



THE HIGHLANDS SMALL COMMUNITIES HOUSING TRUST

MAKING
AFFORDABLE
RURAL HOMES
A REALITY

RURAL HOUSING BURDEN CONDITIONS

Information Note

The Rural Housing Burden is a Title Condition which applies to all of the self-build plots or homes that The Highlands Small Communities Housing Trust (HSCHT) sells. On completion, the property owner will have 100% ownership of the property and legal title. The property owner will then have full title and responsibility for all repairs and maintenance of the home.

The Rural Housing Burden comprises of two elements:

- a) an agreed discount percentage from the Open Market Value; and
- b) a right of pre-emption

The percentage discount from Open Market Value applied offers a discount to the purchaser and suppresses the selling price in the event of a resale. The right of pre-emption means that HSCHT has the option to buy back the property when the property owner decides to sell the property, with the aim of securing another local purchaser.

In setting the percentage discount from the Open Market Value, HSCHT takes account of all relevant factors.

These include but are not limited to:

- Where there is already a house constructed on the property, the Open Market value of the completed home (as assessed by an Independent Valuer);
- In the case of self-build, the typical build costs based on the average in that particular community, including fees and servicing costs and taking account of the eligible floor space. (Please note: should the purchaser increase their build costs above this average this is ultimately their own choice, and HSCHT's discount will remain fixed at the agreed discount percentage contained in the Rural Housing Burden.
- Land value (Need to protect any discount obtained from original landowner)
- The cost of buying the home at the time of the right of pre-emption being exercised by the HSCHT.

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Here is a typical example* of how the discount from Open Market Value is calculated on a property for sale where there is a house already completed:

- Open Market Value of property £225,000
- Agreed percentage discount from open market value 20%

Discounted Selling Price £180,000
Here is a typical example* of how the discount from Open Market Value is calculated on a discounted self-build plot:

- Open Market Value of completed home once built £225,000
- Typical build costs and fees (3 bed home) £140,000
- Discounted plot purchased from HSCHT £ 30,000
- Total cost for purchaser (a) £170,000
- Difference between cost and Open Market value on completion £ 45,000
- Discount percentage (45,000/225,000) 20%

The percentage discount from Open Market Value applied will be calculated in advance of any plot or property being advertised for sale.

Please note the following important points using the calculations from the example above:

The Rural Housing Burden conditions in the title to the plot – and the house built on it – will ensure that, whenever the property is sold, the property owner will always only be able to achieve a sale price of 80% of the open market value of the property (as assessed by the Independent Valuer). So if, for example, the house were to be sold in 15 years after it was purchased from the HSCHT, with the Independent Valuers' then open market valuation of, say, £300k, the price paid by the HSCHT to buy back the property from the property owner would be 80% of that value (ie: £240k).

HSCHT will have the legal right to buy back the house at £240k and sell it again to another local household who, like the previous household, will have been otherwise unable to afford to buy or build a home for themselves locally.

HSCHT has the right to adjust the percentage discount offered to the next purchaser if required, to meet affordability or other prevailing factors.





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HSCHT also has the right not to exercise its pre-emption right and to allow the property owner to sell the property on the open market to a third party. Please note that the Rural Housing Burden conditions will remain on the Title in perpetuity. This means that, even if HSCHT chooses not to exercise its pre-emption right and buy back the property, any purchaser would have to accept that the property will never be worth more than its discounted value because HSCHT will always retain the right to buy it back, at any subsequent sale, at the agreed percentage discount from the Open Market Value (in the example above, 80% of the open market value, as assessed by an Independent Valuer.).

HSCHT have the right to adjust the percentage discount offered to the next purchaser if required, to meet affordability or other prevailing factors ****Please note that the above example is for illustrative purposes only and that HSCHT reserves the right to set the percentage discount from Open Market Value.*** The percentage discount from Open Market Value will vary, although it is expected that it will normally be set in advance at between 20% and 40%, depending on HSCHT's assessment of the particular values and costs pertaining.

In addition to the Rural Housing Burden, there are other conditions attached to each property that is being sold.

There is a requirement for the property to be the permanent residence of the owner.

There is an obligation not to lease the property.

These personal undertakings given by the property owner to HSCHT, and are set out in a Personal Bond between HSCHT and the property owner, and secured by a Personal Obligation Standard Security (not a Financial Standard Security) by the property owner in favour of HSCHT. HSCHT Personal Obligation Standard Security does not secure any sums due, but is purely to secure the personal obligations granted by the property owner not to lease the property and to live in the property as their sole or principle residence, The HSCHT will accept that their Personal Obligation Standard Security will always rank behind the property owner's first ranking Standard Security to the mortgage lender.



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For further information and advice please contact HSCHT's Chief Executive Officer, Ronnie MacRae (01463 233 549/8) or Solicitor, Andrew Murchison (01463 709 992)

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