

Appendix F – Discount Market Sales Housing Policy

Hartlepool Borough Council – Discount Market Sales Housing (DMSH) 2025

Background

Discount Market Sales Housing (DMSH) is a form of ‘intermediate’ affordable housing outlined within the National Planning Policy Framework (Annex 2) and offers an alternative to shared ownership schemes. DMSH has been developed with the aim of increasing home ownership and to aid those who would otherwise not be able to afford¹ a home on the development site on which the DMSH is located².

With DMSH the purchaser owns their home outright and the owner is responsible for all repair and maintenance costs. DMSH represent private developers’ contribution to affordable housing and will be subject to terms and conditions contained in a section 106 legal agreement (S106 of the Town and Country Planning Act, 1990 as amended).

This SPD establishes the terms and conditions relating to all DMSH properties secured through section 106 agreements, which are binding in perpetuity upon the owner of any DMSH, and upon any other party with an interest in the land - i.e. a Mortgagee.

Level of Percentage Discount

This policy seeks to ensure DMSH properties remain within reach of people on local incomes but without making development schemes economically unviable. This is achieved through a percentage discount.

DMSH will be sold at an appropriate discount, typically up to 40% from the open market value. The percentage discount should be discussed during planning application stage and will be agreed on a case-by-case basis subject to site location, the particulars of the planning application and viability.

Administration and Monitoring fee per DMSH application

The Community Infrastructure Levy (Amendment) (England) (No.2) Regulations 2019 allow Local Authorities to charge monitoring fees through s106 planning obligations, to cover the cost of the monitoring and reporting on delivery of that s106 obligation as described above. The regulations require that monitoring fees must be proportionate and reasonable and reflect the actual cost of monitoring.

¹ It may be the case that a person would ‘otherwise not be able to afford a home’ if despite a healthy salary they have a poor credit rating, high necessary outgoings such as necessary debt, child maintenance etc. in these circumstances, if evidenced, then an applicant is likely to be successful. Unsuccessful applicants would be those who have made lifestyle choices and have high outgoings particularly with regard to non-essential outgoings i.e. high car payments, high TV/mobile subscriptions etc. then if such lifestyle choices were adjusted then it’s likely that such an applicant would ‘otherwise be able to afford a home’.

² For example, if a three-bedroom DMHS property is on the market for £150,000 and the applicant can afford to buy that property, the council will look at what other houses are also available to the applicant on that development site. If a two-bedroom open market property is also available and the applicant does not need three bedrooms then the applicant is unlikely to be successful. This is because the applicant could otherwise obtain a property on the housing site that would meet their affordable housing need. If this scenario arises then the applicant must demonstrate why they need the three-bedroom property and why the two-bedroom property is not suitable.

Monitoring DMSH requires input from numerous skilled officers and takes a considerable amount of time due to the numerous processes involved, ensuring S106 compliance, agreeing sale price, processing applications, assisting sales agents and potential buyers for the first sale and all other sales thereafter. The council have undertaken an assessment of the level of work involved from s106 signing to DMSH sale/ re sale and the cost in officer time. A fee of £250 per DHMS application should be paid along with the DHMS application and evidence.

Setting First Sale Property Values

The open market value of any DMSH property shall be determined between the developer and the council. In the event the open market value of a unit cannot be agreed, the developer will be required to submit two valuations from independent Royal Institute of Chartered Surveyors (RICS) qualified valuers and the open market value shall be the average of the two. Please allow 15 working days for an initial response.

Making DMSH Available

A charge must be applied to the property once registered with land registry and the council must be notified of the sale and sent a copy of the land registry record. Properties for discount market sale should be advertised via the developer's website (in terms of new build DMSH properties), web-based homes sales platforms (such as Right Move, Zoopla, Purple Bricks or other as agreed), Tees Valley Home Finder and the council's websites (in the case of future sales of the DMSH properties). As soon as practically possible a link to the sale shall be provided to the council³ to confirm the date the unit was first marketed.

The Application Process

All applications for DMSH properties must be made by the developer or owner's agent. Once a suitable applicant has been found, the completed application form and associated information should be submitted to the council for approval. Please allow 10 working days for an initial response.

Eligibility Criteria - Financial

DMSH properties are available to assist those who, due to financial reasons, could not otherwise obtain a dwelling on the development site at full market value.

Evidence must be submitted to show that the applicant/s complies with the financial criteria within this policy and set on in the application form.

Key financial information to be submitted is:

- Proof of household income
- Maximum mortgage offer
- Statement from an accredited independent financial advisor
- Any other relevant information i.e. letter from friend/relative providing financial sum, bank statements to show savings and ingoing and outgoings.

AN APPLICANT SHOULD COMPLY WITH ALL THE RELEVANT FINANCIAL CRITERIA NOT JUST ONE.

³ Please email planningpolicy@hartlepool.gov.uk

Proof of household income

An applicant/s should not earn more than 40% of the discount market value of the property. To prove this, typically, the applicant should submit the previous three months pay slips to the developer/owner. If the applicant is not in employment, then the previous three months bank statements showing any income should be provided. Other evidence may be submitted on a case by case basis.

Maximum Mortgage Offer

An applicant/s should provide the developer/owner with a copy of a Maximum Mortgage Offer provided by a lender or financial/mortgage advisor. Where the maximum mortgage offer is above the discount value of the property the statement from an independent financial advisor must clearly set out why a discount is required.

Statement from an independent financial advisor

An applicant/s should provide the developer/owner with a financial statement from a reputable lender or financial/mortgage advisor setting out that the discount is necessary and why. The statement should set out the applicant/s annual income, the level of deposit and any parameters that prevent the applicant from obtaining a mortgage to the open market value (i.e. bad credit rating, high necessary outgoings such as child maintenance). Savings, equity in an existing property, and any financial assistance to be provided (usually from the applicant's family) will also be taken into account to determine the applicant/s obtainable funds.

Eligibility Criteria – Local Connection

Applicants for DMSH need to fulfil certain criteria in relation to affordability and local connection.

The DMSH property must be the sole residence and would have to be the only home of the purchaser (they cannot be purchased as buy to let).

The DMSH properties could not be sold as second homes or holiday lets.

Local Connection

This policy takes a 3-tiered approach to local connection and priority will go to:

- 1) An applicant who
 - I. Has lived in the ward where the development is located as the only or principal home for a continuous period of three years immediately prior to the proposed occupation of a DMSH property, or
 - II. Has a close family connection⁴ with a person currently living in the identified Ward and who has lived there for a continuous period of the past three years.
 - III. Whose last employment was as a member of HM Armed Forces

Or, if such a person is not found (within 3 months of the property first being advertised)

- 2) If no person is found (within the time period set out above) then, a person;
 - i. Who has lived in the administrative area of the council as the only or principal home for a continuous period of six months out of the past twelve months or

⁴ Close family connection means: parent, guardian, child, grandparent, grandchild, or sibling

- three years out of the past five years immediately prior to the proposed occupation of a DMSH property, or
- ii. Who has close family connection with a person living in the administrative area of the council;
- iii. Whose regular place of work is in the administrative area of the council
- iv. Who is a Key Worker⁵
- v. Who can evidence a contract of employment within Hartlepool or to be taken up within the administrative boundary of the council

Or, if such a person is not found (within 6 months of the property first being advertised)

- 3) If no person is found (within the time period set out in 2 above) then, a person;
- i. Living outside of the administrative area of the council.

Assessing First Sale Applications

With regard to the first sale of a DMSH, the developer will be responsible for assessing the DMSH applications and will submit the necessary paperwork to the council, for written agreement, prior to agreeing the sale. The developer must make it clear to any potential buyer that the process in this SPD and/or associated legal agreement must be followed in any subsequent sale of the unit (re-sale)

Re-Sales

Disposal is a transfer or sale of a freehold or a leasehold or an agreement to make such a transfer or sale. Upon the prospective disposal of a DMSH property, the owner must inform the council in writing of their intention to sell and submit two valuations for the property. The Council's accredited surveyors will review the submitted information and undertake their own assessment, from then a price can be put to the seller. In the event the value of a unit cannot be agreed, the seller will be required to submit two open market valuations from independent Royal Institute of Chartered Surveyors (RICS) qualified valuers and the value shall be the average of the two. The cost of appointing an independent valuers will be met by the seller and the independent valuer's decision is final.

Further to an agreement on the Value, the seller may then market the property for sale with the same percentage discount which the developer agreed with the council on the original development and which is secured within the legal agreement pertaining to that development. Once marketed, particulars of the sale should be sent to the council to ensure the discount has been applied.

The homeowner shall appoint a suitably qualified estate agent to manage the sale and to assess DMSH applications. The appointed estate agent will submit the necessary paperwork to the council, for written agreement, prior to agreeing the sale. To ensure that the accepted applicant is the person who purchases the DMSH, a copy of the mortgage agreement shall be sent to the council upon completion.

⁵ To reflect Government and Economic development intelligence regarding local skills gaps, a Key Worker is defined as someone who is permanently employed in the following professions; nurses and other NHS staff along with Health and social care employees, teachers in schools and in further education or sixth form colleges, police officers and some civilian staff in police forces, prison service and probation service staff, social workers, education psychologists, planners and occupational therapists employed by local authorities, green energy/industrial decarbonisation and net zero employees and whole time junior fire officers and retained fire fighters in some fire and rescue services.

In exceptional circumstances, where a property has been actively marketed, for a period of more than one year, and has been reduced in price by an appropriate sum and for a suitable period of time, it may be possible to sell the unit on the open market. The difference between the full market value and discount market value must be paid to the council, that sum will be considered to be an off-site affordable housing contribution that will be used for the facilitation and delivery of affordable homes in the borough. These parameters must be set out within the legal agreement.

Prioritising Applicants

Applicants are to apply for specific DMSH properties for sale through the developer or owner. This will usually be on a first come, first serve basis, linked to the eligibility criteria above. Where there is more than one eligible applicant with an equal additional priority for the same DMSH property, applications will be ranked by date and time of application.

Legal Implications

The s106 agreement shall provide that the obligations relating to DMSH properties will be protected by a restriction on the proprietorship register at the Land Registry of the registered title of the Discounted Sale property. The Discount is not portable on moving property.

Rental Option

On occasion an owner may need to rent out the property on a temporary basis. This needs to be approved in writing by the council but can be agreed if the property is let to a qualifying person as set out within this policy at an Affordable Rent⁶.

Appeals

The DMSH scheme will be administered in accordance with the provisions of this policy document and the relevant s106 legal agreement, therefore an appeals process is not applicable.

Council Discretion and Monitoring

All information should be submitted to landusepolicy@hartlepool.gov.uk

The council maintains overall discretion with regard to any flexibility when undertaking the DMSH process, any deviation from standard practice must be justified and agreed by the Planning and Development Manager/Land Use Policy Team Leader.

The council will keep a record of purchasers of Discounted Market Sale Housing in a secure location with limited access.

1. Role of the council

- Set out DMV % discount required at planning application stage and ensure this figure is reflected in the S106.

⁶ Affordable Rent – As defined within Annex 2 of the National Planning Policy Framework 2024 or future iterations of such Policy Document – the rent is set in accordance with the Government's rent policy for social rent or affordable rent, or is at least 20% below local market rents (including service charges where applicable)

- Agree to open market value of the property.
- Assess applications and advise on if sale can proceed.
- Maintain a record of sales in a secure location.

2. Role of the developer

- Agree to DMV % discount required at planning application stage and ensure this figure is reflected in the S106.
- Send the council a copy of the land registry record.
- Submit open market value of the DMSH property/s.
- Send a link to the council to confirm the date the unit was first marketed.
- Assess application/s.
- Submit complete and considered to be acceptable applications to the council, for checking prior to the sale being agreed.
- Submit the land registry entry once the buyer/s name/s have been entered on the register.

3. Role of the owner (disposals)

- Obtain a RICS accredited valuation and submit it to the council.
- Appoint an agent to facilitate the sale and assess application/s.
- Send a link to the council to confirm the date the unit was first marketed.
- ensure the agent submits acceptable application/s to the council so the sale can proceed.
- Submit the land registry entry once the buyer/s name/s have been entered on the register.