

POTENTIAL SHARED-OWNERSHIP HOUSING GRANT PRODUCT

Housing and Health Advisory Committee

Report of Chief Planning Officer

Status For Consideration

Key Decision No

Executive Summary: Officers were tasked with exploring a range of options relating to a potential bespoke shared-ownership grant product to assist households with funding for deposits and/or legal fees associated with the purchase of a share in a home. This report sets out the findings and options available.

This report supports the Key Aim of: the District Council's Housing Strategy and Community Plan.

Portfolio Holder Cllr. Michelle Lowe

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Recommendation to the Housing and Health Advisory Committee: That Members consider the options and recommendations within this report and support Officers to develop a branded District Council product and associated policy.

Reason for recommendation: To enable the District Council to deliver housing strategy by providing additional solutions for low and middle-income households struggling to gain a foot on the housing ladder and, in doing so, preventing the further out-migration of those key to the economic development of the District.

Introduction and Background

- 1 As part of its affordable housing work programme (in its post-1989 role as affordable housing enabler), the District Council works with a number of housing associations to develop a wide-range of social housing types and tenures. In recent years, demand for shared-ownership housing has grown and this tenure has proved to be a highly effective means of meeting the District's intermediate housing need.
- 2 In many cases, however, households would be perfectly able to afford monthly payments for shared-ownership housing (mortgage/rent) were it not for initial deposit costs and associated fees. As a result, a great deal of residents remain at home with parents, share accommodation, continue to occupy the District's limited low-end private rented sector and

social/affordable rented housing stock, or, as above, out-migrate to areas where housing is cheaper.

- 3 Recently, Officers were tasked with exploring the potential for a bespoke shared-ownership grant product whereby households could be assisted with upfront costs to gain a foot on the housing ladder - the idea being to overcome the initial obstacles experienced by many and as set out above. The following paragraphs set out the various options available to the District Council, therefore.

Grant models

- 4 Having undertaken some research, the following grant models have been identified as potentially workable whilst achieving the required key outcomes. These are, as follows:
- Provide grant on a non-repayable basis (after a period of occupation);
 - Require repayment before stair-casing takes place or at the point of sale; or
 - A combination or variation of the above.

Typical qualifying criteria

- 5 A product could be developed in such a way as to enable the District Council to target particular groups and/or households. The following is a list of typical criteria that could help to form a client priority policy.
- Existing housing association tenants (freeing-up social/affordable rented housing in the process);
 - First-time buyers or those in relationship breakdowns (as per 'Help to Buy' criteria);
 - Local connection (live/work connection to the District);
 - Essential local workers (as per 'National Planning Policy Framework') or locally-defined essential workers (to widen to private sector workers);
 - Priority for ex-MoD personnel (again, as per 'Help to Buy');
 - Priority for a certain age range (e.g. aged under-40, as per proposed 'Starter Homes' product); and/or
 - Those overcrowded and/or under-occupying.

- 6 Examples of additional conditions intended to achieve particular outcomes could be, as follows:

- Allow properties suited to household at point of application;
 - Allow 1-bed above need;
 - Allow any size within affordability limits (at odds with related down-sizing policy, however);
 - Link income thresholds to the proposed new Allocations Policy or set a new level;
 - Those moving back into the District (as per rural exceptions sites qualifying criteria) and/or
 - Restricting purchases to a maximum of £300,000 (thereby avoiding new Stamp Duty requirements).
- 7 If such a product were to be created, a policy could be developed to set out groups and/or situations whereby priority would be given through some kind of a weighting system. This would be to ensure that the District Council maximised positive outcomes across housing and wider community strategy.
- Proposed grant rules and thresholds**
- 8 With initial purchase shares typically now at around 25-35% (as opposed to the traditional 50%) and deposits only required on the initial share being purchased, shared-ownership properties require much less funding than open market equivalents. Having researched property values and associated fees, the following grant levels are thought appropriate to support such a product whilst achieving key project aims (with the upper figure providing much more scope):
- Provide a maximum of £7,500 towards a deposit only;
 - Provide a maximum of £7,500 towards a deposit and associated fees;
 - Provide a maximum of £10,000 towards a deposit only; or
 - Provide a maximum of £10,000 towards a deposit and associated fees.
- 9 In terms of risk, it may be more appropriate to pay deposits only and require applicants to fund any associated fees. Should a sale fall through under these circumstances, the District Council would be at no risk of default on repayable elements of a grant (under normal shared-ownership rules, housing associations require that applicants have sufficient funds to pay fees - so, this would correspond with those rules). Applicants would also be subject to affordability tests.

Funding a project

- 10 With significant Section 106 affordable housing planning gains available to spend (c£5.5m), the District Council would look to fund a project through these developer contributions. This would fit in with spending criteria, as

set out in the District Council's 'Affordable Housing Supplementary Planning Document' (SPD) - that being to 'assist those in housing need to access low-cost home-ownership'.

- 11 If supported, it would be proposed to allocate a sum of £100,000 to undertake a pilot project (as was the case with the District Council's 'A Home of Your Own' scheme). Assuming not all applicants would require the maximum amount of grant, the £10,000 option could potentially assist up to fifteen households into shared-ownership housing on an initial pilot phase.

Delivery partner

- 12 As with 'A Home of Your Own', the District Council would seek to find a partner with a good track record of service delivery and willing to administer such a scheme on its behalf. This would likely be a housing association - they typically having the in-house expertise to do so. The District Council would incur administration costs in doing so, however, and this would need to be factored into overall project costs, therefore.

Evidence of need

- 13 Results from the recent 'Local Employer Housing Needs Study (2017/18)' confirm significant support and need for such a product to assist low-paid workers into shared-ownership housing through a loan deposit product. The recently-completed 'Local Housing Needs Study' and live waiting list data held by the area 'Zone Agent' also support the need for such a product.
- 14 It is also highly likely that, should a loan deposit product be introduced and promoted, that in itself would generate further interest from those not actively pursuing shared-ownership housing due to upfront affordability issues, i.e. not currently registering themselves due to being outpriced from current intermediate housing products on the market, e.g. 'Help to Buy'.

Anticipated outcomes

- 15 Again, and as with the District Council's 'A Home of Your Own' scheme, priority policy would be developed in such a way as to achieve outcomes that were wide and varied. Key anticipated benefits would include:
 - Helping to free-up social/affordable rented housing for those in housing need (and creating lettings chains in the process);
 - Helping to free-up low-end private rented accommodation (again, creating lettings chains in the process);
 - Providing younger people with an opportunity to gain a foot on the housing ladder;

- Preventing the further out-migration of economically active groups (typically those aged 25-44) and protecting the local workforce in doing so;
- Supporting those with a local connection to take priority for the District's shared-ownership housing (Government removed local connection rules for shared-ownership housing last year, so this has become an issue of concern and one that such a product could help to alleviate);
- Achieving more mixed and balanced communities;
- Reducing pressure on the Sevenoaks District Housing Register;
- Less of a drain on public funds (through fewer social/affordable rented tenants and reduced housing benefit payments); and
- Supporting and sustaining the District's towns and villages through positive effects on economic development, health and wider community strategy.

Next steps

- 16 Subject to support from the HHAC, Officers intend to work to identify a partner housing association and develop a bespoke branded shared-ownership grant product with associated policy summary setting out priority groups/situations where grant would be targeted. Once complete, this would then be brought back to HHAC as a complete product package and with a recommendation to approve and launch.

Key Implications

Financial

There are no implications for District Council budgets - the funding being proposed from Section 106 affordable housing planning gains.

Legal Implications and Risk Assessment Statement

Any legal implications and risk issues would be considered during the development of a product, should it be supported.

Equality Assessment

The product, as proposed, would aim to help those currently unable to purchase to access home ownership directly or through the conventional shared-ownership housing programme (Help to Buy), thereby providing more choice for low and middle-income groups.

Appendices None

Background Housing Strategy 2017
Papers

https://www.sevenoaks.gov.uk/downloads/file/1028/housing_strategy_2017

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