itself and neighbouring properties
  - f. The suitability of the business proposal taking into account the supply of similar businesses in the area.
  - g. Evidence of the availability of funds for the entire proposed works, in order to complete the renovation.
  - h. Any other relevant factors that become apparent in the operation of the scheme.

#### Scheme Promotion

- 4.14 It is anticipated that the scheme will be promoted by:
- a. Press release on the day of launch.
  - b. DDC website.
  - c. Invest in Dover website.
  - d. Contacting the owners of empty properties in the defined areas.
  - e. Liaison with the Chamber of Commerce and other stakeholders.
  - f. Liaison with the three Town Councils for the defined areas.

#### Commercial Property Conversions to Residential Use

- 4.15 For proposals to convert commercial properties into residential units, the Council supports KCC's KEPI scheme as set out above and therefore does not intend to duplicate it with this scheme.

### **5. Identification of Options**

- 5.1 There are three options:
- a. Implement the scheme as proposed – this is the preferred option.
  - b. Implement an alternative scheme.
  - c. Do not implement a scheme.

### **6. Evaluation of Options**

#### Implement the Scheme as Proposed

- 6.1 Many high streets are facing the challenge to maintain footfall and sales. An essential part of this is the quality of the experience for shoppers and that includes the quality of the built environment and the suitability for the businesses in occupation.

- 6.2 Although DDC cannot influence or control all factors within the high street, it can complement other schemes and assist small businesses and others in improving the condition of retail premises and the visual environment.
- 6.3 The proposed scheme complements the KCC KEPI and makes potential grants available to a significant number of businesses within the Dover, Deal and Sandwich high street areas. For these reasons, this is the preferred option.

#### Implement an Alternative Scheme

- 6.4 There are many minor changes which could be made to the proposed scheme that would not materially alter it. However a genuinely alternative scheme would need to provide significantly larger or smaller grants or operate in different areas.
- 6.5 Taking these alternatives would mean that either too few businesses could be helped, or the amounts available would be insignificant. Targeting different localities would mean that the primary shopping areas, the high streets, would not be assisted.
- 6.6 For these reasons this option is not recommended.

#### Do not implement a scheme

- 6.7 Failing to implement a scheme means that no businesses are assisted and carries the risk that high street businesses decline, with the consequential impacts on local communities.
- 6.8 For these reasons this option is not recommended.

### **7. Resource Implications**

- 7.1 The maximum grant(s) per property (excluding any payments for business advisers) is £10k in any 5 year period. It is proposed to use additional one-off income for DDC from the 2018/19 "Kent Business rates 100% retention pilot". This is currently projected to be £500k, but if less, then the reduced amount will be the funding cap for the scheme.
- 7.2 This additional income has not been included in the 2018/19 budget as its receipt will not be confirmed until April/May 2019 when the Business Rates receipts from all districts in Kent are known and the shares of any gains from the pilot can be calculated.
- 7.3 The probability of receiving these additional receipts from the BR pilot is high, but it is not guaranteed. This is not intended to delay implementation, but the scheme may be paused or closed if the £500k appears less certain of if resources have been exhausted.

### **8. Corporate Implications**

- 8.1 Comment from the Section 151 Officer: The S151 officer has been involved in the production of this report and has no further comments to add (MD).
- 8.2 Comment from the Solicitor to the Council: The Solicitor to the Council has been consulted and has no further comments.
- 8.3 Comment from the Equalities Officer: This report does not specifically highlight any equality implications, however in discharging their duties members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

### **9. Attachments**

- 9.1 Annex 1 – Dover Town Centre – Bench Street – Maison Dieu

- 9.2 Annex 2 – Deal Town Centre
- 9.3 Annex 3 – Sandwich Town Centre
- 9.4 Annex 4 – Indicative Extract from VOA listing, of properties with RV in the range £9,500 - £18,500
- 9.5 Annex 5 – Town Centre Vacancy - Dover
- 9.6 Annex 6 – Town Centre Vacancy – Deal
- 9.7 Annex 7 – Town Centre Vacancy – Sandwich
- 9.8 Annex 8 – Proposed Scoring Matrix for Grant Awards
- 9.9 Annex 9 – Draft Application Pro Forma
- 9.10 Annex 10 – Indicative Scheme
- 10. **Background Papers**  
None.

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