

<b>COMMITTEE:</b>	Housing and Social Services Scrutiny Committee
<b>DATE:</b>	25 February 2013
<b>REPORT TITLE:</b>	Disposal of HRA land for affordable housing
<b>AUTHOR:</b>	Shan Lloyd Williams, Head of Housing Services
<b>PORTFOLIO HOLDER:</b>	Councillor O Glyn Jones
<b>CORPORATE DIRECTOR:</b>	Gwen Carrington, Director of Community Department
<b>PURPOSE OF THE REPORT:</b>	To recommend a draft amended policy on the disposal of HRA land for Affordable Housing to Elected Members, for discussion, prior to presenting to the Council's Executive Committee for approval.

## 1.0 Background

- 1.1 The Isle of Anglesey County Council is committed to meeting the need for affordable homes on the Island. In order to meet this commitment the Council utilises a number of delivery models.
- 1.2 The Council has been pro active in assisting self builders by providing plots, at below market value, for building affordable homes on a number of sites on the Island. The original conditions for these 'plot for sale' initiatives were approved by the Executive on 27th March 2006. The basis being that the plots were sold at 25% of their market value with the remaining 75% being a deferred Legal Charge. This has been the principle used on the plots for sale schemes at Nant y Pandy, Llangefni.
- 1.3 At its meeting on 11<sup>th</sup> January 2011, The Affordable Housing Panel endorsed the principle of using land value as a subsidy to develop affordable housing schemes by confirming their view that, *'the land value, where in the Council's ownership, should be invested in the development and only be repayable when either the occupier wishes to own their home outright or due to a lack of affordable housing need, the property is sold on the open market'*. The Panel agreed that further work should be undertaken to identify possible partners and to work up a pilot proposal for the development of a site to demonstrate the viability. Accordingly, a report was considered by the Board of Commissioners in February 2012 when approval was given to use a HRA site adjoining Bryn Paun, Llangoed for the development of 10 affordable homes, subject to confirmation of local housing need. Detailed planning permission has now been granted for this scheme.

**1.4** In recognition of reducing capital grant for Housing Association developments and limited private developments due to both a lack of development funding and mortgage availability the Council needs to be innovative in order to continue to provide affordable homes for local people.

## **2.0 Issues for Scrutiny**

- i) How the draft Policy contributes to the strategic objectives of the Council and benefits the citizens of the Island, adding to housing options available, for developing affordable housing.
- ii) Potential areas for improvement within the draft policy.

## **3.0 AMENDMENTS TO EXISTING POLICY**

**3.1** As a consequence of the economic crisis financial institutions have become risk averse and there is reduced mortgage availability particularly for first time buyers. This change of approach has significantly affected lending for the Council's affordable housing schemes and/or individual homes that have restrictions on occupation and re-sale.

**3.2** In order to assist people wanting to purchase self build plots at Nant y Pandy, Llangefni, a report was submitted and approved, on 24<sup>th</sup> August 2011, by Commissioner Margaret Foster. The significant change being to respond to the requirements of Mortgage providers by replacing the deferred 75% Legal Charge on the plot value with a 20% 'market value discount' on the completed property.

**3.3** In progressing amendments to the Section 106 Agreements used to secure the provision of affordable homes, to respond to the changing requirements of mortgage providers, the Affordable Housing Panel agreed a market value discount of 20% for individually owned self-build plots on the Island. This means that should the property ever be sold on the open market then 20% of the sales value is payable to the Council's Affordable Housing Account and 'recycled' to meet other affordable needs. As noted above, in the (2011) policy amendment, this percentage was similarly approved for the Council's plots for sale to demonstrate fairness and consistency.

**3.4** In recognition that the Council wishes to sell an affordable housing plot and to deal with similar opportunities on HRA Land, an amended policy is required to deal with these issues that reflects the current economic climate and enables purchasers to obtain mortgage finance while at the same time securing the Council's interest.

## **4.0 Recommendations**

### **4.1 Committee Members are requested to:**

**R1 scrutinise the draft policy document attached to this Report**

**R2 offer any amendments to the draft Policy which will be reflected in the Policy presented to Executive Committee, for approval**

## **Disposal of HRA Land for Affordable Housing Draft POLICY**

- 1.1** In order to continue to meet the need for affordable homes new initiatives are being developed to use existing HRA land as the subsidy to provide homes below market value.
- 1.2** Meeting affordable housing needs is a corporate priority, and there has been ongoing inter departmental discussion to identify potential opportunities in areas of identified housing needs. Identification now being assisted by the Tai Teg 'Affordable Housing web site', that promotes registration of affordable housing needs and opportunities. ( See [www.taiteg.org.uk](http://www.taiteg.org.uk) ).
- 1.3** These discussions have resulted in a number of potential sites being identified in the ownership of the Property Service. One such site has been identified in a grant submission to the Welsh Government should additional funding become available. The Property Service have confirmed that, subject to approval, they would 'swop' this site for HRA land and a 'swop' site has been identified.
- 1.4** In order, therefore, to maximise the use of HRA land in meeting affordable housing needs a new Policy is required to enable both the 'swopping' and disposal of sites in appropriate and justified circumstances.

## **2.1 Individual Plots**

- 2.1.1** Plots for the self-build of affordable homes on Housing Revenue Account land will be sold to qualifying purchasers, see 4.3 below, at a market value discount of 75%.which will be secured by way of a Legal Agreement requiring the payment of 20% of the market value of the completed home should it ever be sold.

## **2.2 HRA Sites for development**

- 2.2.1** The Bryn Paun proposal uses the land value as the subsidy to make the developed homes affordable, ie they will be sold at build costs and not market value. The development will be constructed by a Registered Social Landlord without any initial land costs, but the land value will be calculated in the overall market value of the properties and is potentially realisable at a later date. In terms of potential return the land value this can be identified by deducting the development cost from the market value. The process for identifying the

partner Registered Social Landlord will be documented within the revised guidance note which will accompany this policy.

- 2.2.2** As noted, the calculated land value % is the difference between the market value and the development costs. This value will be secured by a Legal Charge Agreement and shown as a % market value discount, (*i.e. where the affordable dwelling(s) are to be sold, then the first and all subsequent sales shall be at a price no greater than the specified % of the open market price of the affordable dwelling(s) free from any restriction imposed by this Agreement*). If at a later date the occupier is able, in accordance with planning requirements and wishes to own the property outright then they will need to pay to the Council the market value discount % specified in the Legal Charge Agreement as calculated at the time of purchase. Any such receipts being credited to the Affordable Housing Account and 'recycled' to meet other affordable housing needs.

An example of how this applies is as follows:

Development / Purchase cost = £110,000.00

Market value = £145,000.00

Discounted market value % = 24.14% (i.e. £35,000.00)

If when the purchase option is utilised the market value is £160,000.00

24.14% is payable to the Council = £38,624.00

- 2.2.3** Similarly, if in the future when a home becomes available and no qualifying applicant in affordable housing need can be identified then the property can be sold on the open market and the market value discount % credited to the affordable housing account as above.
- 2.2.4** The above process ensures that the Council's initial land contribution to achieve affordable homes is repayable in the future if the affordable housing need has been met.

### **3.3 HRA Sites in exchange or disposal**

- 3.3.1** Subject to identified housing needs and appropriate valuations, sites will be exchanged or disposed of to facilitate the development of homes to meet local needs.

- 3.3.2** The benefits of utilising sites in this way must be evidenced and supported both by the Corporate Director of Community, Head of Service [Housing], Head of Service [Property], 151 Officer and Housing Portfolio Holder.

## **4.0 DEFINING LOCAL HOUSING NEEDS**

- 4.1** The eligibility for affordable homes, ie qualifying persons, is contained in the Section 106 Agreement and these requirements are stated as follows:

#### **4.2 Local Connection**

Means a person who has for at least 5 years prior to purchasing or renting an affordable dwelling either had their only or principal residence on Anglesey, or had their place of work on Anglesey or a combination of both, or where not resident on Anglesey, they have an offer of employment on Anglesey or they have established links (for example, elderly people who need to move to a locality to be close to relatives).

#### **4.3 Housing Needs**

Means a person shall be in “housing need” if they are demonstrably unable to afford to purchase or rent a house of a size suitable for their needs (which shall include the needs of any others who live with that person as part of one family) on the open market, as certified by a body registered with the Financial Services Authority to provide mortgages via written confirmation of the maximum amount of mortgage eligibility, with the applicant’s income details stated, AND as assessed by the Council’s Housing Services AND that person (or at least one person if there is more than one) qualifies under the definition of “local connection” as stated above.

#### **4.4 Qualifying Purchaser**

Means a person who qualifies as having a local connection and housing needs as defined above.

### **5.0 POLICY IMPLEMENTATION**

**5.1** The Head of Housing Services will be responsible for implementing the Policy and approving the use of HRA land to meet the identified need for affordable homes.

**Date of issue: draft 18/02/13**

**Review date: 25/02/14**

**Impact assessment undertaken: date**

**References :**

- i. Section 32 of the Housing Act 1985.
- ii. Report 24<sup>th</sup> August 2011, approved by Commissioner Margaret Foster, regarding self-build plots