

London Borough of Hammersmith & Fulham

Economic Regeneration, Housing and the Arts Policy and Accountability Committee

13th June 2017



LOW COST HOME OWNERSHIP UPDATE REPORT

Report of the Cabinet Member for Housing – Councillor Lisa Homan

Open Report

Classification - For Information

Key Decision: No

Consultation:

Housing Services Department

Wards Affected: All

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1. EXECUTIVE SUMMARY

- 1.1. This update report provides commentary on the intermediate housing services offered through Hammersmith and Fulham's home ownership service, H&F Home Buy.
- 1.2. The report details
 - the intermediate housing products on offer,
 - the Council's approach to securing genuinely affordable intermediate housing in the borough,
 - the Home Buy register
 - Sales achieved through the Home Buy service in the last 5 years.
 - Communication and engagement activities of the service.

2. RECOMMENDATIONS

- 2.1. PAC to review the low cost home ownership update report and make comments and recommendations as it deems appropriate.

3. LOW COST HOME OWNERSHIP

What is Intermediate Housing?

- 3.1. Intermediate housing is housing for sale or rent available to people who do not qualify for social housing and who cannot afford to buy or rent, a home on the open market.
- 3.2. The cost of homes provided for intermediate housing are above the cost of social rent, but below market levels. These are known as Low Cost Home Ownership (LCHO) and Intermediate Rent homes. These tenures are intended to be the bridge between social rented housing and open market housing.

What is Intermediate Rent?

- 3.3. Intermediate rent homes are typically Housing Association homes let at a level below the rents charged in the open market. The rent is normally set at up to 80% of the rent charged on the open market.
- 3.4. This option is designed to give people the chance to save and build deposits to use towards the purchase of a home either through LCHO or on the open market, if this is possible.

What is Low Cost Home Ownership?

- 3.5. Low Cost Home Ownership (LCHO) are schemes designed to help people who would otherwise be unable to buy a home on the open market. LCHO include products as Shared Ownership and some equity share models. In Hammersmith and Fulham, we use two main products;
- 3.6. **Shared Ownership:** The traditional LCHO product. It enables people to buy a share of a home (between 25% and 75%) on leasehold basis and pay rent on the remaining share. Owners can buy additional shares in the future thereby reducing the rented share and the associated rental charge, until they own the property

outright. Owners can also sell their share if wish and keep the value of the share they own.

- 3.7. **Council Shared Equity:** (previously known as Discounted Market sale) Enables people to buy a property at a discounted price with the unsold equity held by the Council in perpetuity with nothing payable towards it. 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 nominated by the Council.
- 3.8. The Home Buy service also manage the re-sales and re-lets of intermediate housing that becomes available in the borough. Ideally nominating another applicants from the Home Buy register.

4. LBHF APPROACH TO AFFORDABILITY OF LCHO

- 4.1. The Council is committed to increasing the supply and choice of intermediate housing in Hammersmith and Fulham while ensuring a broad range of household incomes access LCHO opportunities.
- 4.2. To achieve this, we used data gleaned from the Home Buy Register to create income/affordability bands to ensure that properties secured through the planning system are affordable to residents and workers of the borough. These are;
 - A third of LCHO properties affordable to households on gross incomes of up to £29,000
 - A third of LCHO properties affordable to households on gross incomes of up to £43,550
 - A third of LCHO properties affordable to households on gross incomes of up to £50,550
- 4.3. Through this approach, the Council is seeking to ensure that the affordability of LCHO properties are linked to incomes of residents and workers of the borough rather than property prices that, in Hammersmith and Fulham, are among the highest in the country.
- 4.4. This is particularly important because the current London Plan Annual Monitoring Report, although strongly encourages provision of LCHO homes to a range of incomes, includes a maximum household income threshold of £90,000.
- 4.5. Given high land values, it is highly likely that the £90,000 income would be required to buy new homes in the borough. However, this maximum income figure would rule out the vast majority of households registered with Home Buy.
- 4.6. Using the affordability bands above and demand data from the Home Buy Register, the Council works with developers and housing associations on different schemes and models different scenarios to ensure the new homes are as affordable as possible to residents and workers of the borough.

5. H&F HOME BUY SERVICE

- 5.1. The Home Buy team manage the marketing of and allocation of intermediate housing in Hammersmith and Fulham to residents and workers of the borough.
- 5.2. The team maintain the Home Buy Register and advertise available opportunities to its applicants. The team assess, shortlist, and nominate eligible applicants to properties in the borough in accordance with the Home Buy Allocation Scheme.
- 5.3. The service offer residents and worker of the borough a free hand-holding service through the home ownership process providing one-to-one information and advice sessions and referral services to independent financial advisors and solicitors.
- 5.4. The Home Buy team also manage the Council's freehold enfranchisement scheme and other auxiliary leasehold sales such as lease extensions and loft sales. They also administer the statutory Right to Buy.

Home Buy Register

- 5.5. There is significant demand for intermediate housing, particularly, LCHO in the borough. The Home Buy service manage the Home Buy Register which holds over 9,000 applicants interested in intermediate housing opportunities in the borough. Of these:
 - 70% have a household income between £20,000 and £50,000
 - 65% are aged between 20 and 40 years' old
 - 64% have registered a need for a one-bedroom home
 - 55% have registered a desire for a two-bedroomed home

6. LCHO SALES

- 6.1. In the since 2012, Home Buy have overseen the completion and sale of 703 new LCHO homes to residents and workers of the borough.

Year	Completions
2012	103
2013	99
2014	37
2015	381
2016	79
2017 (to date)	12*
Total	711
2018 (estimate)	217

- 6.2. A minimum of 133 LCHO re-sales were also allocated through the services during this time.
- 6.3. A further 133 LCHO homes are due to be completed by the end of this financial year.

- 6.4. Home Buy expect to launch at least two new developments with a combined total of 84 LCHO and 13 Intermediate rent homes.
- 6.5. In the table below, we allocated completions to each affordability based on the data reported by housing providers.

Income Groups	2014	2015	2016	2017
0 - £30,000	30%	39%	12%	17%
£30,001 - £40,000	35%	29%	37%	50%
£40,001 - <i>Max Income*</i>	35%	32%	51%	33%

- The data above is based on the available completion reports since 2014.
- Max income thresholds have steadily increased in the London Plan Annual Monitoring Report- the highest reported income to Home Buy is £76,000 for a three-bedroomed home.
- Affordability of products affects income requirements. Shared ownership requires a higher income to afford the mortgage and rent of a home in contrast to Council Shared equity where there is no rent to pay on unsold share.

7. COMMUNICATIONS AND ENGAGEMENT

- 7.1. In 2016, Home Buy began a series of engagement and information events in various locations around the borough. feedback received at the roadshows demonstrated the need to continue to promote various housing options offered by the service.
- 7.2. In March 2017, Home Buy hosted a forum with key partners to discuss the most effective ways of communicating with applicants. The housing associations who attended found the forum beneficial and it was agreed that Home Buy would host this twice a year.

Programme of Events

Location	Address	Date	Visitors
Parkview Centre for Health	<i>Cranston Court, 56 Bloemfontein Road W12</i>	22 nd Sept 2016	15
Askew Road Library	<i>87/91 Askew Road, London W12</i>	29 th Oct 2016	14
Area Housing Office (South)	<i>New Zealand Way, White City Estate, W12</i>	24 th Nov 2016	10
Avonmore Library and Neighbourhood Centre	<i>North End Crescent, London W14 8TG</i>	12 th Jan 2017	9
Area Housing Office (North)	<i>Clem Attlee Estate, Lillie Road, SW6</i>	14 th Mar 2017	20
Shepherds Bush Library	<i>6 Wood Lane, London W12</i>	8 th Apr 2017	33

- A total of 101 unique attendees visit home buy sessions
- Shepherds Bush Library was held from 10am to 4pm, all other events were held between 10am and 2pm

7.3 Home Buy will this year re-instate its annual LCHO open day to publicise the schemes and homes available through the service. The free event will be designed to offer a one-stop shop for aspiring home owners giving them an opportunity to meet housing providers, solicitors and Independent Financial advisors to discuss the schemes and their options.