

From mountain to sea

Empty Homes/ Sweat Equity

Summary

This information pack details the benefits of a Sweat Equity/Homesteading agreement for owners of long term empty homes. This is a practical solution for owners who wish to retain the property but are unable to afford the refurbishment. The pack also provides information for tenants who have the skills and expertise to carry out works to a property in return for a no/low rent period.



What is Sweat Equity?

This is a long term lease agreement between a property owner and tenant, where the tenant has responsibility for bringing the property up to a habitable standard and maintaining it in that condition for the duration of the lease. In return for this, the tenant will have long term occupancy of the property for a low/no rent period.

The lease can be known as different things, but most commonly:

- Sweat Equity agreement
- Maintaining Lease
- Minute of Agreement
- Full Repairing & Insurance (FRI) Lease

For the purposes of the guide, the agreement will be referred to as Sweat Equity only. Sweat Equity can be an excellent way of providing affordable housing in smaller settlements or rural areas, where new development may be resisted by the Local Planning Authority.

How does Sweat Equity work?

A sweat equity agreement is a long term lease, usually over 10 years, although there is no set period. The length of the lease should reflect the financial and physical commitment that a tenant would make to bring the property back into use.

The discussions between the owner and a potential tenant should focus on what works are required and the standard that should be achieved at the property. The works should be set out on plans and incorporated into the legal agreement. There should be room for negotiation for both parties.

Suitable Properties

There are a number of rural empty homes across Scotland, many of which owners consider unviable to return to use, either because of low demand in the area, the condition of the property or the location in relation to the wider use of the land. For example if the property is sited in the middle of farming activity, it may not be practical to rent on a short term tenancy.

However, working in partnership with a suitable tenant, who is willing to make a financial and personal commitment to the property and understands what the constraints are, may make the refurbishment and occupancy of the property viable.

Information and suggestions on how to find owners and tenants are included in this pack.

The Owner

If you own an empty property that requires renovation and selling it is not an option for you, finding a tenant with the skill to carry out the required works in return for no or low rent for an agreed period may be the solution.

There are many benefits of returning a property to use

- If the property is refurbished it increases in value and is a greater asset. This may support a wider business plan
- A tenant would be responsible for outgoings such as council tax, water rates and utility bills
- Occupation of a property prevents further deterioration to the fabric of the building

If a property falls into a state of disrepair, it could be categorised as abandoned and as such it may not be economically viable for anyone to return that property into use. You may find that in the event of abandonment, the land loses residential status, and a replacement dwelling may not be approved. Therefore retaining the existing property in a habitable condition makes sense.

An empty home is always vulnerable to vandalism, squatters or fly tipping, so having a property occupied reduces those risks and an occupied property may be security for the wider land holding because there is a presence in the area.

Benefits of a Sweat Equity agreement for the owner

In summary, the benefits of entering into a sweat equity agreement for the owner are:

- The owner retains the property
- The property will be returned to a habitable standard and maintained in that manner over the life of the agreement without the owner incurring major expense
- The owner specifies the type and standard of the work required
- The property will be occupied by a tenant who has made a big commitment to the property

If you are considering a sweat equity agreement for your property, being clear on the extent and quality of the works required by you is crucial to the success of the project. Not only will your expectations be clear from the outset, they will form the basis for discussions with a potential tenant.

If a potential tenant does not agree with your plans, and cannot offer a suitable alternative, then they are not the tenant for you. However, if there is agreement then you are on the way to returning your vacant property back into use.

Finding a tenant

There are a range of websites that an owner could register with in order to advertise the property. However, given the nature of Sweat Equity, it may well be most suited to a person with a local connection to an area. Therefore, it may be most advantageous to advertise the property locally, either in the local press, with local businesses or possibly through the community council.

You could also carry out research to see if any community groups have a co-ordinator in the area. Often these co-ordinators have consulted the local residents and may have contact details of people who wish to live in the area.

Planning the refurbishment of the property

The plans should detail the works required at the property and the estimated costs. Depending on the condition of the property, a professional survey could be undertaken. This will assist in establishing clear and achievable milestones for the project, which should be set out and agreed by the owner and tenant. *Information on assessing property condition is included in the Project Planning leaflet in this pack.*

You could take this opportunity to consider if the property could be extended, for example with a loft conversion, and this may be factored into the plans. Owners may need to fund additional works, but it could be a good opportunity to maximise the future potential of the property whilst other works are underway.

Detailed plans of any works should be drawn up, safeguarding both owner and tenant as to the amount of work required at the property. The following checklist should be helpful, but for more in-depth project, planning, please refer to the separate *Project Planning leaflet* enclosed in the pack:

- All works must comply with Planning & Building Regulations
- A time scale agreed as to when the works should be completed, with milestones included for certain tasks
- Insist on professionals for specialised jobs such as electrical/gas/heating works
- Consider including energy efficiency measures to make the property as sustainable and affordable as possible and to maximise the energy performance rating

Other matters for consideration

You would be advised to obtain legal advice when drawing up the terms of the lease. There may be factors which are specific to the property which would not commonly be included, for instance the condition or upkeep of an access road.

Other considerations regarding the legal agreement are as follows:

- Ensure that the lease adheres to tenants' rights and tenant security
- If you are not prepared to spend capital on aspects such as servicing the site, then the rental income or period of lease should reflect this

Information on finding a solicitor is available online at the Law Society of Scotland website <http://www.lawscot.org.uk/> or in local directories.

Case Study from Dumfries and Galloway



The Empty Homes Officer contacted the owner following notification from colleagues that the cottage was in new ownership but empty. The owner advised that he was investing in the farm, and the cottage was not a priority at that time. A site visit was arranged with the owner to look at the condition of the property and discuss options for refurbishment. The Empty Homes officer outlined the principle of sweat equity, and the owner felt that this may be a suitable option for this cottage, as he lived near the site and could monitor the work.

Shortly after the site visit, the owner was approached by a potential tenant. The tenant was a qualified joiner who had experience of refurbishing properties. Following the discussion with the Empty Homes Officer and the information given about sweat equity, the owner felt able to enter into an informal arrangement with the tenant, who commenced work immediately. Within one month the tenant had brought the property up to the Repairing Standard, and moved in.

The Tenant

If you are looking for a long term tenancy, and are struggling to find a suitable property that is already in a habitable condition in the area you wish to live, sweat equity could be the solution for you.

You may have a local connection to an area perhaps through work or family but finding a home there is difficult. However, there may be an empty home requiring renovation and you have the skills and finances to carry out the works.

A tenant should be mindful that by entering into sweat equity agreement, they are making a lengthy commitment to a property they do not own. A tenant should be aware that the property must meet the Tolerable Standard* and Repairing Standard** before it can be occupied. However, through sweat equity they could secure a home for a long period for a no/low cost rent in an area that meets their needs and aspirations.

Finding a property

The primary issue for a potential tenant is how to find a property.

- If the Council has an Empty Homes Officer they can contact owners on your behalf
- Councils may have links to Rural Housing Enablers and they may be able to assist you to find a property
- Local knowledge can be hugely beneficial, and members of the Community Council may be aware of properties in the area
- You could contact Estate Factors
- Scottish Land & Estates may hold contact details of owners. The website is <http://www.scottishlandandestates.co.uk/>

- You could approach local businesses such as shop owners, to see if they are aware of any properties that are available in the area. They may know who owns a property
- You could carry out a land registry search. The Registers of Scotland website is <http://www.ros.gov.uk/>

The benefits to the tenant

- The tenant occupies a property that would not otherwise have been available on the open rental market
- In exchange for labour and financial contribution a tenant will have no or very low rent for the length of the lease

Is the property right for you?

Does the accommodation provided by the property meet your needs over the life time of the agreement? For example are there sufficient bedrooms for your family.

A tenant should consider the activity on the land around a property. For instance, if the property is in a rural location there may be farming or forestry operations adjacent to it. If stock is grazed in adjacent fields, or the property is on a main service track for a farm or forestry operation, this is a working environment.

Is the project is within the scope of your ability?

When you find a property, these are some of the matters for you to consider. You must be clear on the extent of the work required, and the standard the owner requires. You must be realistic about your skill set, and ability to pay contractors to carry out work you are unable to do.

The owner should have clear plans drawn up for the property, and you should also prepare your own plans. These should include estimates for materials and labour. The plans should also establish milestones by which certain elements of the project should be completed. *A Project Planning leaflet is included in this pack.*

If your plans do not match the owners', and no suitable compromise can be agreed, this is not the property for you. However, if there is agreement between you and the owner, then you are on the way securing a long term home.

Tenant's checklist

Consider the following when deciding if the property is right for you. *Please see the Project Planning Checklist information sheet for a comprehensive list:*

- Do you have the knowledge and skills to carry out the refurbishment?
- Do you have access to finance to cover essential costs and materials?
- Can you access machinery, (digger, tractor/trailer, forklift, generator etc?)
- Can you access tools?
- Do you have access to stocks of materials or time to source, collect, store and make good items from the likes of recycling or construction/architectural salvage centres?
- Do you have a good working relationship with local tradesmen, for advice, assistance etc?
- Do you have time to do the refurbishment?
- Do you have somewhere to live whilst working on the project? If you have to rent a property or have a mortgage elsewhere, is the refurbishment affordable?

Be aware that legally you cannot occupy the property until it meets the Repairing Standard.

Legal agreements

This pack includes some sample legal documents which give an indication of the terms and conditions you might expect to find in a lease. You are advised to seek independent legal advice before entering into an agreement. Information on finding solicitors is available online at the Law Society of Scotland website <http://www.lawscot.org.uk/> or in local directories. You should ask if any of the partners have experience in this type of lease agreement

The Materials leaflet enclosed in pack contains information about sourcing building materials and obtaining Builders Merchants discounts that have been agreed through the Homes Again project. Check with the council for other incentives that may be available in the specific area in which the property is located.

Case Study from Clackmannanshire



The Empty Homes officer contacted the owner as the property had been vacant for some time. The discussion focused on the owner retaining the property, but its condition meant it failed the Repairing standard and could not be let. The officer discussed sweat equity with the owner. The owner's nephew was interested in occupying the house, as he wished to set up home on his own, but was unable to afford to rent. The owner agreed to supply materials for the renovation, with his nephew carrying out repairs at the property in exchange for free rent.

Information on the Tolerable & Repairing Standards is available from your council or online at

Tolerable Standard <http://www.scotland.gov.uk/Publications/2009/03/25154751/3>

Repairing Standard <http://www.scotland.gov.uk/Topics/Built-Environment/Housing/privaterent/landlords/repairing-standard>

Project Planning Checklist

Owners and tenants considering a Sweat Equity/Maintaining lease need to consider and plan the works required. To start, a survey of the building to identify repair, maintenance or improvement works should be undertaken.

An owner and/or tenant could appoint a suitably qualified professional to carry out a detailed survey, particularly if the works are extensive. This should identify any defects in the property. This is not always necessary however and owners or tenants can follow a simple checklist to identify any issues.

Checking the building

Externally you must ensure that the property is wind and watertight and is structurally sound before planning any internal works.

The list below identifies building elements which should be checked when assessing works required.

Roof

- Roof Covering: look for damage, missing tiles or slates or blisters or cracks on felt roofing
- Flashings: cracked or missing sections of flashings along chimney bases, walls of adjoining properties and the apex of the roof
- Chimneys: cracked, missing or decayed stone or render, gaps in pointing, bulging or leaning sides, loose chimney pots
- Gutters and downpipes: rust, cracks, missing sections or loose fixings. Leaks may be indicated by damp patches on walls. Blockages in the gutter may be indicated by vegetation growth

External Walls

- Lintels: Cracks or decay in stonework above doors or windows
- Cills: Cracks or decay in stonework below windows
- Stonework: loose stonework, cracks, flaking or decaying stonework
- Pointing: Gaps or crumbling joints in the stonework
- Render. Check for Loose or flaking render
- Bulges/Leaning Walls: Areas where the external wall protrudes, bulges out or leans, this can indicate structural problems

Windows

- Timber Windows: check for damage or decay to the frame. For traditional sash and case windows check the cords and pulley systems are working correctly
Missing/flaking putty should be replaced. Windows can often be refurbished and draft-proofing introduced
- Double glazed units: check for blown seals leading to misting between the panes of glass. Missing/blocked trickle vents. Ensure they open and close correctly with a tight seal

Roof Spaces

- Joists/rafters, joints between roof and other visible surfaces: Signs of water damage, e.g. water straining, damp patches, stains, moulds, rotten timbers, insect attacks
- Water tank: Any tanks or pipes should be insulated to prevent freezing. Water tanks should be covered and you should also check for lead pipes

- Insulation: For the latest standard on roof insulation, visit the Energy Saving Trust website at www.energysavingtrust.org.uk/scotland

Inside the property

- Top floor rooms: Check the walls and ceilings for signs of water damage, e.g. damp patches, staining, mould possibly caused by roof defects
- Stairs & passages: cracks developing between stair treads and uneven or excessive wear. Loose or missing balusters or rails, cracked or loose plasterwork, broken or inadequate locks on main doors, broken or rotten stair windows
- Rooms with an outside wall: check for damp patches, stains or mould, possibly caused by damage to external stonework or pointing or defective downpipes
- Rooms at ground level or below: check for damp patches, stains or mould, particularly at low level. This is potentially caused by damage to the stonework, pointing or rising damp

Outside the property

- Air vents: Should be clear of the ground and covered to stop vermin getting in or debris collecting
- Drains and Grating: Check for any collapse, blockages and remove any debris
- Railings and Boundary walls: check for any repairing issues
- Paths: check for trip hazards
- Trees: check for trees that could damage the building, telephone or power lines

When the survey is complete

Once the survey is complete you can start to plan refurbishment works.

External works should be carried out prior to any internal refurbishment. Consider whether you can undertake the works identified during the survey yourself or whether you need to appoint a contractor.

If internal refurbishment is extensive it may be useful to break it down into first and second fixes. First fix includes constructing walls, [floors](#) and [ceilings](#), and inserting [cables](#) for [electrical supply](#) and [pipes](#) for [water supply](#). Consideration should be given to the type of heating that will be used at the property, as this is the stage at which fixings or wiring need to be installed.

Second fix comprises all the finishing works. Electrical fixtures are connected to the cables, [sinks](#) and [baths](#) connected to the pipes, and [doors](#) fitted into doorframes.

Fixtures and fittings such as kitchen units/bathroom suites/ floor coverings etc should be discussed and agreed between the owner and tenant.

Some works may be subject to planning restrictions. You should consult with the Planning and Building Standards section at the council to enquire about any permissions or Warrants that might be required. You can also check on the council's website under those sections as there are often pre-application enquiry forms you can use to submit your enquiry.

Further information about Planning is included on the Legal and Planning leaflet contained in this pack.

Once plans have been agreed you should seek estimates for materials and any works that must be carried out by a qualified contractor. Information on discounts from Builders Merchants is available on the Materials leaflet in this pack.

Other matters for you to consider

If the property is Listed, or has a traditional finish, such as lime render, you may need to appoint a professional contractor to carry out some works.

Check for wildlife

It is a criminal offence to kill, injure, capture or disturb bats, including obstructing access to roosts. Obtain professional information from the council's Planning section regarding this.

If the owner and tenant agree the plans, and the tenant has the finances and skills to complete the project, you are ready to draw up the Legal agreement.

More information is available online at <http://www.snh.gov.uk/protecting-scotlands-nature/species-licensing/mammal-licensing/bats-and-licensing/development/>

Legal matters

Owners and tenants considering a Sweat Equity/Maintaining lease are strongly advised to obtain independent legal advice before entering into an agreement.

There are various types of lease that can be used for this type of arrangement. Some examples of these are:

- Full Repairing and Insurance leases (FRI)
- Maintenance lease
- Minute of Agreement
- Sweat Equity lease

Information on an Example Heads of Terms from a FRI lease and a sample Minute of Agreement are included as examples in this pack.

Both owners and tenants should take legal advice on the suitability of any legal agreement they are considering. Sweat Equity is a long term arrangement for both parties, with financial consequences if the agreement does break down.

Information on finding solicitors is available online at the Law Society of Scotland website <http://www.lawscot.org.uk/> or in local directories. You should ask if any partners have experience in this type of lease agreement.

Property Surveys and Plans

Careful and realistic planning will prevent a tenant from taking on a project that is beyond their skills, capabilities and financial means as well as protecting the owner and the property.

It is important that accurate plans are drawn up for both parties. There is a Project Planning Checklist enclosed in this pack to assist. Any plans should show the works required and materials to be used. Where a Building Warrant or Planning Permission is required, you may well wish to have plans drawn up professionally. To check if permissions or warrants are required, most council's offer a pre-application service, and forms are available on the council website. You simply submit the information and they will advise on what consents are required.

Where plans and schedules of works are required they can be provided by:

- Quantity Surveyor
- Architect
- Structural Surveyor

It may be clear as to what structural repairs are necessary, but they need to be considered in the context of the whole project, to avoid doing work that may have to be undone later on. Consider what works are necessary, but also factor in what works may be desirable to improve or extend the property and if appropriate, plan for these works as well. For example, the roof might need to be replaced, but would it be possible to put an extra bedroom in the loft at the same time? If the windows in the lounge are rotten, would patio doors, rather than replacement windows, be a better way of linking the garden to the house? Perhaps removing an internal wall to merge a dining room and kitchen would create a room better suited to modern cooking and entertaining.

A surveyor or architect can detail the works, and also provide estimated costs. This provides the owner and tenant with the necessary information to negotiate the length of lease, taking into account that the tenant will be making an investment in labour, and/or money to bring the property up to a habitable standard.

Information about architects and Planners in your area are available via the Planning Aid website at <http://pas.org.uk/>

You could appoint a Royal Institute of Chartered Surveys (RICS) surveyor. A surveyor may provide an accurate schedule of works to bring the property up to the required standard and may also identify repairing issues that are not obvious without an in depth inspection. To find a RICS surveyor in your area, go to the RICS website at: <http://www.ricsfirms.com/> Your Empty Homes Officer will be able to signpost you on to the relevant council sections who can help you with your planning enquiries, or you can search the website for Planning and Building Standards for online enquiry forms.

Other sources of information

There is a vast amount of information available online and in publications about different elements of returning properties to use. Some useful websites are listed below:

Energy Saving Trust Scotland

For information about Insulation and Renewal Energy

<http://www.energysavingtrust.org.uk/scotland>

Rural Housing Service <http://ruralhousingscotland.org/>

Scottish Environmental Protection Agency

Contaminated land/building information

<http://www.sepa.org.uk/>

Health and Safety Executive

Info on disposal of Asbestos <http://www.hse.gov.uk/pubns/guidance/em9.pdf>

HMRC website Information about VAT discounts and exemptions on conversions is available on the <http://www.hmrc.gov.uk/vat/sectors/builders/construction.htm>

Materials

A number of Builders Merchants have offered discounts to people who engage with Empty Home projects. Speak to your Empty Homes officer who can confirm that your property is classed as long term empty for them. You could check with the Empty Homes officer to see if there are other discounts, services or incentives specific to their council area.

Participating Builders Merchants

The following builder's merchants are offering discounts:

Jewson Builder's Merchant

www.jewson.co.uk

Travis Perkins

www.travisperkins.co.uk

Keyline Builders Merchants

www.keyline.co.uk

Howdens Joinery

Email: glenrothes@howdens.com

01592 770 479 07552 627766 quoting "Empty Homes Partnership"

Details of branch locations and product types are available online. Empty Homes Officers would always recommend that owners obtain a number of estimates for products from a range of suppliers, in order to access the best prices.

Insulation, heating and renewable energy

Information about home insulation, the Green Deal, or energy saving measures is available via the Energy Saving Trust Scotland. The link to the site is:

<http://www.energysavingtrust.org.uk/scotland> or by telephoning 0808 808 2282. If the project requires a Building Warrant you will need to install energy efficiency measures that meet the latest requirements for Building Standards.

Reclaim companies

In order to keep refurbishment costs lower, or to source original materials in keeping with the building you could consider purchasing through Reclamation companies. Below are some of the companies operating in Scotland.

<http://www.westcoastreclamation.com/>

<http://www.glasgowarchitecturalsalvage.co.uk/>

<http://www.reclaimbuildingsupply.com/scotland.htm>

Private Water Supply

If the property has a private water supply then speak to the Environmental Health team at your local council or look online at <http://www.privatewatersupplies.gov.uk>

✉ **Contact Aberdeenshire Council if you have an empty home and would like further advice:** emptyhomes@aberdeenshire.gov.uk

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