

A thick yellow line graphic that starts in the top right corner and zig-zags downwards and to the left, ending near the bottom right. It has several sharp turns, creating a jagged, path-like appearance.

# Rebuilding Our Communities

September 2020

**Plaid Cymru**  
action plan on  
second homes.

# Foreword

Everyone should be able to live in the community in which they were brought up. In some of our communities, the situation in relation to second homes has reached crisis levels, with young people being priced out of buying property in an increasingly unsustainable market.

Plaid Cymru presents this paper as a blueprint, and calls on the Welsh Government to take urgent action to address the issue. Some of the measures in this paper could be implemented immediately through the introduction of regulations, while others should be prioritised for primary legislation in the Government's and the Senedd's legislative programme.

A Plaid Cymru Government would act immediately to put this action plan into practice. The actions outlined within it have been developed with the input and support of relevant Members across the Shadow Cabinet's portfolio areas, thereby reflecting Plaid's commitment to working holistically across government to deal appropriately with second homes and the housing crisis facing our communities.

The Welsh Government need to wake up from their inertia and take action to ensure that some of our communities do not become towns where most of the properties are empty, and where young people find it impossible to buy homes. The time for talk is over: action is needed, and these steps need to be taken now.

## September 2020

Delyth Jewell MS, Plaid Cymru Shadow Minister for Housing

Rhun ap Iorwerth MS, Plaid Cymru Shadow Minister for Finance

Siân Gwenllïan MS, Plaid Cymru Shadow Minister for the Welsh language & Arfor

Llyr Gruffydd MS, Plaid Cymru Shadow Minister for Planning



# Summary of actions

## 1. Controlling the use of second homes

**Planning use classes should be amended**, thereby allowing local councils to control second homes by **introducing an appropriate cap for every community**, in consultation with the local community.

Work should be undertaken **to ensure a section 106 agreement is in place to prevent any new property from being used as second home** in areas where second homes already represent more than 20% of the existing housing stock.

## 2. Compensating for the cost to our communities

The **maximum level of council tax premium that can be levied on second homes should be trebled to at least 200%** in an attempt to change behaviour around the use of second homes, raise revenue to invest in social housing and to compensate communities experiencing the detrimental impacts of the overuse of second homes.

The **higher rate of Land Transaction Tax should be doubled** immediately for an initial period of 6 months to serve as a disincentive against the purchase of homes for leisure or profit, and to give first time buyers a key advantage.

## 3. Closing loopholes and updating legislation

Immediate action should be taken to **close the 'loophole' in legislation** which means that it is possible to opt out of domestic rates and the council tax premium as a result, thereby preventing second homes from taking advantage of business rate relief as a result.

## 4. Better oversight of short term holiday lets

**Controls on the ability to let out** a residential dwelling on a short-term basis via companies such as AirBnB for significant parts of the year should be considered, by ensuring a greater oversight of the practice – potentially through a licensing system.

## 5. Bringing housing within local reach

The overuse of second homes is a symptom of a wider problem. As well as responding directly to the issue, a series of more far-reaching interventions must also be introduced.

Positive action should be taken to **facilitate access to housing at prices which are within the reach of the local market**, including the possibility of establishing a fund to enable local authorities to develop homes with local clauses attached but on a 'not for profit' basis.

The **definition of an 'affordable home' should be revised** as 78% of the Welsh Government's 'affordable' homes have a price tag of over £150,000 whilst 17% of such homes were sold for over £250,000 – which is well beyond the reach of the majority of people in areas where the average salary is relatively low.

Local authorities and housing associations should be encouraged as a priority to purchase empty homes for development in order **to meet the local need for social housing**.



**Adam Price MS**



# Background

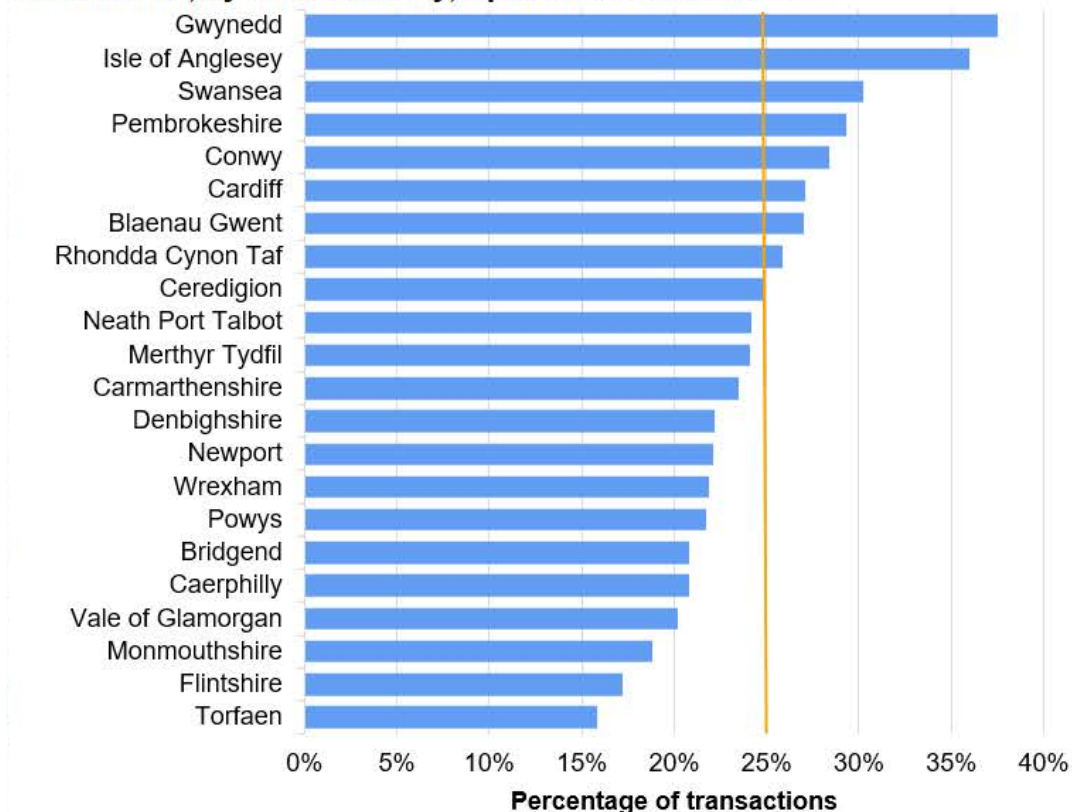
Second homes are domestic properties (dwellings) that are no-one's main home. Rather, they are used either occasionally by the owner (during the summer or on weekends, for example) or as short-term holiday accommodation via companies such as AirBnB, or a combination of both. This is in contrast to self-catering holiday units that were purpose-built or converted (from farm sheds, for example) specifically for that purpose and not previously used as domestic properties.

The high numbers of domestic properties being used as second homes in Wales have received increasing attention in recent years. The problem is worst on the western seaboard; for example, nearly 900 or 40% of the houses that go on the market in Gwynedd are now purchased as second homes every year.

Local authorities report problems collecting complete data on second homes, but the higher rate of land transaction tax (which replaced stamp duty in Wales) levied on residential transactions on a geographical basis is one indicator.

Table 1 below gives an overview of the percentage of properties subject to the higher tax by local authority for the period April 2019-March 2020.

**Figure 8.3 Higher rates transactions as a percentage of all residential transactions, by local authority, April 2019 to March 2020**



The higher rate of land transaction tax is charged when someone buys a residential property worth £40,000 **and already owns 1 or more properties**. The geographical distribution of the areas with the highest number of transactions subject to higher taxation suggests that these are second homes used as occasional accommodation for the owner or converted into accommodation for short-term letting via companies such as AirBnB.

The Table above also shows that overuse of second homes in Wales is not just an issue affecting the west coast or rural areas. Swansea is also near the top of the table, and Swansea Council data estimates that around 1884 of the city's properties are second homes – an increasing trend with 676 of these (about 36%) having appeared in the 12 months from October 2018 to October 2019. Of these second homes, 65% are on the Gower, in western parts of Swansea and in the Marina. The data also shows that 52% of the property owners have their main residence outside the local authority's boundaries.

There are two main side effects to the overuse of second homes which are currently out of control.

## **1. Creating a housing crisis for local people**

There is no shortage of housing in a county like Gwynedd. Around 7,000 or 12% of the housing stock are second homes owned by people who live outside the county and, often, the country. This is the highest percentage in Wales, and is among the highest in Europe.

For every house used as a second home, there is one fewer house that can be used to meet the housing needs of the local market. Efforts to close the gap between local housing demand and the houses available to meet local need is not happening at the same rate or as fast as the houses leaving the local housing stock to be used as second homes. The gap is widening. According to Gwynedd's Housing Department data, an additional 811 houses are needed each year in Gwynedd to meet current local demand, but at the same time, 830 homes are being "lost" as second homes , **creating a gap of 1,641 houses each year.**

At the peak of the Covid-19 lockdown, the cruel effects of the hidden homelessness arising from the local housing crisis became clear. This hidden homelessness means that young people have no choice but to live under the same roof as their parents and extended families, sleeping on sofas in houses that are too small for everyone to have a bed. There was also an increase in the numbers being referred for temporary accommodation. At the same time, there were thousands of second homes in Wales – which were not legally allowed to be used during the lockdown – laying empty.

## 2. The impact on communities

As well as the direct effects of second homes on the local housing supply, there are wider impacts on communities of having high concentrations of second homes in an area. This can include putting pressure on local services and resources at the peak of the season when the properties in question are being used, but leaving them as desolate villages and towns in winter. As a result, fewer people have an active, lasting role in community life all year round, which is damaging the local economy and the Welsh language in those areas.

The overuse of second homes is also driving prices out of the reach of the local market, which is causing the depopulation of communities. 59% of people in Gwynedd could not afford to buy a single house in the county, compared to 56% across Wales, based on income.

As the experience of the pandemic has shown, the health and care systems are generally not designed to cope with demand beyond the local demand for services. Having an excess of these properties in areas means that the maximum population size is volatile and could double overnight; this is not a sustainable basis for planning resilient public services.

## 3. International challenges and solutions

The challenges posed by having too many second homes are not confined only to Wales. For example, the growth of the AirBnB industry has created problems in cities such as London and Barcelona, with concerns about the disproportionate impact of such properties on residents living permanently in the affected areas. The main concerns are issues such as noise and litter associated with short-term letting of dwellings.

Governments and countries around the world facing similar challenges to Wales in this area have introduced a series of measures which are worth reviewing.



**Delyth Jewell MS**

## Canada

A non-citizen tax was one part of a plan introduced by the government to cool off hot housing markets . The 15 per cent tax was imposed on buyers who are not citizens, permanent residents or Canadian corporations

## Australia

Steeper charges, less favourable tax treatment and a cap on new development sales were introduced.

## Switzerland

The government set about reducing the number of empty buildings and closed shops . Here are some of the measures:

- the proportion of the total number of residential units in a municipality that can be used as second homes is limited to a maximum of 20 per cent
- the law obliges the municipalities to publish a report on their implementation of this measure annually.

## Denmark

Non-residents may not purchase real property unless the person:

- has previously lived in Denmark for at least five years;
- is an EU national working in Denmark; or,
- if a non-EU national, has a valid residence or business permit.

## Austria

There are measures in place ruling that only those who intend to reside permanently and register as a tax resident in the area can buy property there .

## Ireland

Under the guidelines introduced by the Minister for Housing, short-term accommodation hosts or landlords with properties in Rent Pressure Zones (RPZs) must register with local authorities or apply for planning permission to continue operating.

**Some cities have also taken their own steps:**

## Amsterdam

The city bans holiday rentals in city centre neighbourhoods. It prohibits the operations of holiday rentals in certain neighbourhoods within the old city and canal area, and has pledged to introduce permits for hosts to operate rentals in other parts of the city.



## Palma

The city on Majorca set out to ban flat owners from renting their flats to tourists, becoming the first place in Spain to introduce such a measure. Palma's mayor said the ban will be a model for cities suffering from mass tourism

## Bolzano

The province has banned the purchasing of holiday homes in the area, after concluding that they were driving up house prices beyond the reach of local people. Second homes will now be restricted to residents who have spent at least five years in the region or those who work in the area .

### Closer to home:

## Northumberland

The local authority proposed changes to its planning policy that would see the sale of property to outsiders being banned in areas where second homes and holiday homes are popular.

## Camden

Applications for whole residential properties, including single-dwelling houses and flats, to be converted to short term / holiday lettings are likely to be refused by the Council.



Siân Gwenllian MS

## 4. What solutions have been tried to date?

By following our own path, Wales has been able to take some steps to try to mitigate the negative effects of second homes on our communities and housing supply.

Through the Housing (Wales) Act 2014, the Senedd legislated to give local authorities the power to charge a premium of up to 100% on second home council tax. This has enabled councils such as Gwynedd to raise around £2.7million of additional revenue, and the Council, led by Plaid Cymru, decided to allocate the additional funding received to build new social housing, for which there is great need in the county. To unlock the funding, a new Housing department has been created in the Council and a Housing Action Plan is being developed that will contribute to meeting local housing need.

The aim of local authorities in introducing the premium is (1) giving a nudge to effect a change in home ownership behaviour through the local tax system – with the aim of reducing the number of second homes and addressing a shortage of houses locally, and (2) to raise revenue for local authorities to facilitate measures to meet the gap between demand and available housing (local supply and demand).

Unfortunately, there are concerns that second home owners subject to the premium are now opting out of the council tax (domestic rates) regime and moving to the business (non-domestic) tax regime by registering their second homes as businesses to avoid the higher tax levied under the Housing Act 2014. They then become eligible for small business rate relief on property that cannot meaningfully be defined as a business based on its use. For this reason, councils such as Carmarthenshire have understandably decided not to apply the premium at all due to the risk of seeing a reduction in public funds.

Plaid Cymru in the Senedd and Plaid's local authorities repeatedly raised the loophole that allows second home owners to avoid tax, but Welsh Labour Government Ministers have done no more than bury their heads in their sand.

Under the business rates regime, second homes do not need to pay any tax at all if they are available for letting for 140 days a year and are let for 70 days a year (10 weeks a year). That would still allow it to be used as a second home for 42 weeks a year and not a penny of tax would need to be paid on the property.

Following the British Government's announcement that stamp duty relief will be introduced in England to boost the housing market in the wake of Covid-19, the Welsh Government decided – since our version of stamp duty, Land Transaction Tax, has now devolved – to limit the tax relief to homes bought for use as a main home.

More generally, the Well-being of Future Generations (Wales) Act was introduced in 2015. This is a law that puts the sustainable development principle on a statutory footing, with Wales being the first country globally to do this when it was introduced.



Llŷr Gruffydd MS

The Act sets out 7 wellbeing goals and places a duty on public bodies, including the Welsh Government and local authorities, to achieve them. Well-being goals include 'A Wales of cohesive communities', 'A Wales of vibrant culture and thriving Welsh language' and 'A more equal Wales'. Although the goals are clear and the way forward is – in principle – clearly set out, the experience in this area at grassroots level does not match the ambition. Suffice to say that the frenzied state of affairs seen at present in relation to second homes is in stark contrast to the spirit of sustainable development.

Some small and gradual, but commendable, steps have been taken to date. And Plaid Cymru local authorities are at the forefront, using the limited powers they have to try to meet local housing need. But it must be acknowledged that the steps taken do not address the scale of the challenge and injustice.

The fact remains that no mechanism exists to:

- Prevent the loss of houses for local use from local housing stock through their sale at extortionate prices for use as second homes
- Limit the amount of housing stock in a community can be used as second homes.
- Control, or place conditions, for the use of dwelling houses as temporary holiday accommodation – AirBnB etc. – in areas where people reside permanently.
- Ensure that council tax or a similar tax is levied on these seasonal properties to offset the cost to the local community.

## 5. What next?

Simply building more houses would not resolve the situation. Even if the houses being lost from local housing stock could be replenished with an equivalent number of new social and affordable housing, it is unsustainable that up to 40% of houses are being bought as second homes.

Without taking robust steps to guarantee local access to housing by protecting the local housing stock, there will be no mechanism to prevent this loss from local housing stock for use as second homes.

The cycle will continue and so will the local housing crisis. This is because house prices and levels of wealth elsewhere in the British state directly influence house prices in areas such as Gwynedd where the local economy is less resilient and less able to compete.

The decline of our communities will also continue. It is a vicious and familiar cycle – growing numbers of second homes, house prices increasing beyond the reach of the local market, people leaving to find work. This also leads to the decline of the Welsh language in its strongholds. This cycle has continued for too long without adequate intervention.

Ultimately, independence is the only sustainable solution to the housing problems in the west. We need an independent state that shares wealth fairly, where no such wealth gap – or, in other words, two economic zones where the powerful centre works against the periphery – can exist in the same state. As it stands, house prices in Gwynedd are determined by the market of Wales and England, but Gwynedd's economy does not have the ability to compete against the economic power of somewhere like London, or indeed Cardiff.

But our people and communities cannot wait for independence. This is an action plan of measures that are challenging but practical, robust but proportionate, that could be implemented immediately to deal appropriately with the impact of unfettered second homes on the communities of Wales.





# Action Plan

The Action Plan has five strands.

## 1. Controlling the use of second homes

A definition of a second home is found in local government finance. Specifically, the Local Government Finance Act 1992 defines a second home as a substantially furnished property that is occupied periodically.

**Planning use classes should be amended** in a similar way to steps already taken in Scotland and Northern Ireland for second homes, and closer to home with houses in multiple occupation (HMOs).

In 2016, there was a change in Planning legislation that created a new 'Class of Use' – 'C4' – which allows for a distinction within the planning system between Residential Homes and HMOs:

### ***Class C3. Dwellinghouses***

*Use as a dwellinghouse (whether or not as a sole or main residence) by—*

*(a) a single person or by people to be regarded as forming a single household;*

*(b) not more than six residents living together as a single household where care is provided for residents; or*

*(c) not more than six residents living together as a single household where no care is provided to residents (other than a use within class C4).*

### ***Class C4. Houses in multiple occupation***

*Use of a dwelling house by not more than six residents as a house in multiple occupation.*

This means that **planning permission is required** to change use from C3 to C4. This has enabled Gwynedd and Anglesey, in their Joint Local Development Plan 2010-2026 (Policy TAI 9, page 142) to control the number of HMOs in Bangor by setting a maximum in some wards. Permission to convert a house into an HMO can be refused if it brings the number of HMOs above the cap. The soundness of the policy has been tested through the successful defence of an appeal against refusal.

In order to have the same control over second homes, C3 should be modified as follows:

***Use as a dwellinghouse (whether or not as a sole or main residence)***

And then add a new class, for example

***'C5': Use as a dwellinghouse as a secondary or holiday residence***

This would create a **requirement to obtain planning permission** before a dwelling house could be changed from a main home to a second home.

This would enable councils to control second homes in the same way as HMOs, **by setting an appropriate cap for each community**, through consultation with the local community.

As well as needing to obtain planning permission to change the use of existing properties under this regime, **work should be undertaken to look at** replicating a policy introduced by Northumberland county council recently **which means that a section 106 agreement condition is imposed on any new property** in areas where more than 20% of homes are already second homes, requiring the property to be used as a main home only.

In practice, this would enable the introduction of a ban on second homes in areas where the concentration of second homes is already unsustainable.



## 2. Compensating for the cost to our communities

The overuse of houses as second homes causes the gap between the local demand for housing to increase faster than the ability to meet it, while the numbers of second homes spiral out of control and house prices increase beyond the reach of local people.

This in turn leads to depopulation and threatens the sustainability of our local communities and services for future generations. Our communities are paying the price for an increasing number of second homes, and we are all worse off as a result.

**The maximum council tax premium that can be levied on second homes should be trebled to at least 200%** to reinforce the work already taking place in some local authorities to seek to change behaviour around the use of second homes, to raise revenue for investment in social housing and to compensate communities experiencing the detrimental effects of second home overuse on local communities and services.

**The higher rate of Land Transaction Tax should also be doubled** immediately for an initial period of 6 months to bring some control to an overheating market and to try to prevent house prices from increasing even further away from the reach of the local population and first time buyers.

## 3. Compensating the cost to our communities

Partly as a result of introducing the council tax premium, a number of councils have reported an increase in the number of properties transferring from the domestic property tax regime to Non-Domestic Rates. In other words, houses are being transferred into businesses although they can still be used as houses.

The Welsh Local Government Association's Rural Forum estimates, based on a survey conducted in 7 local authorities, that £4.5million a year is lost to the public purse due to this pattern. Under the current funding formula for local authorities, this means that all councils in Wales are losing out, as the £4.5 million lost would be shared between the 22 local authorities.

What's more, after the transfer, the majority of these properties receive Small Business Rate Relief (SBRR) because of their rateable values. Properties with a rateable value of £6,000 or less receive full relief, thus pay no taxes, while properties with a rateable value between £6,001 and £12,000 receive tapered relief. This comes from the Welsh Government's budget, which means that the funding available for public services suffers a further loss.

Immediate action should be taken **to close the 'loophole' in legislation** which means that it is possible to opt out of domestic rates and the council tax premium as a result, and preventing second homes from taking advantage of business rate relief as a result.

There are several options available, but **we would favour amending the Local Government Finance Act 1988** so that it is not possible to leave the council tax regime if a property has previously been used as a dwelling.

## 4. Better oversight of short-term holiday lets

**Controls on the ability to let out** a residential dwelling on a short-term basis via companies such as AirBnB for significant parts of the year should be considered, by ensuring a greater oversight of the practice – potentially through a licensing system.

This would ensure the quality of holiday accommodation and would be another tool to allow an element of control of locations and volumes, e.g. by not allowing a licence for a house within an estate, or without adequate parking space etc. In addition, it would provide some protection against the loss of dwelling houses from the local housing stock as homes for people to live.

## 5. Bringing housing within local reach

The overuse of second homes is a symptom of a wider problem. As well as responding directly to the issue, a series of more far-reaching interventions must also be introduced.

Our current uncontrolled housing market guarantees the ability of the highest bidder to amass as much property as they desire, creating social injustice. This excludes almost half the population of Wales from the market based on income. We will want to do what we can, without the economic powers of an independent country, to give local people a fair chance and a helping hand by adopting the principle that everyone should **be able to have a home in their own community.**

One method to try to support housing for local people is to impose a 'local clause' on houses, which has already been implemented in parts of Gwynedd and Anglesey. The intention of the Gwynedd and Anglesey Joint Local Development Plan 2010-2026 Local Market Housing Policy is to restrict the occupancy of any new house in certain areas to people with a local connection, in perpetuity. It applies to five areas in Anglesey, and ten in Gwynedd . However, the success of the policy to date has been mixed, since housing developers are still motivated by profit, meaning that the prices of houses with local conditions are still too high for local people to buy. In turn, the developers call for the local clauses to be lifted to enable the houses to be sold at market price.

Positive action should be taken to **facilitate access to housing at a price that is accessible to the local market**, including the possibility of establishing a fund to enable local authorities to develop houses with 'local clauses' attached but on a 'not for profit' basis.



**The definition of an 'affordable home'** should be revised since 78% of the Welsh Government's 'affordable' houses sell for more than £150,000, with 17% of them selling for over £250,000 – far from affordable for many.

**Local authorities and housing associations should be encouraged and given priority in purchasing empty houses** for development to meet the local need for social housing, building on the pioneering work of Carmarthenshire County Council's arms-length housing company.

## References

<https://democracy.swansea.gov.uk/mgConvert2PDF.aspx?ID=61356>, p4

<https://statswales.gov.wales/Catalogue/Taxes-devolved-to-Wales/Land-Transaction-Tax/Geographic-data/landtransactiontaxstatistics-by-localauthority-transactiontype>

<https://t.co/kPXXidP7KC?amp=1>

<https://t.co/TiVD0meUtU?amp=1>

<https://t.co/BkMU87ccUF?amp=1>

<https://t.co/wYeQW0ARQk?amp=1>

<https://t.co/zlq6FoNASs?amp=1>

<https://t.co/TAowcDFoAE?amp=1>

<https://www.irishtimes.com/life-and-style/travel/new-rules-on-short-term-lettings-set-to-come-into-force-1.3941804>

<https://t.co/OsbtTg5noD?amp=1>

<https://t.co/qbAXH0rIWC?amp=1>

<https://t.co/4Me1Mztqfi?amp=1>

<https://t.co/rU1utcpjR?amp=1>

<https://t.co/jpsXfgX8XJ?amp=1>

<https://democracy.swansea.gov.uk/mgConvert2PDF.aspx?ID=61356>

Policy TAI 5, page 142

