

Starter Homes Regulations technical consultation

This response is by the London Forum of Amenity and Civic Societies, a charity established in 1988 to network, inform, support and represent over 130 community and civic groups in London.

Q1: Do you support restrictions on the sale and sub-letting of starter homes for 5 years following initial sale? Do you support allowing individuals to sell at a higher proportion of market value as the number of years they have lived in the home increases? If not, what other approaches can we adopt to meet our objectives?

London Forum supports the restrictions specified on the sale and lettings of a starter home.

The Government would need to specify how the market value at the time of sale within the restricted period would be determined. Otherwise, the home could be sold for a price that would be out of the reach of the majority of qualifying purchasers, even with a discount.

The level of discount to the next purchaser is to vary with the length of time within the restricted period that the first purchaser has owned the property. That means that the next owner might receive only a 10% discount and not be able to obtain finance for the purchase. The first purchaser when selling might receive 90% of the increased market value yet not have to pay back to the Government the discount amount that was provided to them initially. A percentage of that discount would be taken by them as part of their profit, yet it had come from the 'public purse' and that is unreasonable.

The reduced discount available to the next qualifying purchaser means that such homes would no longer be affordable to someone under the age of 40. Therefore the Government's aim of providing more homes that people can afford to buy would be defeated. Eventually the affordable Starter Homes are sold on as market homes and need to be replaced with more Starter Homes, with a higher public subsidy.

The other approach which the Government could have taken to meet its objectives would have been a policy for more shared equity homes to be built. That would enable more people to achieve full home ownership over whatever period they can afford and the homes would be managed until they reach that point. Many people will have been saving for 20 years or more to buy a home but they are not eligible for a Starter Home as a couple unless one of them is still under 40. That is seriously discriminatory and it is why shared equity homes should be given priority.

The Government does not want Starter Homes to become "buy to let" but it is likely that such homes will be bought by families in the name of one young member for whichever of their children or relatives is studying, working or having a 'gap year' in the capital. That means many Starter Homes will be owned by rich families rather than young couples who have been saving to get on the housing ladder. The Government will need to consider what they intend to do about that.

Funding Starter Homes' discounts by charging local authorities an amount the Government believes they could afford if they sold their Council housing stock, is going to force more key workers into the Private Rented Sector market for housing. In London, they will be forced to live out in the suburbs or move into the Outer Metropolitan Area. Due to the increased travel costs they will face, many may give up their jobs in London and seek employment locally to where they live. That will harm London's economy and its GDP contribution.

In most parts of Central and Inner London, local authorities would not be able to deliver two low cost rental homes for each one sold. They would have to assist the delivery of such homes in outer London boroughs which also disperses key workers and increases demand on public transport. It would add to car travel from homes to stations which increases congestion, delays and air pollution.

Homes to rent at 30% to 65% of the market rent are essential in London, otherwise businesses will not locate in London or remain in the capital because they cannot recruit the staff they need. That would damage the London economy.

Age 40 eligibility

Q2: Do you agree that flexibility over the age 40 restriction should be given when joint purchasers are looking to buy a starter home, one purchaser being under 40 years old but the other older than 40?

The regulations that will allow for one of the joint first time buyers of a Starter Home to be over 40 years of age will need to be carefully worded. See our comment above about a family purchasing a Starter Home. It could be a useful amendment to the Act to help a couple of different ages where the older spouse is on a higher income. However, any two people could apply as joint first time buyers where it is the income only of the older one which makes the purchase possible. A mother or married aunt of the younger person could qualify as someone who is a first time buyer as a joint purchaser, even though they could afford to fund their relative to buy a home on the open market.

That competition would challenge the Government's objective to make home ownership possible by the provision of Starter Homes for individuals or young couples under 40 years of age.

However, in London it is unlikely that anyone under 40 on average earnings or even considerably above could afford to buy a Starter Home at up to £450,000, so allowing a couple both under 50 to buy a Starter Home jointly in the capital could be a means of enabling more home ownership.

It is not clear in the text of the second paragraph in this section of the consultation if the Government intends that the "flexibility" it now proposes will be for the purposes only in support of the armed forces covenant mentioned in the subsequent paragraphs or if special provisions will apply to them.

Q3: Do you agree that there should be an exemption from the age 40 restriction for injured military services personnel and those whose partner has died in service?

Yes.

Statutory provisions

In the second paragraph the word "only" is in the wrong place in the sentence. It is likely to be meant to read "A local planning authority may grant planning permission for these developments only if that starter homes requirement is met."

Q4: Would a site size of 10 units or more (or 0.5 ha) be an appropriate minimum threshold for the starter home requirement? If not, what threshold would be appropriate and why?

London Forum suggests the minimum site size should be 15 units.

Q5: Should the minimum percentage requirement be applied uniformly on all sites over 10 units to provide a single requirement across the country?

Q6: If so, do you agree that 20% represents a reasonable requirement for most areas?

No, to both questions. The percentage requirement should vary for different parts of England based on local housing need and viability considerations. London Forum has no views on what would be a suitable percentage outside London.

In London the requirement should be set at a maximum of 15% so that other forms of affordable housing such as shared equity and low cost rental can be negotiated. Any resulting reduction in the Government's intended number of Starter Homes in the capital would not be serious because they would be priced at a level that only those on incomes of around £77,000 annually could afford and there are not a large number of those under 40 years of age.

If a London borough could demonstrate that the required percentage would not be viable for certain sites, then that would have to be accepted by the Government so that developers would not ignore such brownfield sites. Therefore we support an exemption, as in our response to Q7.

Exemptions to the requirement

Q7: Do you support an exemption from the Starter Homes requirement for those developments which would be unviable if they had to deliver any affordable housing including Starter Homes? If so, how prescriptive should the viability test be in the regulations?

London Forum supports an exemption because London's local authorities have policies to seek other types of affordable housing than Starter Homes. Those plans, for which they are set targets also by the London Plan, must not be adversely affected by the Government's Starter Homes policies because the borough targets are based on assessed need for various types of home and their size in terms of number of rooms.

The viability assessment should be open and subject to community and local authority scrutiny.

Q8: Do you support the proposed exemptions from the starter homes requirement? If not, why not?

Yes.

Q9: Should group custom build developments and developments with a very high level of affordable housing such as estate regeneration schemes be exempt? If not, why not?

Yes. However, there should be a size of custom build above which the exemption should be tapered.

Q10: Are any further exemptions from the starter homes requirement warranted, and why?

Yes, in the case of home owners combining their land for development of more dense housing accommodation, such as replacing three homes with a five storey block of flats.

The starter homes requirement and off site commuted sums

Q11: Do you support the use of commuted sums to deliver starter homes where the local planning authority agrees?

Yes.

Q12: Do you support the proposal that private rented sector housing (for institutional investment) and specialist older people's housing should meet the requirement through off-site contributions?

No. The contribution could increase the cost of the rented or specialist housing above the means of those for whom it is intended. It could also reduce the viability of the schemes and their size.

Monitoring and reporting

London Forum does not agree to the monitoring of the delivery of starter homes from March 2016 because the regulations and many of the points above covered by questions are not yet decided and may not be clear until later in 2016.

The monitoring should commence when everything is finalised in secondary legislation and guidance, approved by both Houses of Parliament.

Q13: Do you agree that Starter Homes monitoring reports should be an annex to the Authority Monitoring Report?

Yes, but that annual monitoring report should specify the number of each type of market and affordable housing has been approved, including specialist homes, with an indication of the number of bedrooms and comment on how well the needs of residents are being met.

Q14: Do you agree that these reports establish the key actions taken to support starter home delivery and the outcomes in terms of permissions granted and completions?

Yes, but the Government's emphasis and priority on starter homes and lack of consideration and clear policy for the other types of homes required could harm the creation of mixed and sustainable communities. It could prevent local authorities in London from tackling their unmet housing need and requirements of other type of affordable homes. Starter homes in the capital seem to be for people on very high incomes and the requirement for them imposed upon London's boroughs could prevent them securing enough affordable homes of other types because of viability considerations.

The Authority Monitoring Report is to state the number of starter homes completed. Slow completions times have become issues that the Government has not tackled. There are over 200,000 homes with planning permission in London but the build rate is low. The reasons for that need to be investigated. If a lack of skilled labour and/or building materials are factors, they need policies and actions to address them. If the securing of planning permission has been carried out by land owners to establish a higher land value for profit, then the Government should consider some form of 'Use-it-or-Lose-it' policy for intervention.

The fact that the developers of starter homes do not have to pay CIL is a very serious problem. It could result in increased home owning populations in some boroughs where the local authority could not build the social infrastructure, services and facilities needed. That would require a considerable increase in Council Tax to compensate for the lack of developers' contributions.

Q15: Do you agree that April 2017 is a reasonable date for the first report to be published? If not, do you have alternative suggestions and why?

Yes.

Transitional provisions

Q16: Do you support a transitional provision for the starter home regulations?

Definitely, yes, for London. The boroughs and the Mayor are about to conduct analyses of Housing Market Requirement, Strategic Housing Land Availability Assessments and Capacity Studies and reviews of over 45 large areas of Opportunity and Intensification and other Areas of Regeneration as in chapter 2 of the current London Plan. That work is being done in preparation for a replacement London Plan and it will have to be carried out with consideration of starter homes to determine if the Government's policies would be suitable in some boroughs. The local authorities have fewer resources now for this work due to the reduction in their grants from Government. It will take them some time to revise their aims and targets for housing types to meet the fast growing population of London.

Also, the London Land Commission has only just started its work in examining brownfield sites and Transport for London is considering with boroughs what kind of development should be sought on their sites.

The local planning authorities in London will need additional time to consider the regulations and their application of them.

Equalities considerations

London Forum will consider the Government's equalities statement relating to the proposals set out in this consultation when published and make a response.

Q17: Is there further evidence we should be considering in our assessment of equalities implications?

The Government should consider the discrimination that the Housing and Planning Act will cause in London where the policies in that Act provide for the delivery of Starter Homes at prices that few people can afford even at a subsidised price. Consideration must be given also to the way that subsidy from public funds is to be recovered by Government by forcing the sale of Council homes depriving key workers on low incomes of the homes they need.

Assessment of impact

London Forum will consider the Government's impact assessment relating to the proposals set out in this consultation when published and make a response.

We have no comment on question 18 until we see that impact assessment.

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