

## Appendix 1

### DOVER DISTRICT COUNCIL SHARED OWNERSHIP SALES POLICY 2019-2022

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#### 1. Introduction

- 1.1. Dover District Council, ("DDC") wants to provide residents in the district with a range of opportunities to access housing to meet their needs.
- 1.2. For residents who would like to own their own home, but are unable to afford to purchase a property outright on the open market, there are a range of options and products available to them, and these are delivered by developers, Registered Providers alongside DDC.
- 1.3. This policy is primarily concerned with the HM Government Help to buy- shared Ownership scheme, but can also be applied to other low cost home ownership schemes as defined by the National Planning Policy Framework.
- 1.4. This policy sets out how DDC will manage the sales process for shared ownership schemes delivered by the Council.
- 1.5. Housing schemes developed by DDC are the subject of rigorous financial appraisal, which takes into account funding available, tenure mix and affordability. Whenever appropriate a shared ownership option will be offered through these developments.
- 1.6. Access to DDC Shared Ownership products will only be available to those buying properties on DDC development sites, it will not be offered as an option for existing tenants wishing to exercise the Right To Buy at their present DDC accommodation.

## **2. Policy aims**

2.1. This policy is intended to:

- Ensure that DDC Shared Ownership products are offered for sale and sold in conformity with Homes England requirements.
- Set eligibility criteria for applicants
- Detail how applications may be made
- Encourage sustainable home ownership
- Offer shared ownership products that are compatible with mortgage lender requirements
- Meet the conditions set through any grant, funding or Section 106 agreements.
- Operate a fair and transparent selling process

2.2. This policy should be read in conjunction with the requirements of the Homes England Capital Funding Guide. Where there is any doubt, for schemes constructed with an element of Homes England funding, the Capital Funding Guide will take precedence over this policy.

## **3. Applicant eligibility and assessment**

3.1. Anyone wishing to buy a DDC Shared Ownership home must:

- Have registered with the South East Help to Buy agent (website [www.helptobuysee.org.uk](http://www.helptobuysee.org.uk)) and been assessed as eligible to purchase a Shared Ownership property
- Have an annual household income of less than £80,000.
- Must be unable to purchase a home suitable for their needs without assistance.
- Not be a current home owner (or be named on the deeds of another property).
- Must not have any outstanding credit issues (i.e. unsatisfied defaults or county court judgments).

3.2. DDC will also require the following criteria to be met:

- Current or former DDC tenants should have a clear rent account, and have no substantial breaches of tenancy conditions.
- Applicants must have sufficient funds to meet the initial costs of buying a home, and can provide evidence of funds or mortgage availability for the purchase of the property – estimated £3,000.
- Be able to demonstrate they can afford to purchase a share equal or greater than 25% of the property value but they are unable to afford a 100% purchase less than the maximum where applicable.
- Demonstrate the ability to afford the regular payments and costs involved in buying a home.

- 3.3. Where circumstances require it, there may be additional scheme specific criteria such as a local connection with the Dover District Council area (as defined in DDC Affordable Housing Policy).
- 3.4. Those who already own their own home will only be permitted to purchase a shared ownership home in exceptional circumstances. Examples of exceptional circumstances include but are not limited to:
- Home owners who need to move because their own home has been condemned or is to be demolished.
  - Those needing to move due to age or disability and who cannot afford or find accommodation on the local open market that reasonably meets their needs
  - Those going through relationship breakdown who are transferring their interest in their home to their former partner and will have insufficient capital remaining to purchase a home on the open market.
- 3.5. Owner occupier applicants accepted onto the scheme must meet the affordability criteria and demonstrate that they can sustain their mortgage and shared ownership rental payments. They will also be required to evidence that at the time of buying through the shared ownership scheme they have sold or are in the process of selling their existing property. Evidence required to establish this may take the form of a solicitor's property completion statement, confirmation from the mortgage lender and Land Registry that the applicant is no longer on the mortgage or land registry respectively, or conveyancing letter in case of property transfers. Evidence will need to be provided before exchange of contracts for the new purchase.
- 3.6. In addition to the eligibility criteria set out above applicants for specialist older person shared ownership products should:
- Be aged 55 or over
  - Submit applications via the Help-to-Buy Agent who will in addition to the usual affordability assessment take into account any equity released from a current home sale and savings.
  - Have insufficient equity to be able to purchase on the open market. DDC may exercise discretion in this matter if applicants are able to demonstrate that through the open market they cannot secure accommodation that reasonably meets their mobility, care and or support needs and inclusion in the shared ownership scheme would meet these.
- 3.7. All applicants must be assessed for eligibility by the Help to Buy Agent, including joint applicants. A sole qualifying applicant wishing to purchase jointly may only proceed on the condition that they are to be a joint legal owner of the property. A deed of trust providing rights of occupation is unacceptable as an alternative to becoming a joint legal owner.
- 3.8. If a tenant of a housing association or local authority is applying and their partner does not want to join the application, the application can proceed for the sole name of the qualifying buyer, but the partner may still need to give vacant possession of their current property, without an obligation for the landlord to re-house the partner.

- 3.9. DDC will conduct further checks and will seek the authorization of a senior manager where the applicant is a member of staff or is related to a member of staff or councillor.

#### **4. Affordability**

- 4.1. Prospective buyers will be encouraged to purchase the maximum affordable and sustainable share of the property. Affordability will be assessed through the Homes England Sustainability Calculator with housing costs being a minimum of 35% of net income and a maximum of 45% of net income. Shared owners with DDC schemes will be responsible for 100% of the service charge regardless of their level of ownership.
- 4.2. The affordability assessment will take into account available deposit, mortgage repayments and shared ownership rent payments (if applicable). DDC will not provide mortgage advice to applicants, although it may signpost applicants to mortgage advisors with experience of shared ownership products.
- 4.3. DDC understand that sometimes people may have a capital sum to put towards their purchase but still need to have access to shared ownership schemes. Applicants in these cases will be subject to the general affordability and sustainability assessments. DDC will require information and evidence on the source of cash payments and may conduct additional checks in accordance with our Anti-Fraud, Corruption and Money Laundering Policy.
- 4.4. DDC accepts that older people may need to use funds for service charges, living costs, and care. DDC will use its discretion on a case by case basis to determine what is reasonable, but the expectation is that the majority of any applicant's capital will be used to purchase a share. For the purposes of this Policy, capital will include proceeds from property sale, savings, shares, stocks and bonds etc.

#### **5. Allocation and prioritization**

- 5.1. Applications must be made via the Homebuy SE website. The Homebuy Agent will complete the initial application verification.
- 5.2. Applications can be made prior to the reservation of a property.
- 5.3. Unless there is a scheme specific restriction on allocation and priority, all applicants will be offered units on a first come, first served basis, in order of reservation application approval date.
- 5.4. Approval will not be given for applicants to purchase a property which is not suitable for their needs. For example: where the household size would result in a statutory overcrowding situation, or where more than one spare bedroom is required.

#### **6. Marketing**

- 6.1. DDC will use a variety of approaches to advertise properties to ensure that local residents are aware of schemes in the District and how to apply for them. This will include advertising new shared ownership homes in advance of their completion. The extent of marketing will be determined by the level of expected demand, however, DDC will always seek to make information available on the forthcoming sales.
- 6.2. All properties will be marketed via the Homebuy SE agent.
- 6.3. As a minimum, DDC will use its existing communications channels for its customers to advertise properties i.e.:
- DDC website
  - Site signage
  - Via the South East Help to Buy Agent Website ([www.helptobuyse.org.uk](http://www.helptobuyse.org.uk))
- This is to ensure that prospective purchasers are provided with clear and accurate information on the properties being sold and are not misled.

## **7. Valuations and sale prices**

- 7.1. Valuations of shared ownership properties – either at initial sale or on staircasing or resales – must be assessed by an independent Royal Institute of Chartered Surveyors qualified valuer. All valuations will also be passed to the DDC Estate Valuation Manager
- 7.2. The valuer must be instructed to assume that:
- The sale is for the freehold interest, or where the provider's interest is leasehold, a 99 year lease or such lesser term of years as the provider holds.
  - The sale is an open market sale.
  - A shared ownership lease has not been granted.
  - The sale is to be with vacant possession.
- 7.3. Valuations only remain valid for 3 months, and need to be renewed if the sale of a property has not completed within that time period.
- 7.4. All sales must be recorded on the CORE sales log.

## **8. Reservation charge**

- 8.1. Applicants reserving properties will be given 6 weeks notice to exchange contracts on the purchase, excepting matters outside their control. Reservations will be held until the 6 week exchange target date or until the applicants withdraws their interest in writing if sooner. It will be at DDC's discretion whether they hold a reservation beyond the target exchange date and this will be determined by the cause of the delay and whether it is related to issues beyond the buyer's control.
- 8.2. All applicants must complete a reservation form setting out the details of the property to be reserved, detailed information about the buyer, vendor, solicitors acting for the purchaser and the initial share of the property to be purchased. Payment of a

reservation charge of £250 will be required and will be refunded at purchase completion.

- 8.3. If the failure to proceed is the choice of the buyer or failure of the buyer to progress (for instance not providing solicitors with instruction or information) the reservation charge will not be refunded.

## **9. Leases**

- 9.1. The term of the lease will generally be 99 years, although there is scope to grant longer leases should this be required.
- 9.2. Charges will be set and administered in accordance with current legislation, including the production of annual accounts.
- 9.3. Where action is required to enforce leaseholders' or other property owners' covenants, DDC will seek to recover any and all costs of having to take such action. This may include charging an administration fee for the work required by DDC.
- 9.4. DDC will take action against the shared owner where it is considered necessary in the interests of the safety of the occupants of other units of accommodation in the block or others. In assessing whether to take action and what action to take, DDC will base their best assessment of the facts and the advice of relevant authorities and/or appropriate professionals and consultants.

## **10. Rent setting**

- 10.1. Rents will be set at 2.75% per annum of the value of the unsold equity. Rents are payable in advance on a monthly basis.
- 10.2. Shared ownership rents will be increased annually at RPI + 0.5%
- 10.3. Any ground rent charges will be in keeping with the acceptable levels for the type and location of the property and/or comply with any law, rules or regulations in force.

## **11. Service charges**

- 11.1. Service charges for services provided by the Landlord (DDC) such as lighting and cleaning in communal areas will be recharged to the shared owner in accordance with the terms of the lease.

## **12. Rent arrears and non-payment of service charges**

- 12.1. It is a condition of a shared owner's lease to pay the shared ownership rent and maintain mortgage payments. Failure to pay the shared ownership rent, service

charges or mortgage payments and other breaches of the lease agreement could result in the loss of their home.

12.2. If an account goes into arrears, DDC will take appropriate action to recover those arrears including personal contact by phone, letter or email, or by contacting the home owner's lender. DDC will only seek possession proceedings as a last resort, when all alternative debt management actions have been exhausted.

12.3. DDC will provide the shared owner's mortgage lender 28 days' notice of any intentions to commence possession proceedings. This will include details of the level of arrears.

### **13. Repairs**

13.1. The leaseholder has the full repairing responsibilities of an owner occupier once the defect period has expired.

### **14. Buildings Insurance**

14.1. DDC will provide block buildings insurance cover for all of its leasehold blocks of flats and shared ownership houses, unless there are contractual terms in place which require otherwise.

### **15. Staircasing**

15.1. All sales allow the shared owner to buy further shares (known as 'staircasing') up to a stage where they buy the property outright, with the following exceptions:

- Older Persons Shared Ownership
- Schemes funded in rural exception sites where the provider has chosen to restrict staircasing
- Schemes in Designated Protected Areas where the provider has opted to restrict staircasing.

15.2. Staircasing provisions are included within the lease. and DDC will sell the purchaser additional shares at the open market value determined by an independent RICS valuation and based on Capital Funding Guide guidance and affordability.

### **16. Resales**

16.1. DDC will assist in the sale of shared ownership properties where the percentage owned by the shared owner is less than 100% by attempting to find a buyer for the percentage share owned, within the nomination period (where one is provided) as set out in the lease.

16.2. Where there is no nomination period, the property will be marketed with the agreement of the shared owner.

16.3. Shared ownership leaseholders may be required to pay a fee to cover DDC marketing and administrative costs.

## **17. Equality and Diversity**

17.1. DDC believe that all applicants deserve to have the same opportunity to access our shared ownership schemes. Through our marketing and selection process we aim to ensure that customers with particular needs are able to communicate with us and will be treated by our staff in a manner that takes their needs into account.

## **18. Monitoring and Review**

18.1. This policy will be reviewed every three years, or in response to relevant changes in legislation, organisational structure, development of good practice, or to address operational issues.