

	Meeting	Date
Corporate Director (Business)(Introduced by the Executive Member (Business))	Executive Cabinet	26.06.08

AFFORDABLE HOUSING FRAMEWORK

PURPOSE OF REPORT

1. To propose a revised definition of affordable housing for the borough and to set out clear procedures for assisting in the negotiation of affordable housing in relevant sites.

RECOMMENDATION(S)

2. a) To adopt the proposed definition of affordable housing and procedures as defined in Paragraph 7 of this report in order to maximise affordable housing on new developments.
- b) To adopt the affordable housing negotiation procedure.
- c) To adopt the eligibility criteria for new low cost housing schemes.
- d) If deemed appropriate, discounted open market value properties should be requested on developments to ensure that properties are affordable in perpetuity.
- e) Adopt a requirement that all Section 106 agreements require that Housing Associations are must recycle funding obtained from the sale of affordable housing in Chorley back into provision within the borough.
- f) A further report will be required to investigate alternative funding mechanisms for affordable housing. This is particularly important due to the slow down of new house building due to the current financial market.

EXECUTIVE SUMMARY OF REPORT

3. Affordable housing has become an increasingly important issue in Chorley over the past few years. The increase in average house prices has not been matched in the increases seen in average incomes. This has meant that housing has become less affordable to many living in the borough.

REASONS FOR RECOMMENDATION(S)

4. a) To ensure that affordable housing provided within the Local Authority area, are affordable to as many households as possible who would like to consider home ownership but currently can only afford to rent.
- b) To ensure clear negotiation tools are in place for both planning and housing officers when negotiating affordable housing provision on site.
- c) To refresh the eligibility criteria for new schemes to ensure that the Council takes into



- consideration personal debt and the size of properties purchasers want to buy.
- d) To ensure that home ownership options remain affordable, consideration should be given to council owned discounted open market units.
- e) To safeguard affordable housing provision where it is appropriate to supply shared ownership properties onto a scheme.
- f) Recent events in the housing market, has meant that building /negotiating of new development is slowing down and there is a risk that if the market remains slow may cease all together.

Options on how to fund new affordable housing provision without Section 106 will need to be considered, and will be submitted at a later date.

ALTERNATIVE OPTIONS CONSIDERED AND REJECTED

5. Definition of Affordable Housing

Social Rented accommodation is not currently allocated by a local connection method but according to actual need. With the likely introduction of a Choice Based Lettings scheme in 2009, the scheme may lead to the market of both rented and shared ownership properties in this manner, therefore properties may not be allocated by local connection etc, but by applicant choice.

Taking this into consideration it is not appropriate to use actual ward based income levels, as an allocation may not be based on a applicants residency in an actual ward.

Examples below:

Local ward average Income is £27,000. Target price would be £67,500 (x2.5) £81,000 (x3)

Local ward average Income is £50,000. Target price would be £125,000 (x2.5) £150,000 (x3)

Borough median income is £29,600. A target price would be £74,000 (x2.5) and £88,800 (x3)

Borough average household income is £35,000. A target price would be £87,500 (x2.5) and £105,000.

CORPORATE PRIORITIES

6. This report relates to the following Strategic Objectives:

Put Chorley at the heart of regional economic development in the central Lancashire sub region	✓	Improved access to public services	✓
Improving equality of opportunity and life chance	✓	Develop the character and feel of Chorley as a good place to live	✓
Involving People in their	✓	Ensure Chorley is a	✓

BACKGROUND

7 Definition of Affordable Housing

House prices in Chorley have risen dramatically in recent years. Affordability of housing is closely linked to the average household incomes in the Borough, which have risen at a much slower rate.

In 2000, the average household income in Chorley Borough was £24,651. Using the Council's definition of affordable housing at that time, accommodation of all types was affordable to a household on an average income. The average income in 2007 was £35,000. The gap between the average household income and average house price has increased dramatically, meaning that housing has become far less affordable.

By adopting the median household income and a multiplier of 2.5, will allow more households to gain access to home ownership.

8. Affordable Housing Negotiation Procedure

Currently there is no procedure to ensure that housing or a contribution towards housing is gained from a developer when the minimum 30% affordable housing requirement equals a figure with a decimal place. This in effect means that housing or a financial contribution towards affordable housing may be lost.

By adopting the negotiation procedure in developments where the required affordable housing contribution equals a figure with a decimal, a commuted sum will be requested, this receipt will enable the Council to fund affordable housing through different types of schemes.

9. Eligibility Criteria

To ensure that new affordable housing is allocated to households in the greatest need and to local households, clear guidelines are required to inform prospective purchasers of the required criteria.

Currently households are required to demonstrate a local connection to the area they wish to purchase and also demonstrate that they cannot afford a similar property on the open market. The new proposed criteria is in line with the Department of Communities Homelessness Code of Guidance for local connection and look into a households expenditure and take the findings into consideration before deciding their eligibility.

The new criteria also addresses the issue of households applying to purchase properties, which are larger than their requirements. To ensure fairness and transparency it is proposed to allow a one-bedroom allowance when assessing their eligibility.

Ensuring that affordable housing remains affordable

Rented Accommodation

All new households who rent accommodation managed by Housing Associations are able to purchase their property and a discounted rate under a piece of legislation called ' Right

to Acquire'. This is similar to the 'Right to Buy'. Housing Associations are allowed to recycle any receipt received into affordable housing; however, there is no requirement that the funding is recycled into the Local Authority area.

Shared Ownership

Recent guidance from the Housing Corporation (Government organisation which funds certain affordable housing schemes) states that restrictions should no longer be placed on shared ownership schemes. Both Local Authorities and Housing Associations have used the restriction previously to safeguard affordable housing provision.

An example of this is a property with a restricted ownership of 80%, ensured that occupiers could only purchase up to 80% of a property value and this would be passed to new occupiers at the point of sale.

Housing Associations are expected to recycle any receipt received into affordable housing; however, there is no requirement that the funding is recycled into the Local Authority area.

This type of accommodation should be marketed through the North West Affordable Housing Agency 'Plum life', whose primary function is to market affordable home ownership options.

Discounted Open Market Value Properties

In Chorley, the Council manages this type of scheme. Properties are marketed through local Estate Agents and the Council monitors who is accepted to purchase these properties.

Through the Section 106 agreement, a restriction can be placed on the properties to ensure that they remain below the open market value in perpetuity.

IMPLICATIONS OF REPORT

32. This report has implications in the following areas and the relevant Directors' comments are included:

Finance		Customer Services	
Human Resources		Equality and Diversity	
Legal			

JANE E MEEK
CORPORATE DIRECTOR (BUSINESS)

Background Papers			
Document	Date	File	Place of Inspection
Affordable Housing Framework			Civic Offices

Report Author	Ext	Date	Doc ID
Ian Aldred	5552	11/06/08	ADMINREP/REPOR T