



**REPORT TO:** Housing Portfolio Holder  
**LEAD OFFICER:** Director of Housing

21 March 2018

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## **Shared Ownership – Approach to Restricted Stair-casing in Cambourne**

### **Purpose**

1. To seek a decision from the Housing Portfolio Holder on whether to waive the restriction on stair-casing of shared ownership properties in Cambourne, which is in a Designated Protected Area.

### **Recommendations**

2. It is recommended that the Housing Portfolio Holder approves:
  - (i) To lift the stair-casing restriction on shared ownership properties in Cambourne; and
  - (ii) on grant funded schemes, apply to Homes England (previously known as the HCA) for a waiver of the restriction.

### **Reasons for Recommendations**

3. In lifting the restriction to stair-casing at Cambourne, this will ensure that existing shared owners are not adversely affected in being able to sell their property, given the availability of shared ownership properties that are more attractive to new buyers (i.e. sold at a lower percentage) and other help to buy initiatives available in the village. For new shared ownership properties being built in Cambourne it will mean that mortgages will be more readily available for those looking to get a foot on the property ladder and that registered providers are able to maximise their borrowing capacity to support the delivery of new affordable homes.
4. Lifting the restriction on stair-casing will ensure that existing shared owners are not disadvantaged when selling their properties. Currently new properties are available to first time buyers at more attractive shared ownership percentages or are offered with other help to buy incentives making their higher percentage levels less affordable.

### **Background**

5. Sections 300-302 of the Housing & Regeneration Act 2008, which came into effect on 7<sup>th</sup> September 2009, enabled the Secretary of State to designate 'Protected Areas', ensuring shared ownership properties can be retained in rural locations where they would be difficult to replace if any stock is lost through sales.

6. The effect of the Designated Protected Areas Order (DPA) is to prevent occupiers of shared ownership homes within protected areas from buying 100% of the property at some future date (stair-casing); instead they can only buy up to 80% meaning that the property remains as shared ownership in perpetuity (albeit at a higher percentage rate).
7. Since the Act came into effect, the government, through Homes England have produced a DPA policy update with guidance for Local Authorities. The update acknowledged restrictions of DPAs and the policy of retaining shared ownership stock in perpetuity. The guidance states that

*'It is evident that for some of the areas which are now covered by Designated Protected Area status, the policy aim of retention of stock is not an issue. These include planned urban extensions, new towns and many suburban sites where levels of existing or proposed development indicate that shared ownership homes would not be hard to replace.'*

*'Registered providers developing grant funded shared ownership housing where stair-casing is restricted can sometimes be affected by the limited availability of mortgages for purchasers; also many providers have raised concerns over their financial ability to guarantee to buy back properties as required by the shared ownership lease if the leaseholder wishes to sell'*

8. As a response to these issues, Homes England has agreed that under certain conditions, it is able to waive the particular conditions of grant relating to DPA status. Where schemes are not grant funded, the guidance states that *'the local authority should carefully consider the merits of such a restriction if it imposes the same barriers to development that the HCA is seeking to overcome in these particular areas.'*

### **Considerations**

9. Cambourne began development in 2000, and has seen around 4,000 homes built. The village is set within a Designated Protected Area, a designation predominantly identified for areas with a population of under 3,000 – Cambourne had a population of 8,186 at the last census in 2011, which will have increased even more as new houses have been built over the last 7 years.
10. The majority of shared ownership properties in Cambourne, the majority have a restriction placed on them through the S.106 Agreement and subsequent lease agreements which prevent any owner-occupier purchasing more than 80% of the property. There are currently around 350 shared ownership properties in Cambourne and this is set to increase with the proposed growth within the village of over 2,000 more homes.
11. Over the last year, the Council has been approached by registered providers and owner-occupiers of shared ownership properties asking if the restriction could be lifted. The main reasons cited include:
  - Existing owner-occupiers of restricted shared ownership properties have found it difficult to sell on their property. Where 80% of the property is purchased through 'stair-casing' this becomes less attractive to new purchasers who would either look to purchase a property offering a lower share (i.e. 40%) which is more affordable or they are likely to stretch their resources to purchase a 100% property on the open market. Where

availability of shared ownership is not an issue, such as in Cambourne, having a 'stair-casing' restriction on the property becomes a barrier to mobility and often means the owner-occupier becomes stuck and unable to move. This is evidenced through the requests received which included one owner-occupier who had to move abroad for work having to leave his property empty because he could not find a buyer for 80% of the market value, and in another case the property became too small for the household as the family had grown but were unable to find a purchaser so that they could move on.

- For registered providers, the restriction has an impact on new properties being built as lenders are more reluctant to lend to registered providers for schemes with restricted stair-casing. It also becomes a less attractive deal for potential purchasers when other schemes are on offer in the village, such as help to buy equity loans. Having a restricted stair-case can also affect an individual purchaser being able to access the most favourable mortgage interest rates.

12. Given the number of shared ownership properties in Cambourne and the proposed growth, it is therefore considered that there will continue to be a supply of shared ownership properties in the village, even where the restriction is lifted, Research nationally has shown that only approximately 20% of shared-owners go on to stair-case to 100%.
13. Where shared ownership properties are 'stair-cased', the capital receipts received by the registered provider are reinvested into the delivery of affordable housing.
14. If approval is given to waive the restriction, the Council will then have to apply to Homes England for their approval as the majority of schemes at Cambourne were grant funded. If this is obtained, the next step will be to notify the relevant registered providers that if they so wish, they may apply to the Council as the Planning Authority to request a deed of variation to the S.106 Agreement. Ultimately the decision to lift the restriction on individual properties will be for the registered provider to agree an amendment to their lease agreement with the owner-occupier, once all other approvals have been obtained.

### **Options**

15. **Option A:** To approve:
  - (i) To lift the stair-casing restriction on shared ownership properties in Cambourne; and
  - (ii) on grant funded schemes, apply to Homes England (previously known as the HCA) for a waiver of the restriction.
16. This option is recommended as it is considered that it will not have an adverse effect on the number of shared ownership units available in Cambourne. It will also support mobility for those wishing to move on and enable registered providers to deliver shared ownership homes that are competitive with other home buy initiatives in the village. It will also ensure that the availability of mortgages/lending is maximised for both the registered provider and individual purchasers, thereby supporting the delivery of affordable homes.

17. **Option B:** To reject the proposal to allow existing and future shared ownership homes at Cambourne to staircase to full owner-occupation of 100%. This option is not recommended as it is considered that due to the growth and supply of shared ownership properties in Cambourne, having a 'stair-casing' restriction on the property becomes a barrier to mobility and often means the owner-occupier becomes stuck and unable to move. Having a restriction also has an impact on the availability of mortgages (especially where there are large numbers of shared ownership in one area) and for registered providers to maximise their borrowing.

### **Implications**

18. In the writing of this report, taking into account financial, legal, staffing, risk management, equality and diversity, climate change, community safety and any other key issues, the following implications have been considered: -

#### ***Financial***

19. None.

#### ***Legal***

20. Following legal advice, it is understood that once the appropriate approvals from the Housing Portfolio Holder and Homes England (for grant funded schemes) have been received, the registered provider wishing to lift the stair-casing restriction will still need to apply for a deed of variation to the relevant S.106 Agreement.

#### ***Staffing***

21. None.

#### ***Risk Management***

22. None.

#### ***Equality and Diversity***

23. None.

#### ***Climate Change***

24. None.

### **Consultation responses**

25. Not applicable.

### **Effect on Strategic Aims**

#### **Aim (B) – Homes for our Future**

26. Secure the delivery of a wide range of housing to meet the needs of existing and future communities.

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