

Intermediate Housing Policy

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INTERMEDIATE HOUSING POLICY 2020

1. Introduction

- 1.1 An increasing number of residents are struggling to find or maintain a place to live in Tower Hamlets. This is due to the increased costs of buying and renting in the Borough, while average incomes have simply not kept pace with these changes. Consequently, the private rented sector (PRS) has become the most realistic option for our residents, with many households unable to access home ownership or social housing.
- 1.2 The supply of social housing in the Borough is impacted by several factors, including the continuing take up of the Right to Buy. Households on low to middle incomes cannot access social housing as demand outstrips supply.
- 1.3 Over the course of the next few years, developers in the Borough are seeking to bring more new Intermediate Housing homes within the Borough, via the planning process. The Council has created an Intermediate Housing Register of Interest for those residents who wish to pursue these homes which will enable the Council to strike a balance between ensuring that we support the most vulnerable to access social housing and to encourage/assist existing council tenants who have the means to move on, to access alternative housing solutions to create mobility and movement within the Council's housing stock.
- 1.4 The Council's vision places emphasis on ensuring that the neighbourhoods within the Borough are liveable, mixed, stable, inclusive and cohesive - containing a broad mix of housing types; prioritising family and affordable housing.
- 1.5 This document sets out the policy principles which will be applied by the Council in connection with the qualifying criterion, income eligibility and prioritisation of applicants seeking access to Intermediate Housing Products in the Borough.
- 1.6 This policy conforms with the Mayor of London's Housing Strategy (2018) addressing the 'Good Growth Policy (GG5) - Growing a good economy' contained within the strategy, which seeks to ensure that 'sufficient high-quality and affordable housing is provided to support London's growth'.

2. Legal Background

- 2.1 This policy takes account of:
 - The GLA's London Plan (March 2021)

- The GLA's Affordable Housing Capital Funding Guide (updated 31/08/16)
- The Mayor of London's Housing Strategy (published May 2018)
- The Revised National Planning Policy Framework – Ministry of Housing, Communities and Local Government (published February 2019)
- Tower Hamlets Local Plan 2031 (adopted January 2020)

3. What is intermediate housing?

3.1 The term 'intermediate housing' describes a range of homes for sale and rent provided at a cost above social rent, but below market levels. This is subject to the criteria in the National Planning Policy Framework's affordable housing definition. These homes can include shared equity (shared ownership and equity loans), other low-cost homes for sale and intermediate rent, but not affordable rent.

3.2 Intermediate housing may include the following housing products:

TYPES OF INTERMEDIATE HOUSING PRODUCTS		
No.	Category	Description
1.	Shared Ownership	<p>This product is aimed at helping people in housing need who are unable to purchase on the open market. Applicants can purchase a share of between 25% and 75% of the value of a leasehold property from a registered provider (RP), or local authority, and pay the RP or Council a low rent on the remaining share. The applicant will be responsible for 100% of the maintenance/service charges and can purchase additional shares in the property (called 'staircasing') up to 100%. Staircasing can be increased in minimum tranches of 10% (unless the maximum staircase has been restricted by the Local Planning Authority as a condition of planning permission.</p> <p>Rents on the unsold equity are capped at 2.75% and increases in rent are limited by RPI (Retail Price Index), plus 0.5% using RPI figures for a specified month.</p>
2.	Low-cost home ownership schemes	<p>These are home ownership products provided by developers, often as part of a s.106 planning agreement, such as discounted market sales and the government's Starter Homes Initiative.</p>
3.	Intermediate rent schemes	<p>These are homes let at up to 80% of market rent by housing associations and other providers, enabling tenants to save for a home deposit. This includes London Living Rent and Build-to-Rent products. The household can purchase (on shared ownership or equity loan terms) at any point in the tenancy.</p> <p>These homes are let on an assured shorthold tenancy with a fixed term linked to, (but not necessarily the same as), the required savings period. The households' progress towards saving for a deposit will be regularly reviewed.</p> <p>The five-year period of tenancy can be extended if the tenant still wishes to move into home ownership but is not quite ready.</p> <p>The tenancy could be ended, (subject to proper legal process), at any point (after the initial fixed term), if the tenant is not saving appropriately or no longer wishes to purchase.</p>
4.	London Living Rent	<p>Eligibility for London Living Rent is restricted to households currently renting with a maximum income of £60,000 per annum who are unable to purchase a home (including through shared ownership) in the Local area. London Living Rent is a part-buy, part-rent for those taking their first step onto the property ladder. The homes will be offered on tenancies of a minimum of three years thereafter, residents should be encouraged to buy their property within ten years on either a shared ownership basis or outright purchase.</p> <p>The GLA will publish, and update on annual basis, maximum rents including service charges by the number of bedrooms for new London Living Rent homes for every ward in London. (Insert Hyperlink to the London Plan Annual Monitoring Report)</p>

5.	Shared equity/loan schemes	<p>This product is suitable for those applicants on moderate incomes who can raise a mortgage on 75% of the value of home and are able to secure a 5% deposit on their share. Applicants may purchase a property with the assistance of a loan or equity share scheme which is secured against the title of the property as a loan.</p> <p>The equity loan is provided for a maximum of 20% of the value of the property and an interest fee of 1.75% is charged from Year 6 of the loan. After the sixth year, and every year thereafter, the amount that the applicant will pay will rise each year.</p> <p>The amount repaid is based on the property value at the time of sale, reflecting any increase in the value of the property. This includes the government's Help-to-Buy scheme which provides a loan for a home deposit. If the value of the home increases, the applicant will have to pay back more than the amount funded for the price of the home when it was first bought.</p> <p>If the value of the home decreases, the applicant will pay back less than the amount that was funded to purchase the home.</p> <p>The equity mortgage must be repaid by the 25th anniversary of the date that the mortgage was taken out.</p>
6.	Older Persons Shared Ownership (OPSO)	<p>OPSO operates on shared ownership principles but with some differences from the GLA's regular Shared Ownership product:</p> <ul style="list-style-type: none"> • It is only available for people aged 55 or over; • The maximum level of equity that can be purchased is 75%; and • At 75% ownership the leaseholder does NOT have to pay rent on the remaining 25% share of the property. <p>Schemes fully or partially funded must give priority to people who are unable to afford the full costs of purchasing sheltered accommodation. No sale should be made to a person younger than 55. The Housing Ombudsman Service has ruled that sales to someone not meeting the age restriction could be a breach of the terms of the lease. Investment partners who provide supported and specialist homes for older, disabled and vulnerable people at Social Rent and Affordable Rent levels funded through the programme will be exempt from providing the Right to Shared Ownership to tenants</p>
7	HOLD Home Ownership for People with a long-term disability	<p>This scheme gives people with long-term disabilities an opportunity to purchase a Shared Ownership home and live independently. In the same way as standard Shared Ownership, an initial affordable share can be bought, helping the buyer to get into home ownership in manageable stages.</p>

4. Financial Criteria

- 4.1 The GLA London Plan (2016) sets out the financial criteria for all intermediate housing products in London.
- 4.2 There is no set minimum income for intermediate housing products. However, each scheme will have its own valuation and costs. Applicants will be required to show that they are able to afford the property.
- 4.3 **For shared and home ownership products, applicants must have an annual gross household income not exceeding £90,000.** This figure is currently set in line with the current London Plan Annual Monitoring Report.
- 4.4 **For intermediate rent options (including London Living Rent schemes), applicants must have an annual gross household income not exceeding £60,000.**

- 4.5 These income bands will be reviewed periodically to remain in line with any revision made by the GLA.
- 4.6 For these dwellings to be considered affordable, annual housing costs (including mortgage, rent and service charges should not be greater than 40% of net household income.
- 4.7 Applicants for shared and home ownership products will be required to have sufficient deposit for the purchase (usually 5-10%), and will also need to have enough savings or to be able to access the costs of buying a home; for instance, to cover additional costs such as legal fees and Stamp Duty Land Tax.
- 4.8 Capital, access to that capital and any income generated by it, will be considered when assessing an applicant's eligibility for flexible home ownership products. However, any lump sums paid to eligible members of the armed forces as a result of illness or injury are disregarded when assessing eligibility and sustainability. Please note that the above applies to one off lump sums only and not to other payments, such as pensions, which are still classed as income.
- 4.9 Capital assets include savings, bonds, shares and any other financial investments.

5 Other general criteria

5.1 Applicants must also meet the following general criteria:

- Applicants must be at least 18 years' old;
- Applicants must be a first-time buyer (they must not already own a home or in the process of selling it. This includes being named on the title of another property or on a mortgage);

(However, In exceptional circumstances, existing home owners who meet the eligibility criteria and whose income does not exceed the maximum household income figures prescribed in the GLA's London Plan Annual Monitoring Report, will be able to access flexible home ownership products; for instance, leaseholders being decanted through redevelopment or regeneration of estates). These applications will be subject to the approval of the Director of Housing & Regeneration (or designated equivalent), who will have due regard to the circumstances of the applicant, the resources available and local market conditions).

- Applicants must be unable to purchase a suitable home to meet their housing needs on the open market.
 - Applicants must be British or EEA citizens who are exercising their treaty rights or have indefinite leave to remain
 - Applicants must be able to afford the regular repayments and costs and must not be in mortgage or rent arrears.
 - Applicants must demonstrate that they have the financial resource available to purchase properties and sustain their housing costs, and must purchase the largest share that they can reasonably afford
 - Applicants must be able to demonstrate that they have a good credit history and are able to obtain a sufficient mortgage.
- 5.2 Applicants will be required to provide evidence and information in order to verify their eligibility for intermediate housing, and to satisfy the criteria for prioritisation. The Council and its partners will undertake identity checks and will need to verify other information provided by applicants such as employment, length of residency in the borough, the existence of rent or mortgage arrears, and the extent of any repeated involvement in antisocial behaviour.

- 5.3 The Council and its partners may also take reasonable steps to verify information with other agencies and organisations which may hold information on the applicant and household members. This might include other Council departments, other local authorities, landlords, financial institutions and credit agencies.
- 5.4 It is the applicant's responsibility to keep their application up to date and inform the Council and its relevant partners of any changes in circumstances.
- 5.5 Applicants will be required to tell the truth on their application for intermediate housing. Any failure to include relevant information, to hide material facts or to attempt to obtain housing through false information will be treated as fraud. The Council treats housing fraud seriously and will take legal action against applicants found to have committed fraud.
- 5.6 Failure on the part of an applicant to provide requested information may render that application incomplete and, as a result, the Council will consider that application to be withdrawn.
- 5.7 If the Council has reasonable doubts about the validity of an application, it may be suspended until all necessary investigations have been completed.

6. Prioritisation

First 3 months of initial product marketing period – Shared Ownership

- 6.1 The Council has decided to restrict applications during the first 3 months of marketing any new Intermediate Housing Shared Ownership products to the following applicants:
- a. **Existing social housing tenants** (living in accommodation owned by the Council or a Registered Provider as registered pursuant to Sections 111-115 Housing and Regeneration Act 2008 in Tower Hamlets and wholly releasing accommodation which the Council has nomination rights to.
 - b. **Armed Forces personnel¹** (serving military personnel and former members of the British Armed Forces **discharged in the last 2 years**). The group includes armed forces personnel who have completed basic (phase 1) training and who fall into one of the following categories:
 - Regular service personnel (including Military Provost Guards Service in the Army, Navy, Air Force)
 - Clinical staff (excluding doctors and dentists)
 - MoD police officers
 - Uniformed staff in the Defence Fire Service
 - Ex-regular service personnel (who have served in the Armed Forces for a minimum of six years and can produce a Discharge certificate, or similar document). Applications must be within 12 months of discharge
 - The surviving partners of regular service personnel who have died in service may be eligible to be prioritised where they apply within 12 months of the date of being bereaved.
 - c. **Any Tower Hamlets resident**

¹ As a signatory to the Armed Forces Covenant, the Council have undertaken a commitment to ensure that Members of the Armed Forces community should have the same access to social housing and other housing schemes as any other citizen, and not be disadvantaged by the requirement for mobility while in Service. As such, Service Personnel should have priority status in applying for government sponsored affordable housing schemes and Service leavers should retain this status for a period after discharge. This requirement is further reiterated in both National and GLA Guidance on shared home ownership.

d. **Non-Tower Hamlets residents who have been working in the Borough for the past six months**

- 6.2 The three-month marketing period based on local eligibility criteria should not start earlier than 6 months before practical completion, and the cascade to widen the eligibility cannot be triggered until 3 months before practical completion.
- 6.3 Applicants within each band will be accorded priority according to the date of their registration on the Intermediate Housing Register of interest.
- 6.4 While each scheme will have its own valuation and costs, applicants will be required to show that they have the financial means for the home to be affordable to them.
- 6.5 In the event however, where there is a tie between applicants in one of the priority groups, the applicant/household who is on the lower income threshold of affordability should be prioritised.
- 6.6 **After the initial three months of marketing, eligibility will automatically cascade to the London-wide offer as specified by the GLA where other qualifying applicants may apply.**
- 6.7 The local prioritisation matrix must be applied during the first initial three-months of marketing all new Intermediate Housing Schemes built within the Borough, regardless of whether the schemes have been developed with or without any GLA or Government financial support/funding.

7. **Intermediate Rent Products**

- 7.1 Homes which are brought forward as those set aside for London Living Rent (LLR) will also use the same prioritisation matrix as set out in paragraph 6.1 of this policy. Where there is more than one eligible applicant, providers should determine priority via the Intermediate Housing Register, by using the priority group or groups identified by the Council (as specified in the GLA's 'Affordable Housing and Viability Supplementary Planning Guidance' published in August 2017).

8. **Scheme Specific Criteria**

- 8.1 Some intermediate housing schemes may have a specific criterion that differs from the general criteria. For example, some schemes may be offered only to key workers, or to NHS workers, or for particular categories of persons. Details of such criteria will be available in advance of the product launch.

9. **Further Information**

Further assistance and information on the Affordable Housing products available in the Borough can be found here: ***hyperlink to be inserted***