

Kilkenny County Council

INCREMENTAL PURCHASE SCHEME (IPS)



Stratgey for the Implementation of IPS in Kilkenny in respect of New Build Units Provided under the Housing Construction Programme 2018-2021

February, 2019

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1.0 INTRODUCTION

- 1.1 The Council continues to roll out its social housing construction programme in 2019 and expects to provide in excess of 300+ new build social housing units by the end of 2021.
- 1.2 It is a policy of the Council to ensure that all new social housing developments are stable and contribute to the creation of sustainable communities.
- 1.3 It is also the policy of the Council to ensure that, as far as possible, all new developments are mixed tenure so as to reduce the likelihood of social segregation.
- 1.4 The Incremental Purchase Scheme (IPS), by its nature, encourages mixed tenure developments, which contribute to the policy of establishing more stable and sustainable communities. IPS was legislated for under Part 3 of the Housing (Miscellaneous Provisions) Act 2009 and was commenced effective from the 1st January, 2010.
- 1.5 It provides for the sale by local authorities of newly built dwellings to eligible applicants at discounts of 40%, 50% or 60%, from the cost of providing the unit, subject to a charge and clawback in favour of the local authority in respect of the discount offered.

2.0 GENERAL PROVISIONS

- 2.1 The objective of IPS is to make it possible for households with relatively low income to start on the path to home ownership.
- 2.2 The scheme applies to newly built houses only
- 2.3 Discounts from the 'Price' of the dwelling apply as follows;

Household Income €15,000 – €19,900 - 60% Discount
Household Income €20,000 - €29,999 – 50% Discount
Household Income €30,000 and above - 40% Discount

- 2.4 The 'Price' of the dwelling is defined as the all in cost of providing the unit and includes the construction cost, fees, land costs, utilities, statutory contributions, legal fees etc
- 2.5 The discount provided becomes a charge on the property in favour of the local authority. The charge reduces as follows:
- 10% after 5 years and 2% per annum thereafter
- 2.6 The property can be resold by the purchaser at any time at market value with the local authority being paid, from the proceeds of the sale, an amount equal to the proportion of the outstanding equity charge in the property
- 2.7 The local authority has first option on buying the property in the event of a resale of a dwelling by the purchaser during the charged period

3.0 Dwellings Eligible for Sale Under IPS

- 3.1 In general local authorities can designate any newly built dwelling for sale under IPS by way of Chief Executive Order. There are however exceptions and the following dwelling units are excluded from sale under the IPS;
- Dwellings that have been specifically designed or designated for occupation by **older persons** (In Kilkenny these are generally, but not exclusively, 1 bed units. 2 bed units which have been designed for occupation by elderly persons will also be excluded from sale).
 - Dwellings that have been specifically designed for occupation by households with family members with **specific disabilities**.
 - Dwellings that have been specifically designed for occupation by members of the **travelling community in a group setting** (i.e. traveller specific accommodation/group housing)
 - Dwellings transferred to the local authority under section 96 of the Planning & Development Act, 2000, as amended, for the purposes of providing social housing or on land transferred for that purpose (**Part V Units**)
 - **Single Rural Dwellings** (there is a tenant purchase option available on these)
 - **Apartments** (there is a separate scheme for the purchase of apartments by tenants)
 - **Caravans, Mobile Homes and Demountable Dwellings** or Structures capable of being moved

4.0 Household Eligibility for IPS

4.1 There are two types of households that can be considered for inclusion in an incremental purchase scheme:

- Households that have been assessed by the local authority as being eligible for and in need of social housing support
- Households who are already in receipt of social housing support, eg existing Local Authority or Approved Housing Body tenants and households accommodated under RAS, Leasing or HAP

4.2 There are also exclusions;

- Households who previously purchased a dwelling from any housing authority under a purchase scheme
- Households with rent arrears which are not the subject of a repayment plan which is being adhered to
- Households which the housing authority considers are engaged in anti-social behaviour or to whom the housing authority feel a sale would not be in the interest of good estate management
- Minimum income requirements are not met or the dwelling would not be suitable due to overcrowding etc.

5.0 Calculating the Purchase Money

5.1 The purchased money is defined as the money the purchaser pays.

The Purchase Money is effectively the 'Price', as defined in paragraph 2.4 above, minus the applicable discount. The applicable discount is income related. See example below:

Example

Bands	Houshold Income	Discount Applicable	Sample Price	Purchase Money	Charge Period
Band 1	€15,000 - €19,999	60%	€240,000	€96,000	30 years
Band 2	€20,000 - €29,999	50%	€240,000	€120,000	25 Years
Band 3	€30,000 +	40%	€240,000	€144,000	20 Years

6.0 How the Charged Share Reduces Over Time

- 6.1 The discount applied is registered as a charge against the property and reduces by 2% per annum, commencing after year 5 with a 10% write down
- 6.2 If the property is sold before the charge has been fully discharged the local authority effectively retains the appropriate equity share and will receive proceeds from the sale money.

Example

Based on a 'Price' of €240,000 and a discount of 60% the charged share will reduce as follows:

Year	Purchaser Share	Related Monetary Value	LA Charged Share	Related Monetary Value
0	40%	€96,000	60%	€144,000
5	50%	€120,000	50%	€120,000
10	60%	€144,000	40%	€96,000
15	70%	€168,000	30%	€72,000
20	80%	€192,000	20%	€48,000
25	90%	€216,000	10%	€24,000
30	100%	€240,000	0%	€0

7.0 Policy on Implementation of the Incremental Purchase Scheme (IPS) in Kilkenny for new build units provided under the Housing Construction Programme 2019-2021

7.1 The Incremental Purchase Scheme will be implemented in Kilkenny under the following terms:

1. Housing units within new build developments provided by the Council, through direct build or turnkey schemes, will be made available for sale under the Incremental Purchase Scheme on a scheme by scheme basis.
2. Priority will be given to applicants as follows
 - a. Households who are on the Housing Waiting List and not currently receiving or eligible for Rent Supplement
 - b. Households within the Rental Accommodation, Social Leasing, and Housing Assistance Payment Schemes
 - c. Households who are existing tenants of approved housing bodies
 - d. Households who are existing tenants of a local authority owned dwelling
3. Within the priority bands first preference for the allocation of units for sale will be given to those households whose household income qualifies them for the required loan finance within the parameters of the Councils Credit Policy
4. Where there are more households qualified for purchase under IPS in a given location, following the credit policy check, than there are units available in that location, IPS houses will be offered on the basis of length on the Housing Waiting List/Approved for Social Housing Support and applicants of equal standing will be decided by lot.
5. In examining applications received under the Incremental Purchase Scheme applicants on low to middle income should not be paying more than 35% of their net income on direct housing costs. Where that percentage is exceeded the application will not be considered.