

# Chichester District Council

## Guidance Note – Approach to First Homes

### **1. Introduction**

- 1.1 Following the Government’s consultations on First Homes in February and August 2020, the Minister of State for Housing has issued a written ministerial statement (WMS) on 24 May 2021. This sets out that, as of 28 June 2021, new developments providing affordable housing will need to provide a proportion of these as “first homes”.
- 1.2 First homes are defined as homes provided at a minimum discount of 30% and (after the discount has been applied) must not be sold at more than £250,000 to be sold to a person who meets the criteria outlined in section 4.16 - 4.20 of this guidance note.
- 1.3 This guidance note reviews the newly introduced provisions on First Homes and explains how these will be taken into account by Chichester District Council when determining relevant planning applications.

### **2. Chichester Local Plan 2014-2029**

- 2.1 In determining the need for development proposals to contribute to the delivery of affordable housing, the starting point for the Local Planning Authority (LPA) is the Chichester Local Plan: Key Policies 2014-2029 and the policies and provisions contained within.
- 2.2 It is acknowledged, at the time of writing this guidance note, that the adopted Local Plan is under review and the Interim Position Statement on Housing has been adopted for use in the period between now and the adoption of the Local Plan Review (LPR). This guidance note is to be read alongside the Interim Position Statement.

### **3. National Planning Policy Framework (NPPF)**

- 3.1 The implementation of First Homes will come into effect from 28 June 2021, unless transitional arrangements (detailed below) apply. First Homes are now deemed to meet the definition of “affordable housing” as outlined in annex 2 of the NPPF.

### **4. Approach to First Homes**

#### First Homes criteria:

- 4.1 From 28 June 2021, a dwelling meeting the criteria of a First Home will be considered to meet the definition of ‘affordable housing’ for planning purposes. The First Homes Criteria are as follows:
  - A First Home discounted by a minimum of 30% against the market value; and,
  - after the discount has been applied, the first sale of the home must be at a price no higher than £250,000 to eligible households.

Setting developer contributions:

- 4.2 In accordance with paragraph 62 of the National Planning Policy Framework, affordable housing is expected to be delivered on-site unless off-site provision or an appropriate financial contribution in lieu can be robustly justified; and the agreed approach contributes to the objective of creating mixed and balanced communities.
- 4.3 The WMS states that a minimum of 25% of all affordable housing units secured through developer contributions are required to be delivered as first homes.
- 4.4 Within the adopted Local Plan Policy 34, this requirement can be incorporated within the adopted affordable housing tenure requirements; currently 70% affordable and/or social rented and 30% low cost home ownership. To date, the 30% low cost home ownership has been delivered as shared ownership and delivered by registered providers of affordable housing. It is expected that the remaining 5% low cost home ownership that's not being provided as First Homes is to be provided as shared ownership, unless otherwise agreed by the Council.
- 4.5 The remaining 70%, as required by Policy 34 of the Chichester Local Plan and Paragraph 4.7 of the Planning Obligations and Affordable Housing Supplementary Planning Document is to be provided as affordable and/or social rented homes.
- 4.6 A worked example has been provided below to illustrate a required developer contribution in accordance with Policy 34:

Example 1 – New development of 80 residential dwellings

Open Market Requirement	Affordable Housing Requirement		
	30% of All Housing – 24 homes		
	Affordable/Social Rented	First Homes	Shared Ownership
70% of all housing	70% of all affordable housing	25% of all affordable housing	5% of all affordable housing
56 Homes	17 Homes	6 homes	1 Home

First Home Exception Sites:

- 4.7 Paragraph 71 of the NPPF 2019 introduced entry level exception sites to increase the delivery of affordable home ownership products within a local planning authority, unless the need for such homes was already being met within the district. This has not delivered the affordable home ownership homes the Government were expecting. As such, Entry Level Exception Sites policy will be replaced by a First Homes Exception Site (FHES) policy.
- 4.8 FHES will only be allowed on land which is not allocated for housing and must meet the following criteria:
- Comprise first homes (as previously defined)

- Be adjacent to existing settlements, proportionate in size to them, not compromise the protection given to areas of particular importance in the NPPF and comply with all local design policies and standards.
- 4.9 As evidenced by the Chichester Housing and Economic Development Needs Assessment 2018 (updated 2020), there is an identified need for affordable housing to come forward within the Local Plan area, the majority of which is affordable/social rented. As such, applications for FHES are required to be accompanied by local level housing needs evidence demonstrating the need for such a proposal over and above what will be delivered through developer contributions.
- 4.10 FHES are not permissible in designated rural areas under section 157 of the Housing Act 1985. Rural designations cover most of Chichester District. FHES will therefore only be able to come forward in the following areas:
- Chichester
  - Tangmere
  - Selsey
  - East Wittering
  - Donnington
  - Hunston
  - Fishbourne (area outside of AONB)
  - Southbourne (area outside of AONB)
  - Westbourne (area outside of SDNP)

Plans, development management and transitional arrangements:

4.11 Many developers will have been preparing planning applications under different assumptions. The new requirement for 25% First Homes will not apply to sites with full or outline planning permissions already in place or determined (or where a right to appeal against non-determination has arisen) before 28 December 2021 (or 28 March 2022 if there has been pre-application engagement). This does not preclude developers from providing first homes as part of the affordable contribution should they wish to do so.

Level of discount:

4.12 The minimum discount for First Homes is 30% from market value, which will be set by an independent registered valuer. The valuation should assume the home is sold as an open market dwelling without restrictions.

4.13 The level of discount will be secured both within a section 106 legal agreement and on the title at HM Land Registry to ensure that the discount is applied on future sales of the property.

4.14 The minimum 30% discount will be monitored and reviewed to ensure that homes remain affordable for local households in perpetuity. As part of its Local Plan Review, Chichester District Council will be looking at greater discounts

such as 40% or 50%. The Council will also be looking at price caps as part of this process.

#### Community Infrastructure Levy (CIL):

4.15 The CIL regulations were amended on 16 November 2020 to allow developers to claim CIL exemption on First Homes, in line with other affordable housing products.

#### First Homes Eligibility:

4.16 First Homes must be prioritised for first time buyers and must not be sold to households with an annual income in excess of £80,000. A person who cannot afford to purchase a First Home without a mortgage of at least 50% of the discounted price is not considered to be eligible.

4.17 Local connection restrictions will apply on the sale of First Homes. Purchasers must evidence that they are a permanent resident, or permanently employed (more than 16 hours) or have a parent, sibling, or child permanently resident within Chichester District.

4.18 The local connection restriction will be time limited to the first three months of the homes being marketed following practical completion or on any re-sale of the property. After this period, the homes will revert to the standard criteria outlined in paragraph 4.16 until it has been sold. The criteria outlined in 4.16 - 4.18 will apply on future sales of the property.

4.19 Members of the Armed Forces, the divorced or separated spouse or civil partner of a member of the Armed Forces, the spouse or civil partner of a deceased member of the Armed Forces (if their death was caused wholly or partly by their service) or veterans within five years of leaving the Armed Forces will be eligible to purchase a First Home. Armed Forces personnel will be exempt from the local connection requirement.

4.20 First Homes are intended to be used as a person's sole or primary residence. However, it is recognized that there are occasions when it may be necessary for owners of First Homes to let out their property for short periods of time, especially in response to unexpected life events. Therefore, a First Homes owner can rent out their home for a maximum period of two years, as long as the local housing authority is notified.