

TONBRIDGE & MALLING BOROUGH COUNCIL

STRATEGIC HOUSING ADVISORY BOARD

5 January 2009

**Joint Report of the Director of Health and Housing and Cabinet Member for
Housing**

Part 1- Public

**Matters for Recommendation to Cabinet - Non-Key Decision (Decision may be taken
by the Cabinet Member)**

1 ECONOMIC DOWNTURN IMPACT ON HOUSING MARKET

Summary

This report describes the affects of the current economic climate on the delivery of housing on significant sites in the borough. Short term changes to the tenure and delivery of affordable housing which seek to secure a supply of affordable housing into the medium term are explained.

1.1 Economic downturn and the housing market

- 1.1.1 The delivery of affordable housing is reliant to a large extent on a planning led policy in a buoyant housing market where developers are keen to bring sites forward. The slow down in the housing market and the mortgage famine due to the increased restrictions in the availability of affordable mortgage borrowing has resulted in the volume house builders 'mothballing' some sites.
- 1.1.2 In a rising market, housing associations have been hugely successful in cross-subsidising new affordable homes from their surpluses on shared ownership and outright sale. The Council has also been able to secure a significant supply of affordable housing through the application of its planning policy for affordable housing and house builders have made money by watching prices rise. Housing associations now find themselves in a difficult position as without subsidy from building-for-sale and the squeeze on private sector lending, there is simply less funding available to meet the cost of providing affordable housing.
- 1.1.3 Demand for shared ownership has fallen sharply with the loss of confidence in the market and the difficulties prospective purchasers are experiencing in securing mortgage finance. Falling values are also deterring prospective purchasers in the expectation of even lower prices to follow. Our RSL Preferred Partners are therefore looking at alternative tenures such as intermediate rent with the option for tenants to buy a shared ownership share at a later date.

1.1.4 It is hoped that the close working relationships we have with the Housing Corporation (now the Homes and Communities Agency) and our RSL Preferred Partners will enable us to identify a planned way forward through the current market downturn.

1.2 Intermediate Rent to Homebuy

1.2.1 The delivery of affordable units is being impacted by the market slow down in a number of ways. Many of our RSL Preferred Partners are investigating intermediate rent as an alternative tenure to shared ownership, as the level of demand for “part rent part buy” tenures has fallen dramatically in parallel with the increased restrictions in the availability of affordable mortgage finance.

1.2.2 Intermediate rented housing is a form of tenure provided by Registered Social Landlords (RSLs) where the rents are approximately 80 per cent of those for the local private rented sector housing but above prevailing social housing rents. It is aimed at economically active people who meet the financial criteria to afford higher rents than those residents who are eligible for social housing. In other words clients who traditionally would have accessed shared ownership.

1.2.3 The actual tenure being sought by our RSL Preferred Partners is “intermediate rent to Homebuy”. This tenancy is designed to allow the transition from purely renting to a shared ownership model when economic circumstances allow. The intermediate rent to Homebuy tenancy is entered into with the expectation that a household will be able to become shared owners in three to five years time, although this change to “part rent part buy” can occur at any stage when the household are able to so change.

1.2.4 The expectation is that persons entering into an intermediate rent to Homebuy tenancy are doing so with the aspiration to become home owners, and that the client group targeted for this tenure is identical to that historically for previous shared ownership products.

1.2.5 In circumstances where the period of the intermediate rent to Homebuy expires and the tenants have not advanced to becoming shared owners, there are a number of options the RSL can consider. The RSL can commit to assisting the tenants into suitable alternative housing, or alternatively maintain the tenancy as an intermediate rent. In discussion with our RSL Preferred Partners over the possible design of these tenancies the consensus is that in these circumstances each household will be considered on a “case by case” approach.

1.2.6 In accordance with the guidance from the Homes and Communities Agency (HCA) the Council wishes to be supportive of the actions of our RSL Preferred Partners during the current challenging economic climate. The Council understands that our RSL Preferred Partners’ likely move to offering intermediate rent to Homebuy tenancies enables households to continue to aspire to home ownership, whilst also ensuring that the valuable resource of affordable housing units do not remain unoccupied whilst the market recovers. The short term cash

flow secured from intermediate rent gives sufficient confidence for RSLs to continue developing affordable housing and provides for a sustainable mix of accommodation into the medium term.

1.3 Delivery of Market and Affordable Housing

- 1.3.1 For the Cattle Market scheme in Tonbridge, Town & Country Housing Group (T&CHG) are investigating future phases that may contain socially rented units only, due to poor levels of demand for shared ownership. At the Churchfields Site in Snodland, T&CHG are looking to change the tenure of the twenty shared ownership units and make them intermediate rent to Homebuy.
- 1.3.2 At Kings Hill developers are no longer building market housing. We are awaiting news on any adjustments being sought on the future delivery of affordable housing.
- 1.3.3 Moat report that completion of the Kilns scheme at New Road Ditton to develop 67 market and 29 affordable homes is being put back by at least six months to early 2010. No other adjustments to the affordable housing scheme are being sought at the time of reporting.
- 1.3.4 Hyde Homes are working with Barratts on the Frantschach scheme in Larkfield, and despite the economic climate are still looking to handover the final affordable units in mid 2009. Hyde Homes are also providing five social rent and three shared ownership units at Carpenters Lane in Hadlow, with Persimmon still looking to build out this site as planned despite the falling housing market.
- 1.3.5 At Holborough Valley, Berkeley Homes and Southern Housing Group report that all private sales development has ceased with only affordable housing completions continuing.
- 1.3.6 The Holborough Valley scheme is summarised in Table 1 and Table 2 below.
- 1.3.7 Southern Housing Group are seeking to change the tenure for phase 3 (40 units) at Holborough Valley from shared ownership to an intermediate rent to Homebuy tenancy.
- 1.3.8 Members are requested to note that the summary for Holborough Valley is a snapshot of the position as understood at this time. Details for phases 3 and 4 are currently under discussion and yet to be finalised. Members will be informed of any revisions in subsequent reports.
- 1.3.9 Southern Housing Group met with the Council in November to discuss the issue of very low sales of shared ownership units at Holborough Valley. They have enlisted the services of Ward estate agents to help promote sales, given their proximity to the scheme in comparison to the nearest Southern Housing offices. However in the current economic climate Southern Housing Group are finding it

very difficult to justify empty units on schemes that are providing no form of income.

Table 1 Holborough Valley Phase Summary

Unit Totals						
Phase	Socially Rented	Shared Ownership	Intermediate Rent to Homebuy	Key Worker	Market Units	Phase Totals
Phase 1	25	15	0	0	107	147
Phase 2	22	14	0	0	90	126
Phase 2A	0	11	0	0	0	11
Phase 3 (tbc)	63	40	0	18	0	121
Phase 4 (tbc)	42	0	0	0	76	118
Totals	152	80	0	18	273	523

Table 2 Holborough Valley Tenure Summary

Tenure	Units
Key Worker Units	18
Socially Rented Units	152
Shared Ownership Units	80
Affordable Units Total	250
Market Units Total	273
Scheme Unit Total	523

1.3.10 The Council listened sympathetically to the concerns regarding the negative impact of both falling property prices and the lack of suitable mortgage products for potential buyers, but also affirmed its strong desire to maintain the affordable housing at Holborough Valley as a resource for local people within the borough.

1.3.11 Following the meeting the Director of Health and Housing has agreed to operate a temporary variation to the standard shared ownership nominations policy with the Zone Agent, Moat. For the Holborough scheme only, and for a period of six weeks from the date of our meeting, the Director of Health and Housing will support nominations from both Tonbridge & Malling and Medway. The location of Holborough Valley near the boundary between Medway and Tonbridge & Malling makes Medway the most suitable choice for wider nominations. This relaxation

will only apply to the unsold 11 units in phase 2A. Hopefully this approach will lead to an increase in both interest and resulting sales for the scheme. The Council made it clear to Southern Housing Group that we expect the above variation in the nominations policy to be met by them with a wider marketing approach promoting Southern Housing Group schemes located in other boroughs to our own residents.

- 1.3.12 The Director of Health and Housing will monitor the impact of this variation to the nominations policy and report back to Members the results in due course.
- 1.3.13 As Members will be aware, on Monday 4 November there was a fire in one of the shared ownership blocks at the Holborough Valley scheme in Snodland. The fire appears to have started in the external communal bin store at around midnight, and then travelled up the outside of the building into the roof space.
- 1.3.14 There were nine households in the block affected by the fire, with three of the flats being severely damaged. The Council's Building Control Officers inspected the site on Tuesday 5 November and concluded that the building had resisted the fire well. Although the timber cladding to the outside was badly charred the major structural damage was limited to the roof. The compartmentation and fire walls within the building worked extremely well and contained the fire within the roof space, with the integrity of the walls and floor remaining intact. Building Control Officers were of the opinion that the timber building behaved better in the fire than might have been achieved by a more traditional brick and block construction.
- 1.3.15 Six of the households were soon able to return to their flats, but unfortunately the severe weather of the following few days caused further flood damage to the units and the decision was made to vacate the whole block until repairs were carried out.
- 1.3.16 The Housing Needs Team worked with Southern Housing Group who were very proactive in providing temporary accommodation for the affected households, placing them within two local hotels.
- 1.3.17 The Council has worked closely with Southern Housing Group and Berkeley Homes to establish a suitable and timely long-term solution for the displaced households. The proposed and most convenient solution was for the affected residents to be decanted into other similar unsold units on the Holborough Valley scheme for the duration of the rebuild works to their properties. This is estimated to take between nine and twelve months to complete.
- 1.3.18 Southern Housing Group has undertaken to inform the Council which properties each household moves into and on which date, and also the date that each household moves back into their own property once the repair works are complete.

1.4 Legal Implications

- 1.4.1 The Council needs to secure a sufficient supply of affordable housing to meet its statutory duties.

1.5 Financial and Value for Money Considerations

- 1.5.1 Failure to secure an adequate future supply of affordable housing could have potentially significantly financial and reputational risks for the Council.

1.6 Risk Assessment

- 1.6.1 Failure to secure sufficient investment in affordable housing could mean that the Council is unable to deliver its local strategic housing priorities and meet its statutory obligations to the homeless and others in housing need.
- 1.6.2 The current delivery model for affordable housing relies on a viable housing market and through the functioning of local planning policies. A risk assessed approach requires the Council to work with housing association partners and developers to identify measures in the short term that will protect the supply of affordable housing in the medium to long term.
- 1.6.3 Support for intermediate rent with future transition to shared ownership as explained in this report will assist in preserving the supply of affordable housing in the short term and residents ability to access low cost home ownership in the future.

1.7 Recommendations

- 1.7.1 Cabinet is requested to
- i) **NOTE** the ongoing impact that the economic downturn is having in the local housing market;
 - ii) **ENDORSE** the measures underway with housing association partners and developers in an effort to minimise the impact the downturn is having on the supply of affordable housing; and
 - iii) **NOTE** the temporary arrangements to re-house residents displaced by the recent fire at the block of nine homes at Holborough Valley.

The Director of Health and Housing confirms that the proposals contained in the recommendation(s), if approved, will fall within the Council's Budget and Policy Framework.

Background papers:

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Nil

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