

# AGENDA ITEM 5

## APPENDIX 3(b)

2016/0158/DET

HSCHT  
SUPPORTING  
INFORMATION

## **HSCHT's Cross Subsidy Affordable Housing Model**

### **Planning Reference:**

**Land 175M SE of Heatherbank Rothiemurchus Aviemore**

### **Cairngorms National Park Local Development Plan 2015**

#### **Policy 3.2**

"We want to enable and actively support the delivery of new housing which is affordable and meets community needs, in turn supporting and growing the economy. While most growth is focussed in major settlements all communities should have some options for new housing and everyone should be able to see what those opportunities are in the next 5-20 years."

This proposed development fits the above policy. The relevant policy on affordable housing provided using the cross subsidy model:

#### **POLICY 1:**

#### **NEW HOUSING DEVELOPMENT**

#### **6 Affordable housing provided using cross subsidy from other housing**

*"Development which provides affordable units, which are funded by a cross subsidy from the sale or renting of open market houses will be supported where:*

- a) the affordable element meets a demonstrable local need for affordable housing shown through community needs assessments, housing needs and demand assessments or other information available at the time of application and*
  - b) the whole development comprises a minimum of two affordable units; and*
  - c) the open market element is the minimum required to provide the necessary subsidy to facilitate the development of the affordable element;*
- and*
- d) the affordable housing could not be delivered without the input of the subsidy provided by the open market element of the proposal."*

This application complies with that policy in that it has as its core a cross-subsidy mechanism which has been developed through negotiation with a local landowner, Rothiemurchus Estate, to provide four affordable houses for four local households who have been unable to secure appropriate housing in their community, whereby the affordable units are being cross subsidised by two open market plots.

This project has been developed in consultation with the CNPA Affordable Housing Officers and planning officials since February 2012.

### **Background**

In 2011 the members of the "Sawmill Co-operative", first approached the Rothiemurchus Estate, to secure land on which to build their own homes in their local community. The Estate offered to sell them plots at 50% of the market value with the proviso that the discount given was protected by some means.

The group is one of likeminded people with a common aim of securing affordable, sustainable housing in Rothiemurchus. It is not a legally formed co-operative and will not become one. Each household will be buying a house plot from HSCHT individually and is individually responsible for their own share of common costs such as planning fees and servicing.

Each of the households has a strong local connection to Rothiemurchus, with many of them growing up there and having family members living in the community, working in and being actively involved in many of the activities of the Rothiemurchus community.

The group then approached The Highlands Small Communities Housing Trust, (HSCHT), on the guidance of the CNPA, to discuss how the project could go forward using the Rural Housing Burden to protect the discount given by the landowner into the future.

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 two elements a) an equity share and b) a right of pre-emption. The equity share protects the discount given to the initial purchaser by supressing the selling price in the event of a resale. 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.

### **Site Selection**

An audit of land in the area was undertaken and three sites were considered: the Dellmhor site owned by Albyn Housing Society, the nearby Quarry Site which the owner was not willing to sell and the Sawmill site.

The Sawmill Site was chosen in discussions with the land owner because of its previous use as a working Saw Mill during the 60's and 70's. While there are no longer any buildings on the site, there are numerous remnants of the old sawmill, with sawn logs, pits, rollers, roads, areas of compact hard pan ground, concrete structures and wells which show how lively and well used the site was at one time.

### **Policy 1. 3 Other housing in the countryside**

*"Proposals will be supported where they reinforce the existing pattern of development, and:*

- a) are necessary for or improves the operational and economic viability of an active business which has a locational requirement directly linked to the countryside; or*
- b) are on a rural brownfield site."*

## Assessment of the Group Member Households against Affordable Housing Criteria

HSCHT carries out financial assessments on all applicants to ascertain that they qualify for affordable housing. Assessment is based on, the need to reside in the community, inability to compete on the open market in the community, and currently in unsuitable or insecure housing.

HSCHT's criteria is used by the CNPA, and referred to in their Information Note "Making the Case for Affordable Housing Outside Settlements" and recognised by the Appeals Reporter in the Scottish Ministers Planning appeal reference: PPA-001-2012, Cromdale, Grantown on Spey.

HSCHT also carried out an analysis of the available houses for sale and rent in the community, and has done so periodically since the beginning of this project. As of September 2014, "3 bed end terrace house is located at 8 Dellmhor, Rothiemurchus, Aviemore PH22 1QW and has an estimated current value of £205,795. Dellmhor has 10 properties on it with an average current value of £189,024, compared to an average property value of £174,945 for PH22.

There have been 3 property sales on Dellmhor, PH22 over the last 5 years with an average house price paid of £435,591 and this end terrace house was last sold on 19th Sep 2008 for £205,150. (<http://www.zoopla.co.uk/> 29 September 2014)

As of December 2015, "3 bed end terrace house is located at 8 Dellmhor, Rothiemurchus, Aviemore PH22 1QW and has an estimated current value of £202,000. Dellmhor has 10 properties on it with an average current value of £179,794, compared to an average property value of £217,332 for PH22.

There have been 5 property sales on Dellmhor, PH22 over the last 5 years with an average house price paid of £239,600.

These properties were all 3 bedroom semi-detached or terraced houses. (<http://www.zoopla.co.uk/> 09 December 2015)

There were 2 houses for sale at the time of the original assessment and they were beyond the means of the group members. That situation has not changed.

There were no houses for sale in December 2015

No houses for rent were available at the time of the original assessment or in September 2014 except for holiday rentals at £500 + per week.

There was one house available for rent in December 2015 within the PH22 postcode – a four bedroom detached house at £346 per week (£1500 per month).

All of the households met the required criteria, on all three grounds and our assessment was examined and accepted by the CNPA's Affordable Housing Officer.

**The households all have strong local connections to Rothiemurchus:**

One applicant is a senior members of the Cairngorm Mountain Rescue Team which is based at Rothiemurchus, *"being able to expedite the response to rescue call outs especially in poor winter weather when other team members cannot get to Rothiemurchus, and the subsequent transport that is required for prevailing conditions, would be advantageous."*

**All of the households have members who are part of the ski patrol.**

Three of the household comprise young locals who have returned to the area after university and working abroad. They have a strong desire to settle back into their community. One of the comments made by a group member was:

*"I feel that it is important for the area to try to sustain a young educated population, however, due to overstated house prices it is becoming progressively more difficult for local children to return home as graduates."*

The experience of all of the households of trying to secure suitable housing is summed up by one who stated:

- *"Have not been able to afford to buy a house in Rothiemurchus area and have tried to buy cottages in the past that have been within our price range, they have always sold for far over the asking price, taking them far out of our reach.*
- *Council houses and few and far between and the Albyn housing project at Rothiemurchus has never come to fruition"*

As stated above all of the group members met the required criteria. HSCHT explained the mechanics of the Rural Housing Burden which would be used to protect the discount given by the landowner. This was accepted by the group members.

**Self-build Affordability Assessment**

The assessments also showed that the total build costs of houses which complied with the size restrictions set out in HSCHT's policy and governed by household composition, including the cost of land as proposed by The Estate were outwith the financial limits of the group members. Further, they would not allow for a significant equity share to be secured through a Rural Housing Burden.

With the groups permission HSCHT entered into negotiations with CNPA and The Estate on a new and innovative cross subsidy model which would significantly reduce the cost of the affordable house plots in order to progress the provision of these four homes. This process has been ongoing for the past four years.

The price to be paid by HSCHT for the land for the four affordable houses was greatly reduced, to just 4% of the original offer to the group, through two measures:

1. The house plots were reduced in size
2. Two open market house plots were added to compensate the landowner for the significant reduction in income from the affordable plots
3. All reports and planning application was at the group's risk

This new and innovative model is seen as an exemplary way of encouraging landowners to work with affordable housing providers to increase the provision of affordable housing in the CNPA.

### **The Cross-Subsidy Agreement**

The outcome of these negotiations was an agreement whereby the landowner would sell the land, sufficient for four house plots, to HSCHT at minimal cost who would then sell the house plots to the individual households with a RHB and a significant equity share locked in in perpetuity. In return for making this land available the landowner would secure two plots for open market sale. This would result in 67% of the houses built being affordable.

The group were to be responsible for:

1. Obtaining detailed planning permission for all 6 plots in consultation with and to the satisfaction of the Estate including the relevant reports.
2. Costs associated with all statutory permissions such as planning, SEPA and Road construction consents etc.
3. Provision of services onto all plots to include roads, electricity, water, waste water (via communal waste system) and BT. Clients would not be responsible for works within the actual plots or abnormal single house connections fees

Discussions with the CNPA Affordable Housing Officer and the planning department were supportive of the model as it requires no public subsidy and would provide four affordable houses. This encouraged the members of the group, with guidance from the planning officers, to commission surveys and engage the services of an architect to proceed with a planning application at their risk.

The two open market houses are of a similar size, having an approximately 15% larger footprint than the affordable units, and blend well into the whole development.



## The Outcome

### **POLICY 1: NEW HOUSING DEVELOPMENT**

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#### **Are they affordable?**

- Four of the six homes will be subject to a Rural Housing Burden and sold well below market value, with a significant equity share locked in by HSCHT.
- The pre-emption right will allow HSCHT, if the property is offered for sale, to allocate and sell the property to a purchaser who meets HSCHT's allocation criteria, thereby retaining the house, at an affordable price, for the benefit of the community.

#### **Are there any other suitable sites or houses available within the settlement?**

- No other suitable sites were identified in the settlement. The site at Inverdrue is owned by Albyn Housing Society and unavailable for self-build plots.
- Property searches of the area showed that the houses for sale were outwith the financial limits of the group members
- The proposed development is sited on rural brownfield land

#### **Will the house meet a demonstrable need in the rural location?**

- The current number of households on the Highland Housing Register (HHR) for Aviemore, the nearest letting zone, based on first choice is 159. There are also 70 on the transfer list.
- The "all choices" figure is 313 and 95 on the transfer list.
- There were just 40 re-lets in the year 2014-15.
- In 2012-13 The percentage of household on the HHR housed was just 9%
- The percentage of Second residence / holiday accommodation in the Aviemore Community Council area is 14.9% compared to 1.5% in Scotland




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THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

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On the basis of the above report we would request that this application is considered to comply with the Park Local Plan Policy 1.6 and is approved by the Committee.

Yours faithfully



Ronnie MacRae  
Chief Executive Officer  
HSCHT