

Consultation Response on First Homes

What are First Homes?

- Flats or houses built on developments sold at a discount of at least 30% of the open market value in perpetuity, flats will be sold as leasehold, however, houses will be freehold.
- Sold initially to local first-time buyers who want to remain on the community that they live or work.
- Prioritises serving members or veterans of the armed forces or keyworkers (such as nurses, police and teachers).
- Discount set locally by the Local Authority with a minimum discount of 30% below the open market value.

Positives

- Supports aspiration of home ownership for first-time buyers due to lower deposit and mortgage requirements.
- Supports home ownership for local people.
- Prioritises key workers and armed service personnel and veterans.
- Discount held in perpetuity ensured by restrictive covenants to enable future first-time buyers' access to home ownership.

Negatives

- Potential to impact on other affordable housing delivery, in particular, affordable housing for rent that is required to meet identified housing need.
- Does not tackle primary driver of housing crisis which is a lack of supply of homes.
- Adds another affordable home ownership product to the market where other products are more attractive to developers to supply, i.e. lower discounts.
- Resource impact on the Local Authority to administer sales and resales (eligibility, market valuations etc)
- Any price increase in improvements would also be subject to discount, could lead in the long term to a lack of investment in the properties.

Affordability

The increase in discount from Discount Market Sale properties, a minimum of 20%, to First Homes, a minimum of 30%, along with the addition of locally set levels based on affordability and no maximum level of discount is welcomed.

Recommendation – The Council agrees with increased minimum threshold and the ability to set a higher discount on a site-by-site basis based on local affordability.

The potential to introduce an upper limit price cap on the First Home, prior to any discount being applied is welcomed. This will ensure that the scheme is not used to subsidise the purchase of more expensive properties.

Recommendation - Any cap should be set at a District level with the ability to decide on a sub-market area level to reflect local markets and changes in property prices over time.

Eligibility

The recommendation that First Homes are reserved for local people in the first instance is welcomed and that the local authority is best placed to decide upon these restrictions, however, it should be noted that this will place additional resource pressure on the Council to enable this function. The Council also supports waiving this restriction for serving members or recent veterans of the armed forces.

Recommendation - Any restriction in sale should be in place for at least six months from the initial marketing activity before being opened to other areas. This criterion should be waived for key workers and members of the armed forces or veterans.

The Council agrees that there should be a national income cap set for purchasers of First Homes, in line with the eligibility for Shared Ownership homes (set currently at £80,000) and that the Council should be able to reduce this income threshold to ensure the homes are available for people in the greatest housing need. Consideration should also be given to a savings cap set locally.

Perpetuity

Discounts will remain in perpetuity by virtue of a restricted covenant. This proposal is welcomed, it is agreed that the Council is best placed to oversee that these discounts are offered in perpetuity. It should be noted however, that this will place additional resource pressures on the Council to enable this function. The Council could request an administrative fee as part of the S106 obligations to cover the cost of this administrative burden.

Costs to the Council could be reduced by having a standard clause to use within the title deeds, however, the eligibility and prioritisation alongside verification of the open market value will mean resource pressures for the local authority that cannot be mitigated against.

Mortgage Lending

It is proposed that a standardised First Homes model with local discretion applied in appropriate areas will support mortgage lending. The Council is supportive of a model where as much control and flexibility is given to the Council to ensure these homes are sold to people in housing need who otherwise cannot afford to purchase on the open market.

The Council supports the addition of a mortgagee protection clause to provide assurance to lenders, however, would recommend that any surplus profit after relevant charges up to the maximum discount level is returned to the Council to enable future affordable housing provision.

Restrictions on Lettings

Any First Home sold should not be used as a subsidised investment opportunity and homes should be used as sole or primary residence. It is recognised, however, that certain occasions exist where people need to spend short periods of time away from their home such as a posting to a different area or armed forces deployment or to care for family members. It is, therefore, welcomed that the proposals address this and the Council supports the option to let homes out in these specific circumstances for up to two years without seeking approval from the Council.

Delivery

The level of delivery of First Homes the Government eludes to within the consultation is worrying for other affordable housing tenures that are desperately needed to meet identified housing need. The Council's recently commissioned Strategic Housing Market Assessment stated that there is an annual need for 325 affordable housing for rent and there is no need for affordable housing for home ownership, mainly due to the quantity of entry-level housing coming onto the market. It states that where affordable home ownership is provided, the most appropriate form should be shared ownership. Whilst the Council supports efforts to increase home ownership, this must not be at the expense of building affordable homes for those in the greatest level of need.

The proposals seek to enforce delivery through changes to policy or legislation and the Council does not believe that either is appropriate given the impact this will have on affordable rented delivery, especially if this is coupled with enforcing the percentage delivery through developer S106 contributions. The Council proposes that the level of delivery of First Homes should be set at a local level on a site by site basis to ensure the needs of those in the most housing need are met first given the overwhelming need for affordable homes to rent, in particular social rented homes in the District.

It is also proposed to amend both the entry-level and rural exception sites policies in the National Planning Policy Framework to encourage more sites to come forward to support the delivery of First Homes. Currently these are supported to deliver any affordable housing tenures, but the proposals would see entry-level exception sites restricted to deliver only First Homes. The Council is opposed to this change as again it would dilute the delivery of other affordable tenures, in particular those for rent which the District needs. The Council is best placed to advise on the required tenure mix on any site based on up to date evidence of need and this does not need to be enforced in legislation. Rural exception sites should be supported by an independent assessment of local housing need to ensure the homes delivered are meeting identified needs for local people, again this should not be dictated through policy or legislation.

The Government should rationalise the variety of similar affordable home ownership products by amalgamating Starter Homes and Discounted Market Sale homes into the new First Homes scheme. This would give developers less flexibility to choose

an alternative affordable home ownership option that may be more lucrative for them in lieu of First Homes which will stifle delivery.

It will be of paramount importance that First Homes delivery does not out shadow the delivery of affordable homes to rent and affordable home ownership in the form of shared ownership where this is needed.

Other contributions

In line with other affordable housing products, the Council agrees that First Homes should be exempted from the Community Infrastructure Levy to ensure that the level of affordable housing delivery is not reduced.

Equality Impact

The impact of First Homes may impact on specialist housing delivery, in particular for those with physical disabilities, learning disabilities, older people and people with mental health who need supported accommodation.

It is clear from the proposals that the introduction of First Homes will limit the delivery of affordable housing for people who have no other option, placing increasing pressures on housing waiting lists across the Country. While the Council supports the aspirations of home ownership for low income households, this cannot be at the expense of other affordable housing tenures for those in the greatest level of housing need.