



PORTFOLIO HOLDER DECISION NOTICE

INDIVIDUAL DECISION BY THE PORTFOLIO HOLDER FOR HOUSING SERVICES

TOPIC - DESIGNATED PROTECTION AREA STATUS AT WEST OF WATERLOOVILLE MAJOR DEVELOPMENT AREA, SPECIFICALLY PHASE 5 DUKES MEADOW, OLD PARK FARM

PROCEDURAL INFORMATION

The Access to Information Procedure Rules – Part 4, Section 22 of the Council's Constitution provides for a decision to be made by an individual member of Cabinet.

In accordance with the Procedure Rules, the Chief Operating Officer, the Chief Executive and the Chief Finance Officer are consulted together with Chairman and Vice Chairman of The Overview and Scrutiny Committee and any other relevant overview and scrutiny committee. In addition, all Members are notified.

If five or more Members from those informed so request, the Leader may require the matter to be referred to Cabinet for determination.

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SUMMARY

- Planning permission has been granted for the provision of almost 3,000 homes at West of Waterlooville Major Development Area. 40% of these homes will be affordable, a mixture of rented and low cost home ownership properties, such as shared ownership.
- This site, Phase 5, Dukes Meadow, was previously designated as an employment site but it was agreed that the additional dwellings and reduction in employment land was acceptable within the MDA and reflected the lack of demand for employment use. Phase 5 was granted planning permission for 103 units in 2014 as a stand alone application, but it is still linked to the West of Waterlooville s106 agreement. Of the 41 affordable units on site, 19 are shared ownership. The entire site sits within the administrative area of Winchester City Council.

- This site is within a Designated Protected Area (DPA) as designated by the *Housing (Right to Enfranchise) (Designated Protected Areas) (England) Order 2009 No. 2098* regulations. In these areas, Registered Providers (RPs) whose schemes are part of the Homes and Communities Agency (HCA) programme (with or without funding) must either restrict staircasing of shared ownership homes, which means residents can only purchase up to 80% of their home, or the RP must agree to buy back the property.
- The Designated Protected Areas (DPA) HCA policy guidance states that DPAs were introduced in September 2009 to protect shared ownership homes being lost to the open market where they would be difficult to replace. The designated areas were aligned with those exempt from the Right to Acquire, based on maps dated 1991. Most of these were rural settlements (less than 3,000 population).
- Paragraph 4 of the HCA guidance acknowledges that some areas covered by this policy do not have a shared ownership stock retention issue and if any homes were lost to the open market, the planned level of development means these would be replaced.
- The HCA recognises that there are limited mortgage lenders for restricted shared ownership. Some lenders have higher deposit requirements and will only lend on a proportion of the shared ownership homes on any given site. If RPs were to agree to buy back the property, they would essentially need to put aside the value of the shared ownership home for this purpose. This would reduce the amount of new affordable homes that could be built.
- The HCA has therefore agreed a waiver process in circumstances where shared ownership retention is not an issue and the removal helps applicants obtain a mortgage. The RP needs to approach the Local Authority (LA) and it is for the LA to determine whether the site does or does not require protecting, and (if it is satisfied that such protection is not required) to then apply to the HCA for a waiver. If granted, the effect of the waiver will be to remove the conditions of HCA grant relating to DPA status, thereby avoiding the need to include the restrictions on staircasing referred to above.
- In discussions for the purchase of the affordable units at Phase 5, the RP in question has asked the Council for such a waiver. In 2012, a request was made to the Council to apply to the HCA for a waiver in respect of the whole of the West of Waterlooville Major Development Area. It was decided that an application should only be made in respect of the then current phases 2, 3 and 4 Dukes Meadow and Phase 1 Newlands (PHD 431 refers).

DECISION

That the Head of New Homes Delivery be authorised to apply to the Homes and Communities Agency for a waiver of conditions of grant in respect of Designated Protection Area Status in respect of Phase 5, Dukes Meadow.

REASON FOR THE DECISION AND OTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

The application for a DPA waiver is for phase 5 Dukes Meadow only. PHD431 considered a DPA waiver for the whole of the West of Waterlooville MDA. It was decided that applications should be on a phase by phase basis, at the time when it is required to enable the development and with evidence of the current economic climate. Due to the timescale of the overall development and the likely changes in the housing market cycle over time, this will ensure that an application will only be presented when there is an immediate and clear need for a DPA waiver.

Whilst Nine Lenders are currently offering non-restricted shared ownership mortgages, just three Lenders are offering restricted shared ownership mortgages for DPA areas. Of these, only two are willing to lend on Phase 5 and both lenders will only take up to 25% of the shared ownership units on this site to avoid the risk of over exposure. This means the site would be unviable as 50% of the shared ownership units would not be able to be purchased.

The increase in deposits, of at least 15%, required from these mortgage lenders for such schemes also reduces the number of applicants who could afford to purchase such a property if such a mortgage was available. For the larger units, this level of savings is extremely rare for applicants registered on Help to Buy South for Shared Ownership.

The table below shows the lowest and highest estimated open market value of the shared ownership units and the implication of the type of mortgage on deposit levels:

Estimated Open Market Value (£)	40% share (£)	Deposit – restricted Staircasing (£)	Deposit – 100% staircasing
137,000	54,800	8,220	3,400
265,000	106,000	15,900	5,300

The risks of the DPA status on these shared ownership units can be summarised as follows:

- There are 19 shared ownership homes affected by the DPA (affordable rent homes are unaffected).
- If the DPA is not removed then in the current market not all of the Shared Ownership homes could be sold because of the lack of mortgage lenders for restricted staircasing and the exposure to the site they will allow.

- For those that would be mortgagable, it is unlikely, especially for the larger units, that those able to register on Help to Buy South for the homes would have the level of deposit required. Therefore the homes would not be meeting the housing need.
- The biggest risk is that the Registered Provider may decide not to sign the contract with the developer because it is not viable or deliverable with a DPA restriction to deliver the affordable homes where not all of the Shared Ownership homes can be sold.
- This risk leads to the possibility that the developer could request the affordable housing mix is renegotiated for this phase. It would not be viable to replace the Shared Ownership homes with the equivalent number of rented homes. Government expects us to look favourably on requests to vary tenure to enable schemes. It is likely this would lead to the reduction in the number of affordable homes on this phase.

Evidence from The Cambridge Centre for Housing and Policy Research in 2012 looked at Staircasing and the second hand shared ownership market. Out of 52 registered providers owning approximately 77,000 shared ownership homes, only 1.9% had staircased to 100%. Only 0.003% had staircased to sell their property on the open market; most had remained in the home. It is worth noting that Help to buy South allows second hand shared ownership homes to be sold on the current owners share, so there is no need to staircase out to sell. The previous Tenant Services Authority in 2012 also found a similar trend. Looking at returns from providers owning 144,000 shared ownership homes, staircasing was generally less than 1% a year.

It is therefore considered that the HCA waiver will assist in the delivery of the 19 shared ownership homes and allow these homes to be afforded by applicants in housing need. The impact of the waiver is negligible, given the likelihood of applicants' staircasing to 100% and the planned and built new shared ownership homes for the West of Waterlooville MDA.

The risk of the DPA is that there could be a renegotiation and a reduction in the whole affordable package with no shared ownership homes on this phase. DPAs are meant to protect shared ownership provision in rural areas where these homes would be difficult to replace. The West of Waterlooville MDA does not fit these criteria.

RESOURCE IMPLICATIONS:

No implications.

CONSULTATION UNDERTAKEN ON THE DECISION

The Portfolio Holder for Housing Services supports the recommendation. Ward members have been consulted by the Portfolio Holder for Housing Services and further information has been included in this draft report as a result of this consultation. Ward members were invited to consult the Parish Councils.

FURTHER ALTERNATIVE OPTIONS CONSIDERED AND REJECTED FOLLOWING PUBLICATION OF THE DRAFT PORTFOLIO HOLDER DECISION NOTICE

n/a

DECLARATION OF INTERESTS BY THE DECISION MAKER OR A MEMBER OR OFFICER CONSULTED

None.

DISPENSATION GRANTED BY THE STANDARDS COMMITTEE

n/a

Approved by: (signature)

Date of Decision: 30.12.15

Councillor Caroline Horrill – Portfolio Holder for Housing Services