

Annex C - HF Home Buy Allocation Scheme

Hammersmith & Fulham Council

**Home Buy Allocation
Scheme**

November 2015

Home Buy Allocation Scheme

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1. What is the Home Buy Allocation Scheme and why have one

1.1 The Home Buy Allocation Scheme sets out the Council's overall approach to allocating homes available to applicants on the Home Buy Register. These will be applicants who cannot afford to access open market housing in Hammersmith & Fulham and do not otherwise qualify to access affordable for rent housing that can be accessed under the Housing Allocation Scheme.

1.2 In more detail, the Home Buy Allocation Scheme seeks to:

Firstly, make clear to applicants seeking Home Buy opportunities what criteria needs to be met to access the Home Buy register and what products are available.

Secondly, make clear to developers and housing associations (also known as Private Registered Providers) what the Council's approach to Home Buy is, particularly in respect of affordability.

Thirdly, to align the Council's approach to allocating homes under the Home Buy Scheme with the approach the Council has adopted for social housing, as set out in the Housing Allocation Scheme which is being revised at the same time, with specific reference to Local Lettings Plans.

1.3 There are more detailed associated documents that address specific issues regarding registration and the kind of information that applicants need to provide the Council in order to access the Home Buy Register. These are available from the Council's Home Buy team whose details can be found at the end of this document.

2. What intermediate housing products are available

2.1 The rationale for intermediate housing is a very simple one: it is for people who do not qualify for social housing and who cannot afford to buy a home on the open market and in some instances not able to rent privately either. It is normally the case that the cost of intermediate housing will be lower than the cost of open market housing (including private rented housing) but higher than the cost of social/affordable rented housing. It relies on a discount which is achieved through public subsidy; discounted land; or through a 'planning obligation' whereby the developer provides the affordable housing as part of a planning agreement.

2.2 Intermediate housing tend to have three characteristics:

- The rent on the home is discounted
- The purchase cost of the home is discounted
- Both the rent and the purchase cost of the home is discounted

Service charges (e.g., cleaning and maintenance of communal and environmental areas; communal heating; management costs, etc) will be an additional cost, making up total 'housing costs'.

2.3 As a guiding principle, the more the discount, the lower the housing costs. But this means the cost of providing the home is greater. Given the high house prices in Hammersmith & Fulham, the discount can be hundreds of thousands of pounds for one property, which means the subsidies involved or planning obligation provided are a significant financial consideration for the developer concerned.

2.4 There are four main intermediate housing products, with a number of variations within each one.

1. Shared ownership: Applicants purchase on a leasehold basis paying between 25 and 75 per cent of the property value, and pay a low rent on the remaining property value to a housing association. This means a tenancy is created. The applicant is responsible for 100 per cent of the maintenance, and is likely to pay service charges if the property is a flat. Purchasers can buy additional shares up to 100 per cent, known as 'staircasing', if their financial circumstances allow them to do so.

2. Discount Market Sale (DMS) is a low cost home ownership product where a newly built property is purchased at a discounted price with the unsold equity held by the Council in perpetuity. The Council in effect gives the owner the free use of the Council's share. Should the home owner decide to sell the property, it is sold at the same percentage at the prevailing market value, ideally to another prospective purchaser from the Home Buy Register.

3. Intermediate Rent: These are homes, typically let by housing associations, at below market rent, thereby enabling tenants to save for a deposit. Rents are usually charged at up to 80 per cent of market levels.

4. Shared equity/loan: Applicants purchase the property outright with a conventional mortgage but with the assistance of a further loan, also secured against the title of the property. Interest is not typically charged on the loan for an initial period. There are no regular capital repayments required on the loan but the amount repaid is based on the property value at the time of redemption, reflecting any increase or decrease in the value of the home.

A further option is being considered by the Council.

5. Equity Home Share - The Council wants to take the best aspects of the products described above into something that is attractive for applicants; financially viable; and mortgageable. The DMS product is popular, but there is no scope for 'staircasing up' as per the shared ownership model, but nor is there an incentive to do so, apart from speculating on future house price rises. If the Council were to charge a rent for the unsold

equity, then this would involve creating a tenancy and would require a landlord (e.g., a housing association).

- 2.5 In summary, the Council is generally supportive of all the intermediate products described above, with the caveat that it is developing its approach to developing a fifth option. However, it will always to seek to ensure that any intermediate product that is developed is affordable to those seeking homes **and** that prospective applicants will be able to afford to sustain the housing costs of living in intermediate housing over the medium to long term.
- 2.6 There may be housing schemes and/or products that emerge that do not reflect the current descriptions in Section 2.4 above and/or Qualification & Priority criteria described in Section 4 below. Such schemes may be marketed separately by the Council.

3. Who Provides Intermediate Housing?

- 3.1 There are only a few organisations that provide intermediate housing. They are principally:
- 3.1.1 **Housing Associations** – also known as Private Registered Providers who have a strong record in delivering intermediate housing. Organisations such as Notting Hill; Peabody; Shepherds Bush; Catalyst (not an exhaustive list) all have a track record of delivering intermediate housing in the borough and outside it.
- 3.1.2 **Private Developers** – have in recent years delivered affordable products, principally Discount Market Sale housing. In this instance, the developer sells a proportion of the home to the applicant, with the remaining unsold proportion vested with the Council.
- 3.1.2 **Hammersmith & Fulham Council** – in its ‘direct delivery’ role had a programme of building new homes which in the past has led to the development of Discount Market Sale homes.
- 3.2 As a general principle, the Council will take responsibility for nominating households to Home Buy opportunities available in the borough. These will be structured through nomination agreements.

4. Qualification and Priority

- 4.1 When a New Build Home Buy property becomes available we alert all the people registered with h&f Home Buy via email. Once the property has been viewed and reservation fee lodged by those people who are seriously interested in moving to the property the council are sent a list of these people by the developing Housing Association or their agents from which we create a prioritised shortlist.
- 4.2 More people express an interest in low cost home ownership than we have available properties, so the council has to prioritise which people will be given

the opportunity to purchase. Information on minimum and maximum income levels are specified in the next section of this document.

Qualification

- 4.3 Regarding qualification for the Home Buy Register, applicants, should:
1. Live or work within the Borough
 2. Not be a home owner. (Note: exceptions to this rule will be where an applicant who is currently in a recognised low cost home ownership property and need to move to a larger home). Such applicants will have to have commenced the sale process of their existing home and must have at least reached the 'exchange of contract' stage before being considered for another LCHO property.
 3. Have a household income not exceeding the relevant limits (See Section 6)
 4. Not be able to purchase a comparable property on the open market
 5. Be eligible under the Council's Housing Allocation Scheme

Priority

- 4.4 The Council has followed government and local priorities when deciding who will be prioritised for Home Buy properties. Priority is given in the order listed below (the first two have joint priority):
1. Social tenants in either council housing or Private Registered Provider housing (i.e., housing association) accommodation, where the Council will gain the nomination of the vacated property vacated. This will include council tenants on 5 year flexible tenancies or 5 year housing association tenants on Assured Shorthold Tenancies.
 1. Armed Services (and Ex Armed Services) personnel (as defined by First Steps London*) living (or previously living as an adult) for twelve consecutive months in the borough
 3. Police officers living or working in the borough
 4. Homeless Working Households in Temporary Accommodation
 5. Disabled applicants who are wheelchair users (See Section 5.8)
 6. Households **living** for twelve consecutive months in the borough
 7. Household **working** for twelve consecutive months in the borough
 8. Households living or working in the borough with an income within the relevant limit

9. Households with an income above the levels specified in Section 6.3, expected to be mainly for resale of low cost home ownership products.

Note: Households will be prioritised in order of need for the type or bedroom size of the property and for family sized properties, households with a need will be prioritised. As a general principle, an applicant's household bedroom need will have more weight than that of an applicant who wants, but doesn't need an additional bedroom irrespective of the priority grouping. Where an applicant (or applicants) are expecting a child, additional bedroom need will only be considered after the second trimester of the pregnancy has occurred, with necessary evidence provided.

* First Steps London definition of eligible armed (and ex-armed) services personnel is as follows:

To be considered a priority, armed forces personnel must have completed basic (phase 1) training and fall into one of the following categories:

- *Regular service personnel (including Military Provost Guards Service in the Army, Navy, Air Force)*
- *Clinical staff (excluding doctors and dentists)*
- *MoD police officers*
- *Uniformed staff in the Defence Fire Service*
- *Ex-regular service personnel (who have served in the Armed Forces for a minimum of six years and can produce a Discharge certificate, or similar document). Applications must be within 12 months of discharge*
- *The surviving partners of regular service personnel who have died in service may be eligible to be prioritised where they apply within 12 months of the date of being bereaved*

The following roles are prioritised for Intermediate Rent only:

- *Full Time Reserve Service (Full Commitment)*
- *Individuals who have not completed basic training*

4.5 The Council reserves the right to change the prioritisation model and any other part of this Home Buy Allocation Scheme at any time without notice. This will be agreed by the Director of Housing responsible for Housing Options in consultation with the Cabinet Member for Housing.

4.6 There will be occasional schemes which have attracted specific funding which may require variations on the eligibility and qualifying criteria outlined above.

Shortlisting

4.7 The Council currently has over 7,000 applicants on its Home Buy Register. This means that when schemes are marketed, they are often over-subscribed.

The Council as part of its shortlisting process will assess the applicant's priority (as described in 5.4 above); their income; and their savings when considering who should be allocated a Home Buy Opportunity. In the case of two bedrooms or more, priority will be given to households with children. The Council will also be mindful of its statutory equality duties to ensure that a suitably wide range of the Hammersmith & Fulham community accesses Home Buy opportunities.

- 4.8 The Council acknowledges the Mayor of London's priority to facilitate greater choice, mobility and flexibility for Londoners. The Council will work with his representatives to ensure local and broader regional housing priorities are met through the operation of this Home Buy Allocation Scheme. Where intermediate housing is not nominated to locally after an agreed period, this may lead to the operation of a "cascade" mechanism whereby such homes are available to applicants outside the borough. Hammersmith & Fulham applicants will retain their local priority for the homes during the cascade period in line with the priorities set out in this Home Buy Allocation Scheme.

Housing for People with Disabilities

- 4.9 The Council as part of its planning approach requires that *all new build dwellings should be built to "Lifetime Homes" standards with 10% to be wheelchair accessible, or easily adaptable for residents that are wheelchair users* (Core Strategy Policy H4). Note: Reference to the Lifetime Homes Standard, wheelchair accessible or easily adaptable dwelling will be replaced by new Building Regulation Requirements on 1st Oct 2015 and the London Plan is currently being altered to ensure that these new optional requirements will be implemented in London.
- 4.10 Where the Council has secured affordable housing for Home Buy purposes which is accessible (or adaptable) for wheelchair users, such housing will be marketed in the first instance to Home Buy applicants who have indicated that they require such housing. The Council will seek to ensure that the marketing programme for such housing will be longer than that for general needs applicants.
- 4.11 Applicants who are wheelchair users will receive priority for accommodation which is wheelchair adapted/adaptable. A disabled applicant who uses a wheelchair at the time of application should be capable of independent living, allowing for any funded package of care and support. In the event that such accommodation is not allocated to a disabled applicant who uses a wheelchair, the Council may give priority to applicants who have moderate or severe disabilities (including learning disabilities) and be capable of independent living, allowing for any funded package of care and support. The Council may seek advice from its independent medical advisor to assess the severity of need to inform its decision.

5. Affordability and Income

- 5.1 It is important that applicants have sufficient income and saving to be able to both access the Home Buy products that the Council has available, but also to have the resources to sustain the occupancy of the home concerned. By this we mean be able to pay the housing costs, e.g., mortgage, rent, service charges and living expenses, in a managed fashion.

Affordability

- 5.2 As guiding principles, a successful applicant will need to:
- be in sustainable employment
 - have the necessary savings for any deposit required (dependent on the Home Buy product)
 - have sufficient income to meet the housing (and associated) costs of sustaining occupation of the Home Buy product
- 5.3 Affordability is based on a mortgage multiplier of 3.5 x gross annual household income. This means if your gross household income is £50,000, then the mortgage that we consider likely that you will be able to attract for affordability purposes would be £175,000. The Council does not expect housing costs to be greater than 40% of disposable income (i.e., after income tax), in line with guidance set by the Mayor of London.

Minimum Income Floor and Maximum Income Cap Levels

- 5.4 Eligibility for intermediate housing is defined largely in relation to income and ability to purchase a suitable home without assistance. Applicants (i.e., a single applicants or joint applicants) must have an annual income of more than £21,500 although we will consider exceptions to this (e.g. where an applicant has a substantial deposit). This is an 'income floor'. The maximum income that a household can earn and still qualify for the Home Buy Register is £71,000 for a one bedroom or two bedroom home, increasing to £85,000 for those with dependents purchasing three-bedrooms or more, in order to reflect the higher cost of both developing and buying a family sized home in London. These income levels should be considered as 'income ceilings'. The income floor and income ceilings are drawn from the Mayor of London's Annual Monitoring Report which are usually published in Spring of each year.
- 5.5 This means the maximum income you can have if you are seeking to access a home available under the Home Buy Allocation Scheme. The one exception to these limits would be Priority 9 identified in Section 4.4 (9) of this report.

6. Affordability Bands for Home Buy Products

- 6.1 The tenure, type and supply of affordable housing for Home Buy purposes comes from a number of sources and circumstances and it is therefore not possible to be certain about what will be available at a particular time. However, the Council is committed to increasing the supply and choice of affordable housing for Home Buy purposes as part of its wider objective to realise its regeneration and growth ambitions.
- 6.2 Where the Council is working with a private developer and/or a housing association on a scheme, the Council will seek to facilitate the delivery of

intermediate housing which will be affordable to applicants on incomes set out below. bands:

1. 1/3 affordable to households on gross incomes of up to £29,000 (midpoint figure £25,250)
2. 1/3 affordable to households on gross incomes of up to £43,550 (midpoint £36,275)
3. 1/3 affordable to households on gross incomes of up to £50,550 (midpoint £47,050)

- 6.3 The reasoning behind the affordability bands is simple: the Council wishes to see as broad a range as possible of income earners accessing Home Buy opportunities. If the affordable housing concerned were only available to households on incomes at the Mayor of London's income caps of £71,000 and £85,000 as described in Section 4.2, this would clearly be restricting access to households in lower paid employment, particularly those who are currently resident in social rented housing. The Council is particularly keen to encourage these cohorts of need to access intermediate housing opportunities available under the Home Buy Allocation Scheme.
- 6.4 In addition, the Council will seek the mid-point of these income bands when negotiating with developers and housing associations which are set out in brackets above
- 6.5 The Council will review these income bands in the spring of each financial year with a view to uplifting them using the Office for National Statistics (ONS) Average Working Earnings index.
- 6.6 Homes available to buy under Shared Ownership are usually available to purchase at a minimum equity purchase of 25% of their open market value with a rental payment due on the remaining 75% of the unowned equity, with additional payment due for service charges. With the high open market values in Hammersmith & Fulham, the Council will expect developers to minimise the rental payment on the unowned equity (i.e., that part owned by the housing association which the occupier pays rent on) and also service charges. This will help keep the monthly housing cost outgoing to a minimum, as close as possible to the income bands described in Section 6.2, but the Council recognises that this will continue to be challenging, as it is elsewhere in central London locations.
- 6.7 In calculating affordable Intermediate Rents, developers should have regard to the Mayor of London's *London Rents Map* (which uses up to date housing cost information from the Valuation Office Agency) when calculating what intermediate rents (which will include service charges) are intended to be charged and their relationship with the income bands described above.
- 6.8 The Council be considering ways and means of making available affordable housing for people on the income bands described above and will welcome innovative approaches from developers which achieve that objective.
- 6.9 As is clear from the above, the Council's approach is based on the income affordability, and is not based on the market value of the property concerned.

This is an important distinction. If the Council were to stipulate that all Home Buy products for sale (i.e., excluding Intermediate Rent opportunities) were to be priced at 50% of market value in the higher priced areas of the borough, then it is possible that very few homes would be affordable for applicants, even those on the higher income bands. What in effect happens is that applicants purchase a part of the home and have the use of the remainder. Some Home Buy Products such as Shared Ownership offer opportunities for applicants to buy the remainder at some point in the future as income and wealth increases which can happen as people's circumstances change.

- 6.10 Each scheme on which the Council works with a private developer and/or housing association will vary. There may be circumstances where it is not financially viable for affordable housing to be built which can be accessed by applicants on each of the income bands identified in Section 6.2.
- 6.11 For **Intermediate Rent** schemes, the Council expects housing costs (rent and services charges) to be no greater than 80% of local market rental costs (i.e., including service charges) and should be lower than this, given the high housing costs in Hammersmith & Fulham, and should be affordable to applicants on the income bands set out in Section 6.2.

7. Local Lettings Plans

- 7.1 The Housing Allocation Scheme (Dec 2012) gave the Council authority to adopt Local lettings Plans (LLPs) in accordance with government guidance. Any updated Scheme is likely to continue to feature the Council using this power. The purpose of LLPs is to adopt a different approach to lettings in an area where the Council wishes to achieve certain objectives, such as meeting specific housing needs, which may include alleviating overcrowding.
- 7.2 This approach may include allocating housing association homes charged at Affordable Rents (charged at up to 80% of local market rents) on fixed term tenancies. The intention is to create an opportunity for working households to save money on their housing costs in order to access the low cost home ownership at some future point. This is part of the Council's wider '*Delivering the change we need*' approach. The Council will be exploring other ways of achieving this objective.
- 7.3 Separate qualification criteria will apply to those persons on the Home Buy Register who qualify for an allocation under a Local Lettings Plan.
- 7.4 More detail on the Council's approach to Local Lettings Plans can be found in the Housing Allocation Scheme and consultation will take place on individual proposed Local Lettings Plan proposals.
- 7.5 Home Buy Applicants will be asked to make clear whether they wish to be considered for a Local Lettings Plan opportunity when they apply or are refreshing their current application.

8. Investigation of Fraud: Offences related to information given or withheld by applicants

8.1 Any applicant seeking to obtain accommodation by making a false or misleading statement or by withholding relevant information or by failing to inform the Council of any material change in circumstances is liable to have his/her application cancelled. Prosecution will be considered where it appears to the Council that a criminal offence has been committed.

9. Acts of Violence and Aggression to Hammersmith & Fulham Council Employees

9.1 Acts of Violence and Aggression to employees will not be tolerated by the Council and any Applicant who threatens or uses violence towards any Council employee or contractor will be removed from the register immediately.

10. How to register for Home Buy

10.1 If you wish to register with the Council for accommodation under the Home Buy Allocation Scheme, make your first point of enquiry our website to appraise you of further information available.

www.lbhf.gov.uk/homebuy

10.2 If you wish to make an appointment to see one of our specialists for a one-to-one meeting with an advisor, help with solicitors and finding an independent financial advisor:

call 020 8753 6464

or, email h&fHome-Buy@lbhf.gov.uk

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