

**Incentives for
Rural
Landowners**

DLP BRIEFING NOTE 14

Prepared by
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Incentivising Landowners to Bring Forward Additional Land for Rural Affordable Housing on Rural Exception Sites – Government Draft Guidance to Local Authorities

The DCLG has produced draft guidance for local authorities which sets out ways in which they can encourage landowners to bring forward additional land to be used as **rural exception sites** for the development of affordable housing.

The guidance proposes mechanisms by which landowners could, via a referrals system, enable family members or employees who meet local connection requirements, and can demonstrate a housing need, to obtain tenancies for homes constructed on their land. Landowners would also be able to retain a legal interest in their land.

This guidance follows the Government's 2007 housing green paper '**Homes for the future: more affordable, more sustainable**' and the subsequent report by Matthew Taylor MP titled '**Living Working Countryside**' which made two recommendations for mechanisms incentivising landowners to bring forward land for rural affordable housing.

Following these recommendations, the Government is currently proposing the following:-

- **landowners should be allowed to nominate family members or employees through a referrals system for a percentage of the affordable homes provided on their land, where the properties are either grant funded by the *Homes and Communities Agency*, or funded solely by a housing association**
- **landowners potentially have full referral rights where they also fund the delivery of housing on their own land, provided that the houses remain affordable in perpetuity**
- **all family members or employees referred would have to meet housing needs criteria and local connection tests**
- **the referrals system would be run by the managing housing association with published criteria to ensure transparency; the remaining properties would be allocated through the housing association's *standard allocations policy***
- **the landowner would be able to retain the freehold interest in the land. Affordable housing would be provided on the land and the housing association would either pay a one off upfront payment for the lease, or an annual ground rent charge.**

The Government is advising local authorities to be **proactive** in identifying suitable sites for affordable housing development in rural areas, including very small villages. They also recognise that working with landowners and understanding their expectations in bringing this land forward is crucial. It is acknowledged that landowners, whilst being happy to support the local rural community, also want to benefit from putting their land forward, hence the above proposals.

Whilst the guidance is aimed at local authorities, it is of particular relevance to landowners, be they landowners with large land holdings, employers with freehold land interests or those with more modest land holdings who not only want to support their local community but also want to retain some interest in that land. Housing associations will also have an interest, as the proposals within the guidance require their participation; they will be key partners in the project.

Referrals by landowners

The guidance proposes that, in cases where properties are grant funded, that through a referrals system, landowners will have the right to nominate tenants for no more than 33% of the number of homes provided in the development. There is no size threshold for this.

This would be run through the managing housing association who would then allocate the remaining housing through their usual allocations system.

Where landowners intend to fund the delivery of housing themselves, they would have full referral rights, through a Section 106 agreement, and would have to ensure homes remained affordable in perpetuity. They would also have to prove to the local authority that those who are nominated have a local connection and a housing need.

A 'cascade' system is proposed, where there would be two tiers to landowners' referrals. The first tier would include family members and employees who could demonstrate a local connection and housing need. The second tier would be for others (friends for example) who could demonstrate a local connection.

Landowners retaining an interest in the land

If a landowner wishes to retain a freehold interest in the land, they can grant a tenancy or lease of the land to the body who would take responsibility for management of the properties (usually a housing association). Nomination rights could also be included as part of any negotiated package. Alternatively, a landowner could lease directly to the proposed occupier of the affordable housing, but would then be responsible for maintenance of that property.

If a housing association was involved, they would either pay a one off upfront payment for the lease, or an annual ground rent charge. The outcome of any agreement would be subject to local negotiation.

Through retaining an interest, landowners would retain the value of the land in the longer term. It is envisaged that this would be most attractive to larger landowners who have longer term strategies for their land such as estates or large scale farmers, as leases would normally have to be granted for at least 60 years for them to be financially viable for the housing association.

When further information is available, we will endeavour to update you further. In the meantime, however if you are considering a scheme for affordable housing, or if you require planning advice in respect of your rural landholdings, please do not hesitate to contact us.

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