

# ISLE OF RUM COMMUNITY TRUST HOUSING PLOT POLICY

## Aim

The Isle of Rum Community Trust, as a community land initiative, is keen to provide and promote the provision of affordable housing<sup>1</sup> for people who live or work on Rum in order to facilitate the sustainable development<sup>2</sup> of the island and the continuity of the community.

## 1. INTRODUCTION

1.1. Our aims in creating this policy are:

1.1.1. To assist in meeting the housing needs of current residents.

1.1.2. To encourage people to move into the community, who will live here permanently and who will contribute to the social, economic and environmental regeneration of the island.

1.1.3. To encourage an increase in the population of the island, to a more sustainable level.

1.2. Under Clause 3 of the Memorandum of Association of the Isle of Rum Community Trust (IRCT), object 3, requires IRCT, "...To promote for the public benefit rural regeneration, following principles of sustainable development, where "sustainable development" means development which meets the needs of the present without compromising the ability of future generations to meet their own needs, in areas of social and economic deprivation within the Community by the provision of housing for those who are in conditions of need and the improvement of housing in the public sector or in charitable ownership...".

1.3. A major objective of this policy, within the above aims, will be to encourage the provision of affordable housing and to take such steps as are reasonably practicable to ensure that such housing remains affordable into the future.

1.4. The major asset for IRCT to protect and develop is the land it owns. Under the Housing Policy, land may be sold or leased as housing plots or for business development, and may be developed by IRCT itself to provide housing for purchase or for lease.

1.5. The policy is set out in the form of guidelines to IRCT, which define the parameters within which IRCT is authorised to act. The allocation of rented housing is undertaken via an allocation policy (see appendix 1) which works towards the continuity and economic viability of the community.

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<sup>1</sup> Our definition of affordable housing is housing which people living and working on an average wage for Rum can access now and in the future.

<sup>2</sup> Sustainable development is "development that meets the needs of the present without compromising the ability of future generations to meet their own need" (Our Common Future, The World Commission on Environment and Development chaired by the Prime Minister of Norway, 1987).

## 2. HOUSING POLICY

- 2.1. New building may take place on land owned, controlled or managed by IRCT and only on specific sites approved by IRCT
- 2.2. A list of approved housing sites is attached to this policy and will be updated from time to time. This list is not intended to be exhaustive; rather it shows the areas of the island that IRCT considers most appropriate for housing development. Any site proposed for housing development which is not on this list must be specifically approved by IRCT before any progress can be authorized.
- 2.3. Building plots will normally be of a maximum of 0.1ha in area and will be made available at a rate not exceeding 2 per annum. However, IRCT may, at its discretion, consider additional applications for building plots and those of a greater or lesser area.
- 2.4. Building plots will normally be made available with Outline Planning Permission in place, but IRCT may at its discretion consider applications for bare plots, where the applicant undertakes to seek all necessary permits for development, and arranges the supply of all services.
- 2.5. IRCT may allow or encourage the development of housing plots as follows:

### 2.5.1. BY THE SALE OF THE LAND

- 2.5.1.1. Building plots may be sold in their entirety, or in part.
- 2.5.1.2. The sale of land results in a permanent loss of assets and should represent the minor means of disposal of building plots.
- 2.5.1.3. Where a plot is offered for sale, this should be at the full market value, as set by the District Valuer, or equivalent independent expert.
- 2.5.1.4. The outright sale of land offers IRCT minimal control over affordability and this is not seen as a contribution to this concept. IRCT may consider applying the burden of the right to buy at market value upon a future sale, as a means of moderating the price. Alternatively, IRCT may sell plots with Outline Planning Permission, as a means of limiting the scale and cost of the final design.
- 2.5.1.5. Where an applicant cannot afford to buy a full plot outright at valuation, IRCT may consider selling such proportion of the plot at market valuation as would allow the applicant to raise the necessary mortgage to build a house, and then lease the remainder to the applicant. By this means, people on low income could buy enough land to be able to raise a mortgage to build and could rent the rest of the plot. After such period of residence as IRCT decides, the remainder of the plot could be offered for purchase at the then market value, as decided by the District Valuer or equivalent independent expert.

## 2.5.2. SHARED EQUITY

- 2.5.2.1. By a transfer of title to the property or building plot under a Shared Equity scheme, aimed at encouraging affordability, where IRCT retains a proportion of the value of the plot and house built upon it and may do so in perpetuity.
- 2.5.2.2. IRCT may transfer title to a building plot, to facilitate the raising of a mortgage to build a house upon the site, but retain a stake of equivalent value in the final property. This shared equity scheme is intended to help people on low income to build their own home and become homeowners. It would be necessary to obtain a mortgage or other funding just to build the house without the additional burden of purchasing all of the land.
- 2.5.2.3. The value of IRCT's stake in the final value of the property would be the equivalent of the full market value of the land, which is established at the point of transfer of title, as set out in 2.5.1 above. This stake must be not less than 20% and no more than 49% of the final value of the house and land together, upon completion of the building work. The achievement of this position requires an appropriate balance between the value of the land and the value of the building upon it and IRCT is given discretion to consult with the applicant as to how this balance may be achieved.
- 2.5.2.4. After 2 years' residence (defined as occupying the property as principal residence for more than 8 months in any 12 month period), or such longer period as IRCT decides, the occupier/s may be offered the opportunity to increase the value of their stake up to 80% of the prevailing value of the property. The final 20% may be sold to the occupier/s at the prevailing market value, or may be retained indefinitely, at the discretion of IRCT.
- 2.5.2.5. IRCT may commission the building of houses upon approved plots and sell a proportion of the final equity, as an alternative means of making home ownership affordable through the principle of shared equity. In the first instance, the purchaser would need to raise a mortgage to buy between 51% and 80% of the value of the property. Again, the purchaser would be offered the opportunity to increase the value of their stake to up to 80% of the value of the property and possibly to 100% as described above.
- 2.5.2.6. IRCT believes that facilitating home ownership through shared equity will make a greater contribution to affordable housing than offering building plots for sale at a discount. If IRCT retains its stake in the property, this effective discount to the first purchaser can be carried through to the benefit of future purchasers, while IRCT is always in a position to realise the full value of its asset.

## SHARE OWNERSHIP

2.5.2.7. Where IRCT acting as a Housing Association, builds houses itself for disposal under a Shared Ownership arrangement. Here a proportion of the value of the property may be purchased and rent paid upon the remaining part. Under this scheme of encouraging affordability, purchasers are able to increase their holding in the property over the course of time, until they become sole owners.

2.5.2.8. This scheme for facilitating home ownership differs from shared equity in that the purchaser has unrestricted opportunity to become owner of the whole property and can be offered only on houses owned, constructed or commissioned by IRCT. The purchaser provides funds to buy a proportion of the property (which must be not less than 20%) and pays a rent on the remainder.

2.5.2.9. The rent payable is calculated in proportion to what would be due if the entire property were leased from IRCT.

2.5.2.10. The purchaser has the right to buy further amounts of 20% or more of the equity until ownership is complete.

2.5.2.11. At the request of the purchaser, IRCT may consider changing a shared ownership agreement to one of shared equity.

### 2.5.2.12. LEASE OF BUILDING PLOTS

2.5.2.13. Where an applicant to build has sufficient funds to build a house, but cannot at the same time afford to purchase a building plot, IRCT may lease a plot, or such proportion of a plot as is mutually agreed, for a period of not less than 21 years. The amount of the rent of the land shall be as reasonably decided by IRCT.

2.5.2.14. After such period of residence as IRCT decides, the applicant shall be offered the opportunity to increase the value of the investment by progressive purchase of the land at its prevailing value.

2.5.2.15. As in 2.5.3 above, IRCT may consider making a change to a shared equity arrangement, at the request of the lessee.

## 2.5.3. BUILDING HOUSES FOR RENT

2.5.3.1. IRCT may commission the building of houses on approved building plots to add to its stock of houses for rental only.

2.6. When an approved plot is released for building, either following an expression of interest or at the discretion of IRCT, it shall be advertised for such reasonable period as IRCT considers appropriate, to allow all interested parties to make an application for the plot. For this purpose, it will be sufficient for IRCT to post a

notice on the notice boards on the island and on the Isle of Rum website, but IRCT may make further advertising at its discretion.

2.7. IRCT shall decide how a building plot will be developed. Its decision may be taken in response to the needs of individual applicants, in response to the needs of the community, or in the immediate, or long term, financial interest of IRCT, as reasonably perceived by IRCT at the time.

2.8. If a plot is to be sold, it should be valued at this time.

2.9. If there is only one applicant for a plot, then IRCT shall enter into negotiations with that applicant. IRCT may only consider applications from persons it reasonably believes intend to make the island their home and who will reside on it for at least six months in every year.

2.10. If there are two or more applicants for the same plot, then IRCT should select a preferred candidate using the following guideline criteria:

2.10.1. Current Residents

2.10.2. Key Workers and their families

2.10.3. Young families, preferably self-sustaining

2.10.4. People who plan to bring their own business to the island, or who wish to start a business on the island

2.10.5. Family members and others with a close connection with Rum

2.11. These criteria are not set out in order of merit; It is recognised that their relative values will vary and relies on the judgment of IRCT to apply them appropriately.

2.12. Where there are two or more applications to purchase a particular plot, and there is no particular ground for preferring any one applicant, according to the above criteria, then the plot shall be sold to the highest bidder.

### 3. SITE DEVELOPMENT

3.1. The following conditions apply to the development of any building site (except lease of a property constructed by IRCT, which is covered by IRCT's standard form of tenancy agreement)

3.2. If the plot being sold or leased has not been the subject of an outline planning application, the applicant should enter into informal discussions with IRCT concerning the building design proposed, which should be appropriate to the site, the means of access, the location of sewage and water services and the provision of power or possible link up to any island scheme.

- 3.3. Where a plot is to be sold, or developed by the mechanism of shared equity, planning permission for the proposed development must be obtained before the sale or transfer of title can be completed.
- 3.4. Where the planning application to develop a plot fails, IRCT may allow the applicant, at its discretion, to make further application, may re-advertise the plot or may withdraw it for the time being.
- 3.5. Where the plot is to be sold, or developed by the mechanism of shared equity, it shall be a condition of the sale or transfer of title, which must be accepted by the purchaser, that IRCT's consent to sell or transfer title is for a specific proposal only and is not transferable. It should be agreed, as a condition of sale or transfer of title, that if a purchaser or recipient of title is unable to proceed with the proposal for which they sought and gained the approval of IRCT and for which they sought and gained planning permission, then:
- 3.5.1. If already sold, the plot must be offered back to IRCT at the original purchase price, before it can be offered for sale or transfer elsewhere.
- 3.5.2. A plot subject to transfer of title shall revert to IRCT.
- 3.6. Where the plot is to be sold, title passes to the purchaser upon payment in full of the purchase price according to a timetable mutually agreed. If the applicant wishes to sell the plot within two years of receiving title and before it has been developed to footings level, it must first be offered to IRCT at the original purchase price, before it can be offered on the open market. Thereafter IRCT shall have first right of purchase of the property upon offer for sale, according to any agreed condition that may have been applied to the property when title to the plot passed to the applicant.
- 3.7. Where the development of the plot involves any form of shared equity, title to the plot will pass to the applicant upon payment of an agreed administration fee to cover costs incurred by IRCT. If the applicant fails to develop the plot to footings level, or wishes to withdraw from the agreement within an agreed period of the transfer of title, then title to the plot shall revert to IRCT. Again, IRCT shall have first right of purchase of the property upon offer for sale, according to any agreed condition that may have been applied to the property when title to the plot passed to the applicant.
- 3.8. The shared equity scheme is designed to encourage affordable home ownership for people intending to live on the island. It is not there to assist the building or purchase of holiday homes. IRCT will not make the scheme available in circumstances in which it reasonably believes that the applicant does not intend to reside on the island. If IRCT believes that a property under shared equity is to be sold to become a holiday property it will require that the whole equity be purchased at the point of sale.
- 3.9. The shared ownership scheme is designed also to encourage home ownership for

people intending to live on the island. IRCT will not make the scheme available in circumstances in which it reasonably believes that the objective of an applicant is to acquire a holiday property. If a property under shared ownership is to be sold before full ownership has been achieved, IRCT will not agree the lease of the equity it still holds, in circumstances where it reasonably believes that the property is being sold for other than residential purposes.

3.10. IRCT may sell or lease a designated house building plot for the purpose of providing visitor accommodation or other business, provided that the applicant is resident on Rum or intends to move to the island and reside for more than 8 months in any 12 month period.

#### 4. HOUSING POLICY REVIEW

4.1. This policy shall be subject to review by IRCT, either annually, or at such greater intervals as IRCT shall decide.

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## APPENDIX I

### ISLE OF RUM COMMUNITY TRUST HOUSING ALLOCATIONS POLICY

#### **Aim of policy**

The IRCT allocations policy has two main aims:

1. To improve the living conditions for existing residents on Rum
2. To contribute to the viability of the local economy by providing accommodation to support the local workforce

IRCT aims to offer an open and fair system of allocating accommodation within its control or influence, whether for permanent or temporary accommodation to achieve the above aims.

#### **How the policy will work**

IRCT will ensure that:

- all applications are treated in the same manner regardless of applicant
- all applications will be treated as confidential
- an up to date waiting list is maintained by IRCT and all interested parties should ensure their name is on it
- all applications will be dealt with in a fair and transparent way by the housing subgroup which will comprise both local and external representatives
- if any person on the subgroup is also an applicant they shall stand down for the duration of the meeting which deals with their application
- all properties for rent will be openly advertised on the notice board in the community hall and outside the shop
- if an applicant feels they have not been dealt with fairly then the full IRCT board will review the decision of the subgroup

The applicant should be aware that:

- If wrong or false information is given, this may result in the offer of accommodation being withdrawn
- A separate application is required for each property
- If a successful application is refused without good reason then it may affect future applications and have implications for the continuation of planning consent for any temporary accommodation

A copy of the points allocation system is available on request from the IRCT office.

The policy and its operation will be reviewed regularly to ensure it is achieving its aims. Suggestions on how the process can be improved are welcome.

## APPENDIX II

### **List of approved housing sites**

*Letters refer to sites identified in the 2004 Plan for Kinloch – a site map is available from IRCT office*

#### **AA-AE: Black Park**

(5 houses) Sequential west to east development of one house on each plot.

#### **B: Below Foxglove Cottage**

(1 small house)

#### **D: Opposite Lime Kiln**

(2 small semi-detached houses or 1 bunkhouse)

#### **E: Between Ferry Cottage & Site D**

(2 houses, semi-detached)

#### **Ferry Cottage Site**

(2 houses, semi-detached)

#### **F: by campsite**

Original shop & Tearoom site

#### **X: Back Bothy**

(1 house slightly smaller than Rock/Lea Cottages)

#### **Y: Next to Tattie House**

(2 houses, semi-detached)

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