

# First Homes Consultation Response from Pocket Living

April 2020



If adopted by the Government, Pocket Living's proposals outlined in this response will allow the Government to:

- Create a First Homes product that helps the right people and is trusted by consumers and local authorities alike
- Create a dependable framework that will deliver the First Homes at scale, long term
- Secure a supply of First Homes through a small sites policy which will facilitate much faster delivery of the Government's programme

## Executive Summary

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- a. Pocket Living (Pocket) is the UK's only private developer delivering grant-free discounted affordable homes for sale for first time buyers; as such we are the UK's first developer of First Homes. Many of our buyers are the very frontline workers currently keeping the country together today.
- b. In these exceptional times the Government has recognised the importance of continuing to build the homes that the country needs, for social and economic reasons. Given the economic fragility created by the pandemic, it is key that government policies support a fast recovery and that government considers whether the time is right to introduce such a significant change to planning policy such as First Homes. We would suggest the priority must be a return to normality and stability first.
- c. Pocket fully supports the Government's objective of helping first time buyers on to the housing ladder, and our response highlights ways to best achieve this based on extensive experience. After many years of delivery, Pocket is well placed to help make First Homes a national reality; to all intents and purposes, we have been delivering First Homes since we set up the business in 2005, so we understand the challenges of viability, planning, construction, management and local politics better than most.
- d. When the policy is introduced, Pocket suggests a focus on the following areas to ensure the policy is a success and First Homes are delivered:
  - i. Creating a First Homes product that helps the right people and is trusted by consumers and local authorities alike
    - First Homes should be restricted to first time buyers who live or work locally and earn under the affordable homes' income cap for their area (i.e. £90,000 in London) with the homes subject to a value cap (i.e. £600,000 in London). This will ensure that they go to those in most need and get local support.
    - Critical oversight of sub-letting and resales will ensure that the homes benefit those that need them and that a stock of First Homes is built up and maintained long term.
    - Without careful management, trust in First Homes could be undermined early.

- ii. Create a dependable framework that will deliver First Homes at scale, long-term
- Pocket is already delivering homes at a 20% discount in line with the NPPF and has a pipeline of over 1,000 homes. Extensive modelling based on our portfolio of sites shows that a 30% discount will reduce the number of affordable Pocket homes delivered by 60% and the total number of homes by 20% (in some cases we deliver some market homes where required by planning).
  - To maximise viable delivery of First Homes, the minimum discount should be 20%, with a maximum of 30% established through the local plan.
  - 60% of first time buyers are single or childless couples; First Homes should be focused on one and two bedroom homes. A three bedroom First Home in outer London would require a subsidy of £180,000 at today's prices; enough to pay for three Pocket one bed homes.
- iii. Secure a supply of First Homes through a small sites policy which will facilitate much faster of the Government's programme
- Reliance of delivering First Homes through S106 agreements on planning permissions and exception sites will mean delivery is very slow. Even with new or amended legislation, meaningful delivery will take years.
  - First time buyer affordability continues to worsen in London: in 1996, 93% of first time buyers borrowing at 4.5x salary could afford the cheapest home in their in local area. This has fallen to just 35% and affordability continues to worsen. Young people cannot wait for exception sites and the planning system to deliver: it is critical for them that First Homes policy is a success.
  - A fast track framework for the delivery of First Homes on small sites will create the speed and additionality the Government wants and will help people onto the housing ladder quickly. The challenges of delivering small sites are illustrated by the much-chronicled decline in small developers. Small sites make up just a tenth of housing delivery in London, deliver very few affordable homes and have the highest rates of planning refusals. Providing a streamlined and fast track planning process, including a presumption in favour of development, for applications delivering over 40% First Homes will transform these sites and the SME developer sector.
- e. Proposals for an effective framework to deliver First Homes:

First Homes should be targeted at those who need them, with income and price caps, a minimum discount of 20% and maximum discount of 30% and administration to ensure their ongoing integrity

- **Only first time buyers should be eligible** for First Homes, it should be their sole residence and they must have a mortgage of at least 25%.
- **Income thresholds** for buyers should ensure that those most in need of help are targeted (current affordable housing caps - £90,000 in London).
- **Purchasers should live or work locally**, and the local connection policy should be set nationally to ensure equity.
- **The value of First Homes should be capped**, with a higher cap in London, as with Help to Buy (£600,00 in London).
- **The discount should be a minimum of 20% with a maximum of 30%**, established through the local plan.

- **The mix of homes should be set out in local policy** and based on local evidence of first time buyer households; likely to be predominantly one bedroom homes.
- **An administrator should manage the homes** to ensure that they are occupied by the purchaser, not sub-let (other than in exceptional circumstances) and are sold on to eligible buyers at the correct discount – maintaining it in perpetuity.

Small sites should be the main focus of delivery of First Homes with a streamlined planning process for small sites established the NPPF for sites delivering more than 40% First Homes. The NPPF should require local authorities to identify small sites for First Homes, support those brought forward by developers and promote a fast track approach to planning and presumption in favour of development

- Small sites should be the focus of delivery of First Homes with the NPPF amended to require local authorities to allocate small sites (less than 0.25 hectares) for First Homes.
- A streamlined planning process should be created for small sites delivering more than 40% First Homes/affordable housing, with:
  - a presumption in favour of development
  - freedom over tenure and size mix
  - no viability testing
  - CIL exemption
- A fast track approach to planning should ensure fast delivery of small sites, from pre-application to discharge of conditions; eight weeks for planning determination, four weeks for the S106 agreement and six weeks to discharge conditions.
- **A presumption in favour of small sites would comprise:**
  - The principle of residential development being established
  - Local authorities providing design codes to guide development and applicants being able to propose a different approach with robust justification
  - Applications being approved unless it can be robustly demonstrated that the development would result in an unacceptable level of harm that outweighs the benefits of making the best use of small sites, delivering new homes and delivering First Homes.
- **Developers should be able to bring forward suitable sites where they are:**
  - 0.25 hectares or smaller
  - Brownfield sites
  - At least 40% First Homes
  - Well-served by public transport/local amenities
  - In an area where there is an identified need for First Homes
  - Well-designed beautiful homes and developments that complement their surrounds
- Local authorities should report annually on allocation of sites, permissions and delivery of First Homes, and this could become part of the Housing Delivery Test.

- f. Our response draws on our experience over the past fifteen years as the sole private sector deliverer of grant-free discounted affordable homes for sale to first time buyers i.e. First Homes. Our response includes our experience of the viability of delivering discounted homes for sale, as well as securing planning permission on small sites, managing the eligibility of our homes in perpetuity and negotiating effective mortgages with key lenders.



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