



ABERDEEN
CITY COUNCIL

Low Cost Homes for sale by developer

Frequently asked questions

How does this work?

Planning agreements between Aberdeen City Council and developers enable properties to be discounted and offered to qualifying purchasers for a fixed price below the open market value. The difference between the fixed price at which the property is sold to a qualifying purchaser and the open market value is secured by the City Council using a legal agreement to ensure that the property remains affordable.

The properties are aimed primarily at first time buyers on modest incomes who would be unable to purchase a home to suit their needs at full open market prices.

Do I qualify?

To be eligible for this scheme you need to meet the following criteria:

- First time buyers – although the scheme can also help people who have had a significant change in their household circumstances, e.g. relationship breakdown, or people who are disabled and own a house that does not suit their needs.
- People who have a relatively modest income and can prove they would not be able to purchase a home to suit their needs on the open market. Savings and capital are taken into account. Maximum household incomes will be given in the guidance notes for individual developments.
- Priority is given to people who are tenants of Aberdeen City Council or of a Registered Social Landlord in Aberdeen City.

Your financial circumstances will be assessed, including your income, capital and personal savings, to prove you are eligible.

Should any development be oversubscribed then Aberdeen City Council will place applicants in a priority list according to circumstances. Properties will be offered to current tenants first. Family sized properties will generally be offered to families rather than single persons.

How do I find out when properties are available?

New properties will be advertised by the developer in the property section of the Press and Journal and Evening Express.

The advert will give you details of:

- Who to contact to obtain further information and an application form
- The property size and type
- The price of the property
- The maximum household income allowed by size of property

Properties will also be advertised in the Low Cost Homes section of the Aberdeen City Council website.

How do I apply?

If you are interested in applying for an advertised Low Cost property you will have to obtain an application pack. These are available direct from the developer whose contact details will be given in the advert. You can also usually collect a pack from the sales office at the development, and applications forms can be downloaded from the Council website on the above link.

There will be a closing date for applications, normally 6 weeks from the date of the advert. Information on the closing date will be given on the application form and in the guidance notes.

What happens after I submit an application?

Your application will be checked to verify that you meet the qualifying criteria. It is important that you complete the application fully and supply all back up information required. Aberdeen City Council will then prioritise the applications based on the information provided and pass the priority list back to the developer who will contact applicants in strict order. If any applicant is unable to proceed with the purchase the developer will continue down the list until all the properties are sold. No applicant will be offered a property until after the closing date for applications has passed.

What happens if I am offered a property?

The developer will contact you to offer you a property. Any contractual agreement is entered into with the developer directly and does not involve Aberdeen City Council in any form of liability. The contract of sale is between the developer and the individuals purchasing the property. It is recommended that any prospective purchasers discuss the implications of the contract into which they are entering with their solicitor.

What are the costs involved if I am a successful applicant?

Properties are normally sold at a fixed price. You will not have to pay any money until you have been advised that you are successful, and have decided to proceed with the purchase of the property. Each development is different but it is likely that you will have to pay a reservation fee, which may be non-returnable.

You will pay for your share of the purchase price in the usual way (i.e. in the same way as if the property was for sale on the open market), along with all legal costs (including the cost of executing and registering a Standard Security in favour of the Council), survey fees and any other costs associated with the purchase including Stamp Duty (if applicable). The amount of deposit you will be have to pay will depend on your mortgage provider's terms. You may want to seek advice from your solicitor on this matter.

You need to make sure that you have money available to purchase the property. This may mean that you will have to secure a mortgage. It is your responsibility to seek independent financial and legal advice and to arrange a mortgage if necessary. It is strongly advised that you have a mortgage in place prior to the closing date for applications. If you are offered a property and do not have finance in place to proceed the property may be offered to another applicant.

There may also be other long term costs to consider such as maintenance or service charges.

Will I need to pay rent on the secured element?

No, you do not have to pay any rent on the property. You will have to obtain a mortgage for the fixed sale price of the property only.

Will I legally own the whole property?

You will have full title to the property, although Aberdeen City Council will retain security over a proportion of the property through a standard security in the title deeds. Details of the security to be held to Aberdeen City Council will be given in the guidance notes issued with the application form.

Am I able to purchase the property outright?

You will not be able to buy the property outright. Aberdeen City Council will always hold a security in the property to ensure that the property can remain affordable to future qualifying purchasers.

Am I allowed to let the property?

Purchasers of low cost properties are expected to occupy the property as their only and main home. In certain circumstances you may be allowed to temporarily let the property, however you should check with Aberdeen City Council before doing so.

What are my responsibilities as an owner?

When you buy a low cost property you will have full title to the property. As the homeowner you will be responsible for keeping the property in a good state of repair. You will be responsible for all repairs and maintenance costs and insurance as well as keeping up with mortgage repayments and paying your Council Tax. If your property has common or shared areas you will also be responsible for paying any common maintenance or service charges as detailed in the title deeds.

What happens if I want to sell the property?

As there is a discount involved in achieving the sale price there are conditions attached to the subsequent sale of the property. There is a standard security in your title deeds to ensure that the property remains affordable to future purchasers. Details of the standard security will be outlined in the guidance notes which accompany the application form.

Generally if you wish to sell the property your solicitor will have to contact Aberdeen City Council in writing, providing a home report or other appropriate proof of current market value. The current market value will be used to determine the price you will receive for the property if you decide to proceed, based on the percentage rate you paid. It is important to remember that property values can decrease as well as increase (see examples below).

Example 1: Property has increased in value

| | |
|---|----------|
| Initial Market Value of the property | £175,000 |
| You buy the property (70% of Market Value) | £122,500 |
| Increased Market Value of property | £200,000 |
| Sale Price to nominated qualifying purchaser (70% of Market Value) | £140,000 |
| You receive | £140,000 |

In this example the market value of the property has **increased** from £175,000 to £200,000

Example 2: Property has decreased in value

| | |
|---|----------|
| Initial Market Value of the property | £175,000 |
| You buy the property (70% of Market Value) | £122,500 |
| Decreased Market Value of property | £165,000 |
| Sale Price to nominated qualifying purchaser (70% of Market Value) | £115,500 |
| You receive | £115,500 |

In this example the market value of the property has **decreased** from £175,000 to £165,000

The Council will then have a period of time to determine if there are qualifying purchasers interested in buying the property at the agreed price. At the end of this period the Council will pass the names of interested parties to your solicitor to arrange viewings of the property.

Should the Council be unable to nominate any qualifying purchasers, or if none of those nominated are able to proceed, you will be entitled to sell the property on the open market. In this case the percentage secured by legal agreement will be retained by the Council and used to help finance affordable housing in the future.

You will be responsible for the cost of obtaining the home report or valuation, and also for all your own legal fees for the sale of the property.

What happens if I make any alterations or improvements to the property?

The cost of any capital improvements you make to the property **may** be taken into account when calculating the Market Value if you decide to sell the property. This will be decided on a case by case basis and you should not assume that you will recoup the full cost of any improvement you make.