



A new model for Affordable Housing

South Hams
October 2015



Why do we need a new Affordable Housing option?

- Nationally and locally the demand for homes far exceeds supply
- Grant funding to Registered Providers (RPs) through the Homes and Communities Agency (HCA) has significantly reduced
- Changing profile of HCA Investment Partners and risk appetite- most recently following summer budget
- Fresh approach to reinvigorate delivery and open up real choices for local people



How does Rentplus work?



How does Rentplus work? (1)

Homes built to building regulations and local authority agreed space standards

Rentplus homes are leased to local partner RPs for up to 20 years

Homes are made available at affordable rents to those in housing need through LA waiting list, Home Choice and/or Help to Buy Agent

Rentplus homes are available for rent for a period of between 5 and 20 years, on 5-year renewable tenancies



How does Rentplus work? (2)

Tenants are supported and enabled to move to home ownership by our partner local RP

Through a phased approach, beginning after five years, a proportion of Rentplus homes are released for purchase by tenants

A gifted deposit is provided upon purchase

As homes are sold, Rentplus intends to replace them to maintain the number of affordable homes for rent



Opportunity for tenants (1)

- New home at an affordable rent with support and guidance to achieve home ownership
- Opportunity to demonstrate creditworthiness through a five-year tenancy of rent payments to help mortgage application
- Gifted deposit of 10% of the open market value of the property at the time of purchase
- Home which is planned and integrated as part of open market housing and designed with the future in mind



Opportunity for tenants (2)

Location	Monthly cost for private rented three bed house <i>(Rightmove)</i>	Monthly cost for RENTplus three bed house **	Household saving (per month)*	Household saving (over 12 years)
Totnes	£925	£663	£262	£31,454
Ivybridge	£795	£621	£174	£25,056
Kingsbridge	£800	£640	£160	£23,040
Dartmouth	£795	£636	£159	£22,896
South Brent	£725	£580	£145	£20,880
PLUS:	Fuel cost savings in addition to stability for employment, schools and healthcare			Note: rents at variable % of MR can be modelled but will impact on purchase price and viability
* against average rent of **at 80% of market rent, or, at/or below local housing allowance levels - directgov.uk /LHA rates				



- Developed in the South West by Richard Pillar and Tamar Housing
- Both based in Plymouth with the support of the City Council
- No capital grant sought and attracting substantial pension scheme and ethical institutional investment - a new investment funding platform for affordable housing
- New homes are managed and maintained by an approved local RP
- Highly regarded board and strong governance



- Ambitious business plan approved to deliver an initial **5,000** completed homes as part of **an 8,000 home** pipeline nationally. This is scalable, in response to Government wanting at least 10,000 affordable rent to buy in current spending round
- Delivers new affordable homes for rent for up to 20 years
- A new option to complement existing models of affordable housing to promote mixed tenure, at scale and improve choice
- Provides real opportunity to people in housing need who aspire to home ownership and are unable to save a deposit from taxed income, for example: those in (i) existing social housing unsuitable for their needs or (ii) private rented accommodation



Ethical Investment

- Pension funds and ethical investors have previously been reluctant to invest in the affordable housing sector
- Rentplus offers the mixture of rental income and capital return necessary for a viable investment product
- The Rentplus model can be grown steadily, and through further investment of capital, create a virtuous circle of investment in a local authority area
- Local Authority and Rentplus can agree a Memorandum of Understanding setting out the principles and expectations



Benefits for Local Authority

- A significant increase in the number of homes available at affordable rents and New Homes Bonus payments
- NPPF compliance
- Promotes mixed tenure developments
- Can add value to council owned land and may attract a capital receipt for the local authority
- Each home built creates 1.5 full-time jobs*
- Takes tenants who purchase, off housing lists or if the home is sold on the open market, 7.5% of the sale proceeds passes to LA to invest in future affordable housing
- Generates local investment in new homes if property is sold

*Labour Needs of Extra Housing Output – Michael Ball Professor of Urban and Property Economics at Reading University, 2005



Rentplus for the community?

- Rentplus homes will be designed with delivery partners for the local community
 - Built to high quality standards
 - Promoting community safety
 - Tackling fuel poverty
 - Resident choice
 - Attractive for ownership
 - Opportunity to rent, save and own
- Available to those in housing need and priority groups such as those in training, working families on lower income and armed service personnel



Rentplus for Registered Providers?

- Rentplus homes leased to an approved local RP Consortium member:
 - To deliver organic growth for the RP
 - To significantly increase revenue £income without additional borrowing
 - Increase range of housing offer and expertise
 - Within Regulatory Framework & HCA SFA for Affordable Rent



Working with Local Authorities

- Rentplus Agreement ✓
- Memorandum of Understanding ✓
 - Minimum of 500 (Plymouth) and 400 (Sedgemoor DC) new homes over 5 years
- Working together to identify sites ✓
- MP Briefings ✓
- Section 106 Agreements ✓



Working with Plymouth City Council



- Plymouth City Council Plan for Homes:
 - 5,000 new energy efficient homes over 5 years to support the population and meet the housing needs of the City:
 - Stimulate growth and inward investment- £45.3m into the local economy
 - Create 2,000 new jobs, training and apprenticeships
- Rentplus and Section 106 Agreements ✓
- Memorandum of Understanding ✓
- Working together to meet the Plan for Homes ✓
- Minimum of 500 new homes within 5 years✓



Working with Sedgemoor District Council



- Core strategy 2010-2017 identifies demand for nearly 500 homes pa:
 - Strong focus on delivery in Bridgwater
 - Despite rapid growth of PRS, displacement of existing households on lower incomes through arrival of skilled workers for Hinckley C
 - Sustain growth of commercial sector
 - Require rapid supply of new forms of affordable housing
- Rentplus and Section 106 Agreements ✓
- Memorandum of Understanding ✓
- Working together to identify sites and S106 opportunities ✓
- Minimum of 400 new homes within five years ✓



Thank you for listening

Any questions?

