

# ***Building a Housing Ladder of Opportunity***

**Hammersmith & Fulham Council**

# **Home Buy Allocation Scheme**

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## **Home Buy Allocation Scheme**

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## **1. Introduction from Cllr Andrew Johnson, Cabinet Member for Housing**

Hammersmith and Fulham Council is committed to creating a borough of housing opportunity, with low cost homeownership at its core. We are one of the most polarised boroughs in London in terms of our housing provision, with some of the highest property prices in the country combined with nearly 32% social rented housing. Our key challenge is to create a real ladder of housing opportunity through the expansion of intermediate properties, especially those for low cost homeownership to enable local people to get onto the property ladder.

The demand for homeownership is still as strong as ever, though for many is becoming an aspiration which is completely out of reach. This can be seen through the rapid growth of the private rented sector, with many would be homeowners choosing to rent because they simply cannot afford to access even the lowest rungs of the property ladder.

It is for this reason that we have prioritised the expansion of low cost homeownership products in recent years, including the creation of our own development company to build new low cost homes to buy.

This Council remains committed to unlocking aspiration and creating opportunity within our vision for housing. Putting in place the missing rungs of the housing ladder within the Borough to increase not only the numbers of new intermediate housing, but also through reforms of social housing to create a genuine platform for progression into other housing options. Above all we remain committing to becoming the low cost homeownership borough.

In this document, you will find out what Home Buy products may be available to access; what priority you would be given if you were to be accepted on to the Home Buy Register; and how Local Lettings Plans will work in practice.

A number of our Housing Strategy identified actions are already in the process of being delivered with our Housing Allocation Scheme going 'live' in April 2013 and our housing development company building homes for affordable home ownership. A number of Local Lettings Plans will be adopted in 2013, enabling a more flexible approach to local lettings. And we are taking significant steps towards delivering housing and economic growth in our five Opportunity Areas

The publication of this Home Buy Allocation Scheme represents the final key document required to fully change our strategic approach to housing in Hammersmith & Fulham. In 2012, we completed our Housing Strategy; Housing Allocation Scheme; Tenancy Strategy; and, Homelessness Strategy. The year before, our Local Plan Core Strategy was adopted, setting out our ambitious economic and housing growth strategy for the borough.

With borough house prices continuing to rise, our work to increase housing supply and housing choice has never been more urgent.

Cllr Andrew Johnson  
Cabinet Member for Housing

## **2. WHAT IS THE HOME BUY ALLOCATION SCHEME**

2.1 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.

2.2 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 Private Registered Providers (normally housing associations) 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 adopted in 2012, with specific reference to Local Lettings Plans

2.3 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.

### **3. STRATEGY AND POLICY CONTEXT**

3.1 Hammersmith & Fulham Council has a robust housing and economic growth agenda and has an up to date set of strategy and policy documents to help deliver it. We see the delivery of more intermediate housing – affordable housing for working households – as central to delivering these twin objectives. The key documents are the:

- Local Plan including the Core Strategy (October 2011) and the Development Management Local Plan (to be adopted June 2013)
- Housing Strategy (October 2012)
- Borough Investment Plan (Dec 2011)

3.2 The Local Plan Core Strategy is the key document that sets the council's strategic approach to all policy areas of the planning and development agenda. This includes education; health; transport; retail; leisure; greenspace; and housing. The Housing Strategy and Borough Investment Plan documents support the Core Strategy policies giving greater detail where necessary on specific issues such as approach and investment.

3.3 Details of the Council's Core Strategy housing policies can be found at:

[www.lbhf.gov.uk/Directory/Environment\\_and\\_Planning/Planning/Planning\\_policy/164525\\_Core\\_Strategy.asp](http://www.lbhf.gov.uk/Directory/Environment_and_Planning/Planning/Planning_policy/164525_Core_Strategy.asp)

3.4 In summary, over the twenty years from 2012 – 2032, the Council expects to see at least 14,400 homes developed in the borough. Taken as an average over the 20 years, this would equate to 720 homes per year, higher than the 615 identified in the Mayor's London Plan.

3.6 The Core Strategy sets a borough wide target of at least 40% of all additional housing – i.e., 40% of the 14,400 homes identified above – should be for affordable purposes. The large majority of the homes that the Council has identified are located in the following Regeneration Areas in the borough:

- White City Opportunity Area
- Hammersmith Town Centre and Riverside
- Fulham Regeneration Area (including Earls Court and West Kensington Regeneration Area)
- South Fulham Riverside
- Park Royal Opportunity Area

3.7 The Council expects a large proportion of the new additional housing to be intermediate affordable housing. The next section explains what kinds of products will be available for applicants to purchase.

## 4. WHAT INTERMEDIATE PRODUCTS ARE AVAILABLE

- 4.1 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 open market for sale housing. 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 rented housing.
- 4.2 In Section 4.3 below, are described the four broad categories of intermediate housing that are available, drawn from *The Mayor's Housing Covenant – Homes for Working Londoners (Sept 2012)*. It is not the case that all four of the products that are described below will be available in Hammersmith & Fulham in any given year. Sometimes there are funding initiatives that promote certain products which lead to more homes of a certain type being delivered. But the four products described below are those that are generally provided by developers and private registered providers (normally housing associations). With the continuing pressure on public finances, the amount of Mayoral and Central Government support for such initiatives is likely to be limited, which means the range of choice for Home Buy applicants will be limited also.

### What Intermediate Housing Products are Available

- 4.3 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. 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. 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. Since 2011, the FirstBuy scheme has offered equity loans of up to 20 per cent of the purchase price, split equally between the Mayor and house builder, with purchasers required to raise a mortgage and deposit for the remainder.
  - 3. Discount and other non-funded low cost home ownership schemes:** Discount schemes are available to social housing sitting tenants wishing to purchase their home. The Right to Buy for council tenants and Right to Acquire for housing association tenants are the most widely recognised schemes. Qualifying tenants receive a discount on the purchase price, which was recently

increased to up to £75,000 for some London tenants. There are also other low cost home ownership products provided by developers, usually as part of a section 106 agreements and which receive no direct public funding, such as discounted market sale products. It should be noted that neither shared ownership nor shared equity schemes are necessarily tied to new build homes. In previous programmes there has been a range of initiatives to enable households to purchase second hand homes through intermediate housing options such as DIYSO (do it yourself shared ownership) and Open Market HomeBuy.

4. **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.

Source: Section 4.3 is drawn from Part 1 of the *Mayor's Housing Covenant (2012) – Homes for Working Londoners*

- 4.4 In addition to the four options above that are recognised by the Mayor of London, the Council has a preferred model of intermediate housing known as Discount Market Sale.

5. **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. This is possible because when the development was negotiated with the Council in its planning authority role, the discount was stipulated to try to help low and middle income earners access the property ladder. The purchaser(s) buy the percentage of the property available after the discount with nothing to pay on the unsold equity. Should they 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.

- 4.5 In summary, the Council is generally supportive of all the intermediate products described above with a preference for the fifth option described above. 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 living in intermediate housing over the medium to long term.

- 4.6 Council tenants continue to enjoy the Right to Buy their home with maximum discounts increased to £75,000 in 2012. The Council is currently considering the viability of a Right to Buy 'Part' Scheme similar to the shared ownership scheme operated by housing associations.

### **Who Provides Intermediate Housing?**

- 4.7 There are only a few organisations that provide intermediate housing. They are principally:

**Private Registered Providers** – known as housing associations (and previously Registered Social Landlords) to most people, they 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. The Council has established its own housing development company (a Private Registered Provider in its own right) which is already delivering new affordable housing in the borough.

**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.

- 4.8 As a general principle, the Council will take responsibility for nominating households to Home Buy opportunities available in the borough but there may be instances where the provider concerned nominates directly.

## **5. QUALIFICATION & PRIORITY**

- 5.1 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.
- 5.2 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**

- 5.3 Regarding qualification for the Home Buy Register, applicants, should:
1. Live or work within the Borough
  2. Not be a home owner
  3. Have a household income not exceeding the relevant limits (See Section 6.2)
  4. Not be able to purchase a comparable property on the open market
  5. Be eligible under the Housing Allocation Scheme

### **Priority**

- 5.4 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:
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 (See Section 5.6-5.8)
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, expected to be mainly for resale of low cost home ownership products.

Note: Within each category, 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 wishes to acquire a home that is above their household need.

\* 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*

- 5.5 Please be advised that the Council reserves the right to change the prioritisation model at any time without notice. This will be agreed by the Executive Director for Housing and Regeneration in consultation with the Cabinet Member for Housing.

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

### **Shortlisting**

- 5.7 The Council currently has over 4,900 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 5.3 above); their income; and their savings when considering who should be allocated a Home Buy Opportunity. In the case of two bedroom 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.

### **Affordable Housing that is Accessible/Adaptable for Wheelchair Users**

- 5.8 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).
- 5.9 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 marketing programme for such housing will generally be longer than that for applicants with general needs.
- 5.10 Applicants with non-physical disabilities will be awarded the same priority but will not have the same priority as applicants who are wheelchair users for wheelchair adapted/adaptable properties.

## **6. INCOME AND AFFORDABILITY**

- 6.1 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.

### **Income**

- 6.2 Eligibility for intermediate housing is defined largely in relation to income and ability to purchase a suitable home without assistance. Households must have an annual income of less than £64,300, increasing to £77,200 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. This means the maximum income you can have if you are seeking to access a Home Buy product that the Council is marketing. The one exception to these limits would be Priority 9 identified in Section 5.4 (9) of this report.

## Affordability

6.3 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

6.4 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 to be able to attract for affordability purposes would be £175,000.

6.5 The Mayor of London's current position (restated in his *Mayor's Housing Covenant – Homes for Working Londoners 2012*) on income levels that allow applicants, normally first time buyers, to be eligible for Mayoral support is as follows:

*Households must have an annual income of less than £64,300, increasing to £77,200 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. In addition, local authorities can, through their planning agreements, define eligibility for specific schemes more tightly in relation to income levels and local connection.*

6.6 Hammersmith & Fulham supports the income limits set out in the Covenant. Furthermore, the Council will seek to ensure that no home that is marketed for Home Buy purposes exceeds the annual income limits set by the Mayor of London. Using the Council's multiplier identified above, no home up to 2 bedroom sized should cost more than £225,050 (i.e. 3.5 x £64,300), with no family home costing more than £270,200 (i.e. 3.5 x £77,200). These should be considered as absolute ceilings to incomes required to meet acquisition costs for any low cost home ownership product marketed. In line with the Mayor's support for local discretion, the same approach should be adopted to the incomes identified below in Section 6.8. The Mayor of London reviews and if necessary revises the affordability thresholds annually and the Council will adjust the affordability ceilings as appropriate. Revisions are published in his Annual Monitoring Report (AMR).

### Affordability Bands for Home Buy Products

6.7 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.

6.8 Where the Council is working with a private developer and/or a Private Registered Provider (usually a housing association) on a scheme, the Council will seek to facilitate the delivery of the following affordability bands:

- 1/3 affordable to households on incomes of between £19,000 and £30,000
- 1/3 affordable to households on incomes of up to £40,000 (i.e., £30,001 - £40,000)

- 1/3 affordable to households on incomes of up to £64,300 (i.e., £40,001 - £64,300)
- 6.9 In addition, the Council will seek the mid-point of these income bands when negotiating with developers and Private Registered Providers. In line with the Mayor of London's approach to family sized accommodation (See Section 6.5), the maximum gross annual income a household can earn to be eligible for a Home Buy product will be £77,200. The Council will adopt a bespoke approach on affordability as and when such opportunities arise.
- 6.10 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 of between £40,001- £64,300, this would clearly be restricting access to households in lower paid jobs, particularly those who are currently resident in social rented housing or who are ex-armed services personnel. The Council is particularly keen to encourage these cohorts of need into Home Buy opportunities.
- 6.11 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 Discount Market Sale and 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 careers develop.
- 6.12 Each scheme on which the Council works with a private developer and/or Private Registered Provider 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 6.8..
- 6.13 For **Intermediate Rent** schemes, the Council expects housing costs (rent and services charges) to be no greater than 80% of local market rents.

## **7. LOCAL LETTINGS PLANS**

- 7.1 The Housing Allocation Scheme (Dec 2012) gave the Council authority to adopt Local Lettings Plans (LLPs). 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 delivering more mixed, balanced, sustainable communities.
- 7.2 This approach may include letting 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 '*Building Housing Ladder of Opportunity*' 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. Persons who qualify will need to meet all of the following criteria:
1. Eligibility within the terms of the Housing Allocation Scheme
  2. Registration on the Home Buy Register
  3. Successful application to be considered for a tenancy under a Local Lettings Plan meeting any specified qualifying criteria
  4. Local residency qualification within the terms of this Housing Allocation Scheme (unless the applicant falls within Armed Forces Qualification Regulations)
  5. Satisfying the income threshold set out in paragraph 6.8 of the Housing Allocation Scheme (i.e., on a gross income of between £19,000 to £61,400).
- 7.4 The Council will from time to time set procedures for the operation of the scheme to allocate to applicants from the Home Buy Register and these procedures may include criteria for establishing priorities between persons who qualify. These procedures may include giving priority to those within the reasonable preference categories (See Section 2.7 of the Housing Allocation Scheme).
- 7.5 More detail on the Council's approach to Local Lettings Plans can be found in the Housing Allocation Scheme which can be accessed at:

[www.lbhf.gov.uk/changestohousingregister](http://www.lbhf.gov.uk/changestohousingregister)

- 7.6 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. HOW TO REGISTER FOR HOME BUY**

- 8.1 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](http://www.lbhf.gov.uk/homebuy)

- 8.2 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](mailto:h&fHome-Buy@lbhf.gov.uk)
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## **Annex B Business Board 6 March 2013 (Current Home Buy Priority Policy)**

### **How does the council decide who should be shortlisted for a New Build Home Buy property?**

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 deposits 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.

Because more people express an interest in low cost home ownership than we have available properties the council has to prioritise which people will be given the opportunity to purchase.

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:

- P1\* Social housing tenants (secure council & assured housing association tenants) who live within the boundaries of LB Hammersmith and Fulham (LBHF) (as defined by First Steps London)
- P1\* Serving MoD Personnel (as defined by First Steps London)
- P2 Applicants to whom the LBHF have accepted a duty to provide accommodation under the homelessness legislation. Includes those people placed in temporary accommodation.
- P3 Applicants who have a recognised disability. For more information please contact a Customer Relations Advisor on 020 8753 6464.
- P4 Key Workers as defined by LBH&F's Key Worker Allocations Quota
- P5 Applicants who are registered on the council's housing register for socially rented accommodation, or who have submitted an application which is under assessment. Where all circumstances are equal, prioritisation within this band will follow LBH&F's allocation policy.
- P6 Applicants who live or work in Hammersmith & Fulham and who do not fall into any other priority category.
- R Applicants with incomes over £60,000. These applicants may register with h&f Home Buy but will only be eligible at the discretion of the Home buy Service Manager for resale properties where the required income is over £60,000. Customers in this category will be considered for developments where maximum income limit is that of the London Plan (currently £64,000)

Within each category h&f Home Buy will prioritise households in order of need for the type or the bedroom size of the properties then those with the lowest income needed to purchase the property above those who would be under-occupying the property or with higher incomes.

\* dependent on funding stream of development

Please be advised that LBH&F reserves the right to change the prioritisation model at any time without notice.