

## **First Homes Guidance Note**

First Homes are a specific kind of discounted market sale housing and should be considered to meet the definition of 'affordable housing' for planning purposes. Specifically, First Homes are discounted market sale units which:

- must be discounted by a minimum of 30% against the market value;
- are sold to a person or persons meeting the First Homes eligibility criteria;
- on their first sale, will have a restriction registered on the title at HM Land Registry to ensure this discount (as a percentage of current market value) and certain other restrictions are passed on at each subsequent title transfer; and,
- after the discount has been applied, the first sale must be at a price no higher than £250,000 (or £420,000 in Greater London).

To qualify as a First Home, a section 106 agreement will be required to secure the necessary restrictions on the use and sale of the property, and a legal restriction on the title of the property to ensure that these restrictions are applied to the property at each future sale, guaranteeing perpetuity.

### **National criteria for eligibility**

To be eligible for a First Home a purchaser (or, if a joint purchase, all the purchasers) of a First Home should be a first-time buyer and should have a combined annual household income not exceeding £80,000 (or £90,000 in Greater London). A purchaser of a First Home should have a mortgage or home purchase plan (if required to comply with Islamic law) to fund a minimum of 50% of the discounted purchase price.

These national standard criteria should also apply at all future sales of a First Home.

### **Local eligibility criteria**

As part of the Section 106 agreements, local authorities can apply eligibility criteria in addition to the national criteria described above. This may involve lower income caps (if this can be justified with reference to local average first-time buyer incomes), a local connection test, or criteria based on employment status.

First Homes are designed to allow people to get on the housing ladder in their local area, and in particular to ensure that key workers providing essential services are able to buy homes in the areas where they work. Authorities can therefore prioritise key workers for First Homes, and are encouraged to do so, especially if they have an identified local need for certain professions.

### **How does First Homes impact on the adopted policies within the CSDP and Development Management decision making?**

The requirement for first homes is that:

a. A minimum of 25% of all affordable housing units secured through developer contributions should be First Homes.

b. First Homes, like other affordable housing products, should be delivered on-site, unless off-site provision or an appropriate financial contribution in lieu can be robustly justified;

c. Where cash contributions instead of on-site affordable housing units are secured, a minimum of 25% should be used to secure First Homes; where a mixture of cash contributions and on-site affordable housing units are secured, 25% of the overall value of affordable housing contributions should be applied to First Homes;

d. Once a minimum of 25% of First Homes has been accounted for, social rent should be delivered in the same percentage as set out in the local plan. The remainder of the affordable housing tenures should be delivered in line with the proportions set out in the local plan policy.

### **Current Position**

The current affordable housing policy within the CSDP (H2) requires developments of 10 dwellings or more to provide 15% affordable housing. The tenure split of this 15% requirement is based upon information contained within the most up to date Strategic Housing Market Assessment (SHMA), of which the 2020 SHMA sets out a split of 75% Affordable/Social Rent and 25% Intermediate Tenure.

### **Complying with the First Homes requirement**

The First Homes requirement took effect from 28 June 2021. As such, to comply with this requirement, 25% of the affordable homes secured through policy H2 of the CSDP are required to be First Homes. As social rent/affordable rent should be delivered at the same percentage as that set out on the Local Plan, (75%, in line with the 2020 SHMA), there will be no policy requirement for intermediate tenure.

An example of this would be:

A scheme for 100 homes would require 15 affordable homes, (15% in line with Policy H2). Of these 15 affordable homes, 25% (4 homes) would be First Homes and 75% (11 homes) would be affordable rent.

Consideration will need to be given on a case by case basis to those schemes that propose 100% affordable rented properties and/or schemes proposing intermediate tenure properties to allow flexibility, whilst ensuring the wider affordable housing requirements of the city are being met.

From a Development Management perspective, the new First Homes policy requirement does not apply for the following:

- 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
- applications for full or outline planning permission where there has been significant pre-application engagement which are determined before 28 March 2022.

For the purposes of the First Homes policy, significant pre-application engagement will be considered as any advice provided through the Council's formal pre-application procedure where written advice has been given by the LPA in relation to affordable housing provision and tenure split on a proposed development.

If an applicant wishes to amend a planning application to include First Homes which is already submitted and likely to be granted before these dates, the local planning authority should be flexible in accepting First Homes as an alternative type of tenure.

Local authorities should have flexibility to accept alternative tenure mixes for planning applications that are determined within the timescales identified above, although they should consider whether First Homes could be easily substituted for another tenure, either at 25% or a lower proportion.

### **Going forward**

This First Homes Policy Statement will ensure compliance with the Ministerial Statement, set out below, until such a time that Sunderland's SHMA is updated and the First Homes requirement can be incorporated into the tenure mix:

*Where local and neighbourhood plans do not benefit from the aforementioned transitional arrangements, the local planning authority should make clear how existing policies should be interpreted in the light of First Homes requirements using the most appropriate tool available to them.*

30 July 2021