

# RIBBLE VALLEY BOROUGH COUNCIL REPORT TO HEALTH & HOUSING COMMITTEE

Agenda Item No. 6

meeting date: THURSDAY, 31 MARCH 2016  
title: ADDRESSING HOUSING NEEDS - STARTER HOMES  
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## 1 PURPOSE

1.1 The purpose of this report is to inform Committee of Starter Homes as an affordable housing product and to evidence how this tenure does not address affordable housing needs in the borough.

1.2 Relevance to the Council's ambitions and priorities:

- Community Objectives – To address the affordable housing needs of households in the borough.
- Corporate Priorities – None.
- Other Considerations – None.

## 2 BACKGROUND

2.1 The planning guidance sets out details on the starter homes product as follows:

A Starter Home is expected to be well designed and suitable for young first time buyers. Local planning authorities and developers should work together to determine what size and type of Starter Home is most appropriate for a particular Starter Home exemption site reflecting their knowledge of local housing markets and sites. A Starter Home is not expected to be priced after the discount significantly more than the average price paid by a first time buyer. This would mean the discounted price should be no more than £250,000 outside London and £450,000 in London.

### **Who is eligible for a Starter Home?**

Local planning authorities should put in place planning obligations to ensure that Starter Homes are offered for sale at a minimum of 20% below its open market value of the property. Such properties are expected to be offered to people who have not previously been a home buyer and want to own and occupy a home, and who are below the age of 40 at the time of purchase.

### **How will the minimum 20% discount for Starter Homes be funded?**

To deliver the minimum 20% discount, local planning authorities should not seek section 106 affordable housing contributions, including any tariff-based contributions to general infrastructure pots, from developments of Starter Homes. Local planning authorities will still be able to seek other section 106 contributions to mitigate the impact of development to make it acceptable in planning terms, including addressing any necessary infrastructure. Local planning authorities will also be eligible for the New Homes Bonus on Starter Homes.

## **How should the discount and age restriction for Starter Homes be enforced?**

On Starter Homes exception sites, local planning authorities should include in the relevant section 106 agreement a requirement on the developer to offer Starter Homes to a first time buyer under the age of 40 for a discount of at least 20% below the open market value of the property, and for there to be appropriate restrictions to ensure that Starter Homes are not resold or let at their open market value for 5 years following the initial sale. Local planning authorities should enforce these planning obligations in the usual way.

## **What is the role of the national Starter Homes register and how should local planning authorities use it?**

The national Starter Homes Register (at [www.starter-home.co.uk](http://www.starter-home.co.uk) - a webpage managed by the Home Builders Federation allowing first time buyers to register their interest in the scheme) provides a valuable source of information about potential demand for Starter Homes and identifying who may be eligible for Starter Homes developments. Local planning authorities can use this as evidence when developing their Local Plan and associated documents. It will also allow those registering to receive information about Starter Homes sites as they start to emerge.

## **What land is suitable for Starter Homes exception sites?**

Starter Homes exception sites are expected to be on land that has been in commercial or industrial use, and which has not currently been identified for residential development. Suitable sites are likely to be under-used or no longer viable for commercial or industrial purposes, but with remediation and infrastructure costs that are not too great so as to render Starter Homes financially unviable.

The types and sizes of site suitable for Starter Homes are likely to vary across the country, and will reflect the pattern of existing and former industrial and commercial use as well as local market conditions. Land in both public and private ownership can be considered.

Where applications for Starter Homes come forward on such exception sites, they should be approved unless the local planning authority can demonstrate that there are overriding conflicts with the National Planning Policy Framework that cannot be mitigated.

## **What are underused or unviable industrial and commercial sites?**

Local planning authorities can take into account a number of factors when assessing whether an industrial or commercial site is underused or unviable. Indicators may include whether:

- the land value for the site is significantly below that of other sites with a similar permitted use in the area;
- there is a high percentage of vacant units, and whether these have been vacant for some time;
- land allocated for employment use has not been marketed actively for some period of time or, if actively marketed, has failed to attract any interest over a reasonable period of time; and
- there has been a lack of recent development activity to improve the commercial or industrial site.

Employment land which is being used productively or which is allocated and viable for employment purposes is not to be regarded as underused or unviable.

### **Should Starter Homes be allowed on land allocated for industrial or commercial use in local plans which has not been developed?**

Land allocated for industrial or commercial use in local or neighbourhood plans can be used for Starter Homes, but only where it is clear that the land is no longer required or viable for those purposes. Local planning authorities should keep allocated employment land under regular review as required under paragraph 22 of the National Planning Policy Framework.

### **How should local planning authorities deal with Starter Homes as part of their five year housing supply?**

Local planning authorities should work with landowners and developers to secure a supply of Starter Homes exception sites suitable for housing for first time buyers. As such homes will come forward as windfall sites, local planning authorities should not make an allowance for them in their five-year housing land supply until such time as they have compelling evidence that they will consistently become available in the local area. Local planning authorities can count Starter Homes against their housing requirement.

### **What are the design requirements for Starter Homes developments?**

Starter Homes developments are expected to be well designed and of a high quality, contributing to the creation of sustainable places where people want to live, work and put down roots to become part of the local community. A new Design Advisory Panel set up by the Government, involving leading industry experts, is developing an initial set of exemplar designs for Starter Homes which we expect to publish shortly for wider comment. While recognising the need for local flexibility, we would expect these designs over time to become the default approach to design to be considered for Starter Homes developments. In addition, local planning authorities can make use of a range of processes such as design codes and Design Review to help achieve good design of Starter Home schemes. These could also be of use alongside industry tools such as the housing design checklist and Building for Life 12.

It is important to involve local communities in shaping the design of schemes in their local areas, and local planning authorities are encouraged to make use of appropriate consultative and participatory approaches as the current design section of planning practice guidance emphasises.

### **Can market homes be built on Starter Homes sites?**

Local planning authorities can use their discretion to include a small proportion of market homes on Starter Homes exception sites where it is necessary for the financial viability of the site. The market homes on the site will attract section 106 or Community Infrastructure Levy contributions in the usual way.

## **3 ISSUES**

- 3.1 Assessing affordability involves comparing house cost against the ability to pay. The ratio between lower quartile house prices and the lower quartile income or earning can be used to assess the relative affordability of housing. The Department for Community and Local Government publishes quarterly ratios of the lower quartile house price to the lower quartile earnings by local authority district. The table below sets out these ratios up to 2013.

### Ratio of lower quartile house price to lower quartile earnings, 2000 to 2013

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013*
Burnley	1.76	1.21	0.95	1.67	1.39	2.09	2.71	3.65	3.66	3.07	2.94	2.68	2.70	2.36
Chorley	3.63	3.18	3.47	4.32	5.78	6.72	6.33	7.06	6.41	5.87	5.99	6.40	5.97	6.12
Fylde	3.34	3.65	3.67	4.10	5.39	6.51	7.25	6.72	5.78	5.69	5.62	6.34	7.20	6.22
Hyndburn	1.97	1.70	1.73	1.80	2.74	3.89	4.56	4.85	5.04	4.18	3.93	3.30	4.10	3.83
Lancaster	3.31	3.10	2.95	3.86	5.20	6.03	6.35	6.31	6.37	5.14	5.93	5.56	5.73	5.43
Pendle	1.74	1.72	1.58	1.59	1.96	2.35	3.42	3.72	4.21	3.87	3.37	3.68	3.41	3.25
Preston	2.72	2.82	2.77	3.20	4.52	5.27	5.79	5.91	5.76	4.89	4.66	4.32	4.89	4.37
Ribble Valley	4.62	4.18	4.41	5.42	8.00	7.30	7.92	7.97	7.87	7.61	6.84	7.38	6.88	7.45
Rossendale	2.91	2.56	2.40	2.74	4.29	4.75	5.10	5.83	5.54	4.90	5.00	4.49	4.45	4.75
South Ribble	3.16	3.56	3.50	4.40	5.95	6.28	6.94	6.74	7.00	6.22	6.46	6.44	6.25	5.83
West Lancashire	3.80	3.84	4.28	4.88	6.24	6.99	6.23	7.02	6.36	6.16	6.78	6.90	6.68	6.86
Wyre	3.89	3.71	4.54	5.02	6.40	7.11	7.93	8.08	7.29	7.03	7.24	5.24	6.02	6.12
<b>Lancashire (12 districts)</b>	<b>2.95</b>	<b>2.81</b>	<b>2.85</b>	<b>3.18</b>	<b>4.11</b>	<b>4.37</b>	<b>5.14</b>	<b>5.62</b>	<b>5.46</b>	<b>5.00</b>	<b>5.27</b>	<b>5.10</b>	<b>5.22</b>	<b>4.95</b>

3.2 This evidence along with the following table which sets out the house sale values at a snapshot in time (February 2016) compared to income in Ribble Valley. This supports the fact that a 20% discount from open market value does not make the property affordable to those in affordable housing needs in the borough and therefore it is not an affordable housing product we would accept as addressing housing needs.

<b>PARISH</b>	<b>MEDIAN HOUSE PRICE</b>	<b>HOUSE PRICE TO INCOME RATIO</b>
Sabden	£138,500.00	5.7
Barrow	£141,500.00	5.8
Ramsgreave	£142,500.00	5.8
Billington	£150,250.00	6.1
Gisburn	£162,500.00	6.6
Longridge	£163,500.00	6.7
Chatburn	£190,000.00	7.8
Clayton Le Dale	£200,000.00	8.2
Grindleton	£201,000.00	8.2
Mellor	£202,500.00	8.3
Ribchester	£215,000.00	8.8
Wilpshire	£218,000.00	8.9
Waddington	£218,000.00	8.9
Simonstone	£225,000.00	9.2
Langho	£230,000.00	9.4
Read	£234,000.00	9.6
Chipping	£245,000.00	10
Sawley	£247,475.00	10.1
Worston	£290,000.00	11.9
Whalley	£294,250.00	12

<b>PARISH</b>	<b>MEDIAN HOUSE PRICE</b>	<b>HOUSE PRICE TO INCOME RATIO</b>
Chaigley	£302,475.00	12.4
West Bradford	£316,000.00	12.9
Paythorne	£330,000.00	13.5
Osbaldeston	£356,750.00	14.6
Hothersall	£385,000.00	15.7
Wiswell	£442,500.00	18
Rimington	£467,500.00	19.1
Thornley	£492,500.00	20
Twiston	£545,000.00	22
Pendleton	£630,000.00	25.7
Bolton By Bowland	£700,000.00	28.6

**Median gross annual income for Ribble Valley as of April 2015 £24,468**

3.3 The level of discount required to make home ownership affordable is agreed as being 30% from open market value in the market towns of Clitheroe and Longridge and 40% across the remainder of the borough as set out in the Addressing Housing Needs Policy.

**4 RISK ASSESSMENT**

4.1 The approval of this report may have the following implications:

- Resources – No resources identified.
- Technical, Environmental and Legal – Developers may try to incorporate starter homes within the offer from the site but this will be challenged as we have supporting evidence as to why these units would not be considered affordable.
- Political – Important to ensure that affordable units we secure meet housing needs and remain affordable in perpetuity.
- Reputation – To ensure all affordable housing products remain as a priority to residents of the borough and are seen of benefit to the borough.
- Equality & Diversity – No implications identified.

**5 RECOMMENDED THAT COMMITTEE**

5.1 Agree that the Starter Homes with a 20% discount, for only 5 years and no local connection requirement will not be accepted as part of the affordable housing offer on any proposal.

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