

Low Cost Home Ownership at Lowfield Green

1.0 Purpose of the Report

- 1.1 This report seeks a lead from the Housing Delivery Working Group of a low cost home ownership mix for Lowfield Green

2.0 Background

- 2.1 Through the Housing Delivery Programme the Council will build more than 600 homes over eight sites, of which over 280 homes will be affordable.
- 2.2 Lowfield Green is the first development scheme to get underway. It will deliver a total of 140 dwellings of which 40% (56 homes) will be affordable: 20% council homes (28 homes) and 20% (28 homes) for low cost home ownership.
- 2.3 The scheme includes 18 apartments and 26 bungalows aimed at older people (cat 2 or 3 standard), 96 family houses and 16 self build plots & 19 community build.
- 2.4 There is a need to agree the tenure mix for the low cost home ownership houses at Lowfield in terms of property types and the form of low cost home ownership. Evidence from the SHMA, Housing Options, shared ownership registrations have helped to inform the recommended tenure mix.

3.0 LCHO Tenure Options for Lowfield

- 3.1 A number of tenure options to deliver low cost home ownership have been considered and these are summarised in the table at Annex 1.
- 3.2 The table concludes that Shared ownership (including Older Person's Shared Ownership) and Discounted For Sale are the only two Low Cost Home Ownership products that the Council can currently offer to increase choice to residents. The SHMA suggests that both could offer an affordable housing option for up to a third of households.
- 3.3 Of the two tenures, Shared Ownership best meets the programme objectives i.e. helping key workers and young families onto the property ladder and providing options for older people who may wish to downsize or have experienced a breakdown in their relationship. Shared ownership is also

currently the most accessible and affordable, with mortgages being widely available with only a 5% deposit.

- 3.4 Discussions with other local authorities have revealed that shared ownership is the preferred LCHO tenure in Harrogate, Hambleton and Craven where property prices/affordability levels are comparable with York.

4.0 Profile of households registered for Shared Ownership

- 4.1 The Shared Ownership Programme Officer has started to promote low cost home ownership across the city and the Council has a list of customers interested and eligible for this tenure. As this register grows it will be an increasingly important source of data to inform LCHO tenure options for the Council's Housing Delivery Programme.
- 4.2 In mid November 2018, 19 households had been accepted on the register who were seeking low cost home ownership and for whom Shared Ownership seems to be the favoured choice. 1 (5%) needs a 1 bed home, 11 (58%) need a 2 bed home and 5 (26%) need a 3 bed home. 4 households include key workers (NHS). The oldest applicant is 50 but a high proportion of households are young families. Only one household is identified as a single. 9 households (47%) have children. (Three households have 1 child, three households have 2 children, two households 3 children and one household 4 children).
- 4.3 The maximum purchase amount for those seeking a 2 bed home is approximately £180,000- £200,000. Mortgage offers range from £100,000/£105,000. The maximum purchase amount for those seeking a 3 bed home is £183/184,000. Mortgage offers vary from £100,000-156,600. All have access to funds that equate to 10% deposit.
- 4.4 This is clearly too small a data base of customers to use as a basis for developing a tenure mix for the city and/or Lowfield Green. However, we can take some general pointers from it:
- Shared ownership is likely to be the most affordable and the most accessible low cost home ownership tenure for York residents
 - Shared ownership is likely to appeal to mostly to young families seeking two and three bedroom properties.
 - There may be a market for some apartments and two bed bungalows for low cost home ownership, including for older people/downsizers
 - Purchasers are likely to aspire to purchase a property that is larger than they actually need. This is a reflection of the cost of buying a home, the upheaval of moving house and the investment opportunity afforded through purchase.

- 4.5 Because the sample is so small, the team has also taken soundings from partners who are currently delivering shared ownership. We understand that purchasers at Derwenthorpe are buying on average a 39% share (average from when the scheme began in 2012 to now). Some homes have been sold at a higher share enabling others to be sold at a lower share however JRHT is finding that there is more call for lower shares after carrying out financial assessments. Sales have been to a mix of families, single parents from relationship breakdowns, older couples who are left with large mortgages they are unable to pay off during their working life and first time buyers. Purchasers have included some key workers. Most customers have come from the private rented sector or from living with families. Feedback from other partners also seem to mirror the experience of JRHT in terms of the groups that are looking to shared ownership as a housing option, so the general pointers identified above seem to be a good starting point.
- 4.6 Shared ownership should offer help to some York residents who cannot afford to purchase on the open market, a significant number of whom may be currently renting in the private sector. Table 1 Annex 2 illustrates the affordability of purchasing a property through this model compared to purchasing the same home on the open market.
- 4.7 Annex 2 shows the average rental price of a room and house of different sizes in York. Private rent levels for the Acomb/Westfield area are similar to these. The average rental price paid in York is around £879 per month.
- 4.8 Based on a 50% entry share, purchasing a two bedroom house at Lowfield Green through shared ownership would be a cheaper option than renting in the private sector. However, the private rented sector does provide a cheaper option in respect of some three bedroom homes, albeit it does not offer the same security of tenure nor the opportunity to gain a stake in your home.
- 4.9 The additional cost of shared ownership is not insignificant. It could be prohibitive to some purchasers and ultimately may threaten delivery of the scheme. To mitigate some of the risk the council could:
- Allow purchasers to pay rent on the remaining value of property at less than 2.75%, thereby lowering the cost to purchasers. However, this would impact on the council's rental income stream and would require Executive approval. Reducing this percentage may also discourage occupants to staircase.
 - Allow a significant proportion of customers purchasing a three bed home to purchase a lower entry share i.e. 25% subject to the scheme remaining viable or extra funding being secured from Homes England

- In the event that sales are proving slow to swap some of the three bedroom plots for two bedroom ones elsewhere on the development , subject to demand data supporting this.

5.0 The Proposed Low Cost Home Ownership mix for Lowfield Green

- 5.1 Discussions with the Housing Options Manager, Older Persons Accommodation Programme Manager, Shared Ownership Programme Officer and the Housing Development Officer have informed the low cost home ownership tenure and the mix of house types that have been chosen.
- 5.2 The financial modelling for the shared ownership homes has been based on an average entry share of 40%. (This reflects the JRHT experience at Derwenthorpe and is broadly a midway point between the 25% and 75% entry levels that will be offered) The average entry level for customers registered for shared ownership with the Council is currently in the region of 55%.
- 5.3 Whilst the financial modelling has been based an average entry share of 40% grant funding requires homes to be offered at entry levels of between 25% and 75%. The entry level for each home will be determined by affordability. The purchaser is obliged to purchase the maximum share based they can afford. If some purchasers can only afford to purchase lower shares wherever possible this will need to offset by the sale of larger shares elsewhere on the site and the sales team will need to be advised of this. However, in the unlikely event this issue starts to threaten the viability of the scheme and this can be demonstrated, the council could approach Homes England for increased funding.
- 5.4 The following mix is proposed:

Table 3: affordable housing mix

Dwelling Type	Number of shared ownership homes	Number of social rent homes	Number of private sale homes	Total Number of homes on scheme
1 bed Apt	1	3 (inc 1 x wheelchair)	2 (inc 1 wheelchair)	6
2 bed Apt	3	2	7	12
2 bed House	6	11	11	28
2 bed bungalow	5 (inc 1 x wheelchair)	6 (inc 1 x wheelchair)	15 (inc 2 x wheelchair)	26
3 bed	13	6	41	60

house				
4 bed house	0	0	8	8
Total	28	28	84	140

5.5 A layout showing the proposed distribution of all the affordable housing is attached at Annex 3. The shared ownership homes are hatched purple and the social rented hatched green.

5.6 The Older Persons Accommodation Programme Manager supports trialling a few bungalows for Older Persons Shared Ownership. Since there are only four shared ownership bungalows on the scheme (excluding one wheelchair accessible bungalow) it would seem appropriate to trial this product on all four properties. In the event of there being no interest in this tenure at the time of sale these could revert to standard shared ownership.

6.0 Offering tenure choice and flexibility for customers

6.1 An ambition of the programme is to improve housing choices for residents. However, choice will not only be influenced customer preference and affordability but also by other factors such as phasing, grant funding and financial modelling.

6.2 Plots have been identified for specific tenures, however, as the scheme progresses and the likely appetite for shared ownership and/or Older Person shared ownership becomes clearer, the council may be able to consider allowing some flexibility. For example, the council could allow more lower entry level shares for the shared ownership homes and/ or by changing the tenure of some shared ownership plots that are struggling to sell e.g. marketing the property for an alternative LHCO tenure and if this is successful then exploring the feasibility of social or affordable rent.

6.3 However, if the Council wishes to offer more tenure flexibility an internal process and timescales needs to be agreed in order to provide transparency and manage risk.

7.0 Marketing and Promotion

7.1 Grant conditions prevent the Council from applying a local connection criteria to any of the shared ownership homes. Therefore the development of a local marketing strategy will be critical to success of the programme.

- 7.2 The marketing strategy should including piloting a local marketing campaign for the Lowfield development that can then be replicated elsewhere
- 7.3 Tools and literature/brochures also need to be develop in order to provide improved Customer Advice/Information to promote shared ownership to residents and inform potential buyers of their purchase options
- 7.4 It will also be necessary to review the process for handling shared ownership applications to ensure that it is streamlined, transparent, fair and consistent for residents and that it is properly resourced.
- 7.5 A key ambition is to support key workers by marketing housing for them. Key workers include teachers, health and social care workers, the police, the fire service and others working in the public sector. These groups could be targeted through social media, poster campaigns and events (including evening events) in the work place, articles in Buzz, other organisations newsletters and the local press. Some local authorities have also offered these groups equity loans (e.g. Cambridge City) to provide them with housing assistance.