**Incremental Tenant Purchase Scheme**

**Summary**

The new Incremental Tenant Purchase scheme came into operation on 1st January 2016 and from that date, local authority tenants will be able to apply to purchase their homes under the scheme. The new scheme involves a discount for the tenant purchaser linked to his or her income and that of his or her spouse etc., and a discount-related incremental purchase charge on the property that reduces to nil over a period of years, unless the tenant purchaser resells the house or fails to comply with conditions of the sale during that period. Where the tenant purchaser resells the property before the end of the charge period, he or she must pay back to SDCC a portion of any profits arising from the sale, thereby generating funds for this local authority to invest in new social housing or the refurbishment of existing housing.

**Tenant Eligibility**

A house may be sold only to its tenant (including joint tenants);

The tenant (or one of the joint tenants) must be in receipt of social housing support for a minimum of at least a year in order to apply to purchase;

The tenant must have minimum reckonable income of at least €15,000 per annum;

A tenant is not entitled to purchase under the scheme if he or she –

* previously purchased a dwelling under a tenant purchase scheme,
* has significant rent arrears and is not complying with arrangements agreed with the Council to pay off those arrears,
* has failed to pay all outstanding water charges due and owing to Irish Water; or
* has or is engaged in anti-social behaviour (this prohibition also applies to household    members),

***The Chief Executive may also at his discretion exclude the following:***

* ***Tenant (or one of the joint tenants) subject to a Debt Relief Notice which is inclusive of rent arrears***
* ***Tenant who has not submitted all relevant income details for an up-to-date Rent Assessment (this applies to all household members)***

**Properties that can be sold under the scheme**

All local authority houses may be sold to tenants, other than the following classes of houses:

Affordable Housing;

Houses designed for occupation by elderly persons;

Houses provided for persons with disabilities making the transition from congregated settings to community based living under the National De-institutionalisation Programme,

Group traveller housing,

Caravans, mobile homes, etc.,

Part V dwellings provided in private estates,

Local authority apartments and other dwellings (including maisonettes) that require regular upkeep and management of common areas etc., in conjunction with other dwellings or properties are excluded from sale under the scheme.

***The Chief Executive may at his discretion in the interest of proper estate management or on account of their structural condition exclude:***

* Houses that are under-accommodated
* Unsold Affordable Houses
* Remedial works proposed

**Calculation of Reckonable Income**

SDCC will include the reckonable income of all joint tenants and any tenant’s spouse, civil partner or cohabitant who is resident in the house when calculating reckonable tenant income for the purposes of the scheme;

Reckonable income will be calculated as **gross** income, i.e. before deduction of income tax, USC, pension contributions, pension-related reductions and PRSI, etc.,

Social welfare payments (including pensions) by DSP may be included in reckonable income where they constitute a secondary source of income, i.e. a social welfare payment to a tenant in receipt of income from employment is reckonable income, as is a social welfare payment to the spouse, civil partner or cohabitant of a tenant in employment;

Certain types of payments will be disregarded for the purposes of calculating reckonable income, including Child Benefit, Carer’s Allowance and Benefit and Family Income Supplement.

**Purchase Price**

The purchase price of a house is the value for the purposes of calculating the applicable discount and will be calculated as the **greater** of –

* the market value of the house (which reflects its prevailing state of repair and condition), or
* half the estimated cost to the council of providing a replacement house to modern standards in its housing stock to accommodate a household in the same class as that for which the house was designed. Replacement cost will only come into play where, due to localised factors, the market value of a house is very low.

The purchase price is calculated in the first instance by the council. If the tenant purchaser disagrees with the council’s purchase price, he or she may pay for a suitably qualified professional (e.g. an estate agent in the case of market value) who is acceptable to the council to make a determination of the purchase price, which is binding on both parties.

**Tenant Purchase Discounts**

The discount given to a tenant purchaser depends on reckonable tenant income, as follows:

* A discount of 60% off the purchase price applies where reckonable tenant income is in the range €15,000 to €20,000;
* A discount of 50% off the purchase price applies where reckonable tenant income is in the range €20,001 to €29,999;
* A discount of 40% off the purchase price applies where reckonable tenant income is equal to or greater than €30,000.

**Condition attached to sale of the property**

On receipt of the discounted purchase price from the tenant, the Council will transfer ownership of the house to the tenant by means of a transfer order that expressly excludes any warranty as to the state of repair or habitability of the house. The transfer of ownership is subject to the terms of the housing authority’s incremental purchase charge and the following conditions:

* The house must be occupied as the normal place of residence of the purchaser or a household member, unless the council gives its prior written consent,
* The house or any part of it must not be sold, assigned, let or sublet without the council’s prior written consent,
* The purchaser must not cause any nuisance or engage in anti-social behaviour or allow any person residing in the house to do so,
* The purchaser must keep the house and all parts of it in good order, repair and condition,

**Financing purchase of property**

The tenant is not required to pay a deposit to the council as part of the tenant purchase process;

The tenant may pay the discounted purchase price to the council by one, or a combination, of the following:

* His or her own resources or those of his or her spouse, civil partner or cohabitant, which may include funds provided by family members, etc.,
* A local authority house purchase loan, if approved under the Housing Agency’s credit policy. The examination of a loan application will involve a separate assessment of tenant income by the council;

The possibility of private financial institutions providing loan finance to tenant purchasers under the new scheme is currently being examined.

**Incremental Purchase Charge**

On sale of a house under the scheme, the council will place an incremental purchase charge on the house equivalent to the discount granted to the tenant off the purchase price. Therefore, if the council gives 50% discount to the purchaser, the incremental purchase charge will be 50% of the value of the house;

The period for which the charge applies to the house (i.e. the charged period) depends on the level of the charge:

* If the charge is 60% of the value of the house, the charged period is 30 years,
* If the charge is 50% of the value of the house, the charged period is 25 years,
* If the charge is 40% of the value of the house, the charged period is 20 years;

The incremental purchase charge will wither away to nothing over the charged period in annual incremental releases on 2% of the value of the house, provided the purchaser complies with the terms and conditions of the transfer order. The incremental releases for the first 5 years of occupancy will not be applied until that period has expired;

If the council suspends an incremental release during the charged period for failure to comply with a sale condition, the tenant purchaser must, within 2 months of expiry of the charged period, pay to the council the amount of the outstanding incremental purchase charge, based on the current market valuation of the house;

The tenant purchaser may pay one or more than one incremental release (other than a suspended release) or the entire outstanding charge on the house to the council at any stage after the fifth anniversary of the vesting date, based on the current market valuation of the house. Where part only of the outstanding charged share is paid to the council, the charged period will be reduced by the number of years equating to the number of incremental releases represented by the payment.

**Tenant Purchaser Resells the house during the Charge Period**

The council will have first refusal on buying back a tenant purchased house resold during the charging period, in which case the resale price is the current market value of the house less the value of the outstanding charge on the property;

If the tenant purchaser resells the house in the market within 5 years of purchase, he or she must pay the current value of the total charge back to the council. If he or she sells the house later in the charged period, he or she must pay to the council the current value of the outstanding charge. The charge only applies where the tenant purchaser makes a profit on resale of the house (net of selling expenses) and the amount of the outstanding charge payable by the tenant purchaser will be reduced to avoid, as far as possible, him or her incurring a net loss on the resale;

A housing authority may refuse to consent to resale of a tenant purchased house in the market during the charged period where –

* The proposed sale price is less than the market value,
* The new purchaser is or was engaged in anti-social behaviour or the sale is not the in interest of good estate management, or
* The sale would leave the vendor of a household member without adequate housing.

**Examples of Incremental Purchase Charge in operation**

**Example 1:**                                                                                                    **Tenant purchases house and retains it for charged period**

Purchase price at date of sale:                                                                           €200,000

Incremental Purchase Discount:                                                                         50%                        (based on tenant income)

Purchase monies paid:                                                                                      €100,000

Incremental purchase charge on house:                                                             50% of value of house

Charge period                                                                                                  25 years                  (based on IP discount)

Incremental purchase charge is reduced by 2% of house value each year, with the charged reduced to zero after 25 years.

**Example 2:                                                                                                        Tenant purchased house is sold in the market after 10 years**

***Tenant purchase of house***

Purchase Price:                                                                                                  €200,000

Incremental purchase discount:                                                                          50%                        (based on tenant income)

Purchase monies paid:                                                                                       €100,000

Incremental purchase charge on house:                                                              50% of value of house

Charged period:                                                                                                25 years                   (based on IP discount)

***Resale of house in the market***

Market value of house on resale:                                                                         €150,000

Outstanding incremental purchase charge:                                                           30%                        (50% - (10 x 2%))

Payment due to SDCC to clear IP charge:                                                            -€45,000                  (€150,000 x 30%)

Less selling costs (estate agent/sols):                                                                  -€10,000

Net proceeds from resale:                                                                                    €95,000                 (< original purchase money so IP   
                                                                                                                                                      charge reduced to break even)

Actual payment to SDCC to clear IP charge:                                                          €40,000                 (Reduced IP payment to avoid loss