

Draft Planning Statement

Intermediate Housing Strategy and First Homes

November 2021

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1 Summary

1.1 First Homes are defined by the government as affordable homes sold to first-time buyers at a discount. National policy indicates that:

- 25% of affordable homes in each scheme should be First Homes ("the First Homes requirement");
- in London, First Homes will be sold to first-time buyers earning no more than £90,000 per year, and the maximum price after discount will be £420,000;
- the discount will be passed on at each subsequent sale.

1.2 This statement constitutes an Interim Policy Statement in line with national planning practice guidance, and is issued for consultation. Following consultation, the Council will consider the responses received, and decide whether to formally adopt the document as Council policy.

HOW TO COMMENT

- Comments must be received on or before **Friday 17 December 2021**.
- It will help us if you let us know which section or paragraph numbers you are commenting on.
- You can send comments by email or post.
- Email: planningpolicy@camden.gov.uk
- Post: Planning Policy, Regeneration and Planning, London Borough of Camden, Judd Street, London WC1H 9JE

1.3 When determining planning applications, this statement will be taken into account alongside national planning policy and relevant development plan documents, including the London Plan 2021 and the Camden Local Plan 2017.

1.4 The Council has adopted an Intermediate Housing Strategy to secure intermediate rent homes for working households on low and middle incomes. Since the beginning of 2018, the strategy has delivered over 130 intermediate rent homes, the majority of lettings have been to households with annual incomes below £40,000 (gross), and significant proportions of lettings have been to people working in the health sector and those who previously lived in social housing.

1.5 This statement reaffirms the Council's commitment to the Intermediate Housing Strategy, and the existing affordable housing priorities set out in the Camden Local Plan 2017 and Camden Planning Guidance on Housing 2021 – which are that 60% of affordable housing should be for social rent or London Affordable Rent, and 40% of affordable housing should be for intermediate rent.

1.6 The Council does not consider First Homes to be a suitable form of affordable housing for delivery in Camden, and will not seek the

inclusion of First Homes in developments in the borough, or expect 25% of affordable homes to take the form of First Homes.

- 1.7 We note that First Homes in Camden would not meet the same housing needs, or offer the same level of public benefit, as homes for intermediate rent. Consequently First Homes will not be afforded the same weight as homes for intermediate rent when balancing the benefit and harm arising from a development.
- 1.8 Homes for social rent or London Affordable Rent should continue to be delivered in accordance with our policy requirements. Any First Homes delivered should only ever be in place of a proportion of intermediate housing (rather than social rent or London Affordable Rent).
- 1.9 The minimum discount for First Homes in Camden will be 50%, to reflect the extremely high price of homes relative to local incomes.
- 1.10 The maximum discounted price cap in Camden will be £420,000, in line with national guidance for London.
- 1.11 The maximum eligible income for purchasers of a First Home in Camden will be £90,000, in line with national guidance for London.
- 1.12 This statement does not set any other local eligibility criteria for First Homes.
- 1.13 We will discourage measures in Neighbourhood Plans to introduce different discount levels or price caps, or set local eligibility criteria.

2 Introduction

- 2.1 First Homes are defined by the government as affordable homes sold to first-time buyers at a discount. Provisions for First Homes were introduced into national planning policy by a Written Ministerial Statement and Planning Practice Guidance issued on 24 May 2021. Councils should consider the First Homes policy in determining applications from 28 December 2021.
- 2.2 Key aspects of the national planning policy for First Homes are:
- 25% of affordable homes in each scheme should be First Homes ("the First Homes requirement");
 - in London, First Homes will be sold to first-time buyers earning no more than £90,000 per year, and the maximum price after discount will be £420,000;
 - the discount will be passed on at each subsequent sale.
- 2.3 Government guidance indicates that authorities should generally use Local Plans to set out how they will deliver First Homes, but also provides for authorities to issue an Interim Policy Statement. The guidance does not set out what form this should take.
- 2.4 We have prepared this document as an Interim Policy Statement (in line with national planning practice guidance reference ID: 70-009-20210524), which will provide a measure of statutory support for the Council's position, while allowing us to provide guidance quickly, and giving us flexibility to adjust our position in the light of emerging experience of First Homes delivery and sale. We do not propose amending the recently adopted Camden Planning Guidance (CPG) on Housing (January 2021) at this stage given uncertainty about the deliverability of First Homes in Camden and the level of local interest in buying them.
- 2.5 Following approval by the Cabinet Member for Investing in Communities, Culture and an Inclusive Economy, this statement is issued in draft form for consultation. Following consultation, the Council will consider the responses received, assess whether amendments are needed, and decide whether to formally adopt the document as Council policy.

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- 2.6 When determining planning applications where affordable housing is required, this statement will be taken into account alongside national planning policy and relevant development plan documents, including the London Plan 2021 and the Camden Local Plan 2017. The weight that can be given to this statement will increase as it progresses through consultation to formal adoption.

3 Help for those on middle-incomes – the Intermediate Housing Strategy

- 3.1 The Council's Cabinet adopted the Intermediate Housing Strategy on 6 April 2016. Intermediate housing costs less than market housing, but more than social housing. The strategy seeks to ensure that intermediate housing can be delivered viably and affordably to the 'squeezed middle' of working households on low and middle incomes in Camden, thus helping to maintain cohesive communities and the diversity of the borough's population.
- 3.2 Since its emergence in around 2004, the most common form of intermediate housing has been shared ownership. Shared ownership involves the occupier purchasing a share of a home's value (typically 25%) and paying rent on the remainder (typically an annual rent equivalent to 2.5% of the remaining value). As a result of rapidly increasing house prices in Camden, by 2016, it was no longer possible to deliver shared-ownership homes in the borough at a price affordable to middle-income households earning £30,000 to £40,000 per year. The Intermediate Housing Strategy responded to this challenge with the following measures:
- intermediate homes are delivered for rent rather than shared ownership;
 - we seek to ensure that most intermediate rent homes are affordable at incomes from £30,000 to £40,000 (adjusted by wage inflation since 2016 to £31,950 to £42,600)¹;
 - intermediate rents are set at around 40% of the net household income of occupiers;
 - we have set up a Council-owned company, Camden Living, to own and manage intermediate rent homes delivered as part of our Community Investment Programme (including estate regeneration schemes);
 - we work strategically with Private Registered Providers (primarily Housing Associations) who operate in the borough to ensure that they own and manage the intermediate rent homes delivered by market-led developments in accordance with the strategy;
 - those who live or work in Camden are encouraged to join our regularly updated intermediate housing register of interest through the Council's website – over 950 people were registered at the start of October 2021;

¹ figures based on 2019 earnings, the latest year for which data is available; we anticipate that 2020 data will be available in November 2021 – if available as anticipated, 2020 figures will be included in this statement prior to adoption.

- lettings of intermediate rent homes are made to households on the register of interest with combined incomes below £60,000 per year (an income cap set by the London Plan);
- lettings are carried out in accordance with a Priority Matrix, which prioritises existing social tenants, those on the Housing Register, other borough residents, and those who work in the borough.

3.3 The first Camden Living Rent tenancy began in February 2018, and Camden Living was managing 65 intermediate rent homes by August 2021, including some larger flats shared by more than one tenant. In the initial round of letting, tenants had the following characteristics:

- 59% had incomes between £30,000 and £40,000 per year;
- 63% worked in public sector roles adding social value, including doctors, nurses and police officers;
- 34% worked in health;
- 25% were sons or daughters of existing social housing tenants, of whom almost half moved from overcrowded family homes.

3.4 The Council's partner Housing Associations began letting homes through the Intermediate Housing Strategy in March 2018. Up to August 2021, these Housing Associations had delivered 67 homes through the Intermediate Housing Strategy, including 17 studio flats, 14 one-bedroom flats and 36 two-bedroom flats. We have been provided lettings data for 51 of these homes, which shows that:

- 53% of lettings were to those with incomes below £40,000 per year, including five with incomes below £30,000 per year;
- 43% of lettings were to people working in health or education;
- 89% of lettings were to borough residents, including fifteen residents who previously lived in social housing.

3.5 The 978 people on our intermediate housing register of interest at the start of October 2021 had the following characteristics:

- 59% had incomes below £40,000 per year, of whom half had incomes below £30,000 per year;
- 41% worked in health or education;
- 61% were borough residents, of whom over 40% currently live in social housing;
- over half were seeking intermediate rented homes, just below 5% were seeking to buy through shared ownership, and over 40% would consider intermediate rent or shared ownership;
- the households specifically seeking shared ownership had higher incomes (80% had gross annual incomes of £60,000 or more), but the vast majority of the remaining households would be unable to afford First Homes in Camden (only 9% had gross annual households of £60,000 or more).

- 3.6 Taken together, these datasets indicate that homes delivered through the Intermediate Housing Strategy have been highly successful in meeting the needs of people from our target groups. This statement therefore reaffirms the Council's commitment to our Intermediate Housing Strategy, and the priority we give to intermediate rented housing as the type of affordable housing best able to assist working households on low and middle incomes.
- 3.7 The Camden Local Plan 2017 sets a guideline for 60% of affordable housing to be provided as 'social-affordable rented housing' and 40% as 'intermediate housing'. This guideline is consistent with Policy H6 of the London Plan 2021, the needs identified by the Camden Strategic Housing Market Assessment 2016 and the London Strategic Housing Market Assessment 2017, and the priority the Council gives to securing homes that help middle income households to remain in Camden.
- 3.8 Having regard to the emphasis on intermediate rent in our Intermediate Housing Strategy and the tenures supported by the London Plan 2021, our Camden Planning Guidance (CPG) on Housing adopted in January 2021 indicates that 60% of affordable housing (by floorspace) should be delivered as homes for social rent or London Affordable Rent, and 40% of affordable housing (by floorspace) should be delivered as homes for intermediate rent. This statement reaffirms these preferred tenures and guideline percentages.

4 Obstacles to making First Homes work in Camden

- 4.1 In line with our Intermediate Housing Strategy, the Camden Local Plan 2017, indicates that the Council will generally seek intermediate housing in the form of homes for intermediate rent rather than shared ownership because shared ownership will rarely be affordable to households close to median income in Camden. Similarly, the Mayor of London's 2017 Supplementary Planning Guidance "Affordable Housing and Viability" indicates that shared ownership is not generally appropriate where open market values exceed £600,000. Evidence set out in this statement confirms that First Homes in Camden would also rarely be affordable to middle income households.
- 4.2 ONS data indicates that the median Camden house price for the year to September 2020 was £800,000, almost 19 times the median annual income of £42,528 (gross) for residents. Based on a deposit of 25%, a household with median earnings (£42,528) purchasing a home at the Camden median price (£800,000) would require a discount of almost 70% (a discount of c. £545,000) for the home to be affordable on single income at the usual loan-to-income multiplier of 4.5 (loan c. £191,400, deposit c. £63,800, discount price c. £255,000).
- 4.3 Discounts above 50% would have a significant impact on viability, reducing resources available to deliver alternative and genuinely affordable housing types, such as social rent, London Affordable Rent and intermediate rent homes for those on low to medium incomes.
- 4.4 This would harm equality by reducing housing options for groups who are less likely than the general population to be able to afford First Homes, and/ or more likely to need other forms of affordable housing (notably affordable housing for rent) that would be displaced by First Homes. Based on evidence about the impact of shared ownership contained in the Camden Strategic Housing Market Assessment 2016, we consider that the promotion of First Homes in Camden would be likely to have a negative impact on a wide range of groups, particularly lone parent families and households with housing support needs, but also black and minority ethnic households, other families with children, and households containing older people. Details of this evidence are included in Annex A to this statement.
- 4.5 The Camden Strategic Housing Market Assessment 2016 indicated that 10,200 affordable homes to rent would be needed in Camden from 2016 to 2031, 60% of our overall housing needs. Similarly, the London Strategic Housing Market Assessment 2017 found that 47% of all housing needs across London over the next 20 years would be for low-cost affordable homes to rent.
- 4.6 A median-priced home in Camden (£800,000 for the year to September 2020) would also require a discount of over 45% to reach the First Homes price cap of £420,000. Based on the maximum discounted price

of £420,000 for a First Home, a deposit of 25% (£105,000) and a loan-to-income multiplier of 4.5 for a single income (3.5 for a joint income), a purchaser of a First Home would need a single income of at least £70,000 (or a joint income of at least £90,000), which is far above the median annual income of £42,528 (gross) for Camden residents.

- 4.7 As indicated in section 3 of this statement, our Intermediate Housing Strategy seeks to ensure that most intermediate rent homes are affordable at annual incomes from £30,000 to £40,000 (adjusted by wage inflation since 2016 to £31,950 to £42,600)². Of the people on our intermediate housing register of interest at the start of October 2021, 90% had annual incomes below £60,000, and 59% had incomes below £40,000. Providing affordable products that would only be affordable to households with incomes of £70,000 or more would not be consistent with our Intermediate Housing Strategy, the needs identified by the two Strategic Housing Market Assessments, or the needs of people on our intermediate housing register of interest.
- 4.8 Data from the Land Registry's House Price Index shows that there are other housing options available in the borough for households with incomes above the median who are unable to afford the £800,000 median house price in Camden. House Price Index data for October 2018 to September 2019 shows that the average price paid by first-time buyers in Camden (£720,323) was 26.3% below the average price paid by previous owner-occupiers (£976,787), indicating that there are cheaper properties available in some parts of Camden. This is confirmed by ONS data for the year to September 2020, which indicates that the lower quartile Camden house price was £526,500, 34% lower than the borough median house price.
- 4.9 The House Price Index also shows that households with incomes above the median who would rather buy than rent also have housing options available to them in adjoining boroughs. Data for October 2018 to September 2019 shows average prices paid for all property were substantially below Camden in four adjoining boroughs, namely Barnet (-38%), Brent (-43%), Haringey (-35%), Islington (-25%). Details of the data from the House Price Index are included in Annex B to this statement.
- 4.10 Taking all these factors into account, particularly the high price of homes relative to the income of local residents, the Council does not consider First Homes to be a suitable form of affordable housing for delivery in Camden. This is consistent with the position set out in the GLA's First Homes Planning Practice Note on 20 July 2021, which indicates that:
- decision-making related to First Homes should take account of policies in the London Plan and local plans, as well as national policy;

² figures based on 2019 earnings, the latest year for which data is available; we anticipate that 2020 data will be available in November 2021 – if available as anticipated, 2020 figures will be included in this statement prior to adoption.

- First Homes are a form of intermediate housing, and only 18% of the housing need across London is for intermediate homes (London Strategic Housing Market Assessment 2017);
- the 30% standard First Homes discount would not deliver prices within the £420,000 maximum price cap in many parts of London;
- in some circumstances, higher discount levels could harm the delivery of social and affordable rented homes, for which there is the greatest need.

5 Our approach to the First Homes requirement

- 5.1 In the light of the obstacles to making First Homes work in Camden, as set out in section 4 of this statement, the Council will not seek the inclusion of First Homes in developments in Camden, or expect 25% of affordable homes to take the form of First Homes.
- 5.2 This statement reaffirms the Council's commitment to the Intermediate Housing Strategy, and the existing affordable housing priorities set out in the Camden Local Plan 2017 and Camden Planning Guidance on Housing 2021 – which are that 60% of affordable housing (by floorspace) should be for social rent or London Affordable Rent, and 40% of affordable housing (by floorspace) should be for intermediate rent.
- 5.3 The information set out in sections 3 and 4 shows that First Homes in Camden would not meet the same housing needs, or offer the same level of public benefit, as homes for intermediate rent. Consequently First Homes will not be afforded the same weight as homes for intermediate rent when balancing the benefit and harm arising from a development.
- 5.4 We acknowledge that the range of property values across the borough may make it possible to deliver First Homes within the £420,000 maximum price cap in some parts of Camden. Having regard to this potential and the national planning policy, we note that applicants may sometimes seek to include First Homes in a development. Where this is the case, all relevant national and local requirements for First Homes must be met. Key requirements for First Homes in Camden are:
- First Homes should be sold to first-time buyers earning no more than £90,000 per year (national policy may change this income limit over time);
 - the maximum price after discount for First Homes at the time of initial sale should be £420,000;
 - borrowing should fund at least 50% of the discount price;
 - the discount below open market value should be at least 50% - see section 6 of this statement for more details;
 - the same level of discount that was applied to the open market value of the First Homes at the time of initial sale should be passed on to new purchasers at each subsequent resale.
- 5.5 National policy indicates that where First Homes are included in a development, the priority for remaining affordable housing is to provide social rented homes up to a total of 75% of all affordable housing in the scheme. In the Camden Local Plan 2017 and the Camden Planning Guidance on Housing 2021, homes for social rent and London Affordable Rent are included as a single category, with a guideline that these types of homes should form 60% of affordable housing in each

development. Consequently, the Council will prioritise both of these types of affordable housing.

5.6 Having regard to the housing needs identified by the Camden Strategic Housing Market Assessment 2016 and the London Strategic Housing Market Assessment 2017, the guidance provided by the GLA's First Homes Planning Practice Note 2021, and the national planning policy for First Homes, the Council considers that:

- where First Homes are included in development proposals, these proposals should continue to deliver homes for social rent or London Affordable Rent in accordance with the policy requirements of the Camden Local Plan 2017 and the Camden Planning Guidance (CPG) on Housing 2021;
- any First Homes proposed should only ever be delivered in place of a proportion of intermediate housing (rather than homes for social rent or London Affordable Rent).

6 Minimum discount for First Homes in Camden

6.1 National policy sets a minimum discount for First Homes of 30% below open market value, but provides for local authorities to set higher minimum discount rates of 40% or 50% (but developers may need to provide a greater level of discount to achieve the £420,000 maximum discount price cap). This statement sets the minimum discount for First Homes in Camden at 50% below open market value (which is in line with the greatest discount that national policy allows local authorities to require).

6.2 As indicated in section 4 of this statement, a median-priced home in Camden (£800,000 for the year to September 2020) would require a discount of over 45% to reach the First Homes price cap of £420,000. We consider that a minimum discount of 50% will help to mitigate the impact of any First Homes in the borough by:

- ensuring that any First Homes delivered are able to meet the needs of a range of middle-income households in Camden; and
- encouraging developers to continue to include homes for intermediate rent in their proposals.

Paragraphs 5.3 to 5.5 of this statement provide justification for this position.

6.3 Consultants BNP Paribas have provided relevant evidence in conjunction with work they are carrying out to test the viability of the draft Camden Site Allocations Local Plan. Details of this evidence are included in Annex C to this statement. In summary, the evidence supports a minimum First Homes discount of 50% by showing that setting the discount at 50% (rather than 30%) will:

- maintain the viability of development without making First Homes considerably more attractive to developers than homes for intermediate rent; and
- enable any First Homes developed to encompass a variety of home sizes and a variety of prices within the £420,000 discounted price cap.

6.4 The evidence comparing the viability of First Homes and homes for intermediate rent indicates that:

- with a higher discount of 50% applied, First Homes delivered in the lowest value areas of Camden would still have a higher value than intermediate rent homes of equivalent size - therefore a 50% minimum First Homes discount can be set without harming the overall viability of affordable housing or our ability to deliver homes for social rent or London Affordable Rent;

- with a lower discount of 30% applied, First Homes delivered in the lowest value areas of Camden would have a considerably higher value than intermediate rent homes of equivalent size, whereas with a 50% discount, the gap between the value of First Homes and intermediate rent homes would be more modest - therefore a minimum discount of 50% should ensure that the delivery of homes for intermediate rent continues to be a reasonably attractive option.

6.5 The evidence examining the range of First Homes that could be delivered indicates that:

- although there are parts of the borough where a 50% discount would be unable to deliver First Homes, there are also parts of the borough where a 50% discount would be able to deliver First Homes within the £420,000 price cap, whilst a lower discount would not;
- in some parts of the borough, a 50% discount could enable delivery of one-bedroom First Homes (as well as studios), two-bedroom First Homes, or even three-bedroom First Homes within the £420,000 price cap (although three-bedroom homes could only be delivered in the very cheapest parts of the borough) - therefore a discount of 50% would enable delivery of First Homes across a range of different sizes;
- in the lowest value areas of Camden, a discount of 50% would enable the delivery of one-bedroom First Homes at around £242,200 and three-bedroom First Homes at around £416,500, whereas a discount of 30% would increase the price of one-bedroom First Homes to around £339,000, and would not enable two-bedroom or three-bedroom First Homes to be delivered within the £420,000 price cap - therefore applying a discount of 50% would better enable delivery of First Homes across a range of different prices and sizes.

7 Local price cap

- 7.1 Government guidance provides for authorities to set a maximum price (after discount) below the standard £420,000 price cap for London, having regard to local incomes and prices. This statement does not set a lower price cap for Camden, as we consider that this would further squeeze the size of any First Homes delivered, and could involve discounts significantly above 50%, harming the overall level of affordable housing delivery.
- 7.2 Evidence provided by BNP Paribas to support the draft Camden Site Allocations Local Plan can be used to illustrate the impact of an alternative price cap of £370,000, which is just over 10% lower than the standard cap. Across the borough, the market value for new homes ranges from £900 per sqft (approx £9,700 per sqm) to £2,300 per sqft (approx. £24,760 per sqm). This corresponds with market values from approx £378,000 to £965,500 for a 39 sqm studio flat, and £678,000 to £1,733,000 for a 70 sqm two-bedroom flat.
- 7.3 At the bottom of this range:
- a 50% discount could deliver a three-bedroom (86 sqm) First Home at around £416,500, within the standard £420,000 price cap, but not within the alternative £370,000 cap;
 - a 50% discount could deliver a two-bedroom (70 sqm) First Homes at around £339,000, within the standard price cap or the alternative price cap;
 - delivery of a three-bedroom (86 sqm) First Home within the alternative £370,000 price cap would require a discount of 56%;
 - the lower price cap could encourage developers to provide First Homes with fewer bedrooms, or to increase the level of discount, reducing the development's viability and potentially reducing the overall level of affordable housing delivery.
- 7.4 At the top of this range:
- a 50% discount could not deliver any First Homes within the standard price cap or the alternative price cap;
 - delivery of a studio flat (39 sqm) as a First Home within the standard £420,000 price cap would require a discount of 57%;
 - delivery of a studio flat (39 sqm) as a First Home within the alternative £370,000 price cap would require a discount of 62%;
 - the lower price cap could encourage developers to further increase the level of First Homes discount, reducing the development's viability and potentially reducing the overall level of affordable housing delivery.

8 Local eligibility criteria – income cap, local connection test, key workers

- 8.1 Government guidance also provides for authorities to set local eligibility criteria, although these fall away after the first three months of marketing. Authorities can set an income cap below the standard £90,000 for London, set a local connection test (based, for example, on residence, employment or family), or give priority to workers in particular sectors with staffing issues. This statement does not set any local eligibility criteria at this stage.
- 8.2 Evidence on market values in the borough suggests that the price of First Homes delivered in Camden would be at or around £420,000 in most cases. As set out in section 3 of this statement, based on the maximum discounted price of £420,000 for a First Home, a deposit of 25% and a loan-to-income multiplier of 4.5 for a single income (3.5 for a joint income), a purchaser of a First Home would need a single income of at least £70,000 (or a joint income of at least £90,000). Consequently, we do not consider that an income cap below £90,000 could be justified in Camden.
- 8.3 Given the limited range of income groups likely to be able to access First Homes in Camden, we consider that any further restrictions on eligibility (a local connection test or a key worker priority) could make it challenging to sell First Homes delivered in Camden. We may reconsider the potential for local eligibility restrictions when national policy has been in place for long enough for us to assess the actual discount price of First Homes delivered in Camden, and the level of interest from first-time buyers who can afford them.

9 Neighbourhood Plans

- 9.1 Government guidance provides for Neighbourhood Forums to vary the nationally set discounts, price caps and eligibility criteria when producing their Neighbourhood Plans. The Council will strongly discourage the inclusion of such First Homes provisions in Neighbourhood Plans, as these could adversely impact the overall level of affordable housing delivery, make any First Homes challenging to sell, and make monitoring and enforcement of First Homes restrictions extremely complex.

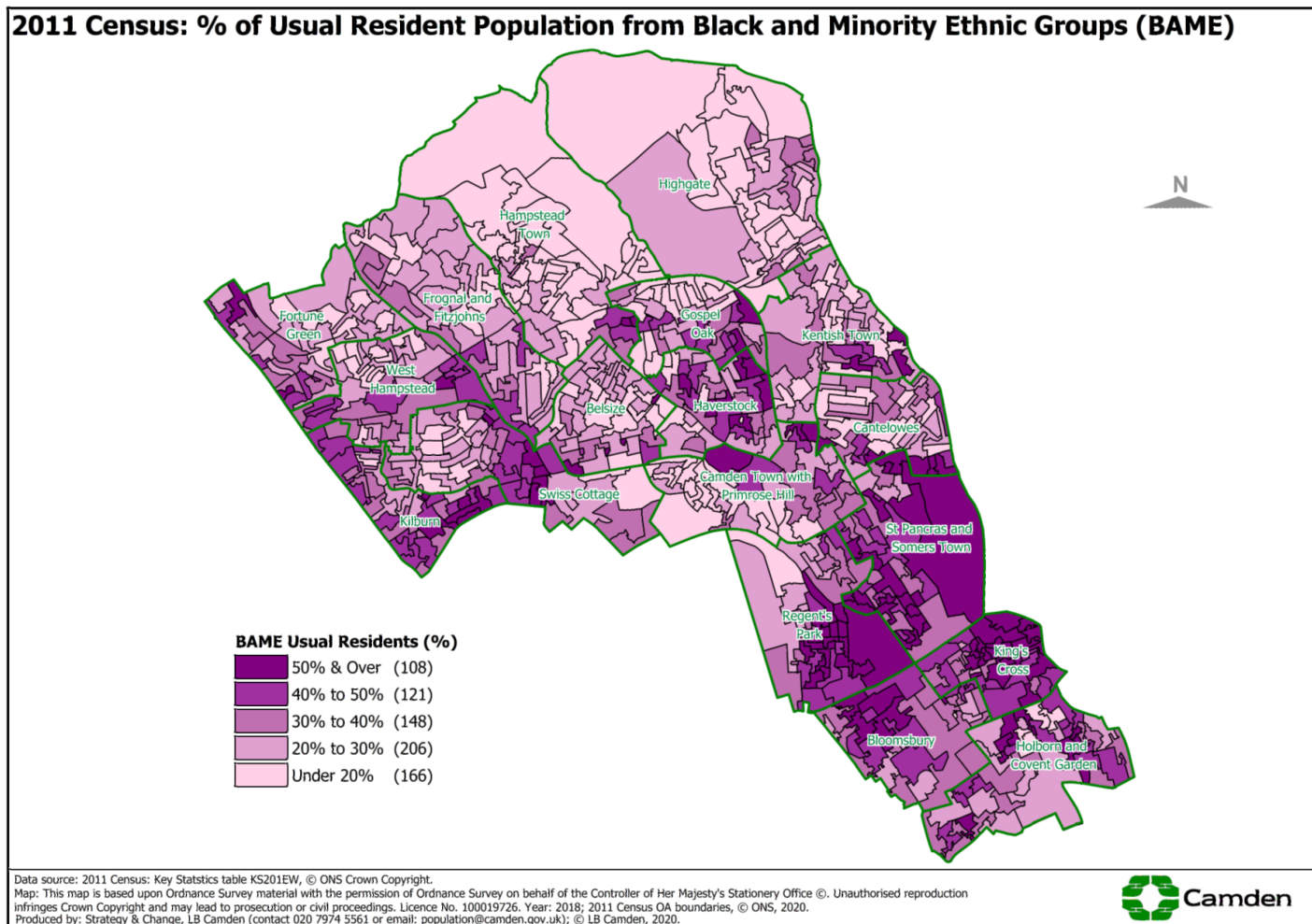
10 Annex A - Equality impact of First Homes on particular groups

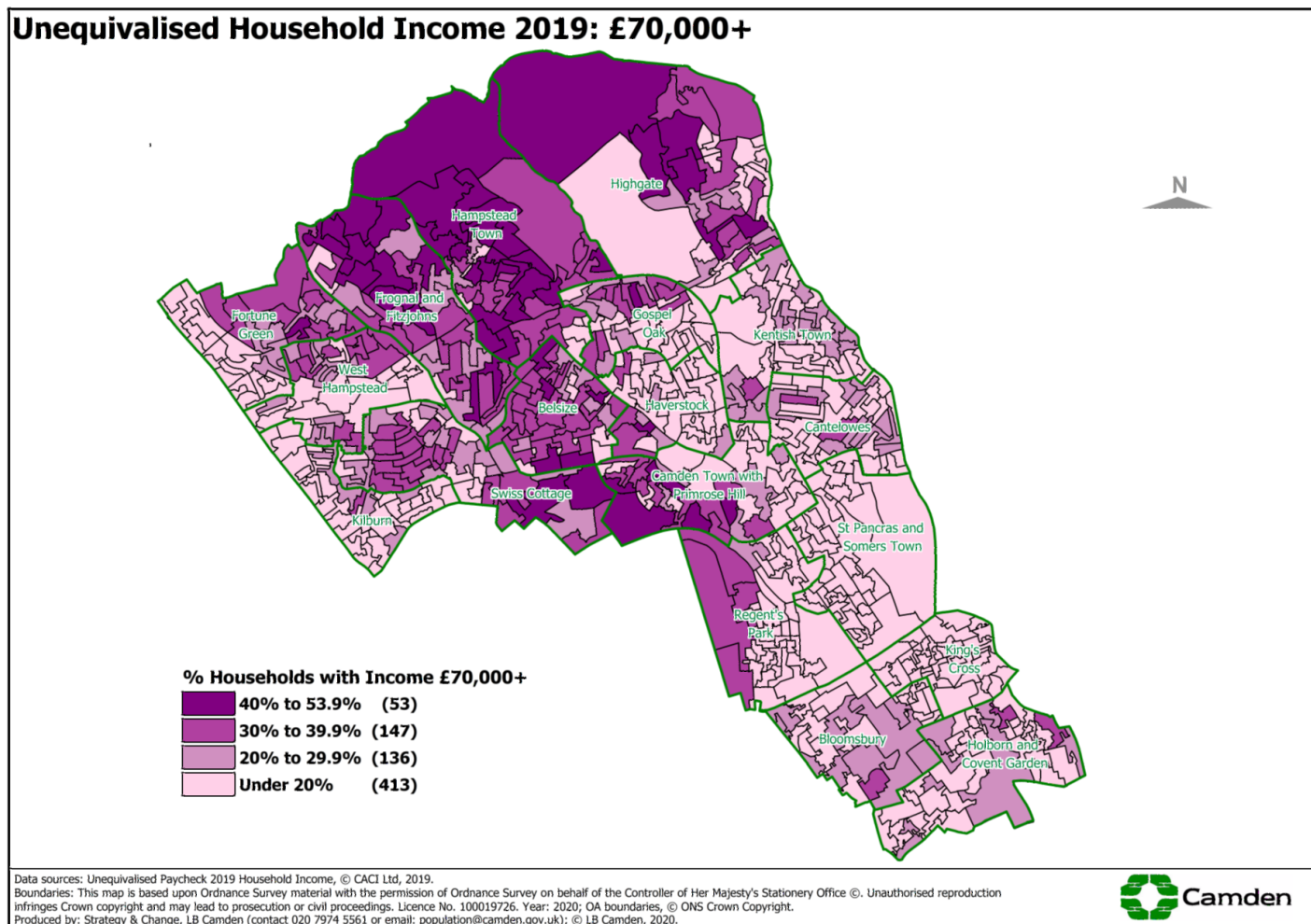
- 10.1 The Camden Strategic Housing Market Assessment (SHMA) 2016 was commissioned jointly with LB Islington, and used an extensive phone survey of Camden and Islington residents to explore the potential of affordable home ownership to meet the needs of different groups. The SHMA tested shared-ownership at 50% equity (with rent, buyers would need to be able to afford 57% of equity). Given the house prices prevailing in Camden, it is likely that First Homes would be sold at the minimum discount levels provided by national policy, which are 30%, 40% or 50% (thus buyers would need to be able to afford 70%, 60% or 50% of market value). We anticipate that those unable to afford shared-ownership at 50% of equity would also be unable to afford First Homes in Camden at these discount levels. The SHMA results for relevant groups were as follows.

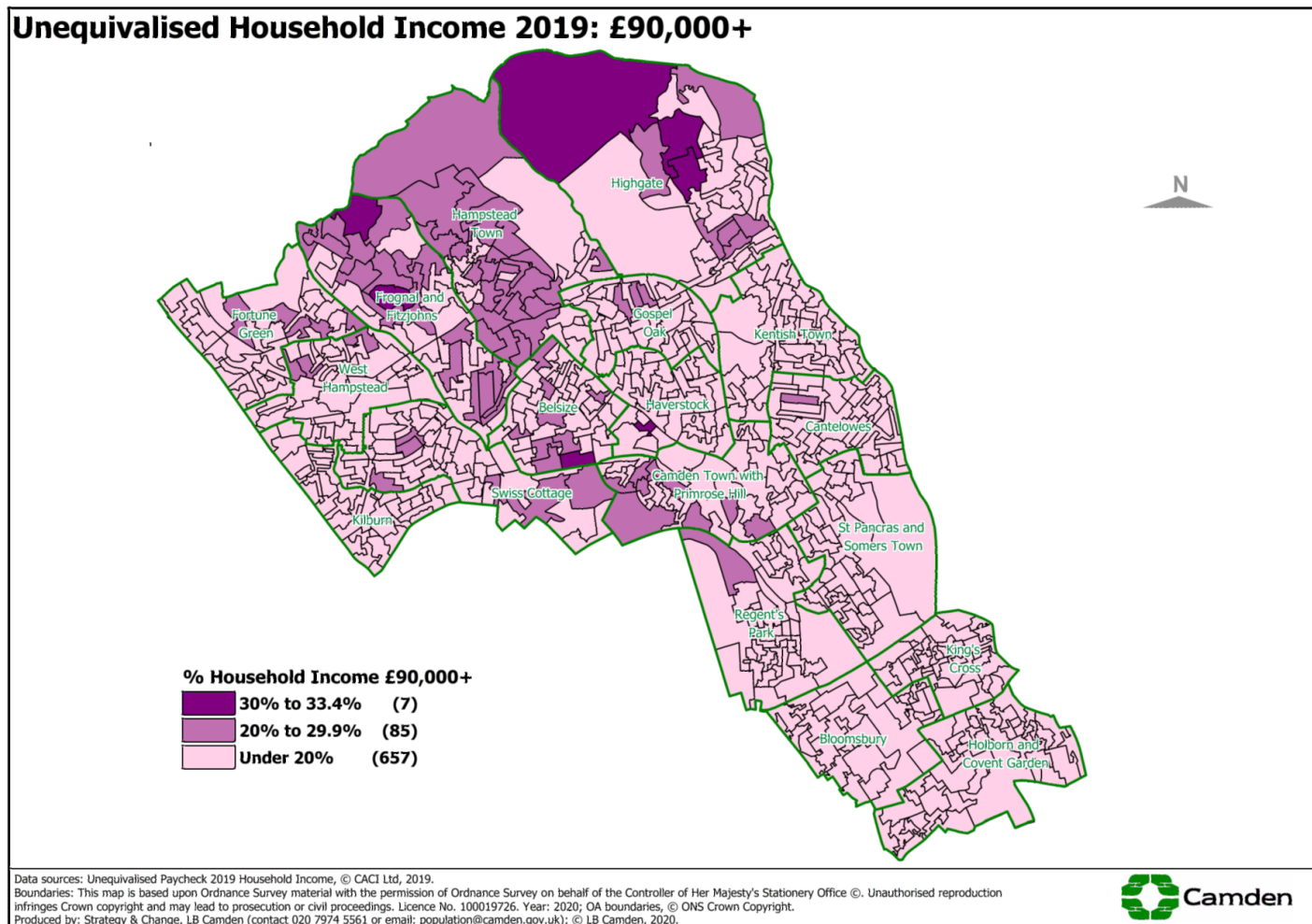
Households from black and minority ethnic groups (BAME)

- 10.2 The SHMA considered the following broad black and minority ethnic groups: mixed, Asian, black, white other, and other. Amongst these groups in Camden and Islington, the SHMA found that 46.5% of households live in the social rented sector, 32.2% in the private rented sector, and 20.8% in owner occupation. The survey indicated that 25% of BAME households could afford open market owner occupation, 4.2% more than currently live in the sector. A further 7% could afford shared ownership with a 50% share of equity. BAME households are heavily over-represented in the social rented sector, and those households living in the sector are unable to afford alternative sectors.
- 10.3 The Camden SHMA thus indicates that a significant proportion of BAME households in Camden and Islington could potentially access affordable home ownership at a discount of 50%, but almost half of all BAME households are dependent on the social rented sector. Overall, through the reduction in delivery of affordable homes for rent, the introduction of First Homes would be likely to have a negative impact on BAME households in Camden and Islington.
- 10.4 Evidence from the Census 2011 and CACI Paycheck data for 2019 provides further evidence that few BAME households in Camden would have the £70,000 single income or £90,000 joint income likely to be needed to access a First Home. The following maps show a strong negative correlation (an inverse relationship) between the parts of Camden with a high proportion of BAME (black and minority ethnic) residents and the parts where a high proportion of households have incomes of £70,000 or more, or of £90,000 or more. Put more simply, where there is a high proportion of BAME households, there is a low proportion of households likely to be able to afford First Homes.

- BAME mapping is based on the 2011 Census data for the following broad black and minority ethnic groups: mixed, Asian, black, and other (the 'white other' category is not included).
- Income mapping is based on CACI data for unequivalised Paycheck 2019 household income.







Lone parent families

- 10.5 The SHMA found that 77.1% of lone parent families in Camden and Islington live in the social rented sector, an even greater over-representation than for BAME households. 12% of lone parent families would be able to afford open market owner occupation, slightly more than the 10.6% currently living in the sector. No additional lone parent families would be able to afford shared ownership with a 50% share of equity.
- 10.6 Through the reduction in delivery of affordable homes for rent, the introduction of First Homes would be likely to have an overwhelmingly negative impact on lone parent households in Camden and Islington.

Other families with children

- 10.7 The SHMA found that other families with children (excluding lone parent families) are over-represented in owner occupation (35.7%) and in social rent (47.2%). More of these households could afford to live in open market owner occupation than currently do so (an additional 4.3%), and a further 5% would be able to afford shared ownership with a 50% share of equity. 46% of families with children would not be able to afford any sector other than social or affordable rented housing.
- 10.8 The Camden SHMA thus indicates that a modest proportion of other families with children (excluding lone parents) in Camden and Islington could potentially access affordable home ownership at a discount of 50%, but 46% are dependent on the social and affordable rented housing. Overall, through the reduction in delivery of affordable homes for rent, the introduction of First Homes would be likely to have a negative impact on other families with children in Camden and Islington.

Households containing older people

- 10.9 The SHMA found that older person households in Camden and Islington (households with a member over 65) are heavily over-represented in owner occupied housing (48.1%), and also over-represented in the social rented sector (38.9%). A slightly higher proportion (49%) would be able to afford open market owner occupation than currently occupy such housing. Only an additional 1% would be able to afford shared ownership with a 50% share of equity. Older people may also have difficulties accessing mortgages for market or affordable home ownership.
- 10.10 Through the reduction in delivery of affordable homes for rent, the introduction of First Homes would be likely to have a negative impact on households containing older people in Camden and Islington.

Households with housing support needs

- 10.11 The SHMA examined households with a support need due to member with a long standing illness, disability or infirmity of any sort. Three-

quarters of these households in Camden and Islington live in the social rented sector (74.9%), a level of over-representation close to that for lone parent families. The numbers that can afford to live in open market owner occupation and those that do so are matched at 14%. Only an additional 1% would be able to afford shared ownership with a 50% share of equity.

- 10.12 The Camden SHMA thus indicates that the introduction of First Homes would be likely to have an overwhelmingly negative impact on households with housing support needs in Camden and Islington through the reduction in delivery of affordable homes for rent.

Working age households without children

- 10.13 The SHMA found that working age households without children are over-represented in shared-ownership and the private rented sector, and under-represented in the social rented housing. More than half of the households in this group are able to afford the private rented sector, rising to more than three-quarters when bedsits and rooms in shared accommodation are considered. A higher proportion (32%) would be able to afford open market owner occupation than currently occupy this tenure (27.4%). An additional 12% would be able to afford shared ownership with a 50% share of equity.
- 10.14 Of the groups considered by the Camden SHMA, working age households without children would be the most likely to benefit from the introduction of First Homes, and relatively unlikely to be impacted negatively by reduced delivery of affordable homes for rent.

11 Annex B - Other housing options available to households with incomes above the Camden median

Options in the borough

- 11.1 The Land Registry's House Price Index data for October 2018 to September 2019 allows comparison of prices by buyer status. This shows that monthly average prices for first time buyers in Camden were around £720,000 (with variations of +/- 5%), compared with monthly prices for former owner occupiers of around £977,000 (+/- 5%). For the year October 2018 to September 2019, first time buyers paid an average of 26% less than former owner occupiers in every month. In other words, without the introduction of First Homes, there is already a sufficient variety of properties on sale in Camden to provide first time buyers with properties that are 26% cheaper on average than those bought by former owner occupiers.

HPI monthly average price by buyer status – LB Camden			
Month	Average price first time buyers	Average price former owner-occupiers	%ge first-time buyer price is below former owner-occupier price
Oct-18	£690,671	£936,934	-26.3%
Nov-18	£689,234	£937,341	-26.5%
Dec-18	£739,171	£1,000,822	-26.1%
Jan-19	£741,620	£1,005,130	-26.2%
Feb-19	£739,695	£998,489	-25.9%
Mar-19	£691,265	£934,292	-26.0%
Apr-19	£703,765	£951,263	-26.0%
May-19	£714,972	£969,760	-26.3%
Jun-19	£743,656	£1,011,080	-26.4%
Jul-19	£752,312	£1,022,086	-26.4%
Aug-19	£730,290	£992,985	-26.5%
Sep-19	£707,223	£961,265	-26.4%
Average of monthly averages	£720,323	£976,787	-26.3%

Options in adjoining boroughs

- 11.2 Successive London Strategic Housing Market Assessments have proceeded on the basis that London can be considered as a single housing market area, and this has been accepted by the independent inspectors carrying out each London Plan examination in public, most recently in 2019. In that context, it is reasonable to suppose that first-time buyers seeking homes in Camden will also consider homes in other London local authority areas, particularly those adjacent to Camden.
- 11.3 The Land Registry's House Price Index data can be used to compare average prices for all property types (monthly average for October 2018 to September 2019) between Camden and adjoining authorities. Average prices in the City of Westminster were consistently above those in Camden, while average prices in the City of London were a little lower in most months. However, buyers in Islington paid around 25% less than those in Camden, and for those buying in Haringey, Brent and Barnet, average prices were more than 30% lower than those in Camden. In sum, without the introduction of First Homes, first time buyers looking to buy in the Camden area can already pay 30% less on average by buying across the borough boundary in Haringey, Barnet or Brent.

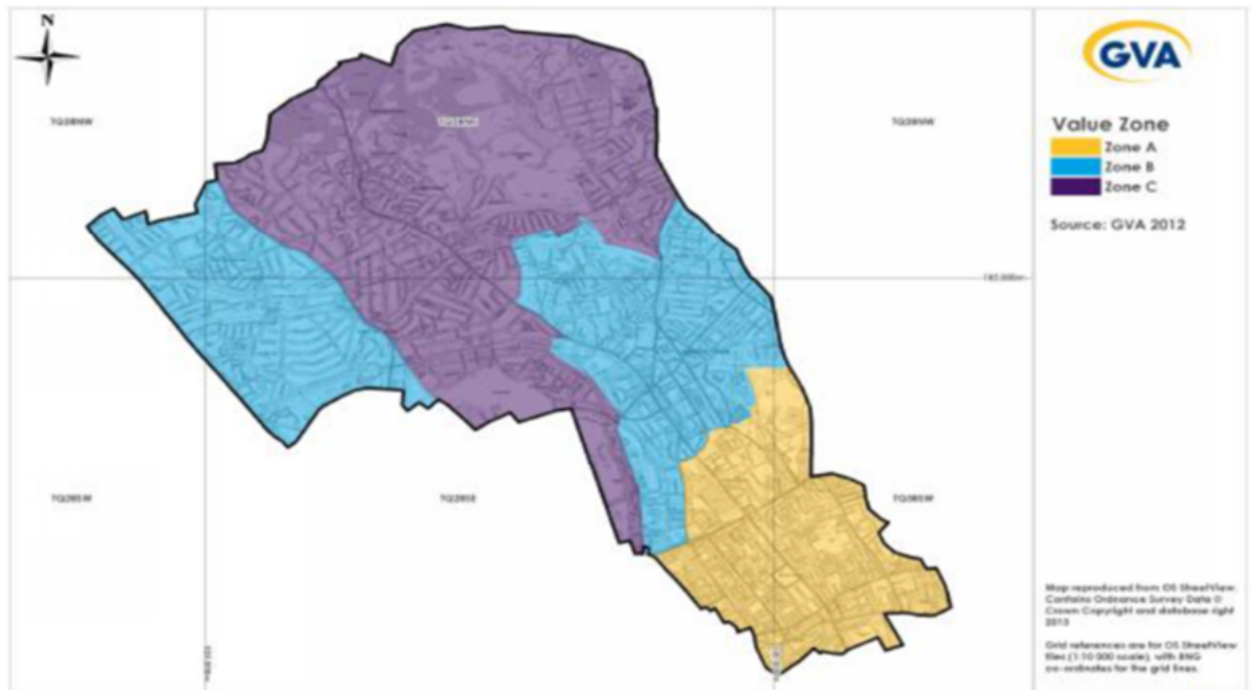
HPI monthly average price by type of property (all property types) – LB Camden, LB Barnet, LB Brent					
Month	LB Camden	LB Barnet	%ge below LB Camden	LB Brent	%ge below LB Camden
Oct-18	£808,474	£537,114	34%	£493,644	39%
Nov-18	£807,570	£534,800	34%	£479,263	41%
Dec-18	£864,615	£533,634	38%	£477,140	45%
Jan-19	£867,808	£528,639	39%	£479,106	45%
Feb-19	£864,136	£524,112	39%	£478,533	45%
Mar-19	£807,895	£517,093	36%	£476,223	41%
Apr-19	£822,533	£512,588	38%	£487,049	41%
May-19	£836,880	£503,721	40%	£482,244	42%
Jun-19	£871,354	£511,926	41%	£472,702	46%
Jul-19	£881,212	£514,134	42%	£470,872	47%
Aug-19	£855,721	£527,996	38%	£486,068	43%
Sep-19	£828,560	£527,115	36%	£500,246	40%
Average of monthly averages	£843,063	£522,739	38%	£481,924	43%

HPI monthly average price by type of property (all property types) – LB Camden, LB Haringey, LB Islington					
Month	LB Camden	LB Haringey	%ge below LB Camden	LB Islington	%ge below LB Camden
Oct-18	£808,474	£547,469	32%	£634,991	21%
Nov-18	£807,570	£545,014	33%	£635,088	21%
Dec-18	£864,615	£544,816	37%	£623,384	28%
Jan-19	£867,808	£545,524	37%	£635,328	27%
Feb-19	£864,136	£545,781	37%	£627,120	27%
Mar-19	£807,895	£537,621	33%	£627,543	22%
Apr-19	£822,533	£530,148	36%	£619,883	25%
May-19	£836,880	£542,321	35%	£623,358	26%
Jun-19	£871,354	£541,576	38%	£627,183	28%
Jul-19	£881,212	£553,882	37%	£632,614	28%
Aug-19	£855,721	£546,952	36%	£649,329	24%
Sep-19	£828,560	£556,375	33%	£656,948	21%
Average of monthly averages	£843,063	£544,790	35%	£632,731	25%

12 Annex C - Market values in Camden and the viability of First Homes

- 12.1 Consultants BNP Paribas have provided evidence in conjunction with a commission they are carrying out to test the viability of our draft Site Allocations Local Plan. The work they are carrying out is framed around separate testing for each of the three zones defined by the Council for the Community Infrastructure Levy.

Community Infrastructure Levy Tariff Zones



- Zone A (south) is essentially the Central London Area plus King's Cross Central, Somers Town and the eastern part of West Euston.
 - Zone B (Camden Town and NW Camden) is essentially Camden Town (with Kentish Town and Gospel Oak) plus West Hampstead and Kilburn.
 - Zone C (NE) is essentially a band from Regent's Park through Primrose Hill to Hampstead and Highgate.
- 12.2 The BNP Paribas work indicates a range of residential values in each zone. The lowest values are found in Zone B Camden Town and NW Camden. Zone C (NE) has the highest values, but encompasses properties within a considerable range of values. The middle of the range of values within Zone A (south) is the highest.

Comparing the value/ viability of First Homes and homes for intermediate rent

- 12.3 The BNP Paribas work allows us to compare the discounted First Homes prices with the capitalised intermediate rents for homes of the same size. The capitalised intermediate rents (less service charges) give an indication of what a Registered Provider (such as a Housing Association) would pay for the intermediate rented homes, and thus show whether the delivery of First Homes would have a negative impact on viability.
- 12.4 Estimates of the capitalised values of intermediate rented homes (less service charges) are set out below and compared with the 50% discounted price and the 30% discounted price in the lowest value part of the borough (Zone B bottom of the range).

Bedrooms	Floor area	Market value	Capitalised intermediate rent	First Homes price (50% discount)	First Homes price (30% discount)
Studio	39	£377,816	£148,000	£188,908	£264,471
1 bed flat	50	£484,380	£207,000	£242,190	£339,066
2 bed flat	70	£678,132	£248,560	£339,066	£474,692
3 bed flat	86	£833,134	£305,000	£416,567	£583,194
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

- 12.5 The table above shows that even at the lowest values in the borough, with a discount of 50% applied, First Homes would still have a higher value than intermediate rented homes, and consequently applying a discount of 50% to First Homes should not harm our overall level of affordable housing.
- 12.6 The table also shows that at the lowest values in the borough, with a discount of 30% applied, First Homes would have a considerably higher value than intermediate rented homes, and a significantly higher value than the same homes with a 50% discount, and therefore applying a discount of 50% to First Homes should help to ensure that the delivery of homes for intermediate rent continues to be a reasonably attractive option.

Comparing the price of First Homes with varying discounts from market value

- 12.7 The BNP Paribas work also enables us to see whether the First Homes could be delivered below the Government's discount price cap of £420,000 with a range of discounts (the Government standard of 30% discount plus the options of 40% and 50%).
- 12.8 Taking the mid-point in the range of values across the whole borough (£1,600 per sqft or 17,222 per sqm), the analysis indicates that no First

Homes could be delivered within the cap applying a discount of 30%. Applying a discount of 40% or 50% would allow 39 sqm studio flats to be delivered below the £420,000 price cap, but no other sizes.

Borough mid-point of market value range (£1,600 per sqft or 17,222 per sqm)					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£671,674	£470,172	£403,004	£335,837
1 bed flat	50	£861,120	£602,784	£516,672	£430,560
2 bed flat	70	£1,205,568	£843,898	£723,341	£602,784
3 bed flat	86	£1,481,126	£1,036,788	£888,676	£740,563
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

- 12.9 However, focusing on the mid-point should not lead us to neglect the considerable range of values across the borough.
- 12.10 For Zone A (south, with some of the borough's highest values), at the top of the value range, a 50% discount would be insufficient to deliver First Homes of any size at a price of £420,000 or lower. In the middle of the range, studio homes could be delivered below the price cap with a discount of 50%, but no larger homes could be delivered, and a smaller discount would deliver nothing below the price cap. At the bottom of the range, studios could be delivered with the standard 30% discount, but a discount of 50% would be required to deliver 1-bedroom First Homes. There is no prospect of 2- or 3-bedroom First Homes being delivered in Zone A.

Zone A bottom of market value range (£1,400 per sq ft or £15,070 per sqm)					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£587,714	£411,400	£352,629	£293,857
1 bed flat	50	£753,480	£527,436	£452,088	£376,740
2 bed flat	70	£1,054,872	£738,410	£632,923	£527,436
3 bed flat	86	£1,295,986	£907,190	£777,591	£647,993
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

- 12.11 For Zone B (Camden Town and NW Camden), the lower market values create a rather better prospect of First Home delivery. Even at the top of the value range, studio flats could be delivered within the First Homes price cap at the standard 30% discount. A 40% discount could extend delivery to 1-bedroom First Homes, but even a 50% discount would be unable to deliver larger sizes. In the middle of the range, a 50% discount would enable 2-bedroom homes to be delivered within the price cap, but

not 3-bedroom homes. At the bottom of the value range, studios and 1-bedroom flats could be delivered within the cap operating a 30% discount, but a 40% discount would be needed to deliver 2-bedroom homes, and a 50% discount would be required to deliver 3-bedroom homes within the First Homes price cap.

Zone B bottom of market value range (£900 per sq ft or £9,688 per sqm)					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£377,816	£264,471	£226,690	£188,908
1 bed flat	50	£484,380	£339,066	£290,628	£242,190
2 bed flat	70	£678,132	£474,692	£406,879	£339,066
3 bed flat	86	£833,134	£583,194	£499,880	£416,567
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

- 12.12 For Zone C (NE Camden, with the highest values for the borough at the top of the range), at the top of the value range, even a 50% discount would be insufficient to deliver First Homes at a price of £420,000 or lower. In the middle of the range, the picture is similar to the middle of the borough-wide range, a discount of at least 40% would be required to deliver First Homes, and these could only be studio flats (not larger homes). At the bottom of the range, studios and one-bed flats could be delivered with the standard 30% discount, but a discount of 50% would be required to deliver 2-bedroom First Homes below the £420,000 price cap. There is no prospect of 3-bedroom First Homes being delivered in Zone C.

Zone C bottom of market value range (£1,050 per sq ft or £11,302 per sqm)					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£440,786	£308,550	£264,471	£220,393
1 bed flat	50	£565,110	£395,577	£339,066	£282,555
2 bed flat	70	£791,154	£553,808	£474,692	£395,577
3 bed flat	86	£971,989	£680,392	£583,194	£485,995
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Conclusion

- 12.13 A 50% minimum First Homes discount can be set in Camden without harming the overall viability of affordable housing or the proportion of affordable housing we are able to deliver. In some parts of the borough, even a 50% discount would be unable to deliver First Homes, but a 50% discount is justified because it would be needed to deliver any First

Homes in some parts of the borough (Zone A mid value range), and in others it could enable 1-bedroom (Zone A bottom of value range), 2-bedroom (Zone C bottom of value range) or even 3-bedroom First Homes to be delivered within the £420,000 price cap (Zone B bottom of value range). A lower discount would not enable the delivery of 3-bedroom First Homes in any part of the borough.

Full set of First Home price analysis tables

CIL Zone	Sales value £ per sqft	Sales value £ per sqm
A lowest	£1,400	£15,070
A mid range	£1,825	£19,644
A highest	£2,250	£24,219

Zone A bottom of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£587,714	£411,400	£352,629	£293,857
1 bed flat	50	£753,480	£527,436	£452,088	£376,740
2 bed flat	70	£1,054,872	£738,410	£632,923	£527,436
3 bed flat	86	£1,295,986	£907,190	£777,591	£647,993
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Zone A middle of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£766,128	£536,289	£459,677	£383,064
1 bed flat	50	£982,215	£687,551	£589,329	£491,108
2 bed flat	70	£1,375,101	£962,571	£825,061	£687,551
3 bed flat	86	£1,689,410	£1,182,587	£1,013,646	£844,705
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Zone A top of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£944,541	£661,179	£566,725	£472,271
1 bed flat	50	£1,210,950	£847,665	£726,570	£605,475
2 bed flat	70	£1,695,330	£1,186,731	£1,017,198	£847,665
3 bed flat	86	£2,082,834	£1,457,984	£1,249,700	£1,041,417
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

CIL Zone	Sales value £ per sqft	Sales value £ per sqm
B lowest	£900	£9,688
B mid range	£1,050	£11,302
B highest	£1,200	£12,917

Zone B bottom of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£377,816	£264,471	£226,690	£188,908
1 bed flat	50	£484,380	£339,066	£290,628	£242,190
2 bed flat	70	£678,132	£474,692	£406,879	£339,066
3 bed flat	86	£833,134	£583,194	£499,880	£416,567
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Zone B middle of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£440,786	£308,550	£264,471	£220,393
1 bed flat	50	£565,110	£395,577	£339,066	£282,555
2 bed flat	70	£791,154	£553,808	£474,692	£395,577
3 bed flat	86	£971,989	£680,392	£583,194	£485,995
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Zone B top of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£503,755	£352,629	£302,253	£251,878
1 bed flat	50	£645,840	£452,088	£387,504	£322,920
2 bed flat	70	£904,176	£632,923	£542,506	£452,088
3 bed flat	86	£1,110,845	£777,591	£666,507	£555,422
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

CIL Zone	Sales value £ per sqft	Sales value £ per sqm
C lowest	£1,050	£11,302
C mid range	£1,675	£18,030
C highest	£2,300	£24,757

Zone C bottom of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£440,786	£308,550	£264,471	£220,393
1 bed flat	50	£565,110	£395,577	£339,066	£282,555
2 bed flat	70	£791,154	£553,808	£474,692	£395,577
3 bed flat	86	£971,989	£680,392	£583,194	£485,995
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

Zone C middle of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£703,158	£492,211	£421,895	£351,579
1 bed flat	50	£901,485	£631,040	£540,891	£450,743
2 bed flat	70	£1,262,079	£883,455	£757,247	£631,040
3 bed flat	86	£1,550,554	£1,085,388	£930,333	£775,277
Red cells indicate discounted prices that would exceed the £420,000 maximum cap, the amber cell indicates a discounted price marginally above the £420,000 maximum cap					

Zone C top of market value range					
Bedrooms	Floor area	Market value	30% discount	40% discount	50% discount
Studio	39	£965,531	£675,872	£579,318	£482,765
1 bed flat	50	£1,237,860	£866,502	£742,716	£618,930
2 bed flat	70	£1,733,004	£1,213,103	£1,039,802	£866,502
3 bed flat	86	£2,129,119	£1,490,383	£1,277,472	£1,064,560
Red cells indicate discounted prices that would exceed the £420,000 maximum cap					

