

AGENDA ITEM 5

APPENDIX 3(a)

2016/0158/DET

HSCHT
SUPPORTING
INFORMATION

2016/0158/DET development at Rothiemurchus

Affordable Housing Case

The Highlands Small Communities Housing Trust (HSCHT) will be acting as the vehicle to provide the affordable housing in this planning application. The land for the affordable house plots will be purchased from the landowner at minimal cost in order for HSCHT to attach a Rural Housing Burden (RHB) and retain an equity share on the onward sales. These two mechanisms protect the affordability in perpetuity and retain control over future purchasers.

HSCHT assess all applicants for their affordable housing plots or houses on their local connection to the community in which the house or plot is situated and on their ability to compete on the open market.

Their main aim is to secure affordable housing in small rural communities for local people who have been priced out of the market.

HSCHT's Assessment Process

Housing Needs

HSCHT considers the standard aspects of housing need including homelessness, unsuitable accommodation, insecure tenancy, tied housing, overcrowding, if re-housing will free up social rent housing and wider community concerns.

Housing Options

HSCHT considers alternative options that may be available locally at the time of assessment which would reasonably meet the identified needs. In this case we have looked at:

- a) Houses of the size dictated by the applicants household need.
- b) Self-build house Plots

Other considerations taken into account

The potential running costs of the available alternatives in relation to the households circumstances.

The additional level of investment required to upgrade a property in terms of both essential repairs and increased energy efficiency.

House Location

HSCHT considers the clients need to reside in a particular community through their local connection i.e. family, work or already living in that particular community.

House size

HSCHT uses Scottish Government benchmarks as a reasonable guide.

Affordability Assessment

HSCHT follows Scottish Government guidelines which are based on 2 elements:

1. Mortgage based on 2.5 to 3 times household income plus
2. Savings, parental gift, sweat equity etc. (the first £5,000 and 10% of the remaining savings to be retained by the applicant.)

For example if the applicants have £30,000 savings then they can retain £5,000 plus 10% of £25,000 (£2,500), a total retention of £7,500, which leaves £22,500 available to the project.

This results in a prudent assessment of the total finance available to the project.

Assessment of Applicants

All 4 applicants currently live in private rented accommodation which offers no long term security for people wishing to be imbedded in the community with which they have a strong attachment and connection.

Their wish to secure a permanent home which is affordable to them to buy or build and is economical to run in the future is virtually impossible in their community given the current housing options available.

Current Housing Options

Social Rented Properties

There are currently 428 households registered on the Highland Housing Register for Aviemore. There were just 12 Re-Lets from 01.03.15 to 31.03.16

Being such a scarce resource and the level of housing need within the area it is highly unlikely that any of the applicants would be considered for social housing even where new affordable housing is being developed.

Private Property to Rent

There are no houses advertised for rent in or around Rothiemurchus.

Aviemore, only 2 properties advertised for rent

- Apartment, 2 bedrooms, Rent: £500 pcm
- Flat, 2 bedrooms, Rent: £540 pcm

Property for Sale

There are currently 2 properties advertised for sale in the Rothiemurchus area:

- Coylum Road, Rothiemurchus, £575,000 5 bed detached house
- Coylumbridge, £395,000 4 bedroom detached house

Aviemore

- 2 bedrooms apartment Offers Over: £156,500
- 3 bedroom semi-detached house £285,000
- 3 bedroom bungalow for sale Offers in Region of £175,000 EPC E

HSCHT's assessment of the applicants' financial position and housing needs is that none of the above houses are within their means.

Proposal 2016/0158/DET development at Rothiemurchus

This proposal has been developed over the past 5 years through negotiation between the landowner, HSCHT and the four households and through consultation with the CNPA. The cross- subsidy model proposed in this project has subsequently been incorporated into the CNP Local Development Plan.

One of the biggest hurdles for people wanting to live in secure housing in the CNP is the cost of land and property. The scarcity of affordable land has removed one of the methods whereby people could remain in their community by building their own homes.

This proposal seeks to secure the provision of 4 affordable homes out of a 6 house development: 66% affordable housing where the benchmark is just 25%.

The negotiation between the landowner and HSCHT has secured the 4 plots at a fraction of the market value on the condition that HSCHT will attach a Rural Housing Burden and retain an equity share on the onward sale to the applicants and that two open market plots would be included in the application.

The open market plots will provide the landowner with some return on the land which would partially compensate for the minimal income generated from the sale of the 4 plots to HSCHT. By developing 6 plots the servicing and infrastructure costs for the 4 affordable plots would also be reduced which increases the feasibility of the project.

This proposal was seen as a means to encourage other land owners to make land available for affordable housing throughout the CNP and could be replicated to other areas where land costs are way outwith the means of the majority of the people living in those communities.

The discounted plot selling price allows each of the applicants to build a home that is suitable for their needs: the permitted house size is restricted depending on household size in line with HSCHT's criteria.

All of the applicants have agreed to all of these conditions.

Other sites in the area were considered: the Quarry site which the owner was not willing to sell and the Dellmhor site owned by Albyn Housing Society.

This site was chosen as it was a brownfield site.

Protecting the Future Affordability – The Rural Housing Burden

The Rural Housing Burden is a Title Condition which applies to all of the plots or homes that The Highlands Small Communities Housing Trust (HSCHT) sells. Basically, it comprises of two elements:

a) an equity share

The equity share protects the discount given to the initial purchaser by suppressing the selling price in the event of a resale

b) a right of pre-emption.

The right of pre-emption means that HSCHT has the first right to buy back the property when offered for sale, with the aim of securing another local purchaser.

In setting the equity share HSCHT takes account of all relevant factors.

These include:

- Open Market value of the completed home (as assessed by an independent valuer appointed by HSCHT)
- Typical build costs based on the average in that particular community, including fees and servicing costs and taking account of the eligible floor space. (Please note that should the purchaser increase their build costs above this average this is ultimately their own choice, and HSCHT's equity share will remain constant)
- Land value. (Need to protect any discount obtained from original landowner)
- The cost of buying the home in the event of the pre-emption being invoked

Here is a typical example* of how the retained equity share is calculated:

• Open Market Value of completed home	£200,000
• Typical build costs and fees (3 bed home)	£120,000
• Discounted plot purchased from HSCHT	£ 20,000
• Total cost for purchaser (a)	£140,000
• Difference between cost and Open Market value on completion	£ 60,000
• Equity share set is (60/200) (b)	30%

The homeowner will therefore have a 70% equity share of the property but will hold full title to the property.

If they were to decide to sell the property then HSCHT's pre-emption right would be activated and they would have the right to purchase the property at 70% of the open market value at the time of purchase.

So, if there has been an increase in value of 5% to 210,000 then HSCHT would buy back the house for £147,000. They would then offer the house to someone who fits their allocation criteria, i.e. have a strong local connection, unable to compete on the open market.

HSCHT has applied the RHB and shared equity retention to over 80 homes throughout the Highlands.

Project Costs

This project comprises homes for four households of different sizes. As they are to be their permanent homes then it is vital that sufficient scope is allowed within the proposed houses to accommodate changes in the family size into the future. Since this project began one family has had their first child.

In an area of such high house values HSCHT would be looking to retain as high an equity share as is possible, in this case approximately 40%. This may vary when valuations have been carried out prior to the plot sale to each household.

Valuations have been based on similar properties in the area but have not been confirmed by a surveyor.

The table below shows how HSCHT would set the budget for each house build. After the cost of the plot, the share of the servicing costs and planning and design fees the balance is the total remaining for the house build.

No of Bedrooms	2	3	4
Open Market Valuation of house	250,000	280,000	300,000
Equity Share (HSCHT retains 40%)	60%	60%	60%
Maximum Project Budget	150,000	168,000	180,000
Planning & Design	4,125	4,125	4,125
House Plot and fees	10,000	10,000	10,000
Servicing	10,000	10,000	10,000
Maximum Build Costs	125,875	143,875	155,875
Total Costs	150,000	168,000	180,000

It should be noted that:

- 1) HSCHT has control over the equity share set and the selling price set for the plot.
- 2) The Open Market Final house valuation is outwith HSCHT's control
- 3) The actual build costs are outwith HSCHT's direct control but should someone decide to build a house at a much higher specification than allowed for in the budget then they are unlikely to benefit significantly from any increase in valuation as the equity share does not vary.

