



Craven Local Plan Background Paper:

Affordable Housing Transfer Prices: November 2017

- 1** Affordable housing transfer prices are an important element of the Council's assessment of plan viability. They are payable by Registered Providers (RP's) – usually housing associations – to private developers for affordable homes built on mixed tenure residential development sites of 11 dwellings or more.
- 2** These transfer values are not intended to cover build costs, but to enable Registered Providers (RP's – usually housing associations) to deliver affordable homes at rents and sales prices that are within the reach of local people on local incomes. Developer subsidy (in the form of discounted transfer prices) and RP borrowing (based on affordable rents capped by Local Housing Allowance rates) combine to fund affordable homes.
- 3** The Homes and Communities Agency (HCA – the government body that funds and regulates housing associations) is supportive of transfer prices which provide clarity for developers by minimising risk when carrying out development appraisals. (see letter from the HCA in Annex 1).
- 4** Transfer prices also mean that abortive competition between RP's is eradicated and costs to the public purse minimised.
- 5** Transfer prices were first introduced in Craven in April 2012, following the introduction of 'affordable rent'. Whilst it has long been government policy that affordable housing is cross subsidised by developer profit on mixed tenure sites, the increases in rents at that point informed the 2012 transfer price levels. Since then they have been £950 per sq metre for houses in Skipton and South Craven (£900 psm for flats) and £1000 psm for houses elsewhere (£950 psm for flats).
- 6** Following the stakeholder consultation on the Council's plan viability assessment in March 2017, the Council gave a commitment to review prices. This was timely as it followed publication of the SHMA which gave update information on affordability (house prices and incomes) and the launch of a new HCA funding programme (2016 – 2021). It also followed an announcement of a 1% rent cut imposed on RP's for 4 years from 2016 and reductions to rental income following Welfare Reform and other changes. It is rental income that allows RP's to borrow to develop.
- 7** It is proposed that prices are maintained broadly at the 2012 levels with one flat rate payable at £1,000 psm.
- 8** The Council has consulted with RP partners and their responses are given in Annex 1. Partners confirm that it should be viable for most property types, but not all. One bed units are a particular cause for concern, but there is scope to 'cross subsidise' these from transfer prices payable on larger homes and affordable sale properties.
- 9** Notwithstanding this concern, the rate of £1,000 across the District is supported by Craven District Council as it will assist in the viability of its affordable housing on site provision figure and support development.
- 10** The Council is proposing a 30% provision of affordable homes on mixed tenure residential sites. This is to be regarded by the Council as a minimum figure for the majority of residential sites. However, in the event that unusual circumstances on a site result in costs well above normal for a development and it can be demonstrated that 30% affordable homes cannot be achieved viably because of this transfer value on a site by site basis, either a lower percentage of affordable housing will be agreed as part of a viability appraisal, or HCA grant will be payable to close the viability gap and help meet the 30% affordable housing.

14 November 2017

Jenny Wood
Craven District Council
1 Belle Vue Square
Broughton Road
Skipton
BD23 1FJ

Dear Jenny

Transfer Prices - Local Plan Inquiry

The HCA is supportive of the approach taken by Craven District Council through the development partnership between 2 local authorities (Craven and Harrogate) and 12 housing associations to deliver affordable homes in the area. Though not popular with developers, as values for the affordable homes are fixed, Registered Providers selected by the Council, and specific design standards are required which are not their standard products, the approach ensures that Registered Providers can access homes to meet local housing need and create mixed sustainable communities in high value market areas, which was an issue before the partnership was established.

Yours sincerely

K.Anderson

Karen Anderson
Senior Specialist (Home Ownership and Supply)



Ms J Wood
Harrogate District Council
Crescent Gardens,
Harrogate,
HG1 2SG

27 October 2017

Dear Jenny

With reference to your email of the 30 March I note your comments and observations regarding the transfer prices within Craven.

We have carried out some financial modelling on typical S106 proposals for both rent and shared ownership schemes. Using the proposed transfer price of £1000/sq. m means that the Net Present Value (NPV) remains neutral which is acceptable to our board. In reality, shared ownership schemes tend to work better with a positive NPV though there is the added risk in selling these and once this is factored in by increasing sales times, the NPV is reduced to the neutral figure. Any increase to this figure would generally result in a negative NPV which would not be approved internally.

We agree with your assessment that rent reductions, spare room subsidy and universal credit have had an adverse effect on scheme viability and on non section 106 schemes we are having to negotiate higher grant levels, negotiate reduced fees, look at better value for money arrangements and work through framework agreements to achieve affordability. As we cannot normally apply these to section 106 schemes, the transfer values are essential for viability.

I hope this is of use

Yours Sincerely

A handwritten signature in black ink, appearing to read "Dai Howells", written over a horizontal line.

Dai Howells
Development Manager
Progress Housing Group

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Our Ref: SG/CU
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Direct Dial: 0132 825 6116
Email: Sian.Grindley@yorkshirehousing.co.uk
Date: 27th October 2017

Dear Jenny

Subject: Affordable Housing Transfer Prices – Craven

Further to your recent request, I am writing to give our views on affordability to assist with your review of affordable housing transfer prices in Craven. Broadly I would state that for main towns such as Skipton we are willing to pay £1,000 per sm.

However, I do have some concerns which may have an effect:

- In the more rural villages, rents are not as high so those values may be more difficult to achieve
- Yorkshire Housing would not be able to meet the transfer prices on the 1 beds, particularly flats
- Shared ownership would work very well in all areas at these prices but we cannot use these to cross subsidise rented units where they do not work as well
- It may be worth referring to the LHA, as the majority of the Craven area comes under Bradford BMRA which attracts low rents
- It is worth considering rates between rent and shared ownership as the affordability of these tenures differ. The rent cut is affecting rented units only, so my concern is that on sites which are on the periphery of a main town (where values are high but rents are low) transfer prices work for shared ownership but do not for rent.

Thank you for the opportunity to feedback, should you have any further questions please do not hesitate to contact me.

Yours Sincerely,

Sian Grindley
Senior Land and Planning Manager



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7 November 2017

Jenny Wood
Affordable Housing Development Officer
Craven District Council
1 Belle Vue Square
Broughton Road
Skipton
BD23 1FJ

Dear Jenny

CRAVEN DISTRICT COUNCIL TRANSFER PRICES

Further to your request for feedback on the transfer prices for affordable homes in Craven, please find below Together Housing's observations.

I can confirm that Together Housing can just afford to pay £1000/m² transfer prices, but this is only dependent upon there being a mix of rent **and** shared ownership tenures in the proposed development. I note that generally however, you do propose a mix of 70% rent / 30% shared ownership.

Should the proposed development be for rent only, this transfer price is not achievable. It is only achievable combined with a mix of shared ownership which helps the viability of our appraisal.

Together Housing's Board, along with many other RPs boards has a rent policy which is to reflect the Local Housing Allowance. This decision has been taken so as to mitigate THG's risk in terms of rent arrears. The affordable rent we charge is either 80% of market rent or the LHA cap, whichever is the lower figure.

The LHA levels in Craven District are low compared to other areas and this obviously has an impact on what we can afford to pay a developer and also affects the viability of our appraisal which has to meet board approved criteria.

I trust these comments are helpful and provides reasoning as to why Together Housing would wish the transfer price to be no higher than £1000/m².

If you require any further information please do not hesitate to contact me.

Yours sincerely



Jane Fulford
Project Manager

Royd House, Low Mills, Guiseley
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T: 0300 555 5561

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Jenny Wood
Affordable Housing Development Officer
Craven Council
1 Belle Vue Square
Broughton Road
Skipton
BD23 1FJ

Home Group
76 Wellington Street
Leeds
LS1 2AY

6th November 2017

Dear Jenny

Home Group were asked recently to provide feedback on the transfer prices to be utilised for affordable homes via S106 agreements in Craven. Home Group confirm that the set transfer prices of £1000/sqm across all types are affordable based on an affordable rent at the level appropriate for this area, taking into account local incomes, affordability and market rents.

As the level of rent receivable is restricted we can only pay the amount that allows us to achieve this rent and meet our business set financial KPIs. This means that paying in excess of the £1000/sqm set transfer price in Craven is unlikely to be viable.

Any shared ownership homes must be appraised on a realistic sale position that allows people on local incomes to access the homes. The rent and initial share purchased are calculated on a scheme by scheme basis based on available mortgage products, rates and deposits, local incomes and affordability, this can often restrict what we can afford to pay for these homes.

In addition to the transfer price we need to make a financial allowance in our appraisal for specification upgrades to the developers often limited standard specification. These upgrades are required to ensure the homes are efficient to manage and maintain and align them with the Home Group standard specification, or in the case of shared ownership ensure the property offers what a sale property needs to to gain buyer interest in this area of the market.

The homes often come with limited or no defect cover after completion, putting an additional strain on our maintenance arrangements, so this is often factored into our appraisal on these types of acquisitions.

Service charges need to be factored in to our offer, they are deducted from the rent we receive resulting in less rental income in our appraisal. This means that high service charges or estate charges, as are common now on most schemes even houses, have to be factored in to the price we are able to pay for a S106 home.

Properties must meet the relevant size standards, as if not then they must be downgraded to a lower occupancy, i.e. a 3 bed may have to be let as a 2 bed. In Craven having the set property sizes in the guidance helps to prevent this in most instances and is appreciated.

Set transfer prices mean that developers can have their affordable revenues in place and agreed prior to making the land offer to the vendor so the hit is agreed from day one. It also prevents abortive work by RPs in bidding for the homes. We welcome the use of set transfer prices in Craven.

Regards

Amber Malone

Senior Development Manager
Home Group



Jenny Wood
Affordable Housing Development Officer
Craven Council
1 Belle Vue Square
Broughton Road
Skipton
BD23 1FJ

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76 Wellington Street
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Regards

Amber Malone

Senior Development Manager
Home Group



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www.wdh.co.uk
Text Relay calls welcome
OneCALL: 0345 8 507 507
Email: onecall@wdh.co.uk

Our reference: DBW/BD
Your reference:

30 October 2017

Emily Grogan
Rural Housing Enabler
Craven District Council
1 Belle Vue Square
Broughton Road
Skipton
BD23 1FJ

Dear Emily

S106 Units - Affordable Housing Transfer Prices

As requested I can confirm that WDH would be fine paying £1,000 per m² for the two and three bedroom houses. However, we would struggle to pay that figure for one bedroom properties given Local Housing Allowance levels. Across the scheme as a whole the two and three bedroom properties would probably balance this out - all dependent on numbers. This would be worsened in lower value areas where the rents for the two and three bedroom properties wouldn't cross-subsidise the one bedrooms.

Market conditions for registered providers have worsened with annual rent cuts and changes to benefits (Universal Credit). This has made, particularly one bedroom properties, more difficult to stack up.

If you have any queries or wish to discuss this matter further please contact David Boyes-Watson on 01977 724648 or email dBoyes-Watson@wdh.co.uk.

We are committed to giving everyone equal access to information. If you would like this information in another format please phone us on 0345 8 507 507.

Yours sincerely

David Boyes-Watson
New Build Acquisitions Manager



Jenny Wood
Affordable Housing Development Officer
Craven District Council
1 Belle Vue Square,
Broughton Road,
Skipton,
BD23 1FJ

25th October, 2017

Dear Jenny

Re Craven District Council Transfer Prices

Thank you for the opportunity to provide feedback on the transfer prices for affordable homes in Craven.

I can confirm that £1000/m² transfer price should be achievable in Craven for Accent. This will obviously depend on the mix, type and tenure of properties proposed.

For Accent and many other Providers, we have a rent policy set by our Boards that has to reflect the Local Housing Allowance (LHA). On Accent properties the affordable rent we will charge is either 80% of the market rent or the LHA cap whichever is the lower.

In the Craven District Council area, the LHA rate level is low compared to others in the region and this clearly has an impact on what we can afford to pay for an affordable home in Craven. We will need to charge a rent that is within the LHA allowance.

Even though the Government has recently announced that Providers can start to increase rents from 2020 onwards, they have not matched this with any increase in the LHA so for areas such as Craven, where an affordable rent at 80% of market rent is already close to the LHA cap, this permitted rent increase of CPI plus 1% will not translated into higher rental returns as we will need to keep our rents at LHA levels to ensure they are affordable to local people.

I trust this provides the background on why Accent Housing would wish the transfer price to be no higher than £1000m² on new affordable developments

Should you require any further information, please do not hesitate to contact me.

Yours Sincerely

S.E. Missin
Development Programme Manager

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