

Appendix 4 - Affordable Self-Build on Council Owned Land

Method for determining the resale price cap and ensuring that it reflects the percentage discount of Self-Build Homes to Open Market Value.

Housing units built via the LBTH Small Sites programme and the LBTH Self Build Policy are expected to provide affordability via a resale price cap (determined as a percentage of market value) in perpetuity. The resale price cap will be set individually and will depend on the particulars of the successful bid, and the circumstances of individual self-builders.

1. As part of background due diligence work the Council will carry out an independent market valuation to determine the open market land value of the site in question, subject to planning. This can be updated/reassessed at key points (e.g. at planning when sec 106 is being agreed).
2. The Council would then run a process seeking proposals for specific sites and select a successful bidder based on selection criteria set by the Council. The criteria will weigh up the financial offer for the land against the number and affordability of proposed units as well as other qualitative considerations.
3. Any difference between the financial offer and the Open Market Land Value is considered council support to achieve affordability, which will be locked in perpetuity via the resale price cap mechanism.
4. Similarly, the market value of the proposed unit(s)/development (the GDV) will be compared against all the development costs incurred by the successful bidders (including their financial offer for the land) to determine a percentage difference that individual households will ultimately be paying for their individual units, compared to the assessed market value of those units.
5. This percentage discount will be applied in perpetuity to all future sales (or rentals) of individual units, within the lease, using the mechanism of a sec 106 agreement. As the sec 106 is agreed with the Council and is a charge on the land, these lease clauses cannot be varied by self-builders or any collective entity they have set up, without the agreement of the Council, and can therefore be considered to apply in perpetuity.
6. The sec106 and lease should include an exception that in the event that a mortgagee of an individual unit shall become a mortgagee in possession or receiver shall be appointed then such mortgagee (or receiver) shall be entitled to sell that unit on the open market (for full value) only on the condition that at the point of sale, The Council shall be paid the remaining amount up to the value of the percentage discount set out in the sec 106 and lease.
7. The Small Sites Contract gives the landowner/freeholder (LBTH) sign-off on outline and detail planning applications before they are submitted. The Council has the power to demand these sec 106 even if a self-builder or group did not wish to accept them.