



Department for
Communities and
Local Government

Starter Homes: Unlocking the Land Fund



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Ministerial foreword

Thirty years ago, young people knew, if they worked hard, they would have the opportunity to buy their own home. Today young people are working just as hard as their parents' generation but are increasingly finding it difficult to get on the property ladder. Only 38% of people under the age of 40 now own their home compared with 61% in the early 1990s.

The Government is determined to change this and make home ownership more affordable for a generation of people in their twenties and thirties. At the heart of our plans is the commitment to build 200,000 quality starter homes by 2020 exclusively for young first time buyers at a 20% discount on market value.

We are introducing a comprehensive package of reforms and initiatives to meet this commitment, including £2.3 billion funding in the Spending Review to support up to 60,000 starter homes. As the Prime Minister announced in January, £1.2 billion of this funding is for a new Starter Home Land Fund to prepare more brownfield land for starter homes.

We want to ensure local authorities have the opportunity to use this Fund not just to help more of their young people into homeownership, but also to support their wider aspirations for local growth and regeneration. Starter home developments have the potential to unlock wider economic benefits. For example, bringing back young homeowners into the hearts of our towns and cities can also help secure a brighter future for local businesses and create vibrant new communities.

That is why I am keen to see ambitious authorities across the country take advantage of this opportunity and form a partnership with the Homes and Communities Agency to bring forward starter homes developments in their areas. Together, we can ensure that more young people can afford to buy their own home, and contribute to the economic prosperity of local places across the country.

A handwritten signature in black ink, appearing to read 'Brandon Lewis', with a long horizontal flourish extending to the right.

Brandon Lewis, Minister of State for Housing and Planning

Summary

The Government is committed to building 200,000 quality starter homes by 2020, exclusively for first time buyers under 40 at a discount of at least 20% on their open market value, in response to the increasing affordability pressures this generation of young people is facing getting onto the property ladder.

We are now offering ambitious local authorities the opportunity to deliver more homes at pace and help more young people in their area into homeownership - through a new £1.2 billion Starter Home Land Fund.

This prospectus specifically invites Expressions of Interests from local authorities outside of London to form partnerships with the Homes and Communities Agency to use the Fund to acquire, assemble and de-risk land for quality starter home developments which can be built out by developers by 2020.

In doing so, this Fund will provide an important opportunity for local authorities to support wider growth and regeneration of their local area.

Introduction

The Spending Review in November 2015 made available £2.3 billion of funding to support the delivery of up to 60,000 starter homes, to complement the ambitious package of planning reforms we are introducing to support the delivery of the Government's starter homes, including:

- a new requirement through the Housing and Planning Bill for a proportion of starter homes on all suitable 'reasonably sized' residential developments as part of section 106 affordable housing contributions;¹
- national planning policy changes to release more land for starter homes through for instance, a brownfield exception site policy.²

On 4th January the Prime Minister announced that a key part of this funding would be used for a new £1.2 billion Starter Home Land Fund to prepare brownfield sites for at least 30,000 starter homes by 2020.

The aim of the Fund is to support the acquisition, remediation and de-risking of suitable land for starter home developments that can then be built out by developers. High remediation and other de-risking costs can make some small brownfield sites unviable for developments with a significant proportion of starter homes, and targeted public interventions to remediate and de-risk will help release more land for starter homes, reinforcing the planning reforms we are putting in place.

The Fund will operate over the next three financial years, to ensure construction of starter homes is happening from 2018 onwards. Receipts from the subsequent sale of remediated land to private developers will then be used to support the delivery of more starter homes later in the Spending Review period.

The Fund will build upon the experience of up to £36 million funding made available this financial year to prepare land for a first wave of starter homes. A large proportion of this funding is now being used by the Homes and Communities Agency to acquire suitable sites while up to £8 million has been offered to local authorities to remediate and de-risk their own land for starter homes.

The majority of the £1.2 billion Fund will be managed by the Homes and Communities Agency where they will be seeking opportunities to acquire, remediate and de-risk suitable sites across the country outside London. In London, where there are devolved housing delivery arrangements, we are working with the Greater London Authority and London boroughs to develop a complementary programme.

¹ The Government proposes to consult on the details of this proposed statutory requirement shortly.

² These planning policy changes were subject to consultation between 7 December and 22 February. See: <https://www.gov.uk/government/consultations/national-planning-policy-consultation-on-proposed-changes>

The offer to local authorities

This Fund offers local authorities a unique and timely opportunity to deliver more new homes at pace and address the increasing affordability pressures facing many young people in their area struggling to get on to the property ladder.

From our discussions with a number of local authorities across the country, we are aware of a growing appetite to use starter homes as a catalyst for wider development, not just to tackle affordability issues and help first time buyers, but also to support the wider growth ambitions of their area. Many local authorities have parcels of underused or vacant brownfield land throughout their area – either in their own or a third party’s ownership - which would be suitable for starter homes, and they recognise that early development can help drive the wider growth and regeneration that local people want to see.

Starter homes in particular can offer our town centres the lifeline they need to adapt to the structural changes they face and keep young families at the heart of the community. Not only do well-designed starter home developments help to regenerate derelict and under-used brownfield sites, which undermine the attractiveness of town centres, they also provide the opportunity to increase footfall in towns, support diversification and strengthen the leisure and retail offer. This will enable local authorities to benefit from increased income from business rates, as well as drive wider improvements, for instance around public realm, community facilities and better public transport.

Similarly, commuter hubs and stations can offer an important opportunity for starter home developments as they connect the places where young people work with where they want to live, and often have derelict and underused brownfield sites near them which many local authorities want to see developed.

Furthermore, the opportunities are not just restricted to large urban areas. Many market towns and villages often have small pockets of derelict or under-used brownfield land which could be ideally suited for small scale starter home developments, and starter homes can form an important part of new locally-led garden villages, towns and cities.

In order to harness this local appetite, we propose to establish a number of partnerships between the Homes and Communities Agency and individual local authorities which would use the Fund to prepare a package of sites in their area capable of delivering starter home developments by 2020. Specifically, the Homes and Communities Agency will:

- **give targeted support and expertise**, for instance by providing assistance with finding suitable developers for sites; professional/technical advice or procurement matters;
- **provide equity investment to remediate and de-risk sites** in local authority ownership for starter homes developments; and

- **acquire further suitable sites** outside local authority ownership for the early delivery of starter home developments in support of the wider aims of their local area.

In return, the local authority would be expected to offer as part of its partnership with the Homes and Communities Agency:

- a **clear vision** which can demonstrate how residential-led development through starter homes can support the wider growth of their areas;
- **strong leadership** with a clear political commitment to early delivery;
- a **supportive planning environment** so that starter home developments can be brought forward quickly through the planning system;
- **suitable sites** if possible that are either in their own or another public body's ownership which could be used for early starter home developments; and
- a commitment to seek to **leverage in further public and private investment** to facilitate the starter home developments and wider regeneration.

We would like to see partnerships being established across the country. We do not propose a prescriptive model for the partnership as every local area faces different challenges and opportunities. However, the partnerships will need to be of a sufficient scale and ambition to make a substantial contribution to starter home delivery by 2020.

We recognise that, for some areas, there may not be sufficient land opportunities for starter homes to warrant a formal partnership but there still may be one or two suitable sites. The Homes and Communities Agency will be happy to discuss these sites further with the local authority, as it seeks wider opportunities to acquire, remediate and de-risk suitable sites for starter homes through the Fund. This will include land held by other public bodies like Network Rail or NHS Trusts.

Expressions of interest

The expressions of interest from local authorities to form a partnership will need to set out:

- **A strategic vision for the local area** which shows how residential-led development and especially the provision of quality starter homes for young first time buyers can help address affordability pressures and support the area's wider ambitions;
- **A strong local commitment** with evidence of clear support from both a local authority's executive management and its political leadership;
- **The scale of starter home ambition** so that each partnership is capable of delivering significant numbers of starter homes. Although we do not propose a prescriptive threshold, we expect each partnership to be capable of delivery of between 300 and 600 starter homes across several sites to either have been completed or be under construction by the end of 2020/21;
- **Clear partnership proposals** highlighting what support the local authority would welcome from the Homes and Communities Agency, what the authority will offer in return, and how the governance of the partnership would be constituted. We would particularly welcome expressions of interest where the local authority is proposing to offer its own land holdings or leverage in further public and private sector investment;
- **A clear pipeline of potential sites** for starter home developments which can be taken forward by 2020/21. This pipeline should provide details of the location, size of site, ownership, current use, indicative value/cost, number of homes which could be built, planning status (within the local plan/5 year land supply, existing permissions), and any remediation/infrastructure requirements. The expectation is that starter homes would account for at least 50% of the homes built on the site, with the remainder as market housing to help with viability. The sites should largely be brownfield; consideration would be given to greenfield sites only if the development is acceptable to the local community;
- **A supportive planning environment** which clearly demonstrates that the proposed focus on starter homes is in line with the local plan's core strategy and relevant planning permissions are likely to be forthcoming in principle for the pipeline of potential starter home developments. This should include a demonstration of support from neighbourhood planning bodies, if relevant;

- **Evidence of early deliverability** so that it is clear starter home developments can be commenced quickly on the pipeline of sites identified and that there are no substantive issues – for instance reliance on key piece of infrastructure being put in place – which could impede delivery. We envisage most sites will be relatively small scale or be the first phases of a larger scheme; and finally,
- **Wider linkages to other government programmes and priorities** showing how their proposed approach interacts with the government’s programmes and priorities which affect their area – for instance, devolution deals, town centres, home zones or station regeneration projects.

A template for the expressions of interest which local authorities should use is available from the HCA.

Assessment process

The Department and the Homes and Communities Agency will jointly assess the expressions of interest against the above criteria, to ensure that the local areas chosen are capable of making a significant contribution to the Fund's target of bringing forward sufficient land for at least 30,000 starter homes.

Short-listed local authorities will then further engage with the Homes and Communities Agency to agree the partnership's governance and key objectives and outputs. Although forming a partnership with the Homes and Community Agency will give priority access to the £1.2 billion Land Fund, it does not automatically imply that capital funding from the Fund will be made available.

The Homes and Communities Agency will need to consider investment in each site on a case by case basis reflecting the financial and delivery parameters of the Fund, as a significant proportion of the investment will be expected to be returned as receipts on the disposal of the site. Specifically, the Fund can only be used for the acquisition of land and/or preparatory work (remediation, demolition, site investigation, ecological works, and essential small scale infrastructure improvements) to prepare this land and other public sector land for starter homes. It cannot be used to gap fund private developers due to state aid considerations.

Priority will be given to those sites which:

- are capable of early starter home delivery, including a reasonable prospect of securing planning permission for residential developments with at least 50% starter homes;
- offer value for money in terms of the average unit cost subsidy per starter home after receipts from the disposal of the sites have been taken into account; and
- contribute to increased housing supply, specifically sites are not already allocated for housing in local plans or, if allocated, either have the opportunity for a higher than anticipated density of residential development or have been stalled with little private sector interest.

Next steps

We are keen for an initial round of expressions of interest from other local authorities by Friday 13 May. However, we propose to allow authorities to continue to submit expressions of interest up to 31 December 2016, to give those who may not have considered the opportunities that starter homes could provide for their local area time to develop proposals.

Expressions of interest should be submitted to the Homes and Communities Agency at StarterHomes@hca.gsi.gov.uk.

Interested local authorities may want to speak to their local contact from the Homes and Communities Agency if they wish to submit an expression of interest. Relevant contact details are outlined below.

General enquires:

Email: StarterHomes@hca.gsi.gov.uk
Tel: 01234 242602

Midlands:

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This Fund represents a significant and exciting opportunity for local authorities to deliver the housing that a generation of young people can afford to buy and to boost their local economies. Local authorities that demonstrate ambition, vision and pace through their Expressions of Interests will stand to take advantage of this unique offer, enabling them to transform their communities, deliver local growth, and future prosperity.

In order for us to manage the level of demand for the funding, please could local authorities register their interest at StarterHomes@hca.gsi.gov.uk while preparing an expression of interest.