



# First Homes Guidance Note

Hastings Borough Council

May 2022



## 1. Introduction

On 24 May 2021, the Government released a Written Ministerial Statement (WMS) and Planning Practice Guidance (PPG) setting out national planning policy for a new affordable housing product called First Homes. The First Homes concept is an intermediate affordable housing product which provides a route to home ownership. The WMS and PPG set out the potential for First Homes to be provided through the planning system from 28 June 2021, before becoming a requirement for planning applications from 28 December 2021 (or 28 March 2022 if there has been significant pre-application discussions).

This document provides guidance on the implementation of First Homes in the borough. The document should be read in conjunction with the adopted Hastings Local Plan and associated Supplementary Planning Documents. This guidance alongside the PPG will be used as a material planning consideration when securing affordable housing as part of the determination of planning applications.

## 2. First Homes Requirements

Full guidance on the characteristics of First Homes is provided in the WMS and the PPG and should be read in conjunction with this document. The key requirements for First Homes are set out below:

- First Homes must be discounted by a minimum of 30% against the market value. The discount can be increased to 40% or 50%, where justified by local evidence.
- After the discount is applied the initial sale price of a First Homes must not exceed £250,000. This price cap can be lowered where justified by local evidence. The price cap does not apply to subsequent sales of the property.
- First Homes must be sold to a person or persons meeting the First Homes eligibility criteria (see below). On their first sale, there will be a restriction registered on the Land Registry to ensure the discount (as a percentage of current market value) continues for future sales. The PPG provides a model title restriction that should be used.
- First Homes can only be rented out by the purchaser for a maximum of a two year period, and the Local Authority must be notified.

First Homes are secured through a Section 106 legal agreement signed as part of the planning applications process.

To ensure the delivery of First Homes the Written Ministerial Statement sets a requirement that a minimum of 25% of affordable homes delivered through developer contributions should be First Homes. With regards to the remaining provision the following requirements were set:

- The provision for Social Rent as already described in the development plan should be protected.
- Where other affordable housing units can be secured, these tenure-types should be secured in the relative proportions set out in the development plan.

- In situations where the local plan allocates more than 75% of contributions to Social Rent, the 25% First Homes requirement will remain.

The WMS and PPG set the following eligibility criteria:

- Purchasers of First Homes must be first-time buyers and must have a household income not exceeding £80,000 in the tax year immediately preceding the year of purchase. If joint purchasers, all of the purchasers must be first time buyers.
- A First Home should be the buyers only home and a purchaser will need to use a mortgage or home purchase plan for at least 50% of the purchase price of the home.
- Local authorities and neighbourhood planning groups can apply additional criteria, such as a lower income cap, local connection tests or prioritisation for key workers where evidence supports this.
- Local criteria are limited to the first 3 months of marketing before reverting to the national criteria.
- Members of the Armed Forces, spouse/civil partners of members/deceased members or veterans within 5 years of leaving the Armed Forces will be exempt from any local connection criteria.

### **3. Hastings Borough Council approach to First Homes**

The Hastings Local Plan (Policy H3) states that at least 25% and 40% of homes should be affordable on brownfield and greenfield sites with a capacity of more than 10 dwellings respectively. As First Homes have been introduced since the Hastings Local Plan was adopted, this document sets out a Position Statement to clarify the approach to be taken to First Homes in Hastings. This is in accordance with the WMS and PPG and local justification. The approach will be monitored and reviewed as necessary.

Affordable Housing tenures in Hastings are currently based on the requirements set in Policy H3 criterion (d) of the Local Plan. This currently emphasises that the type and level of provision on individual sites will be determined through negotiations – taking into account market conditions. The Council's preferred approach is for the greater part of affordable housing to be for affordable rent, although other forms may be acceptable where they would complement wider strategic priorities for tenure diversification.

In line with the requirements set out in the WMS, 25% of affordable homes delivered through developer contributions will be First Homes. As First Homes are an affordable home ownership product, the council will expect the 25% First Homes contribution to contribute to the requirement to provide at least 10% of the total number of homes for affordable home ownership in accordance with the National Planning Policy Framework (NPPF).

As set out in the WMS, the exemptions to the above 10% requirement as set out in the NPPF also apply to First Homes.

### **First Homes Position Statement – Hastings Borough Council**

In accordance with the Written Ministerial Statement and Planning Practice Guidance, the Council will require 25% of the affordable homes secured through planning obligations to be First Homes. The following criteria will apply to First Homes in Hastings:

- a) First Homes should be discounted by a minimum of 30% of the market value
- b) A price cap of £210,000 will apply to the initial sale of the First Home
- c) On the first sale of the property, a restriction must be registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) is passed on at each subsequent title transfer and that purchasers meet the eligibility criteria.
- d) Eligibility criteria for the first and subsequent purchasers of First Homes will be as follows:
  - All purchasers must be first time buyers with a combined annual household income of no more than £60,000
  - A mortgage or home purchase plan must be used to purchase at least 50% of the purchase price
- e) A local connection test will restrict the initial purchase to those who:
  - Have resided in the Hastings borough for at least 3 out of the last 5 years or at least 5 out of the last 10 years; or
  - Have a household member who is currently employed and have worked in Hastings continuously for the last 2 years and is on a contract which is a minimum of 16 hours per week; or
  - Are defined as an Essential Local Worker as described in the National Planning Policy Framework.
- f) The local connection test will not apply to those who:
  - Can evidence exceptional circumstances where it is unsafe for an applicant to remain in their area; or
  - Are members of the Armed Forces, spouse/civil partners of members/deceased members or veterans within 5 years of leaving the Armed Forces
- h) If a buyer meeting the local connections test has not reserved the home within 3 months of marketing the property, the local connections test and other local adjustments to the national criteria will cease to apply.

## **Justification for First Homes requirements**

The WMS and PPG identify a range of additional local criteria that can be applied to adjust the national First Homes criteria. Set out below is a brief summation of the Council's approach to the different criteria, further information on the rationale for these thresholds can be found in the cabinet report<sup>1</sup>. This position will be reviewed over time to take account of monitoring of the take up of First Homes.

### **Market value discount percentage**

The national criteria for First Homes states that the sale value of the house must be discounted by a minimum 30% against the market value. There is scope to discount properties further however we will be implementing the minimum discount in Hastings.

This is because Hastings has a significant, evidenced need for affordable rent. Any additional increase in the purchase price discount will only further impact development viability and the ability of schemes to deliver much needed rental products. This approach is supported by the Housing and Economic Development Needs Assessment (HEDNA)<sup>2</sup>. The council will review the performance of First Homes against the discount to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

### **First sale price cap**

Currently the national criteria for First Homes states that the price of the house (after discount) must not exceed £250,000. This cap will not be implemented in Hastings, with a local cap of £210,000 being implemented instead.

This is because the average property price in Hastings is less than the national average, and the higher the property value the more income is needed by a household. Given an average property price is circa £305,000 (with a new build inflation) and there is a need to target the delivery of smaller units and improve scheme viability, it would appear reasonable that First Homes supports people to access properties with an open market value not exceeding £300,000. Therefore, the purchase price is capped at £210,000 which represents a 30% discount on £300,000. The council will review the performance of First Homes against the cap to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

### **Household Income**

Currently the national criteria for First Homes, states that the buyer (or buyers) annual household income must not exceed £80,000. This income level will not be implemented in Hastings, with a local cap of £60,000 being implemented instead.

This is because the average household incomes in Hastings are significantly lower than the national average, as is the income required to purchase an average priced property. Therefore, to ensure the scheme better targets those households who would otherwise have difficulty buying a home in Hastings the income cap is reduced to £60,000. The council will review the performance of First Homes against the cap to determine whether there is evidence to indicate if a change is required through the introduction of local criteria.

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<sup>1</sup> First Homes in Hastings – Cabinet Report 31.03.22

<sup>2</sup> Housing and Economic Development Needs Assessment (August 2020)

### Local Connection Criteria

The Written Ministerial Statement and PPG allow for the setting of local eligibility criteria for First Homes where evidence supports this approach. A local connection test will be introduced in Hastings.

This is supported by evidence set out in the HEDNA and the number of applicants on the council's housing register which demonstrates a high level of need for affordable housing in Hastings. This provides justification for the application of a local connections test as a starting point. This is because First Homes are intended to allow people to get on the housing ladder in their local area. The local connection criteria have been applied to ensure local needs are prioritised and provide uniformity with our homemove allocation scheme.

The local connection criteria will apply via a Section 106 Agreement upon the first and every successive sale of a First Homes. To avoid delivery issues, in accordance with PPG, the criteria will be lifted after three months if the home has not been reserved or sold.

### Neighbourhood Plans

Where neighbourhood plans are produced Local criteria can be set in line with WMS and PPG subject to appropriate evidence. Where neighbourhood plans do not include reference to First Homes policies the criteria set out this Position Statement will apply.