

<b>ISLE OF ANGLESEY COUNTY COUNCIL</b>	
<b>Report to</b>	<b>Executive Committee</b>
<b>Date</b>	<b>10<sup>th</sup> June, 2013</b>
<b>Subject</b>	Disposal of HRA land for affordable housing
<b>Portfolio Holder(s)</b>	Councillor Kenneth Hughes
<b>Lead Officer(s)</b>	Shan Lloyd Williams, Head of Housing Services
<b>Contact Officer</b>	
<p><b>Nature and reason for reporting</b>            To recommend that Elected Members adopt the draft amended policy previously approved on 24 August 2011, for application to all future disposal of HRA land for Affordable Housing purposes.</p>	

<b>A – Introduction / Background / Issues</b>	
<b>1.0</b>	<b>Background</b>
<b>1.1</b>	<p>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. These include:</p> <ul style="list-style-type: none"> <li>▪ Home Buy Môn;</li> <li>▪ Developing affordable housing [new build] in partnership with Registered Social Landlords [RSL's], through a combination of funding methods including Social Housing Grant, Welsh Government bonds, mortgages;</li> <li>▪ Houses into Homes loans for bringing empty properties back into use and let at affordable rents;</li> <li>▪ Loans for first time buyers to bring back empty properties into use;</li> <li>▪ Mortgage rescue scheme;</li> <li>▪ Self-build schemes.</li> </ul>
<b>1.2</b>	<p>Work is also currently under-way to develop a mortgage deposit scheme, a product known as the Local Authority Mortgage scheme. The Council will continue to explore ways of supporting affordable housing developments, either individual bespoke properties or group projects, as part of achieving mixed and balanced communities.</p>

- 1.3** 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.
- 1.4** 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.
- 1.5** 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.

## **B - Considerations**

### **AMENDMENTS TO EXISTING POLICY**

- 2.1** 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.
- 2.2** In order to assist people wanting to purchase self build plots at Nant y Pandy, Llangefni, a report was submitted by the Head of Service [Housing] 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.

- 2.3** 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.
- 2.4** In recognition that the Council wishes to sell an affordable housing plot and to deal with similar opportunities on Housing Revenue Account [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.
- 2.5** In recognition that the Council wishes to sell HRA land to Registered Social Landlords, 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 Council's Affordable Housing Account and 'recycled' to meet other affordable housing needs.
- 2.6** The draft policy [Appendix 1] was presented to and scrutinised by Housing and Social Services Scrutiny Committee Members on the 25<sup>th</sup> February, 2013, and their comments have been included within the revised draft policy.

<b>C – Implications and Impacts</b>		
<b>1</b>	<b>Finance / Section 151</b>	The new policy does introduce future variables based on market values, which makes any receipts to the Council less certain in value, however, the original policy was itself subject to market conditions and so any variation in individual receipts may be either up or down.
<b>2</b>	<b>Legal / Monitoring Officer</b>	Consulted
<b>3</b>	<b>Human Resources</b>	
<b>4</b>	<b>Property Services</b> (see notes – separate document)	
<b>5</b>	<b>Information and Communications Technology (ICT)</b>	
<b>6</b>	<b>Equality</b> (see notes – separate document)	
<b>7</b>	<b>Anti-poverty and Social</b> (see notes – separate document)	
<b>8</b>	<b>Communication</b> (see notes – separate document)	
<b>9</b>	<b>Consultation</b> (see notes – separate document)	
<b>10</b>	<b>Economic</b>	The proposed changes to the policy will provide greater opportunities for Registered Social Landlords, individuals and developers to build affordable homes. They will not impose any costs on the Council. In the longer term, on selling the properties, a sum of money will be recycled into the Council's Affordable Housing budget.

<b>C – Implications and Impacts</b>	
<b>11</b>	<b>Environmental</b> (see notes – separate document)
<b>12</b>	<b>Crime and Disorder</b> (see notes – separate document)
<b>13</b>	<b>Outcome Agreements</b>

<b>CH - Summary</b>
As a consequence of the economic crisis, financial institutions have become risk averse which has led to reduced mortgage availability particularly for first time buyers. This amended policy enables purchasers of HRA land / developed property on HRA land to obtain mortgage finance while at the same time securing the Council's interest.

<b>D - Recommendation</b>
<b>Executive Committee Members are requested to:</b>
<b>R1    approve the draft policy</b>

**Name of author of report: Shan Williams, Head of Housing Services  
N. Hayward, Affordable Housing Advisor**

**Date: 21/05/13**

<b>Appendices:</b>
Appendix 1: draft policy

<b>Background papers</b>

## Appendix 1

### 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 Housing Revenue Account [HRA] land as the subsidy to provide homes below market value.
- 1.2 Identifying the affordable housing needs of the Island is achieved through the Local Housing Market Assessment which is supported by local housing needs assessments and subsequent discussions with stakeholders to identify potential opportunities in areas of identified housing needs. Identification is also 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 In order, therefore, to maximise the use of HRA land in meeting affordable housing needs this Policy enables the disposal of sites in appropriate and justified circumstances.

#### 2.1 Individual Plots

- 2.1.1 Plots for self-building of affordable homes on HRA land will be sold to qualifying purchasers, see 3.3 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.
- 2.1.2 Guidance notes will accompany the Policy which will address restricted size, stipulate the standards that the property is built and meet both energy and water efficiency aspects.

#### 2.2 HRA Sites for development

- 2.2.1 HRA sites can be disposed for development of affordable housing. The type of proposal would use 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 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 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.

### **3.0 DEFINING LOCAL HOUSING NEEDS**

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

#### **3.2 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).

#### **3.3 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.

### **3.4 Qualifying Purchaser**

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

## **4.0 POLICY IMPLEMENTATION**

**4.1** 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.

**4.2** The benefits of utilising HRA sites in this way must be evidenced and supported both by the Head of Service [Housing], Head of Service [Property – for exchange of land], 151 Officer in discussion with the Housing Portfolio Holder.

**Date of issue: revised draft 22/05/13**

**Review date: 22/05/14**

### **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