

FALCON COMMUNITIES

AFFORDABLE TENURE LEAFLET

Introduction

The leaflet provides information on the scheme, how this is being brought forward as an entry-level exception site and further detail explaining each one of the affordable home ownership tenures being proposed.

Proposed Scheme

The scheme is proposed to deliver 20 dwellings, through two affordable home ownership tenures.

- i. 10 x discount market sale homes (25% discount from market value)
 - 7 x 2-bedroom homes
 - 3 x 3-bedroom homes

- ii. 10 x shared ownership homes (initial equity share of between 25% and 75%)
 - 8 x 2-bedroom homes
 - 2 x 3-bedroom homes

An indicative layout and schedule of accommodation is identified below, which will be subject to change following review of the public consultation feedback.



DISCOUNTED MARKET
 TOTAL 10
 2BED = 7
 3BED = 3

SHARED OWNERSHIP
 TOTAL 10
 2BED = 8
 3BED = 2

PLOT NO.	BEDROOM & PERSONS	AFFORDABLE TENURE	SIZE
1	3 BED 1 PERSON	DISCOUNTED MARKET	9361
2	2 BED 4 PERSON	DISCOUNTED MARKET	850
3	3 BED 1 PERSON	SHARED OWNERSHIP	3301
4	2 BED 4 PERSON	SHARED OWNERSHIP	850
5	2 BED 4 PERSON	DISCOUNTED MARKET	850
6	2 BED 4 PERSON	DISCOUNTED MARKET	850
7	2 BED 4 PERSON	SHARED OWNERSHIP	850
8	2 BED 4 PERSON	SHARED OWNERSHIP	850
9	2 BED 4 PERSON	SHARED OWNERSHIP	850
10	2 BED 4 PERSON	DISCOUNTED MARKET	850
11	3 BED 4 PERSON	DISCOUNTED MARKET	3287
12	3 BED 6 PERSON	SHARED OWNERSHIP	3287
13	2 BED 4 PERSON	SHARED OWNERSHIP	850
14	2 BED 4 PERSON	SHARED OWNERSHIP	850
15	2 BED 4 PERSON	SHARED OWNERSHIP	850
16	2 BED 4 PERSON	SHARED OWNERSHIP	850
17	2 BED 4 PERSON	DISCOUNTED MARKET	850
18	2 BED 4 PERSON	DISCOUNTED MARKET	850
19	3 BED 1 PERSON	DISCOUNTED MARKET	3301
20	2 BED 4 PERSON	DISCOUNTED MARKET	850



Entry Level Exception Sites (ELES)

The National Planning Policy Framework (NPPF) paragraph 71 outlines the supportive planning policy to proceed with an affordable home ownership product. Whilst it is specifically aimed at first time buyers, the proposal would also look to open the eligibility to 'key workers' as is envisaged by the impending First Homes national policy.

71. Local planning authorities should support the development of entry-level exception sites, suitable for first time buyers (or those looking to rent their first home), unless the need for such homes is already being met within the authority's area. These sites should be on land which is not already allocated for housing and should:
- a) comprise of entry-level homes that offer one or more types of affordable housing as defined in Annex 2 of this Framework; and
 - b) be adjacent to existing settlements, proportionate in size to them³³, not compromise the protection given to areas or assets of particular importance in this Framework³⁴, and comply with any local design policies and standards.

³³ *Entry-level exception sites should not be larger than one hectare in size or exceed 5% of the size of the existing settlement.*

³⁴ *i.e. the areas referred to in footnote 6. Entry-level exception sites should not be permitted in National Parks*



Discount Market Sale

Discount Market Sale tenure is an affordable home ownership product that

- is aimed at first time buyers (with potential to include key workers) who are on middle incomes and unable to afford the cost of buying market housing
- is discounted by a minimum of 20% of open market prices and often links to local incomes levels to ensure the properties are affordable
- have a selection criterion attached to the homes, such as having a local connection to the area and maximum income levels
- the percentage discount is secured in perpetuity, to ensure future resales are also discounted by the percentage discount
- the buyer will own the whole property (freehold) and there is no additional rent to pay

The market value of the homes would be assessed by either an Independent Surveyor, or an average of three local Estate Agents valuations, then discounted by the percentage amount secured through Legal Agreement with the Council.

The Legal Agreement (Section 106) will be secured through the planning process and include a restriction on the property’s Land Registry Title to ensure that the property remains at 25% discounted rate in perpetuity for future resales and purchasers.

Examples of how the discount would reduce the property value and increase affordability are below based on anticipated values within Hook village.

Example 1 – 25% Discount (Hook - 2 bedroom-home)

Initial Purchase (A – B = C)

£325,000 - £81,250 = £243,750

A	Open Market Value	(£325,000)
B	25% Discount	(£81,250)
C	Discount Market Sale Value	(£243,750)

Resale (D – E = F)

£360,000 - £90,000 = £270,000

D	Open Market Value at Resale	(£360,000)
E	25% Discount	(£90,000)
F	Discount Market Sale Value	(£270,000)

Example 2 – 25% Discount (Hook - 3 bedroom-home)

Initial Purchase (A – B = C)

£425,000 - £106,250 = £318,750

A	Open Market Value	(£425,000)
B	25% Discount	(£106,250)
C	Discount Market Sale Value	(£318,750)

Resale (D – E = F)

£465,000 - £116,250 = £348,750

D	Open Market Value at Resale	(£465,000)
E	25% Discount	(£116,250)
F	Discount Market Sale Value	(£348,750)



Shared Ownership

Shared Ownership tenure housing is aimed to help first time buyers on mid-low income and those unable to afford to buy a home on the open market or afford a discount market sale property.

The scheme is part-buy, part-rent and allows the buyer to acquire a share of the property usually between 25% and 75%, which they pay a mortgage (with a minimum 5% deposit) on that share, whilst paying a below-market-value rent on the outstanding value of the property.

Shared Ownership houses are often owned and managed by Housing Providers (Registered Social Landlords/Housing Associations) that control the sale of the properties based on an independent surveyors open market valuation.

As part owner of the properties the Housing Provider will also control the sale process once a valuation has been undertaken to ensure each party receives their respective share.

Eligible buyers must earn less than £80,000 per annum, not have an interest in any other property and it is proposed to have a local connection to Hook. The costs are usually lower than other housing options, including.

- The rental amount is less than the rate charged on the open market and usually charged at 2.75% of the property value per annum
- The deposit required will only be the price of the share, rather than full market value making it more affordable to those on lower incomes
- Stamp Duty Land Tax (SDLT) is only applicable to the 'share amount' purchased on the property
- An Entry Level exception site can facilitate a local connection test to be applied to the units, which is not usually enforceable on Section 106 affordable home ownership tenure housing. This would ensure the homes remained in the occupation of those with a local connection to Hook Parish

As the purchaser only needs a mortgage (and deposit) for the share they are purchasing, the amount required to put down for a deposit is much lower than if the house was purchased outright.

Whilst owning the property, the purchaser will be able to increase their share of the ownership (in 10% increments) whilst reducing their ongoing rental payments – this is known as staircasing.

Applicants for Shared Ownership will need to be registered with Help to Buy to ensure that they qualify for the eligibility criteria.

Help to Buy act as an agent for prospective shared ownership purchases, to help understand the schemes, assess whether applicants are eligible, undertaken initial affordability assessment and guide applicants through the home buying process through Help to Buy.

Further information on Help to Buy can be found here

<https://www.helptobuy.gov.uk/shared-ownership/>

Help to Buy registration for those in Hook (Hampshire) can be found here

<https://www.helptobuyagent3.org.uk/>



Example 1 – 40% Ownership of 2-bedroom Shared Ownership home with 5% deposit

A	Market Value	£325,000
B	Percentage Share	40%
C	Percentage Value	£130,000
D	Outstanding Value	£195,000
E	Deposit at 5% of Percentage Value	£6,500
E	Mortgage at 95% of Share	£188,500 *
F	Rent Charge at 2.75% of Outstanding Value	£5,183 per annum / £431.98 per month

Example 2 – 40% Ownership of 3-bedroom Shared Ownership home with 5% deposit

A	Market Value	£425,000
B	Percentage Share	40%
C	Percentage Value	£170,000
D	Outstanding Value	£255,000
E	Deposit at 5% of Percentage Value	£8,500
E	Mortgage at 95% of Share	£246,500 *
F	Rent Charge at 2.75% of Outstanding Value	£6,765 per annum / £563.75 per month

After the initial Percentage Share purchase, monthly repayments would consist of Mortgage Repayments (E) and Rental Charges (F), with the ability for the Purchaser to increase their Percentage Share (currently at 10% intervals), reducing the Rental Charge amount.

** monthly mortgage repayments will be determined by individual terms, amount and timeframes for repayment. The calculator provides a guide and not a definitive affordability assessment. Individuals are advised to seek professional guidance from an Independent Financial Advisor or Mortgage lender*

<https://www.gov.uk/guidance/capital-funding-guide/1-help-to-buy-shared-ownership>