

Affordable housing provision

28 September 2007

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Aims of presentation

- **Set the scene**
- **Discuss solutions**
- **Round table debate on affordable housing**

Setting the scene

- Housing shortage at crisis point
- Severe shortage of affordable housing for sale and rent
- Shortage means developers can use all available development land to satisfy top end of market
- Definition of affordable housing: “Housing which can be afforded under present lending criteria by people on average, or just below average, incomes.”

How do we make more land available for affordable housing?

Solution 1

- **Local authority to zone more land. Release land equivalent to say 5% of existing housing stock**
- **Produce local plans on time (not 5 to 10 years late!)**
- **At each 5 year period each town, city and village should have the equivalent of say 5% of existing housing stock, if not then presumption for development**

How do we make more land available for affordable housing?

Solution 2

- **Boost land supply - stop conditioning land as to density**
- **Rely on good planning to achieve layout in accordance with how towns / villages were planned in the past**

Rothienorman - traditional suburban plan



Suburban land price comparison

16 April 2007 - Glenside, Rothienorman

•8 houses / acre x 5.1 acres	= 41 houses
•Affordable @ 25%	= 10 houses
•Mainstream @ 75%	= 31 houses
•Mainstream	
•Average floor area = 1,350 sq ft @ £185	= £249,750
•31 mainstream houses x £249,750	= £7,742,250
•Land price	
•Affordable: 10 @ £15,000	= £150,000
•Mainstream: sales revenue of £7,742,250 @ 20%	= £1,548,450
•Total	= £1,698,450

Suburban land price comparison

16 April 2007 - Glenside, Rothienorman

- Density

- Affordable floor area = 10 x 838 sq ft = 8,380 sq ft
- Mainstream floor area = 31 x 1,350 sq ft = 41,850 sq ft
- Total = 50,230 sq ft

•50,230 sq ft / 5.1 acres = 9,849 sq ft / acre

Rothienorman - village urban plan



KEY	
Flats	6
Workspace Units	9
Houses	65
(of which affordable)	14
Commercial	Blue
Affordable	Pink

Urban land price comparison

16 April 2007 - Glenside, Rothienorman

•Affordable	= 20 houses
•Mainstream	= 52 houses
•Commercial	= 8 units
•Total	= 80 houses / units
•Mainstream	
•Average floor area = 1,200 sq ft @ £190	= £228,000
•52 mainstream houses x £228,000	= £11,856,000
•Land price	
•Affordable: 20 @ £15,000	= £300,000
•Mainstream: sales revenue of £11,856,000 @ 18%	= £2,134,080
•Commercial: 8 units totalling 4,282 sq ft	= -
•Total	= £2,434,080

Urban land price comparison

16 April 2007 - Glenside, Rothienorman

- Density

- Affordable floor area = 20 x 838 sq ft = 16,756 sq ft

- Mainstream floor area = 52 x 1,200 sq ft = 62,400 sq ft

- Commercial floor area = 8 x 536 sq ft = 4,282 sq ft

- Total = 83,436 sq ft

- 83,436 sq ft / 5.1 acres = 16,360 sq ft / acre

How do we make more land available for affordable housing?

Solution 3

- Release new land conditioned by a ceiling price (£100,000 / acre) on the land and a ceiling price on the resultant housing (both index linked)
- Annual reassessment of price
- Five year restriction on resale

Affordable housing example

Scotia Homes shared equity ownership

- Average earnings per annum (Source: National Statistics)

- Men = £24,284

- Women = £19,552

- All = £22,464

- House detail

	Single income		Joint income	
	Bungalow	2 storey	Bungalow	2 storey
Bedrooms	2	2	3	3
Area (m2)	54	60.1	61.5	76.5
Garage	no	no	no	no
Price (£)	95,000	110,000	125,000	140,000

Affordable housing example

Scotia Homes shared equity ownership

- Mortgage details

Based on Nationwide Building Society details

	Single income		Joint income	
	Bungalow	2 storey	Bungalow	2 storey
Required deposit (%)	5	5	5	5
Interest rate - initial 2 yrs (%)	5.93	5.93	5.93	5.93
Std interest rate thereafter (%)	7.24	7.24	7.24	7.24
Repayment term (yrs)	25	25	25	25
Max salary multiplier	5	5	4	4

Affordable housing example

Scotia Homes shared equity ownership

•Outright purchase option

Mortgage repayment calculations

Deposit (£)	4,750	5,500	6,250	7,000
Remaining balance (£)	90,250	104,500	118,750	133,000
Initial mortgage repayment (£/annum)	6,932	8,026	9,120	10,215
(£/week)	133	154	175	196
Standard mortgage repayment (3/annum)	7,821	9,056	10,291	11,526
(£/week)	150	174	198	222

Wage or salary required in order to raise required mortgage

Salary (£/annum)	18,050	20,900	29,688	33,250
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Affordable housing example

Scotia Homes shared equity ownership

- Shared equity option - 75% owner and 25% Scotia
- Owner purchases 75% of property and pays equivalent council house rent for remaining 25% to Scotia
- Initial 2 years rental period will be rent free
- Owner pays all bills associated with occupation of house (i.e. buildings insurance, council tax etc)
- Buildings insurance will be mandatory
- Owner can buy out Scotia's share of the property at any time
- If this is done within the first 4 years the cost of doing so is held at the initial purchase price
- After 4 years the value of the 25% share is based on the open market value of the property or the initial purchase price, whichever is the greater

Affordable housing example

Scotia Homes shared equity ownership

Ownership shares

Owner (75%)	71,250	82,500	93,750	105,000
Scotia (25%)	23,750	27,500	31,250	35,000
Assumed Council rent (£/month)	260	310	310	
(£/week)	60	60	72	72

Affordable housing example

Scotia Homes shared equity ownership

Cost to purchaser

Deposit @5% (£)	3,563	4,125	4,688	5,250
Remaining balance (£)	67,688	78,375	89,063	99,750
Initial mortgage repayment (£/annum)	5,199	6,019	6,840	7,661
(£/week)	100	116	132	147
Standard mortgage repayment (3/annum)	5,866	6,792	7,718	8,644
(£/week)	113	131	148	166
Rent (£/week)	15	15	18	18
Wage or salary required in order to raise required mortgage				
Salary (£/annum)	13,538	15,675	22,266	24,938

Further observations - speed up the planning process

- **Process needs to be speeded up once land is allocated in local plan and principle of development is established**
- **Even after land is zoned it can take up to 2 years for planning to be received. Even after planning committee approval it can take up to 6 months to complete Section 75**
- **Process could be speeded up by the planning authorities having reasonable time to deal with applications for land already zoned for development - 6 months rather than current 2 months. Deemed approval to be granted after 6 months**

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