

Discounted Units

Applicant's Guidance Notes

Introduction

Scottish Borders Council (SBC) recognises that there is an identified demand for a variety of affordable housing solutions across the Scottish Borders area. Low cost home ownership is one such form of tenure for which there is a proven demand. Discounted Units are a mechanism by which appropriate households may be able to access the property market ladder via home ownership.

More about Discounted Units

What are Discounted Units?

SBC has identified demand for a range of affordable housing solutions in the Scottish Borders area. Affordable Housing policy (Policy H1) aims to ensure that new housing development provides an appropriate range and choice of “affordable” properties as well as mainstream housing. One such mechanism requires developers to sell some of the properties at their developments at a price below market value. The sale price is agreed between the developer and SBC at the planning application stage and prior to the commencement of the proposed development. These properties are known as Discounted Units. They are then sold at an agreed fixed price below their market value to households successfully satisfying the relevant application criterion and placed on the Successful Applicant List (see definitions below).

What types of property will be offered?

The number, nature and character of properties available as Discounted Units will vary dependent upon the character, type and scale of development from which they are provided.

Where will Discounted Units be located?

The locations, types and quantities of properties offered will vary dependent upon the nature, scale and location of residential development activity.

How do I find out where and when Discounted Units will become available?

The Discounted Units to be offered will be advertised in local newspapers and on SBC's web-site. Details regarding the number, type and discounted price of property offered will be stated as will the contact addresses of agents supplying marketing material. An application form will accompany the issue of marketing material stating the address to which completed applications should be submitted.

How much will I pay for the property?

Purchasers of Discounted Units will buy their home at a level pre-agreed with the developer and as advertised. The purchase amount will be fixed at a discount from market value. There is no strict formula for setting Discounted Unit prices. The price to be paid for Discounted Units will change from one development to another dependent upon location, size, character and style of the property together with the amount of discount applicable.

In addition to the purchase price of the Discounted Unit, Successful Applicants are independently required to fully meet all associated purchase costs e.g. solicitors fees, and registration costs.

Will I legally own the whole property?

Yes. Discounted Units are different from shared ownership or equity schemes whereby the occupier purchases only a proportion of the property's value. Purchasers of Discounted Units will own 100% of the equity in that property.

Parties identified as Successful Applicants will be required to obtain and comply with appropriate financial arrangements with which to conclude and service the Discounted Unit's purchase. These requirements are no different from those necessary for buying a residential property under normal open market rules and conditions.

Applications for Discounted Units

Who can apply for a Discounted Unit?

Discounted Units will be sold to a pre-defined client group who can most closely demonstrate satisfaction of, though not necessarily all, application criterion. This includes:

- First time buyers, those who have experienced a significant change in household circumstances or those demonstrating significant housing need
- The property being offered should be appropriate for the applicant's household size
- The property acquisition and on-going costs should be appropriate relative to household income
- The property should comprise the household's sole residence
- Either being an existing RSL tenant within the Scottish Borders area or on a **waiting list** to join one for a minimum of 3 months (see definitions and contact details below)
- Applicants with a local connection either through family, work or cultural networks
- Applicants that can demonstrate an inability to compete for appropriate housing on the open market

How do I apply for a Discounted Unit?

In order to apply for a Discounted Unit, you will be required to complete and submit a Discounted Unit Application Form. These can be obtained from either the marketing agent for the development, SBC's web-site or by contacting SBC's Housing Strategy Team directly.

When can I apply for a Discounted Unit?

Discounted Units will be advertised in the local press prior to their release. These adverts will state the deadline for application submission.

Applications received after the deadline has been reached will not be accepted.

What questions will I be asked in the application process?

The level of information sought is designed to establish the applicant's level of housing need and the legitimacy of the claims made. Information required to demonstrate that applicants meet the required criterion will be sought e.g. existing credit commitments, employment details, household composition and existing housing status.

Household income and affordability are key considerations in the application process. Whilst being targeted at households who cannot afford to compete for appropriate housing solutions on the open market, regard will also be taken of a household's ability to afford both the initial purchase of a Discounted Unit in addition to the on-going costs associated with home ownership. See p5 for examples.

It is essential that accurate information is supplied on the Application Form.

Applications containing false or misleading information will be withdrawn from the process.

Parties submitting false or misleading application information will be barred from applying for Discounted Units made available in the future.

IF A SUCCESSFUL APPLICANT IS PROVEN TO HAVE ACQUIRED A DISCOUNTED UNIT ON THE BASIS OF FALSE OR MISLEADING INFORMATION, IMMEDIATE STEPS WILL BE TAKEN TO RECOVER THE PROPERTY.

Do any other criterion apply?

Successful Applicants will be purchasing Discounted Units offered in accordance with exactly the same rules and protocols that apply for standard house purchases in Scotland. The only difference is that the price to be paid will be at a fixed sum below the market value of directly comparable properties. Consequently, Successful Applicants will be required to arrange the conclusion of the purchase and satisfy conveyancing requirements directly with the developer's nominated legal representative.

Do I need to satisfy all of the stated criterion to qualify?

Not necessarily. The satisfaction of the qualifying criterion upon which the application process is based will vary dependent upon the applications received. If no applications satisfy all criterion, then applications that satisfy the next highest levels of criterion will be considered.

Will I have to bid for a Discounted Unit?

No. Discounted Units will be sold at a fixed price as agreed between SBC and the property developer. However, applicants will have to submit the appropriate application form and fully disclose other appropriate evidence as requested to be considered eligible.

Where should I send completed Application Forms?

These should be sent to the address stated on the Application Forms.

How should I submit an Application Form?

All Application Forms should be received by Registered Delivery prior to the stated submission deadline.

Applications are required to be received by Recorded Delivery within specified cut-off dates. Any applications received other than by Recorded Delivery may not be accepted for consideration. Hand-delivered applications will not be accepted under any circumstances.

Will I receive acknowledgement of Application Form receipt?

No. If you would wish to know that your Application Form has been received, you should contact the postal service to track delivery.

The application process**Who will decide which applicants have been successful and unsuccessful?**

Application Forms and associated evidence will be processed by an appropriately qualified independent third party known as the Application Processor. Standard rules regarding client confidentiality and data protection will be observed in all instances.

The information provided in the course of the application process will not be utilised for any purpose other than to assess Discounted Unit Application Forms.

Will the builder or SBC receive information taken from Application Forms?

Neither the developer offering the Discounted Units, SBC nor any other third party will receive application information other than the name(s) and contact address(es) of Successful and Reserve List applicants.

Will the builder or SBC be involved in the identification of Successful or Reserve Applicants?

Neither the developer offering the Discounted Units nor SBC will be permitted to influence the procedure for identifying Successful or Reserve Applicants in any way. The final decision regarding which applicants will be placed on either list will be solely made on the basis of evidence provided in the course of application as adjudged by the Application Processor. In the event that more applicants who satisfy the criterion are identified than there are Successful or Reserve Applicant places, then the Application Processor will supervise an impartial selection from the most appropriate applications received.

There will be no correspondence entered into with applicants who are not placed on Successful or Reserve Applicant Lists, nor will there be any right of appeal against the outcome of this process.

How long will the application process take?

It is anticipated that this process will take **approximately 4 weeks** to conclude from the date of application receipt deadline to the notification of Successful and Reserve Applicants being made, though this may vary dependent upon the number of applications received.

Once applications and relevant information have been submitted, no correspondence between applicants and the Application Processing Body should be initiated by any applicant. Failure to observe this condition or attempts to influence the application process may result in disqualification.

What happens if there are more applicants than Discounted Units available?

Offers to purchase will be made to Successful Applicants following the screening and assessment of all satisfactorily submitted application forms. The Discounted Units available will be offered to applicants demonstrating that their relevant circumstances are most closely linked with the application criterion within the context of the location, character and style of property on offer. Consequently, there may be applicants who will not be offered a Discounted Unit for that particular development.

What happens if I am not offered a Discounted Unit?

If you are not offered a Discounted Unit, you **may** be placed on the Reserve List. The Reserve List will comprise of applicants who are identified by the application processing body as the next most appropriate to be offered a Discounted Unit after those identified as Successful Applicants. Should the circumstances of a Successful Applicant change whereby they are unable or unwilling to proceed with the purchase, Reserve List Applicants may be given the opportunity to purchase instead.

Unsuccessful applicants will not be notified if they are not placed on either the Successful Applicant or Reserve Applicant lists.

If you are unsuccessful with the offer of a Discounted Unit for a specific development, you may still submit fresh applications for other Discounted Units subsequently marketed.

Will I have to re-submit a fresh application form for other Discounted Units offered at other developments?

Yes. Whilst you can specify more than one property in a development that you would consider purchasing where more than one unit is available, you must submit a fresh application for different developments. Your application will **not** be held and used for subsequent Discounted Unit sales.

What will I be required to do if I am offered a Discounted Unit, or are placed on the Reserve List?

If you are placed on either the Successful Applicant or Reserve List, you will be notified in writing of your status. The contact details of the developer's legal representative will be provided to the Successful Applicant who should make contact within a reasonable time period, not exceeding 4 weeks, to arrange the progression of the sale.

As with normal property transactions, there will be a legitimate expectation by the vendor that the sale will be concluded within a reasonable length of time. Consequently, should initial contact with the developer's legal representative, or other requirements to conclude the purchase, not be met by the Successful Applicant's solicitor's within reasonable time, the Discounted Unit may be offered to a Reserve List applicant instead.

Purchasing a Discounted Unit

How do I pay for a Discounted Unit?

The stated purchase price of a Discounted Unit will require to be satisfactorily conveyed in accordance with normal Scottish Legal practice. Successful Applicants are therefore fully responsible for the financial implications that may occur as a result of a Discounted Unit purchase in exactly the same manner as they would for normal property transactions.

Any applicant should therefore be satisfied that they are financially able to commit to and honour the purchase price stated and that they will be able to honour any associated financial commitments, such as provision of a deposit against any mortgage or post sale monthly mortgage payments.

Applicants are therefore strongly advised to take both legal and financial advice from appropriately qualified professionals to determine their ability to afford the purchase, their subsequent on-going financial costs and the potential consequences of not being able to satisfy such commitments.

Who is the contract to purchase with?

The contract to purchase is the same as that for any standard property conveyance i.e. between vendor and purchaser. The only role that either SBC or the Application Processor has is to determine the price at which the property should be sold, the criterion against which applicants will be judged and to identify those applicants who most fully satisfy application criterion.

Do I need to have an appropriate offer of finance in place prior to application submission?

No. You may not be identified as a Successful Applicant.

However, it is strongly advised that you fully investigate your ability to finance both the purchase of a Discounted Unit and any subsequent on-going costs that may result from home ownership should you be offered a Discounted Unit and acquire an offer in principle from an appropriate financial institution.

Associated purchasing and ownership costs may include:

- Legal fees
- Stamp Duty (depending upon thresholds)
- Mortgage payments
- Endowment payments (where applicable)
- Mortgage arrangement fees
- Furnishing Costs
- Council Tax
- Buildings and Contents insurance
- Utilities – electricity, gas, telephone line
- Television licence
- Property maintenance costs

Subsequent sales of Discounted Units

What happens if I subsequently want to sell the Discounted Unit?

Successful Applicants can sell the property at any time and at market value after they have become the owner, though SBC's Housing Strategy Team should be notified in writing at least one month prior to the marketing of the property for sale.

However, in order to assist with the future provision of affordable units in the Scottish Borders, a percentage of any gross surplus profit (see Definitions) made as a result of future sales will be payable back to SBC. The longer the property is owned, the less needs to be paid back to SBC. This burden is attached to the property title deeds to ensure that appropriate payment is made upon sale.

You are advised to seek independent legal advice about the future implications of this condition, in addition to other associated legal matters, prior to progressing the purchase of a Discounted Unit.

Example:

A discounted unit is purchased via the application process for £60,000.

4 years later, the owner decides to sell the property and achieves a sale price of £100,000.

The gross surplus is calculated by deducting the discounted price paid from the sale price achieved i.e. £100,000 minus £60,000 = £40,000.

In terms of the associated legal agreement which is registered as a burden against the property title, 25% of the gross surplus is required to be paid to SBC to assist with the further provision of affordable housing if sold between 4 and 5 years of purchase. Therefore, 25% of £40,000 = £10,000, this comprising the amount to be contributed to SBC's affordable housing objectives.

What happens if the property is extended or improved between purchase and subsequent sale?

If a Discounted Unit is materially extended in the course of ownership i.e. the habitable floor area has been increased or a garage suitable for storing a car is constructed, then the value of these improvements will require to be deducted from the calculation of gross surplus profit. This will be achieved by the vendor, at their expense, instructing a Royal Institution of Chartered Surveyors (RICS) accredited firm of Scottish Borders property valuers, as approved by SBC. This valuation will be required to determine a professional opinion of value of the property on the basis of character, size, location and condition had the improvements not occurred. The resultant valuation will comprise the basis of gross surplus calculation, not the amount actually achieved for the sale of the improved or extended unit.

Example:

A discounted unit is purchased via the application process for £100,000.

The owner subsequently improves the property by adding an extension and is sold 8 years later for £180,000.

However, the owner commissions, at SBC's approval, a valuation of the property by a Royal Institution of Chartered Surveyors (RICS) accredited firm of Scottish Borders property valuers on the basis that the extension had not been added. The opinion of value of the original unimproved property is that it would have fetched a sum of £150,000 had it been sold on the open market in its original character and size. The gross surplus therefore is £150,000 minus £100,000 = £50,000

In terms of the associated legal agreement which is registered as a burden against the property title, 10% of the gross surplus is required to be paid to SBC to assist with the further provision of affordable housing if sold more than 7 years after initial purchase. Therefore, 10% of £50,000 = £5,000, this comprising the amount to be contributed to SBC's affordable housing objectives.

Will I have to re-sell the property on the open market?

No. You could choose to sell the property to a pre-determined party e.g. a relative. However, the property should be valued by the vendor at market value, at their expense, by an RICS accredited firm of Scottish Borders property valuers and as approved by SBC's Housing Strategy Team. The resultant market valuation will comprise the basis of the gross surplus calculation.

Who should I contact if I have any further queries?

If you require further information regarding the application process for the sale of Discounted Units, you should contact SBC's Housing Strategy Team.

You should not contact the Application Processor under any circumstances.

DISCLAIMER

Neither SBC nor the Application Processor (see The Application Process) shall bear any responsibility or liability whatsoever for any aspect of the sale transaction or for the subject of that transaction. The sole role of SBC and the Application Processor shall be to direct that the conveyance of the specified property be sold at the agreed price to an identified party. It shall be the sole responsibility of the individual parties to that sale transaction to ensure their own legal rights and responsibilities in respect of that transaction are protected and met respectively.

Contact Details

For further details of the Discounted Unit process, please contact:

Scottish Borders Council
Housing Strategy Team
Department of Social Work
Council Headquarters
Newtown St Boswells
Melrose
Scottish Borders
TD6 0SA

Tel: 01835 825169
Email: [Housing Strategy](#)

If you have any further queries about the specific properties on offer as Discounted Units e.g. details of accommodation or specification, you should contact the development marketing agent directly.

For further details regarding RSL waiting lists, please contact:

Berwickshire Housing Association

Address: 55 Newtown Street
Duns
Berwickshire
[TD11 3AU](#)
Telephone: 01361 883 115
Fax: 01361 883 404
Email: info@berwickshirehousing.org.uk

Eildon Housing Association

Address: The Weaving Shed,
Ettrick Mill,
Dunsdale Road,
Selkirk
TD7 5EB
Telephone: 0845 604 3733
Email: enquiries@eildon.org.uk

Scottish Borders Housing Association

Address: South Bridge House,
Whinfield Road,
Selkirk,
TD7 5DT
Telephone: 01750 724444

Waverley Housing Association

Address: 27 North Bridge Street
Hawick TD9 9BD

Telephone: 01450 364200

Fax: 01450 375905

Email: info@waverley-housing.co.uk

Web links

For further general details regarding affordable housing:

Scottish Government: <http://www.scotland.gov.uk/Topics/Built-Environment/Housing>

Shelter (Scotland): <http://scotland.shelter.org.uk/home>

SPG 10 is available by accessing SBC's website: ([Development contributions](#))

Definitions

Affordable Units:	<p>“Affordable housing is broadly defined as housing that is available for rent or sale that meets local identified needs of people who cannot afford to buy or rent housing for their requirements that is generally available on the open market.”</p> <p>This definition is taken from SPG 10 which in turn has been derived from Scottish Planning Policy 3.</p>
Application Criterion:	<p>The household circumstances which applicants will be assessed against as part of the application process.</p>
Application Processor:	<p>The group responsible for assessing applications received against application criterion.</p>
Conveyance:	<p>The legal process by which property is bought and sold.</p>
Discounted Unit:	<p>Residential property that has been agreed to be sold by the developer for an amount less than market value.</p>
Equity	<p>The value of the property.</p>
Gross surplus:	<p>The difference between the amount paid for the Discounted Unit and the market value when subsequently sold.</p>
Market Value:	<p>The amount that a property would be expected to be sold for if placed on the open market. Normally this is the highest amount bid from a group of competing parties, or an amount that is bid which is acceptable to the vendor.</p>

Materially extended:	Extensions or improvements to property that increases the living space and value. Garages may also be considered a material improvement.
Offer in principle:	An agreement from a financial institution to offer to lend money should the customer successfully purchase a property. Usually these are capped in terms of amount and time period for which the offer is valid.
On-site provision:	Affordable housing that is required to be provided on residential developments along side general market housing.
Open market:	A freely competitive market operating without restrictions. When property is offered for sale to any party that would wish, and is able to, purchase, this is considered to be selling on the open market.
Reserve List:	To ensure that Discounted Units will be sold within reasonable time, a Reserve List is compiled. This will list Reserve Applicants who are identified by the Application Processor as the next preferred applicants after the Successful Applicants.
RSL:	Registered Social Landlord, otherwise known as Housing Association. These are independent not for profit bodies that provide low cost social housing for people in housing need.
RSL waiting list:	A list of individuals or households held by RSLs and from which offers will be made for appropriate affordable housing as and when it becomes available.
Shared equity:	Where an individual or household purchases a majority percentage of a property and the Scottish Government retains the balance of its value. The purchaser has the option of increasing their stake over time, even buying, and therefore owning, all the property. See Web links or contact your local RSL directly for further details.
Shared ownership:	Where an individual or household purchases a majority percentage of a property and rents the balance from an RSL. Shared Ownership properties cannot be owned outright. See Web links or contact your local RSL directly for further details.
Social Rented Accommodation:	Property owned and managed by an RSL which is rented to individuals or households in housing need.
Successful Applicants:	Those applicants identified by the Application Processor as being eligible to purchase a Discounted Unit.
Vendor:	The person or persons selling a property.