

# Appendix 1

## Rushmoor Borough Council

### First Homes Interim Policy Statement – November 2021

#### Introduction

- 1.1 This statement has been produced by Rushmoor Borough Council to provide guidance on how First Homes should be delivered prior to the Review of the Rushmoor Local Plan.
- 1.2 This guidance is based upon:
- [Planning Practice Guidance](#)<sup>1</sup>, 'First Homes' (published 24 May 2021), and
  - [Written Ministerial Statement](#)<sup>2</sup> dated 24 May 2021.

#### What are first homes?

- 1.3 First Homes is a new tenure of discounted market sale affordable housing. First Homes in Rushmoor must be:
- Discounted by at least of 30% against market value on the first sale, with the same level of discount retained for subsequent sales; and
  - Sold to first time buyers (subject to meeting the eligibility criteria set out in this note) and be their sole or primary residence; and
  - Be sold at a price no higher than £250,000 after the discount has been applied (first sale only).
- 1.4 First Homes are the government's preferred discounted market tenure and should account for at least 25% of all affordable units secured through developer contributions. First Homes will be included as part of the affordable housing requirement on any planning permissions determined on or after 28 December 2021.
- 1.5 As an exception to this, First Homes will not be required until 28 March 2022 on schemes where there has been significant pre-application engagement. The council will consider whether there has been significant pre-application engagement on a case-by-case basis taking into account the scale and complexity of the proposal and the extent of discussions about affordable housing.

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<sup>1</sup> <https://www.gov.uk/guidance/first-homes>

<sup>2</sup> <https://questions-statements.parliament.uk/written-statements/detail/2021-05-24/hlws48>

## How does First Homes affect the affordable housing requirements in the Local Plan and Affordable Housing SPD?

- 2.1 Rushmoor Local Plan Policy LN2 (Affordable Housing) requires sites of 11 or more dwellings to provide a minimum of 30% of dwellings as affordable homes with a lower threshold of 20% set for sites located within Aldershot or Farnborough Town Centres. The policy states that affordable housing should be predominantly subsidised rented affordable housing... with a smaller proportion of intermediate affordable housing.
- 2.2 The Affordable Housing Supplementary Planning Document (2019) states that:
- affordable housing should secure 70% for subsidised rent (social rent or affordable rent models) and 30% for intermediate housing (low-cost home ownership).
  - As private market rents are high in Rushmoor compared to local incomes, social rents should be offered wherever possible to support low-income households who live and work in the Borough.
  - To best meet housing needs, the two-bed requirement should provide a mix of houses and flats. To offer maximum flexibility, two-bed homes should be able to accommodate occupation by four people
- 2.3 The requirement for First Homes set out in the Planning Practice Guidance (PPG) is a material consideration that should be taken into account in the determination of planning applications. This states that First Homes must comprise at least 25% of the affordable housing on market-led sites<sup>3</sup>.
- 2.4 The following example is based upon a 40-unit scheme that would generate a requirement for 12 affordable units:
- First Homes (25% of Affordable Housing) 3 units
  - Subsidised Rent (70% of the remaining Affordable Housing) 7 units
  - Intermediate Housing (30% of the remaining Affordable Housing) 2 units
- 2.5 The guidance also advises how the requirement for First Homes should change the affordable housing mix if it is being integrated into an existing Local Plan. The guidance states: *'a policy compliant planning application should seek to capture the same amount of value as would be captured under the local authority's up-to-date published policy'*<sup>4</sup>.
- 2.6 However, the guidance goes on to state that once the total value of the local plan policy and the policy with First Homes have been compared, *'this value can then be reallocated to a different affordable housing mix under the new policy'*.
- 2.7 Appendix 1 of this document sets out a methodology for calculating the difference in value between a first homes compliant scheme and a scheme compliant with policy LN2 of the Local Plan (no first homes). The worked example demonstrates that First

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<sup>3</sup> NPPG Para 70-012-20210524

<sup>4</sup> PPG ID 70- 014-20210524

Homes discounted by 30% will, in most cases, be a cheaper product for developers to deliver than subsidised rented<sup>5</sup> and intermediate units<sup>6</sup>.

- 2.8 As First Homes are being required in lieu of subsidised rented units, the council has an expectation that where feasible any additional financial value generated due to the first homes requirement will be invested to provide additional social rented units as opposed to affordable rented.
- 2.9 The council will therefore require affordable housing to be delivered in accordance with the following mix:
- 25% First Homes
  - 53% Subsidised Rent
  - 22% Intermediate Housing
- 2.10 This mix satisfies the requirement of NPPF paragraph 65 that at least 10% of the overall number of homes should be affordable home ownership products on major sites.

#### **Mix of First homes**

- 2.11 Whilst development should respond to local needs and provide a mix of sizes of First Homes within the constraints of the price cap, the mix should include a particular emphasis upon a mix of 1 and 2 bedroom properties. For mixed schemes, our preference is for the mix of 2 bedroom units to be provided as 50% flats and 50% houses.

#### **Off-site delivery**

- 2.12 Rushmoor Local Plan Policy LN2 enables the use of commuted sums (a financial contribution) towards off site affordable housing provision for schemes of between 11 and 14 dwellings or schemes greater than 15 units in exceptional circumstances.
- 2.13 Where financial contributions are secured instead of on-site units, a minimum of 25% of these contributions will be used to secure First Homes.

#### **Eligibility Requirements**

- 2.14 National policy sets certain requirements about who can purchase First Homes. The tables below provide further detail on the national requirements:

<b>National Requirements</b>	<b>Additional Information</b>
First-time buyers	Purchasers of First Homes must be a first-time buyer.
Mortgage purchase plan	Purchasers of First Homes must have a mortgage or home purchase plan to fund at least 50% of the discounted purchase price.

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<sup>5</sup> typically valued at 55% of the Open Market Value (OMV)

<sup>6</sup> typically valued at 65% OMV

Maximum annual income	Purchasers of First Homes must not have a household income exceeding £80,000 per year.
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2.15 In addition, to the national requirements local authorities can introduce local requirements.

2.16 In accordance with first homes guidance<sup>7</sup> any local requirements set do not apply for all active members of the Armed Forces, divorced/separated spouses or civil partners of current members of the Armed Forces, spouses or civil partners of a deceased member of the armed forces (if their death was wholly or partly caused by their service) and veterans within 5 years of leaving the armed forces.

2.18 The local requirements that apply in Rushmoor are set out below:

Local Requirements	Additional Information
<p>Local connection.</p> <p>This restricts who can purchase a First Home for the first three months that a property is entered into the market by the developer. After this time, it is available for anyone to purchase.</p>	<p>Local connection includes:</p> <ul style="list-style-type: none"> <li>• Those who currently live or work in the borough</li> <li>• Those moving to the borough with a local offer of employment</li> <li>• Buyers with evidenced caring responsibilities in the borough</li> <li>• Buyers with evidenced support needs being met by family members in the borough</li> </ul>
<p>Essential Worker and Ex Armed Forces priority</p> <p>This restricts who can purchase a First Home for the first three months that a property is entered into the market by the developer. After this time, it is available for anyone to purchase.</p>	<p>Essential worker being defined as:</p> <p>Those who meet the UK Government definition of an essential worker at the time of marketing the properties and who meet the local connection requirements</p> <p>Ex Armed forces being defined as:</p> <p>Applicants who have evidence of active service within the UK Armed Forces but left the armed forces more than five years ago and meet the local connection requirements above.</p>

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<sup>7</sup> PPG ID 70- 008-20210524

## Securing First Homes

3.1 The landowner will need to enter into a legal agreement<sup>8</sup> with the Council. This will include:

- Ensuring First Homes are priced fairly (with a valuation from a RICS surveyor) and remain First Homes for perpetuity with the same level of discount passed on to future purchasers;
- Setting out requirements relating to the marketing of First Homes for first and subsequent sales to ensure they are marketed in an appropriate manner and for suitable timescales;
- Ensuring that a legal restriction is registered onto a First Home's title on its first sale; and
- Setting out requirements to ensure the council can recover the value of the affordable housing in the event of a mortgagee enforcing their security against a property, or a First Home not being sold after it has been marketed for six months.

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<sup>8</sup> Section 106 Agreement

## Appendix 1 – calculating the value differential between a scheme compliant with Local Plan Policy LN2 and First Homes Policy.

1.1 A worked example of how to calculate commuted sums is shown below for a 40-unit residential scheme in a part of the Borough where the 30% affordable housing requirement applies.

**Step 1** - Calculate Gross Development Value of the varying affordable property types:

Dwelling Type -no of bedrooms	Open Market Value Per Unit	First Homes (70% OMV)	Subsidised Rent units (55% OMV)	Intermediate units (65% OMV)
1	£230,000	£161,000	£126,500	£149,500
2	£300,000	£210,000	£165,000	£195,000
3	£400,000	exceeds price cap	£220,000	£260,000

**Step 2a** – Calculate the number of affordable units by dwelling type required by Local Plan Policy LN2 with a split of 70% Subsidised Rent and 30% Intermediate.

Dwelling Type no of bedrooms	Total Number of units	Total Number of Affordable units (30%)	Subsidised Rent units	Intermediate units
1	10	6	5	1
2	20	6	4	2
3	10	0	0	0
	40	12	9	3

**Step 2b** - Calculate the Development Value of the affordable units to be delivered by a Local Plan Policy Compliant scheme

Dwelling Type – no of bedrooms	Total Number of Affordable units (30%)	Subsidised Rent units	Intermediate units
1	6	£632,500	£149,500
2	6	£660,000	£390,000
3	0	0	0
	12	<b>£1,292,500</b>	<b>£539,500</b>

Development value of affordable units based on Policy DE2 = **£1,832,000**

**Step 3a**– Calculate the number of affordable units by dwelling type required the First Homes Ministerial Statement.

Dwelling Type - no of bedrooms	Total Number of units	Total Number of Affordable units (30%)	First Homes	Subsidised Rent units	Intermediate units
1	10	6	0	4	2
2	20	6	3	3	0
3	10	0	0	0	0
	40	12	3	7	2

**Step 3b** - Calculate the Development Value of the affordable units to be delivered by a First Home Ministerial Statement Compliant scheme

Dwelling Type - no of bedrooms	Total Number of Affordable units (30%)	First Homes	Subsidised Rent units	Intermediate units
1	6	0	£506,000	£299,000
2	6	£630,000	£495,000	0
3	0	0	0	0
	12	£630,000	£1,001,000	£299,000

Development value of affordable units based on First Homes Policy = **£1,930,000**

**Step 4** – Calculate difference in value of the affordable housing between a Local Plan policy compliant scheme and a first homes compliant scheme

**£1,930,000** (Step 3b output) – **£1,832,000** (Step 2b output) = **£98,000**