



Buying an Affordable House Plot

From The Highlands Small Communities Housing Trust



— THE —
HIGHLANDS
SMALL COMMUNITIES
— Housing Trust —



1 What is the Trust?

Please read the accompanying leaflet which explains why the Trust was set up, what it does, and who is involved in running it.

2 Why does the Trust buy land?

The Trust buys land on behalf of rural Highland communities to help them meet local needs for:

- rented housing, to be built by the local Housing Association and/or
- serviced plots, sold at discounted prices, for Rural Home Ownership Grant (RHOG) applicants to build their own homes on (see leaflet on RHOGs)

3 Am I eligible to buy a serviced plot from the Trust?

Trust plots are normally offered only to people who have a clearly established residential, family or workplace connection with the Community Council area in which the plot is located, and who are applicants who have been assessed by the local Housing Association as being RHOG-eligible and then offered a RHOG by Communities Scotland (see Section 14 for details of how to apply; and Section 15 for contact details for Communities Scotland and local Housing Associations).

4 How much does a plot cost?

Prices may vary slightly from place to place but are set so that the Trust can recoup all of its site feasibility, purchase plot servicing and conveyancing costs and sell each serviced RHOG plot at a discounted price which is affordable to the eligible purchaser i.e. which costs significantly less than it would on the open market.

5 What happens to the money I pay for a plot?

The Trust recycles the funds to buy and service other sites in other needy communities.

6 Are there any conditions?

Yes. The Trust includes a pre-emption right, with conditions attached, in the title to every plot it sells. This means that the Trust has the legal right and discretion to buy back the plot – and the house and other permanent structures built on it – whenever the owner decides to sell, or transfer ownership of, the property.

These pre-emption right conditions have been endorsed by The Scottish Parliament in the 'Rural Housing Burdens' section of the Titles Conditions (Scotland) Act 2003. Rural Housing Burdens can be applied by Designated (by Ministers) Rural Housing Bodies of which the Trust is one.

7 What is the effect of the pre-emption right conditions?

The conditions are designed to a) restrict the buy-back price so that the house will be affordable to the next purchaser and b) protect the plot purchaser's capital investment to allow for a modest return on the money and effort invested in putting the house on the site.





RHOG house in Sleat, Isle of Skye



8

How is the buy-back price calculated?

The price will be restricted to a specific figure, calculated by one of two methods: the “depreciated replacement cost” (DRC) method or the “baseline” method.

The DRC method

The DRC method restricts the price to the sum of a two part valuation, namely:

Part 1:

the price paid to the Trust for the purchase of its serviced plot plus the Retail Price Index (RPI) percentage increase in the value of the money between the time the plot was bought by the purchaser and the buy-back date, plus

Part 2:

the DRC (“Depreciated Replacement Cost) of the house as calculated by the District Valuer (DV). The DRC cost is the DV’s considered opinion of how much it would cost to replace like for like at the point of valuation – that is, to replace the house with its equivalent on exactly the same original site but taking into account any permanent additions or improvements made to the original house as well as the age and condition of the existing property.

The two-part DRC method of determining the buy-back price depends on the seller giving the Trust permission and sufficient time to get the District Valuer to inspect and assess the property and complete the valuation.

The baseline method

If the seller does not choose to use the DRC method, then the pre-emption right ensures that the Trust will be able to determine the buy-back price by using a baseline method; namely, taking the original documented costs of acquiring the plot and constructing the existing property and then adding to these the RPI percentage increase in the value of the money spent on each Trust-approved item of expenditure between the time of the expenditure and the buy-back date.



9 Which is the better method for the seller?

The DRC method of determining the buy-back price is intended to give the seller a better financial return than the “baseline” method, which is included mainly to give mortgage lenders the guarantees they require on the security of their loans in the event of a serious mortgage default.

10 What is the reason for the pre-emption right and the conditions?

The Trust needs to be able to give assurances to the communities it is trying to help and the landowners it buys land from.

The Trust wishes to assure small communities that the houses built on the plots will remain affordable to people with a local connection when they are sold. Communities want these houses to go to people facing the same kind of affordability problems as the first purchasers did until they were helped by the combined efforts of the community, Trust and landowner.



The Trust also wishes to give assurances to landowners, prepared to consider selling land at less than market value, that no-one will take unfair advantage of their generosity in years to come – neither the Trust nor buyers of the plots who would otherwise be free to sell the houses they have built at large profits to whoever can afford open market prices.

It is very important that anyone who is interested in buying a plot from the Trust (or, in due course, the house built on the plot) understands the purpose and the implications of the pre-emption right and conditions – which are, essentially, to protect the community's long-term interest in affordable local housing whilst allowing the individual plot or house purchaser to make a good home for themselves and their family and a modest return on their investment if they need to sell up and move on. **Trust staff will be pleased to discuss matters with you but you are strongly advised to get your Solicitor's advice on the implications before making any decision on whether you would like to buy a plot or a house from the Trust** (see also Section 15).



RHOG house in Conon Bridge

11 Are there any other pre-emption right conditions?

Yes, there are three, as follows:

a) passing property on to a son or daughter

The Trust will allow the plot and the house etc built on it to be transferred by the owner to his/her son or daughter, provided that the transferee gives his/her written consent to a new Title to the property. This new Title, which will include the same pre-emption right conditions, becomes effective once the transfer takes place.

b) joint purchasers of a plot

Where a plot is bought jointly by a couple they will be bound "jointly and severally" by the pre-emption right and conditions. This means that if one of the partners dies that the surviving partner would continue to occupy the home but still be bound by those conditions.

c) permanent occupation of the property

A Standard Security is included in the Title to the property to ensure that whoever owns the house built on the plot lives in it permanently and occupies it as their main residence. No leasing or sub-letting of the property will be permitted without the express written consent of the Trust.

12 Will I be able to get a mortgage for a serviced plot with pre-emption right conditions?

The Trust has received written assurances from both Communities Scotland and The Royal Bank of Scotland* that they have no problems in making, respectively, a normal RHOG and a normal mortgage available to a RHOG-approved applicant purchasing one of the Trust's RHOG plots with the pre-emption rights and conditions attached.

*Other High Street lenders should be equally helpful if this information is presented to them.



13 What do I need to do if I should ever want to sell the house built on the plot?

Although the pre-emption right retained in the Title to the property ensures that the Trust will be notified if the occupant offers it for sale, the Trust asks that those intending to move on give as much notice as possible.

This will help both the seller and the Trust to avoid delays in the buy-back and associated DRC valuation process. It will also give the Trust time to identify and advise other members of the community who may be interested in becoming the next owners of the property.

14 What is the procedure for buying a plot from the Trust?

- 1.1. Contact a member of the Trust's staff (see Section 15) to register your interest in buying a plot on a specific site.
- 1.2. Make sure you understand and are prepared to agree to the Trust's pre-emption right and conditions.
- 1.3. Ask one of the Trust staff (see Section 15) for a house plot application form, and then complete and return it. The Trust will then assess your application using its House Plot Allocation Policy.
- 1.4. At the same time, get advice from your local Housing Association as to whether you are also eligible to receive a Rural Home Ownership Grant (RHOG). The RHOG application process, which



is administered by the Housing Association (see Section 15) on an agency basis, has two stages – RHOG 1 and RHOG 2.

- 1.5. Once the Trust has approved your application and the Housing Association has approved your RHOG 1 application, the Trust will send you a provisional offer to purchase a specified house plot, at a specified site, and at a specified price.
- 1.6. Provided you reply in writing within 21 days accepting that provisional offer, you will be sent a formal offer by the Trust's Solicitor, which you should discuss with your own Solicitor.
- 1.7. Provided the formal offer (with its pre-emption right and conditions) is accepted and signed by you within 21 days, you will have secured a legally binding contract to purchase the plot from the Trust.
- 1.8. At that stage, you will need to proceed with or complete your RHOG 2 application (as advised by the local Housing Association acting as RHOG agent for your area).
- 1.9. Once Communities Scotland (see Section 15) has officially notified the Trust that they have given grant, the contract to purchase should be concluded within 14 days.

15 What are the contact details for the people I may want to talk to?

Trust staff

Di Alexander, HSCHT Secretary & Development Manager,
5 Ardross Terrace, Inverness, IV3 5NQ.

T: 01463 233548 F: 01463 233549

E: dialexander.hscht@btinternet.com

Robin Phillips, HSCHT Senior Development Officer,
An Sidhean, Achmore, By Kyle of Lochalsh, IV53 8UT.

T: 01599 577315

Issi McGrath, HSCHT Development Officer,
The Dell of Rothiemurchus, By Aviemore, PH22 1QH.

T: 01479 810272

Trust Solicitor

Andrew Murchison,

5 Ardross Terrace, Inverness, IV3 6NQ.

T: 01463 709992

Communities Scotland

Communities Scotland's Office

for the Highlands & Islands is at

Urquhart House, Beechwood Park, Inverness, IV2 3BW.

T: 01463 711272

RHOG Agents and Advisers

Communities Scotland's RHOG Agents in the Highlands are:

For the Lochaber area:

Lochaber Housing Association,

30 Fassifern Road, Fort William, PH33 6XQ.

T: 01397 702530

For the Skye & Lochalsh area:

Lochalsh & Skye Housing Association,

Morrison House, Bayfield, Portree, Isle of Skye, IV51 9EW.

T: 01478 612035

For the Caithness area:

Pentland Housing Association,

37-39 Traill Street, Thurso, Caithness, KW14 8EG.

T: 01847 892507

For all other parts of The Highland Council area:

Albyn Housing Society Ltd,

Cromartie House, 98-100 High Street, Invergordon, IV18 0DL.

T: 01349 852978

Opposite: RHOG house, Kyle of Lochalsh

Caveat

This leaflet is intended to provide reliable and helpful advice, but please note that it is without prejudice to the precise terms of any legal offer by the Trust to sell a particular plot to a potential purchaser. **You are strongly advised to ask your Solicitor to speak to the Trust's Solicitor (see Section 15) if you have any legal queries on those terms after reading this guidance note.**

HSCHT Issue 6: 20/09/04

HSCHT, 5 Ardross Terrace,
Inverness, IV3 5NQ
T: 01463 233548
F: 01463 233549



“ The main purpose of the Highlands Small Communities Housing Trust is to take direct and practical steps of intervention on behalf of disadvantaged smaller communities in the Highlands, which will help them realise good long term solutions to their local, housing related problems.”

