

**Meeting: Housing Committee**

**Date: 12 Sept Aug 2018**

**Wards Affected: All**

**Report Title: Affordable Housing and Rent to Own Products**

**Is the decision a key decision? No**

**When does the decision need to be implemented?**

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## **1. Proposal and Introduction**

- 1.1 The new National Planning Policy Framework (NPPF) was published in July 2018. It changes the definition of Affordable Housing to include affordable route to home ownership including rent to buy products (see Appendix One). This is where housing is allocated to tenants to rent at an affordable rent for an initial period of time, and then the household has the opportunity to purchase the housing. This product is targeted at a people who aspire to homeownership and could realistically achieve it in the medium to longer term. This is often a different group from those helped by social and affordable rented housing. It has been particularly popular with working households who could secure a mortgage but do not have a sufficient deposit to buy, and households who need to improve there poor credit history, before being in a position to buy.
- 1.2 There are several examples of completed rent to buy developments in the South West which have been delivered by RentPlus. Under the RentPlus rent to buy product tenants have 5 year renewable tenancies, pay 80% of market rent or LHA whichever is lower and have an opportunity to buy their home at 5,10,15 or 20 years. They are also given 10% of the open market value their home as a gifted deposit when they purchase. Institutional investment is used to replace units as sold. The idea has proved very popular and RentPlus is now working nationwide, partnering with local housing associations to manage the housing stock during the rental period.
- 1.3 When initially considering the opportunity of rent to buy products, although Torbay was supportive of the idea, there were reservations if it was seen as an alternative to, and at the expense of more traditional forms of affordable housing. Now this

kind of product has been recognised as affordable housing there is a need to consider if and when this form of affordable housing may be appropriate.

- 1.4 Experience from elsewhere found the inclusion of rent to buy units on some schemes has assisted with viability when the traditional form of AH resulted in a much reduced percentage of affordable housing. Evaluations of some rent to buy schemes in the South West have found that the model also enabled existing affordable housing tenants to be prioritised freeing up traditional affordable housing for priority needs applicants. Now that these kind of models fall under the planning definition of affordable housing, in advance of the new Local Plan in 2020, there is a need to consider under what circumstances rent to buy housing may be appropriate in Torbay.
- 1.5 Rent to buy products may work particularly well in town centre locations due to their ability to improve scheme viability and the target households for the products as the future house purchasers will be investing in the area. Essentially the households are signing up to buy a house, and renting at an affordable level whilst they save up to be able to do so.
- 1.6 There is clear government support for rent to buy products and in encouraging institutional investment in housing. There may be opportunity to apply the rent to buy model to other groups in need of help with housing, such as developing a model for shared ownership employment units, and a shared equity/ rent to buy product for older people looking to downsize.

## **2 Recommendation:**

- 2.1 That officers pursue sites for delivery of RentPlus as part of Torbay's Housing Strategy to support delivery of affordable housing in light of the change to the NPPF definition.

## **3. Reason for Decision**

- 3.1 Officers believe that RentPlus can help meet a gap in the market for affordable housing products and will assist in the delivery of affordable housing targets as part of Torbay's Housing Strategy. Rent to buy products are now classified as affordable housing. How the Council responds to this change as planning authority, and in its landowning/developer capacity will be important. There is the potential for these products to help unlock stalled sites esp. in the town centres and/or where there are viability issues.

## Appendix One: New NPPF definition of Affordable Housing

**Affordable housing:** housing for sale or rent, for those whose needs are not met by the market (including housing that provides a subsidised route to home ownership and/or is for essential local workers); and which complies with one or more of the following definitions:

- a) **Affordable housing for rent:** meets all of the following conditions: (a) the rent is set in accordance with the Government's rent policy for Social Rent or Affordable Rent, or is at least 20% below local market rents (including service charges where applicable); (b) the landlord is a registered provider, except where it is included as part of a Build to Rent scheme (in which case the landlord need not be a registered provider); and (c) it includes provisions to remain at an affordable price for future eligible households, or for the subsidy to be recycled for alternative affordable housing provision. For Build to Rent schemes affordable housing for rent is expected to be the normal form of affordable housing provision (and, in this context, is known as Affordable Private Rent).
- b) **Starter homes:** is as specified in Sections 2 and 3 of the Housing and Planning Act 2016 and any secondary legislation made under these sections. The definition of a starter home should reflect the meaning set out in statute and any such secondary legislation at the time of plan-preparation or decision-making. Where secondary legislation has the effect of limiting a household's eligibility to purchase a starter home to those with a particular maximum level of household income, those restrictions should be used.
- c) **Discounted market sales housing:** is that sold at a discount of at least 20% below local market value. Eligibility is determined with regard to local incomes and local house prices. Provisions should be in place to ensure housing remains at a discount for future eligible households.
- d) **Other affordable routes to home ownership:** is housing provided for sale that provides a route to ownership for those who could not achieve home ownership through the market. It includes shared ownership, relevant equity loans, other low cost homes for sale (at a price equivalent to at least 20% below local market value) and rent to buy (which includes a period of intermediate rent). Where public grant funding is provided, there should be provisions for the homes to remain at an affordable price for future eligible households, or for any receipts to be recycled for alternative affordable housing provision, or refunded to Government or the relevant authority specified in the funding agreement.