Affordable housing delivery options considered or under investigation

Delivery Options	Details	Benefits	Issues	Conclusion
Registered Provider Delivery				
Grant to RPs	• Historically CDC has provided grants to registered providers (RPs) to develop affordable housing - this has included use of Right To Buy (RTB) receipts, capital funds and commuted sums received in lieu of affordable housing.	• Can help provision of affordable housing which would otherwise not be financially viable to develop. • Has previously attracted investment from HCA and RPS. • Commuted sums received by CDC in lieu of affordable housing must be spent on the provision of new affordable housing – grants to RP are an effective way of using this money. • Can secure additional nominations rights.	• Once passed to RPs the council's capital funds are spent and cannot be replenished. • The grant requirement for a social rented unit would be well in excess of £100,000 and RPs are no-longer focused on delivering social rent. • The government policy to cut rents by 1 % will increase the grant requirement for an affordable rented unit, however RPs are now more focused on providing shared ownership in line with government policy. • Will be lost to RTB.	• Over the last 5 years RPs have not generally taken up LA grant funds as their delivery models have been focused on the take up of Homes and Communities Agency (HCA) grant. • £2m would enable up to 20 social rent units. • Consideration should be given to more innovative ways of using the council's capital funds. • In future commuted sums should be used as grants to fund the delivery of affordable housing: 1. by small local housing associations or Community Land Trusts (CLTs). 2. Where grant will attract investment from an RP /HCA and meet the local needs.
Grant to RPs to convert shared ownership to affordable rent	• This would involve CDC giving grant to incentivise the RPs to provide a higher proportion of rented units	• Would help meet the needs of those households unable to purchase on the council's register.	• Once spent such funds cannot be replenished • RPs are generally more focused on homeownership delivery • The grant requirement would be at least £60,000 per unit.	• £2m could enable 33 shared ownership units to be converted to affordable rent.
Partnership working	• Match funding of	• The Chichester Rural Housing	• Parish councils and	• £1.5m delivered 154 affordable

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with registered providers	resources to deliver affordable housing.	Partnership was successful in delivering over 125 homes in rural parishes and attracted over £6 m investment from HCA and Hyde Martlet	communities want the freedom to select their housing provider and do not necessarily want to work with or support a national or regional provider. • RP resources have become more stretched and focused on delivering the HCA or regional programmes. There were also concerns regarding the objectivity of a rural enabler funded by a RP. • Need to be more flexible to work with other RPs. • RPs generally not willing to deliver small sites.	homes • As a result of government grant reductions and the changes to the funding regime, many housing providers have reduced their development programmes. In order to achieve our housing targets and maximise opportunities we need to encourage a range of providers to develop in our district rather than relying on a single provider. This requires flexibility and the ability to respond to the changing funding environment.
Joint venture partnership with registered provider	• These usually involve the provision of affordable housing through the provision of cheap LA land and the use of profits from open market sales to subsidise the affordable housing.	• Delivery of affordable housing utilising public land. • LA may be able to retain an interest in the land. • Preferable nomination rights	• Details of the Church Road site were circulated to all partner RPs, actively encouraging innovative partnership offers. Only one offer was received from Hyde. It was submitted after the close of tender date and was considered not to offer good value in terms of financial and social value compared to the other offers.	• The feed back from RPs was that they would only be interested in a joint venture partnership on a significantly larger scale. Otherwise it is not worth the legal costs and resources required to set up a joint venture partnership or company.
Loans to RPs including equity loans for shared ownership	• Use of the council's capital funds to provide loan finance to RPs to facilitate the delivery of	• Cheaper finance • Lower interest rates	• Most of the RPs currently developing in the district are national/ regional organisations. Their loan	• Consideration could be given to making loans to small local RPs who are willing to develop.

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	affordable housing in the district.		funding is drawn down on a huge scale over a long time at favourable rates and as such their investors would have first call in the case of default.	
CDC delivery				
Develop & manage own stock	• Set up Housing Revenue Account and take on housing stock.	• Local control and accountability.	• The council has limited resources and expertise to take on this role. • The council has no land holdings left to develop or any housing stock to use as collateral. • The council would have to compete on the open market to purchase land • Properties would be subject to the RTB.	• This would be a long, slow and expensive process and most stock owning authorities are looking to set up Housing Companies to escape the RTB
Purchase of modular affordable housing.	• A members' group was set up to consider temporary modular homes on council land for which market rent would be charged and the operating surplus saved towards mortgage deposits for the occupiers.	• Potentially a cheap means of housing provision. • Helping households on register to access the housing market.	• Lack of council owned land • The cost of modular homes was not cost effective due to the cost of providing infrastructure, moving costs and depreciation.	• Considered by Housing standing Panel 26/01/12, which concluded that without suitable sites, the initiative was not viable. • Not supported.
Purchase of affordable homes to be rented with mortgage savings scheme in place.	• The proposal involved the council purchasing off the shelf properties, then renting them at market	• The council would provide additional affordable housing for rent, at the same time helping the tenant to save and	• The council's funds would only purchase a small number of properties and would not help those most in need.	• It was concluded that this was a costly, high risk scheme which would only benefit a small number of households.

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	rent to households on the register. • Any surplus after administration and maintenance costs would be saved in a grant pot and paid back to the tenants after four/five years by way of a grant to purchase a property.	access a market home, releasing the property for another household. • The council would benefit from property appreciation.	• The1985 Housing Act requires councils to have a housing revenue account for most council owned accommodation. • Local authorities can only offer secure tenancies with RTB rights. • Strict Financial Services Authority Controls on lending and borrowing. • Issues of how properties would be allocated and potential changes in circumstances of households. • Complex legal work and costs for a small number. • Savings inadequate to raise deposit. • Relied on partnership with RP.	• Not supported
Council interest in shared ownership	• This would involve the council taking a leasehold interest in the unsold equity.	• When the shared owner purchases additional shares or buys outright, the council would benefit from the uplift in values.	• The council would have to compete against RPs and other intermediate providers. • Recent evidence from RP partners indicated that few shared owners can afford to buy outright.	• Limited potential for the council to make a return from investment. • Does address key challenges as Intermediate housing will be bought forward by the market.
Housing Company				
CDC housing company for delivery of affordable housing	• Many local authorities have set up housing companies to manage and develop affordable	• More financial flexibility • Previously not subject to RTB • Previously government affordable housing grant	• The council has limited resources and expertise to take on this role. • The council has no land holdings	• The council no-longer has sufficient resources to make this an effective option. • Land costs locally may make this

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	housing as did CDC back in 2001 - Chichester District Community Housing.	available.	left for the Company to develop. • The company would not have any housing stock to use as collateral • The company would have to compete on the open market to purchase land • Properties may be subject to the RTB.	unviable • £2m would purchase 12 affordable properties on a market site.
CDC housing company for delivery of market housing for profit.	• Another option is to invest capital to build or purchase properties to be let at full market rents as an investment.	• Provision of an income stream for the council	• The company would have to compete on the open market to purchase properties or land. • Escalating building costs • Economies can only be achieved through large scale development.	• £2m would purchase a maximum of 8 properties on the open market. • The council would needs additional resources to make this an effective option. • Land costs locally may make this unviable
Housing company / joint venture partnership with other authorities/ developer/ financial institution	• Such partnerships are designed to pool resources and maximise investment. • CDC has no land or stock but some limited capital and ability to draw down funding. Could consider how this could be used to secure nominations in neighbouring authorities.	• Economies of scale • Attract investment • If the Housing Company has charitable status the RTB may possibly be avoided.	• Costly and resourceful to set up. • Relies on availability of cheap land. • Only cost effective when large numbers are involved.	• Authorities involved in such partnerships generally have large land holdings and still own their own stock, e.g. Arun, Crawley. • CDC could provide capital or loan funding in exchange for nomination rights in other districts.
Intermediate Housing				
CDC guaranteeing	• The scheme provided	• Assists the middle market into	• Lloyds, the principal lender, was	• Considered by OSC 27/09/12.

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loans -Local Authority Mortgage Scheme (LAMS)	buyers with a low deposit (5%) and a preferential interest rate for three years but was subject to the council providing a cash-backed indemnity which was invested to provide a return for the council.	home-ownership and in doing will stimulate the housing market. • Frees up dwellings and relieves pressure on the private rented sector, and possibly in the social rented sector.	not on the authority's counterparty list. • Lloyds didn't meet CDC's • credit rating criteria. • Credit exposure against the bank. • The council would be liable if purchasers defaulted in the first 5-7 years. • Credit exposure by mortgagees taking up the mortgages. • Concerns re auditing rights. • Scheme did not target those most in need.	Referred to CGAC 29/11/12 then on to Cabinet 29/01/13 with recommendation that a LAMS should not be set up.
Equity loan scheme	• Assists buyers unable to access market housing with an interest free equity loan.	• Helps first time buyers access the market • On loan repayment the council benefits from any increase in the property value • The council's capital can be recycled	• If property values fall or the purchaser defaults the council may lose out. • There are now a number of alternative schemes available.	• A successful pilot scheme was undertaken and further capital funding committed. • Although there was an extensive waiting list, following protracted negotiations on the legal agreement with the provider Parity Trust, the loans have not been taken up.
Equity share – Landspeed / Merlion	• Provision of shared equity/shared ownership affordable housing by non-registered or for-profit registered providers.	• No grant requirement • Complies with Intermediate Housing Policy. • No minimum no. of units • Alternative means of delivery when RPs unable/ unwilling to deliver. • No rent on the unsold equity.	• 5% deposit required. • Limited mortgage availability. • Although two small schemes have been successfully delivered, these are relatively small organisations and their capacity for taking on large numbers has yet to be tested.	• Intermediate Housing Policy adopted to allow approval of bodies other than RPs to deliver intermediate housing in the district. • To be used where appropriate taking into account size of organisation and capacity.

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		• Can be cheaper than market rents.		
Discounted sale	• Sold by developer at less than market price (usually 50-80%) to person approved by CDC. Purchaser owns all freehold/leasehold, but must sell on at same discount to another person approved by CDC.	• Simple, easy for council to administer after initial set up. • Good for small number of units - no need for RP involvement. • The benefit passes on to all future owners.	• Discount provided can be arbitrary. •	• Very useful on small sites to secure quota of affordable units.
Home Reach / Your Front Door - Heylo	• Private joint venture company between Lancaster County Council Pension Fund, a regulated investment manager and RPs. • Provides low cost shared ownership models	• Shares from 10% available (with mortgage repayments). • Affordable total monthly outgoings compared with outright sale and market rents. • On sale customer benefits from increase in value of own share and non-purchased share. • No grant required.	• 10% cash deposit required. Indicative salary to buy 10% share market value of £150,000 is £23,577. • Not accessible to majority of households on housing register.	• Appears to be a more accessible intermediate option than market rent or shared ownership. • Awaiting further details and worked up examples of costs compared to other models. •
Rent Plus	• A private housing provider financed by institutional and private investors. • Offers a range of 5-20 year lease agreements, initially rented at an affordable rent to enable tenants to save towards	• Offer a range of 5-20 year lease agreements. • No grant required.	• Currently being developed in the South West. Scheme not tried and tested as yet. • Relies on properties being leased and managed by local RPs.	• Details of costs and outgoings to be acquired and compared with other models. • To be explored further for potential approval under our Intermediate Housing Policy.

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	purchase with a gifted deposit of 10% of the property's market value on purchase.			
Community land trusts, self-build & live-work housing & others				
Encouraging & supporting Community Land Trusts (CLTs)	• CLTs are organisations initiated and governed by local residents seeking to deliver affordable housing and /or other community facilities. They are non-profit making and hold the land in trust so that it is taken out of the market and the value of the development is captured in perpetuity by the community.	• Locally governed and managed. • Locally accountable. • Local homes for local people. • Enables delivery of affordable housing in perpetuity. • Can attract local support and identification of land. • Not necessarily subject to the same regulatory framework as RPs • Achievement of wider goals for community. • Capital funds could be used to provide loan finance. Funds would then be recycled and provide a return to CDC.	• Support of community essential. • Run by volunteers so progress can be slow. • Difficult & expensive for CLT to secure funding.	• The council could proactively support the formation of CLTs to deliver affordable housing to meet local needs by offering advice and providing practical support. This could include acquisition of land, project management of development, provision of grant and loan funding and management & maintenance of completed properties.
Self-build	• An individual or group builds home(s) to their own specification on clear or serviced plot. May undertake the trades themselves, or more	• Individual can tailor build to exactly what they want. • "Sweat equity" can reduce costs if they have the necessary skills.	• Largely untried in UK • May not be cheaper – no economies of scale • "Grand Designs" rather than affordable homes often developed by people with	• Government keen to encourage this, but considerable work may be needed by LAs, for limited benefit to a few people who are not in greatest need.

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	usually, contract it out.		capital. • Competing with developers for sites.	
Live-work housing	• Housing with separate commercial space within, to allow business to be conducted there. Usually as part of a group to provide business synergy and shared facilities.	• Good for start-up businesses not needing large space	• Problems of monitoring and enforcement – "backdoor" way to get housing where may not be allowed otherwise. • Business failure/bereavement may mean either someone's home, or the business use is lost.	• Has worked in redundant industrial building in urban areas, but even here have been enforcement issues.
Housing co-ops	• Similar to a housing associations, but managed by its tenants. An Industrial and Provident Society is set up which owns the property, takes out mortgages, and receives rent.	• Self-determination and autonomy of group. • May include local community businesses and skill development.	• Considerable work and knowledge needed to secure/develop a suitable property, find finance, and form an industrial and provident society. • Members must be like-minded and agree with the group's ethos and be willing to commit to managing the co-op.	• Not a great culture of housing co-ops in UK • Needs determined group of people to set up and adhere to the ethos of the co-op.
Living Over the Shop	• Empty flats above shops brought back into use.	• Central location, bring back vitality to town centre. • Rent to free/leaseholders.	• Freeholder (often national companies) unwilling • Minimal extra income for considerable disruption (security, flooding, noise) that would affect turnover • Upper floors used for staff/storage facilities.	• Extensive consideration of Chichester city centre made 10 years ago concluded no potential there.