

WELWYN HATFIELD BOROUGH COUNCIL
CABINET HOUSING & PLANNING PANEL – 21 APRIL 2016
REPORT OF THE DIRECTOR (GOVERNANCE)

STARTER HOMES REGULATIONS TECHNICAL CONSULTATION

1 Executive Summary

- 1.1 The Government is consulting on regulations to deliver Starter Homes as part of housing sites. The deadline for commenting is 18 May 2016.

2 Recommendation

- 2.1 That CHPP comments on the points set out below and authorises the Head of Planning to agree the final response with the Executive Member for Planning.

3 Explanation

- 3.1 The Government is consulting on regulations to deliver Starter Homes as part of housing sites. Starter Homes are properties available to first time buyers under 40 years old which will be sold at a minimum 20% below the open market value and with a price cap of £250,000 outside of Greater London.
- 3.2 *The Panel should note the results of an impact assessment which indicates that for every 100 starter homes built, between 56-71 fewer social rent or affordable rent homes will be built. Our Strategic Housing Market Assessment (SHMA) shows that the greatest need in the borough is for social rent and affordable rent homes. There is also no 'local connection' test for starter home so the Council will be unable to meet local need by ring-fencing them for residents/workers.*
- 3.3 The Housing and Planning Bill (currently before Parliament) is proposing a new statutory framework for starter homes, including a definition, a general duty on councils to promote the supply of starter homes and the ability to set a starter home requirement. The detailed implementation of this framework will be via the regulations being proposed on as part of this technical consultation.
- 3.4 Starter Homes are intended to be homes for young people and families rather than short-term investment opportunities. The consultation therefore proposes a tapered approach whereby starter homes can be sold at an increasing proportion of their market value, stepping up to 100% over time, so that owners can move on as their circumstances change. They seek views on a restriction period of 5 years and propose a maximum period of 8 years. The home could only be sold to another first-time buyer during this period but on the open market thereafter.
- 3.5 *It is recommended that the Council highlights the consequence of this proposal: that an increasing proportion of affordable homes, which are in theory available in perpetuity where not purchased under right to buy legislation, will instead be available for private purchase within 5 years of construction. Over time this would reduce in the proportion of affordable housing stock in the borough. It will not meet the needs of our most vulnerable households on our waiting list and/or in temporary accommodation. It also means that housebuilders will have to sell*

their private sector units at a price that covers the cost of providing affordable/starter homes, but that such subsidies can within 5 years be converted into personal profit for under 40s who purchase a starter home (assuming house prices continue to rise), rather than remaining available for individuals and families on the Council's housing waiting list. Our response should therefore favour the 20% discount in perpetuity.

- 3.6 Starter Homes are intended for first time buyers under 40 years old. The consultation seek views on flexibility where joint purchasers both qualify as first time buyers but one is under 40 and one is over 40 and for injured service personnel and those whose partner has died in service to be exempt from the age limit.
- 3.7 *It is recommended that the Council should express severe doubts about the potential for abuse of the under 40/over 40 joint purchaser proposal. There is scope for very substantial profits to be made once starter homes can be sold on the open market. The Government should ensure this is not the case. The exemption should be limited to service personnel and their partners.*
- 3.8 The Government intends that starter homes should be provided on all reasonably sized housing sites. This should be achieved through Section 106 agreements. This consultation now proposes that the starter homes requirement should apply to sites of 10 or more units or 0.5 or more hectares, but seeks views on whether higher thresholds would be more appropriate. This would avoid adverse impacts on the viability of smaller sites.
- 3.9 *Policy H7 of the Welwyn Hatfield District Plan seeks affordable housing on sites of 25 or more units or 1 or more hectares. The Emerging Core Strategy (November 2012) consulted on a new policy for affordable housing to be sought on sites of 15 or more dwellings or 0.38 or more hectare in Welwyn Garden City and Hatfield and 5 or more dwellings or 0.13 or more hectares in villages excluded from the green belt. These thresholds were based on local viability evidence. The introduction of national thresholds for starter homes would add further complexity to this proposed local policy for all types of affordable homes. It is recommended that the Council opposes this proposal in favour of allowing local planning authorities to judge what threshold is right for their area, taking account of local housing market evidence.*
- 3.10 The consultation also takes account of the national need for homes for the under 40s, general viability considerations and other factors in order to propose that 20% of homes on qualifying sites should be starter homes. It seeks views on whether this percentage should be varied depending on the capacity/size of the site or reflect regional differences in viability.
- 3.11 *Policy H7 of the Welwyn Hatfield District Plan seeks 30% affordable housing on qualifying sites. In addition to the new thresholds highlighted in Para 3.8 above the Emerging Core Strategy (November 2012) also consulted on a new policy for qualifying sites to provide 25% affordable housing in Hatfield, 30% in Welwyn Garden City and 35% in villages excluded from the green belt. These targets were based on local viability evidence. The introduction of a national target would mean that two-thirds of these would be starter homes and only one-third would be other forms of tenure based on the current policy, and would create an even more complex situation if bespoke town/village targets were introduced in the forthcoming Local Plan. It is recommended that the Council opposes this*

proposal in favour of allowing local planning authorities to judge what targets are right for their area, taking account of local housing market evidence.

- 3.12 The consultation proposes exemptions where it can be clearly demonstrated by the developer that affordable housing provision including the starter homes requirement would render the site unviable. It examples high infrastructure costs or low demand areas.
- 3.13 *This comes across as a weakening of the stated purpose of providing starter homes. The Council already requests and tests viability assessments where developers claim that their site cannot support full provision of affordable homes and other policy requirements. This would require the Council to assess and reach a view of the validity of submitted viability assessment; a skill that we usually employ consultants to assist us with as there is insufficient in-house knowledge.*
- 3.14 It also proposes exemptions for specialist residential developments such as care homes, purpose built student accommodation and estate regeneration schemes with high levels of local authority and housing association owned affordable rent and shared ownership properties.
- 3.15 *This comes across as another weakening of the stated purpose of providing starter homes. There is no reason why some forms of specialist residential development such as care homes and student accommodation are less viable than other forms of housing. In exceptional circumstances where it is judged inappropriate to provide starter homes within such schemes, an off-site contribution should be made, rather than an exemption.*
- 3.16 It also proposes scope for off-site contributions in lieu of on-site provision, and gives examples of high value areas or where development does not easily lend itself to on-site provision such as purpose built private rented sector housing for institutional investment which would not easily support mixed tenure schemes.
- 3.17 *This comes across as yet another weakening of the stated purpose of providing starter homes. Most parts of Welwyn Hatfield could be described as high value areas. It is preferable that off-site provision should only be allowed in exceptional circumstances. A study by the housing charity Shelter suggests that a greater than 20% discount would be needed for starter homes to be sold for £250,000 in Welwyn Hatfield, and hence they are not affordable for anyone in the borough who might otherwise be eligible.*
- 3.18 The Government will start tracking the delivery of starter homes through local authority data returns from April 2017. They also propose that councils should prepare a starter homes monitoring report alongside their Annual Monitoring Report, and provide a detailed list of the factors that should be monitored.
- 3.19 *It is recommended that the Council should highlight that additional effort will be required to record and report this data. It would seem more sensible to include these figures within our Annual Monitoring Report, rather than having to prepare a separate report.*

4 Link to Corporate Priorities

- 4.1 This report is linked to Corporate Priority 3 which seeks to meet the borough's housing need by planning for housing and allowing for sustainable growth.

5 Implications

- 5.1 There are no legal, financial, risk management, security/terrorism, procurement or climate change implications associated with responding to this consultation. There are policy implications in that the Council's planning and housing policies may need to be amended to reflect any future Starter Homes regulations.

6 Equalities and Diversity

- 6.1 An Equality Impact Assessment (EIA) has not been carried out in connection with the recommendations in this report. The equality impact assessment carried out by the Government as part of this consultation shows that women and people with disabilities will be negatively impacted, as they are least likely to be able to afford a starter home and most likely to suffer from the reduction in other forms of affordable housing upon which they are more reliant.

Name of authors: Colin Haigh, Head of Planning
Sian chambers, Head of Housing and Community

Background Papers:

Starter Homes Regulations technical consultation
<https://www.gov.uk/government/consultations/starter-homes-regulations-technical-consultation>