

## **Written evidence submitted by the Riverside Group [NPP 42]**

### **1. Introduction**

- 1.1** Riverside is one of the largest housing association groups in the country (charitable), owning and managing over 53,000 properties across England and Scotland. The Riverside Group Limited is the main asset-owning association in the group.
- 1.2** Riverside has a national profile with over 80 years of experience of developing affordable housing. We currently build around 500 affordable homes each year. We work in some of the country's most challenging neighbourhoods and have always had a strong regeneration focus.
- 1.3** Over the past decade we have diversified our activities, and now develop around 250 homes for sale each year to diversify tenure, improve the balance of communities and generate profits to cross subsidise the charity. We do this through two companies: Prospect and Compendium Living. Prospect builds homes for sale for first time buyers in lower value areas; and Compendium Living, a joint venture with Lovell, takes on large-scale, publicly sponsored place-making development and regeneration projects.
- 1.4** We welcome the opportunity to comment on areas covered in the National Planning Policy Framework through this consultation. In responding, our focus will be the proposed changes which aim to amend the definition of affordable housing so that it encompasses a 'fuller range of products that can support people to access home ownership'. We are assuming that this change will bring Starter Homes into the definition of affordable housing.

### **2. Proposed Changes to the definition of Affordable Housing (Q1)**

- 2.1** We welcome the promotion of starter homes as a new option for young house buyers struggling to get onto the housing ladder. The encouragement of deep discounts in the pricing of new homes for young households is welcome if it can be achieved through cross subsidy from within the overall value of a scheme.
- 2.2** We also welcome the proposals to strengthen the starter homes exception site policy through promotion in mixed use developments and in green belt sites if there is clear community support.
- 2.3** However we believe there are important caveats which would need to be addressed if the provision of starter homes is to achieve the policy objective 'to

expand the range of low cost housing opportunities for those aspiring to own their new home’.

- 2.3.1** If starter homes are to be seen as an acceptable form of affordable housing they need to be precisely that; affordable now and in the future. This means that their definition (in terms of pricing) needs to be linked to local incomes or prices in the local market, rather than very broad-brush national definitions based on a maximum price point and age. At the proposed maximum price points of £250k/£450k, starter homes would potentially be available to households with a gross income of up to £67k (£121k in London) using the HCA affordability calculator. In all 13 of the local authorities where we have our largest stock holdings, these income levels are in the top quartile of the local income distribution for a couple with no children. This means that Starter Homes sold at prices approaching the proposed national ceilings would be affordable to less than a quarter of couples.
- 2.3.2** There also need to be mechanisms in place which ensure starter homes remain affordable in relative terms into the future, and that this is not just a benefit for a single group of households after which they will be subsumed into the wider market.
- 2.3.3** Starter homes must genuinely play a part in expanding the range of affordable housing products available, rather than displace other forms of affordable housing. We are concerned that a combination of the financial attractiveness of starter homes to developers (which are likely to require less cross subsidy than other forms of affordable housing) with asymmetrical policies proposed in this consultation and the new duties placed on local authorities in the Housing and Planning Bill, will create a ‘starter homes’ first approach, squeezing out other forms of affordable housing irrespective of evidence of local demand and need.
- 2.3.4** Care must be taken to ensure starter homes are fully integrated in terms of their design, standards and siting, as part of new housing developments - unless the site is being used exclusively for starter homes. Starter homes must not be segregated as a ‘second class’ element or phase of a new development.

### **3. Recommendations**

- 3.1 We believe that the maximum cost of Starter Homes should be locally set within national parameters, with maximum levels set at a price point in the**

**local housing market, or based on local income distributions – e.g. no more than median household income.**

Research undertaken by Savills and Shelter has shown that, in some geographical areas, Starter Homes will not necessarily be affordable for people on low to middle incomes. Therefore it is important that there are other tenure options to ensure opportunity for different incomes.

**3.2 Starter Homes should supplement other forms of affordable housing rather than replace them, with local authorities empowered to identify which properties to build as part of planning approval for a site, based on locally identified need and demand.**

Local authorities need to be able to define the type of affordable housing required in their local areas whilst taking into account whether Starter Homes could meet local need. This will ensure that housing will reflect the needs of the local community including affordable rent or shared ownership as dictated by the demands and market conditions of the area. This means that the duty for local authorities to promote starter homes should be extended to cover all forms of appropriate affordable housing (based on rigorous local evidence), and that planning powers identified in the consultation which are exclusive to starter homes (for example around brownfield sites within the Green Belt) should be extended to cover all forms of starter homes.

**3.3 Starter Homes should be affordable in perpetuity, with the purchaser having the opportunity to buy out the equity after a period of time (with the value of the equity being recycled).**

The local authority or a third party such as a housing association or community land trust, should retain an equity stake in all starter homes (representing the level of discount as a % of full market price on first sale) which would not attract any rent or interest, but be repayable on sale. In addition, after a number of years, we suggest 5, the original purchaser should have the right to 'staircase' and buy this out at full market value. The original subsidy can then be recycled with a clear requirement that this receipt used for the provision of affordable homes only.

**3.4 Planning policies should ensure that Starter Homes are built to the same standard as other homes on the same site (even if they are not the same size/type) and are fully integrated within scheme designs.**

Starter Homes should be viewed as an incentive financial product rather than a separate physical product. In determining planning applications for schemes

which include a mix of starter homes, other forms of affordable housing and market housing, local planning authorities should have a specific duty to ensure all homes are built to the same standard, and integrated in their design and siting. It is essential that thought is given to how we ensure Starter Homes are built to the same standards as other properties ensuring there are no poorer quality homes within a development.

**3.5 Robust testing of the need and demand for Starter Homes should be carried out, with robust reporting mechanisms established at regional and national levels.**

At this time there has been no measurement for testing the need or demand for Starter Homes. This could lead to a surplus of properties of this kind, especially in areas where there is no marked difference in affordability between Starter Homes and Help to Buy supported purchases. As a result there would be no real benefit to the housing shortage crisis. It is essential that measures are put in place for the national collection of data on the provision of Starter Homes.

**Further information**

We trust the Committee will consider this evidence in making recommendations to the Government about the potential changes to the National Planning Policy Framework and in particular our concern around the inclusion of Starter Homes as a form of affordable housing.

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