



Department for
Communities and
Local Government

Stepping onto the property ladder

Enabling high quality Starter Homes for first time buyers – a consultation



© Crown copyright, 2014

Copyright in the typographical arrangement rests with the Crown.

You may re-use this information (not including logos) free of charge in any format or medium, under the terms of the Open Government Licence. To view this licence, <http://www.nationalarchives.gov.uk/doc/open-government-licence/version/3/> or write to the Information Policy Team, The National Archives, Kew, London TW9 4DU, or email: psi@nationalarchives.gsi.gov.uk.

This document/publication is also available on our website at www.gov.uk/dclg

If you have any enquiries regarding this document/publication, complete the form at <http://forms.communities.gov.uk/> or write to us at:

Department for Communities and Local Government

Fry Building

2 Marsham Street

London

SW1P 4DF

Telephone: 030 3444 0000

For all our latest news and updates follow us on Twitter: <https://twitter.com/CommunitiesUK>

December 2014

ISBN: 978-1-4098-4429-7

Contents

Ministerial Foreword	4
Introduction	6
Section 1	8
Planning for Starter Homes	8
Section 2	10
Making more brownfield land available for Starter Homes	10
Section 3	12
Prioritising young first time buyers	12
Section 4	14
Making the first time buyer discount more financially viable	14
Section 5	16
Encouraging good design for Starter Homes	16
Section 6	17
Identifying demand for Starter Homes	17
Section 7	18
Identifying vanguards to promote Starter Homes	18
Section 8	19
Implementation	19
Consultation Questions	20
About this consultation	21

Ministerial Foreword

The Government is repairing the housing market. In 2010, we inherited a housing market in its worst state for generations, with new house building at the lowest point since the Second World War and the mortgage market at near collapse. Since then, we have taken decisive action to kick start new house building – through new investment programmes and planning reforms, and made more mortgage finance available, especially for those without large deposits.

There are now 700,000 more homes in England. House building is at its highest rate since 2007, over 240,000 planning permissions were granted for new homes over the last twelve months, and the number of empty homes at its lowest since records began. Over 180,000 people have been helped by the Government to buy or reserve a property since 2010, through schemes like Help to Buy and the reinvigorated Right to Buy.

As the housing market recovers, however, we know there are still far too many hardworking people in their twenties and thirties from all walks of life struggling to gain a foot on the property ladder. The average house price for a first time buyer is now £218,000 – 8 times the average income of 22-39 year old employees. The average first time buyer is now 30 years old, and many have only secured their first home by receiving financial help from their family.

We are determined to ensure young people are not denied what their parents took for granted – the opportunity to buy their own home, settle down and enjoy the security that home ownership brings. That's why the Prime Minister announced on 15 December that the Government will launch its new Starter Homes scheme – which through an innovative planning reform will offer young first time buyers the opportunity to buy a brand new, high quality starter home at least 20% below the current local market rate with no cost to the tax payer.

Our ambition is for 100,000 new starter homes to be built across England through this initiative over the next five years. We want to work with developers, local authorities, and land owners to ensure the first Starter Homes are delivered quickly and to a high quality which meets the aspirations of today's first time buyers. This public consultation sets out about our proposed approach – and I would welcome views from all.



The Rt Hon Eric Pickles MP
Secretary of State for Communities
and Local Government



Brandon Lewis MP
Minister of State for Housing and
Planning

Topic of this consultation:	Enabling High Quality Starter Homes for First Time Buyers
Geographical scope of this consultation:	England
Body responsible for this consultation	Planning Directorate within the Department for Communities and Local Government.
Duration of consultation:	8 weeks (15 December 2014 to 9 February 2015)
Enquiries:	For enquiries please contact: starterhomesconsultation@communities.gsi.gov.uk 0303 444 4323
How to respond:	<ul style="list-style-type: none"> • You can either respond to the consultation using the online SurveyMonkey at https://www.surveymonkey.com/s/R579RR • Or you can email your response to the questions to starterhomesconsultation@communities.gsi.gov.uk • If you need to provide a written response please make it clear which questions you are responding to. • Written responses should be sent to: Andrew Short Department for Communities and Local Government Third Floor Fry Block 2 Marsham Street SW1P 4DF <p>When you reply it would be very useful if you confirm whether you are replying as an individual or submitting an official response on behalf of an organisation and include:</p> <ul style="list-style-type: none"> • your name, • your position (if applicable), • the name of organisation (if applicable), • an address (including post code), • an email address, and a contact telephone number

Introduction

1. The Government is determined that more people have the opportunity to buy their own home, and is keen to ensure first time buyers find it easier to take their first steps onto the property ladder.
2. In 2013, we introduced the Help to Buy mortgage guarantee and equity loans schemes to help first time buyers – without access to a large deposit, secure mortgages and purchase their own home. We have also rejuvenated the Right to Buy to enable council tenants to buy their home, and in the Autumn Statement last month, the Chancellor announced the most far reaching reform of stamp duty for a generation to cut the costs of purchasing a home.
3. However, the challenges facing first time buyers in many areas of the country still remain significant: the average house price in England was £285,000 in September 2014, up from £193,000 in March 2009 when the recession was at its worst, while average wage increases have not kept pace. That is why the Prime Minister announced the Starter Homes scheme on 15 December to do more to help first time buyers. This reform will free up the planning system to help to deliver more low cost, high quality starter homes for first time buyers – without burdening the tax payer.
4. We are proposing to:
 - Introduce a new national Starter Homes exceptions site planning policy to enable starter homes to be built on under-used or unviable brownfield sites not currently identified for housing on public and private land;
 - Ensure through either planning obligations or conditions that these newly built starter homes are only available to buy or occupy for young first time buyers and are sold at a minimum 20% discount below open market value;
 - Remove the obligations on developers to fund section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure pots, and exempt the Community Infrastructure Levy on Starter Homes to enable them to help deliver this discounted price;
 - Champion the good design of Starter Homes through the creation of a Design Panel;

- Develop a register of first time buyers' interest in Starter Homes with the private sector to identify and stimulate demand; and
 - Identify a cohort of vanguards to roll out the Starter Homes model across the country on both public and private land.
5. This is an ambitious package which the Government cannot deliver alone. We need to work closely with developers, local authorities and land owners to enable 100,000 starter homes to be built over the next five years so that more young people can buy their own home. This consultation sets out our Starter Homes proposals in more detail and seeks views about the proposed planning policy change and its implementation.

Section 1

Planning for Starter Homes

6. At the heart of the Starter Homes scheme will be the introduction of a new national Starter Homes exception site policy specifically for first time buyers. This would be delivered through a Written Ministerial Statement.
7. Rural exception sites, through which land that would not usually be released for housing is made available to meet local affordable housing needs, is a well-established part of the planning system. The fact that permission for market housing would not be granted on these sites (which are usually adjacent to the built-up area of rural settlements), and the restrictions on occupation, help to reduce land values and allow affordable homes to be built for local people.
8. We intend to build on this approach for the new Starter Homes exception site policy, targeting under-used or unviable industrial and commercial land that has not been identified for housing, to provide discounted homes for first time buyers in both urban and rural areas. This, in conjunction with removing section 106 affordable housing contributions including any tariff-based contributions to general infrastructure pots and exempting them from Community Infrastructure Levy payments, will give first time buyers access to new homes at a lower cost than they would be if built on land that would normally be released for housing. It will also have the benefit of increasing the overall supply of land for housing, and further support our efforts to make effective use of previously-developed sites.
9. For the purposes of this consultation, we have prepared the policy to give an indication of how this would work. This text would be refined further in response to the consultation.

Local planning authorities should work in a positive and proactive way with landowners and developers to secure a supply of sites suitable for housing for first time buyers. In particular, they should look for opportunities to create Starter Homes exception sites on under-used or unviable industrial and commercial land that has not been identified for housing. Where applications for starter homes come forward on such sites, they should be approved unless the local planning authority can demonstrate that there are overriding considerations in relation to health, safety or infrastructure that cannot be mitigated.

Planning conditions or obligations should be attached to permissions for starter homes on Starter Homes exception sites, requiring that the homes are offered for sale at a minimum of 20% below normal market price, to people who have not previously been a home buyer, and who are below the age of 40 at the time of purchase. They should also prevent the re-sale of the properties at market value for a [five to fifteen year] period. In view of their contribution to meeting housing needs, Starter Homes exception sites should not be required to make contributions to affordable housing or be subject to the Community Infrastructure Levy. Starter Homes exception sites may include a small proportion of market homes, at the planning authority's discretion, where this is essential to secure the required level of discount for the starter homes on the site.

10. This policy has a number of distinctive features which are discussed in the sections below and on which we would welcome your views.

Q1: Do you agree in principle with the idea of a new national Starter Homes exception site planning policy to deliver more new low cost homes for first time buyers?

Section 2

Making more brownfield land available for Starter Homes

11. The Government is determined to drive up the number of homes coming forward on brownfield land through reforms to the planning system to strengthen existing communities, prevent urban sprawl and protect precious landscapes. We have already:
- Made clear - through the National Planning Policy Framework - planning should encourage the effective use of land by re-using land that has been previously developed, provided that it is not of high environmental value;¹
 - Made it easier to change the use of an existing building from commercial, retail and agricultural use to residential use; and
 - Announced in June that we expect to see permissions for homes in place, through local development orders, on over 90% of suitable brownfield land by 2020, and we are now putting in place a package of measures to support local authorities in their drive to achieve this goal.
12. The national Starter Homes exception site policy strengthens the emphasis on the use of brownfield land for housing, by making it easier to obtain planning permission for new starter homes on commercial or industrial land which has not been identified for residential use. Local planning authorities will, however, still be able to reject individual exception site applications if there are overriding considerations in relation to health, safety or infrastructure that cannot be mitigated.
13. We expect the type and size of commercial and industrial land coming forward for starter homes under this exemption site policy will vary considerably across the country reflecting the nature and value of the land available and the underlying local demand for starter homes – with land coming forward from a range of sources including both private landowners and the public sector.
14. This land by definition will not already be allocated for housing and is most likely to be of relatively low value and under-utilised, although with only limited remediation and infrastructure costs, to ensure Starter Homes schemes are financially viable.

¹ Paragraph 17 of the National Planning Policy Framework

15. Land which is currently allocated for commercial or industrial use in up-to-date plans could be released for starter homes under this policy if it became clear as part of a local planning authority's regular review of allocated employment sites that the land is no longer required or viable for that purpose - for instance as a result of earlier regeneration plans becoming stalled due to changing economic circumstances.

Q2: Do you agree that the Starter Homes exception site policy should focus solely on commercial and industrial brownfield land which has not been identified for housing?

Q3: Do you agree that the types of land most suitable for starter homes will be under-utilised or non-viable sites currently (or formerly) in commercial or industrial use?

16. We think that there will be opportunities to deliver Starter Homes exception sites in a wide variety of locations, but there may be a case for avoiding development in isolated locations that cannot easily be served by infrastructure, or where there would be conflicts with key protections in the National Planning Policy Framework such as the Green Belt.

Q4: Do you consider it necessary to avoid Starter Homes developments in isolated locations, or where there would be conflicts with key protections in the National Planning Policy Framework?

17. We propose the draft policy provides flexibility about the inclusion of a small proportion of new market housing on a Starter Homes exception site to ensure the discount for starter homes is financially viable for the developer. This flexibility is a common feature of the rural exception sites policy, and it will be for the local planning authority to decide when it is appropriate.

Q5: Do you agree that the Starter Homes exception site policy should allow at the planning authority's discretion a small proportion of market homes to be included when they are necessary for the financial viability of the Starter Homes site?

18. We want the Starter Homes scheme to bring forward new, additional sites for housing. However these sites will still help to meet an area's housing needs so we think it is right that a local authority can count housing delivered through starter homes as contributing to their 5 years housing land supply. If it becomes clear that housing will continue to come forward through this route we would expect starter homes to also count towards the 'windfall' element of a local area's five year housing supply.

Section 3

Prioritising young first time buyers

19. The Government intends that any starter homes built through the Starter Homes exception site planning policy should only be available to first time buyers under 40 years old, i.e. young people who have not previously owned a home. This requirement would apply to all the individuals in the household purchasing the property. We anticipate that this would be imposed by means of either planning obligations through section 106 or conditions attached to the granting of planning permission.
20. These homes will be targeted at young people in their 20s and early 30s because we know young people today are facing increasing difficulties securing their first home compared with their parents' generation. The proportion renting or living at home with their parents is at record high levels, and they face significant financial burdens as they begin to form long lasting relationships, settle down and, in many cases, start to raise families. We have extended the age to all those under 40 years to capture first time buyers who are slightly older and have not had the opportunity to buy their first property due to personal circumstances - such as those who have been in the armed forces.

Q6: Do you agree starter homes secured through the Starter Homes exception site policy should only be offered for sale or occupation to young first time buyers?

Q7: Do you think there are sufficient existing mechanisms in place to police this policy?

21. To prevent starter homes being sold quickly for a windfall profit, it is important that there are restrictions – similar to those for homes on rural exception sites – which prohibit the open market sale of the property so that it can only be sold to other first time buyers at a minimum 20% discount.
22. At the same time, such a restriction on a long term basis may make it difficult for the first time buyer to sell the property and move up to a larger home as their family needs grow or circumstances change. The mortgage industry may also be concerned about the ability to dispose of the property in an open market (if there was ever a default on the mortgage), and accordingly restrict mortgage lending for starter homes.

23. We propose that the Starter Homes exception site policy includes a restriction on the sale of a Starter Home at an open market value for between 5 and 15 years from the sale of the property. We are proposing a sliding scale where the discount reduces each year over the set period. We would welcome views about the appropriate length of any restriction.

Q8: What is the most appropriate length for a restriction on the sale of a starter home at open market value? How should the sliding scale be set?

Section 4

Making the first time buyer discount more financially viable

24. It is important that the Starter Homes scheme is financially viable for developers given the requirement for a minimum 20% discount for a starter home relative to its open market value. The lower land values for under-utilised commercial and industrial land which has yet to be identified for housing will help to cover some of this discount.

25. Accordingly we propose to help close the financial gap by:

- Guidance setting out on the above basis why a requirement for Starter Home exception site projects to pay a section 106 contribution for affordable housing, including any tariff-based contributions to general infrastructure pots, is unnecessary. This could save an average of £15,000 for each home. It would be achieved by a change to national policy set out in a Written Ministerial Statement and supporting changes to section 106 guidance to local planning authorities; and
- Exempting the Starter Homes exception site projects from the Community Infrastructure Levy. Based on the average CIL charges across the country this could save around £6,000 for each home. It would be achieved through amendments to the Community Infrastructure Levy regulations in the next Parliament.

26. There is a good case for stating that the section 106 contributions and tariffs for affordable housing from Starter Homes exception site projects are unnecessary. Starter homes will be offered at a minimum 20% discount to their open market and so therefore will be a new low cost housing option on a par with some existing intermediate affordable housing products which offer low cost home ownership opportunities, particularly if there are restrictions on their sale on the open market.

27. In addition, we do not think there should not be a major detrimental impact from this policy on the expected section 106 contributions more generally for affordable housing being raised from major developments across the local area, as starter homes are planned for exception sites not already identified for housing, and will be additional to other planned housing.

Q9: Do you agree that guidance should make clear it is inappropriate for Starter Homes exception site projects to be subject to section 106 contributions for affordable housing and tariffs?

28. Similarly, we think an exemption from the Community Infrastructure Levy is justified as starter homes will be developed on an exceptional site basis over and above what has been planned for so any contribution to the levy would have been additional. However, local planning authorities will still be able to seek section 106 contributions for any necessary site specific infrastructure improvements related to the development. They will also receive additional New Homes Bonus monies for accepting the additional starter homes.

Q10: Do you agree that Starter Homes exception site projects should be exempt from the payment of the Community Infrastructure Levy?

Section 5

Encouraging good design for Starter Homes

29. Young people looking to buy for the first time have high expectations of the home they want. Any Starter Home needs to be of a high design quality which supports the demands of modern life.

30. That is why, as part of the Starter Homes announcement, the Prime Minister has announced the establishment of a new Design Advisory Panel. This Panel will act as a sounding board so that the housing and design industry can discuss with Ministers and senior government officials:

- Emerging housing and planning policy to ensure that good design is considered and embedded from the outset;
- Delivery of housing and planning policy to ensure that good design is achieved through the Government's programmes; and
- Emerging industry issues and barriers to good design in housing delivery.

31. The Design Advisory Panel, chaired by Ministers and with representatives from the housing and design industry, will work to ensure that new homes built across the country are well designed.

Section 6

Identifying demand for Starter Homes

32. Starter Homes, which offer at least a 20% discount specifically for first time buyers, will be a brand new housing product. We have already had positive interest in the concept from a number of leading developers and local authorities.
33. However, many developers – especially smaller builders – and local planning authorities may be cautious as the potential demand from first time buyers for this type of starter home may not be fully identified at a local level.
34. We propose to address this by working with the industry to develop a register of first time buyers who are interested in buying a discounted Starter Home, including where they would like to buy. This will enable developers, local planning authorities and land owners to gauge local interest, as well as informing registered first time buyers about the local Starter Homes schemes available.

Q11: Do you have any views on how this register should work and the information it should contain?

Section 7

Identifying vanguards to promote Starter Homes

35. We are keen to identify a cohort of vanguards to support the first generation of Starter Homes schemes, utilising both public and private land. The aim of these vanguards will be to establish best practice and to support the wider roll out of Starter Homes.

36. We are already considering how suitable land under the control of the Homes and Communities Agency could be used to help develop the Starter Homes model for public sector land. We are also in discussion with a number of local authorities and developers to identify early adopters who might be able to bring forward private sites, but would welcome views from others. Further details of the vanguards programme will be set out in the Government's response to the consultation.

Q12: What kind of vanguard programme would be most helpful to support the roll out of Starter Homes?

Section 8

Implementation

37. The introduction of a new national Starter Homes exception site planning policy in the National Planning Policy Framework will require a Written Ministerial Statement to Parliament. We will use the responses to this consultation to inform the final drafting of this Statement, with the view to publishing it and the responses to this consultation before the end of this Parliament at the end of March 2015.

38. This Starter Homes exception site planning policy change will also be accompanied by:

- Proposed amendments to Community Infrastructure Levy regulations which would seek to take forward in the next Parliament;
- Further information about the implementation of the national register; and
- Details about the vanguards programme.

Consultation Questions

Q1: Do you agree in principle with the idea of a new national Starter Homes exception site planning policy to deliver more new low cost homes for first time buyers?

Q2: Do you agree that the Starter Homes exception site policy should focus solely on commercial and industrial brownfield land which has not been identified for housing?

Q3: Do you agree that the types of land most suitable for Starter Homes will be under-utilised or non-viable sites currently (or formerly) in commercial or industrial use?

Q4: Do you consider it necessary to avoid Starter Homes developments in isolated locations, or where there would be conflicts with key protections in the National Planning Policy Framework?

Q5: Do you agree that the Starter Homes exception site policy should allow at the planning authority's discretion a small proportion of market homes to be included when they are necessary for the financial viability of the Starter Homes site?

Q6: Do you agree starter homes secured through the Starter Homes exception site policy should only be offered for sale or occupation to young first time buyers?

Q7: Do you think there are sufficient existing mechanisms in place to police this policy?

Q8: What is the most appropriate length for a restriction on the sale of a starter home at open market value? How should the sliding scale be set?

Q9: Do you agree that guidance should make clear it is inappropriate for Starter Homes exception site projects to be subject to section 106 contributions for affordable housing and tariffs?

Q10: Do you agree that Starter Homes exception site projects should be exempt from the payment of the Community Infrastructure Levy?

Q11: Do you have any views on how this register should work and the information it should contain?

Q12: What kind of vanguard programme would be most helpful to support the roll out of Starter Homes?

About this consultation

This consultation document and consultation process have been planned to adhere to the Consultation Principles issued by the Cabinet Office.

Representative groups who wish to respond are asked to include a summary of the people and organisations they represent and, where relevant, of any other party they have consulted in reaching their conclusions.

Information provided in response to this consultation, including personal information, may be published or disclosed in accordance with the access to information regimes (primarily the Freedom of Information Act 2000, the Data Protection Act 1998 and the Environmental Information Regulations 2004).

If you want the information that you provide to be treated as confidential, please be aware that, under the Freedom of Information Act 2000, there is a statutory Code of Practice with which public authorities must comply and which deals, amongst other things, with obligations of confidence. In view of this it would be helpful if you could explain to us why you regard the information you have provided as confidential. If we receive a request for disclosure of the information we will take full account of your explanation, but we cannot give an assurance that confidentiality can be maintained in all circumstances. An automatic confidentiality disclaimer generated by your information technology system will not, of itself, be regarded as binding on the department.

The Department for Communities and Local Government will process your personal data in accordance with Data Protection Act 1998 and in the majority of circumstances this will mean that your personal data will not be disclosed to third parties.

Individual responses will not be acknowledged unless specifically requested.

Your opinions are valuable to us. Thank you for taking the time to read this document and respond.

Are you satisfied that this consultation has followed the Consultation Principles? If not, or if you have other observations about how we can improve the process, please contact:

Department for Communities and Local Government Consultation Co-ordinator.
3rd Floor, Fry Building
2 Marsham Street
London,
SW1P 4DF

or by e-mail to: consultationcoordinator@communities.gsi.gov.uk