



Viability of Community-led Housing Projects

Report by Debbie Wildridge, Locality

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Introduction

This report was commissioned by Southwold Town Council to provide evidence to inform three Neighbourhood Plan policies on Community Led Housing (CLH) in Southwold's emerging Neighbourhood Plan.

Locality is the national membership network for community organisations. Our goal is simple: to help local community organisations be the best that they can be and to create a supportive environment for their work. Locality operates the national Community-led Housing website and administers Neighbourhood Planning on behalf of the Ministry of Housing, Local Government and Communities.

Debbie Wildridge is a registered technical community-led housing adviser, working in the East of England since 2013. She has helped 32 projects to get started and develop housing projects in the region. She is part of a national CLH team at Locality.

This report sets out some basic viability principles applicable to all CLH projects and provides several case studies as illustrations. These case studies are by no means exhaustive as no two community-led housing (CLH) projects are the same. This is because communities have differing priorities and objectives and different opportunities. The viability of all CLH Group proposals are assessed in the development phase. Whether viability is achieved will depend on whether any CLH Group exploits their unique local opportunities to achieve an innovative and financially blended solution.

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In a nutshell what are community-led housing (CLH) projects?

The best summary can be found in this extract from “A Planners Guide to Community-led Housing”, Jo Lavis MRTPI, June 2019. This guide was written by planners and Community Led Housing Professionals “to provide planners who work in England with the knowledge and confidence to devise policies and adopt development management practice that supports CLH delivery. In common with any other form of housing development, the delivery of CLH in both rural and urban areas is a shared activity so this guide is also relevant to local authority housing enabling staff and those supporting CLH groups¹.” It has been used by the Southwold Neighbourhood Plan Team and their professional advisor, Navigus Consulting, to develop their Plan's Community Led Housing policies

There is a temptation to assume that CLH can be provided through conventional housing policy and practice. Experience demonstrates that this is a false assumption because of the unique and distinctive characteristics of CLH:

- It is led and owned or under the long-term stewardship of the community. Direct engagement with them is critical, even when the homes are part of a larger development.
- CLH is not a single form of development or tenure. It is not just affordable housing or Custom and Self Build development. It responds to the needs of that specific community. Local Plan policies and Development Management practice needs to recognise and be responsive to this flexibility.
- CLH schemes will have to conform to the Memorandum and Articles of their legal incorporation. These will define: ‘the community’ whether this be geographic or a group that share a common ethos; the tenure; who will occupy the homes and the need for an asset lock and the benefits to be retained for the community in perpetuity. These will need to be taken into account in Development Management discussions and in framing planning obligations.
- CLH schemes will have a different financial viability profile. Their income is likely to be constrained by their objective if they are providing affordable housing and or other community benefits. Their costs are likely to be higher reflecting their more limited borrowing capacity.

For these reasons the land price is critical and local policies should seek to bring forward sites where the land price is below full residential value.

These characteristics require that Local Plan policy explicitly mentions this form of development and adaptations are made to standard Development Management practice.

What is Community Led Housing?

There is no statutory definition of CLH and neither does it have a single form. However, the three eligibility criteria for the Government’s Community Housing Fund can and have been used to define CLH for planning purposes:

1. There is meaningful community engagement and consent occurs throughout the development process. The community does not necessarily have to initiate and manage the process, or build the homes themselves, though some may do;
2. The local community group or organisation owns, manages or stewards the homes in a manner of their choosing. This may be done through a mutually supported arrangement with a Registered Provider (RP) that owns the freehold or leasehold for the property; and
3. The benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity.

¹ A Planner’s Guide to Community Led Housing, Jo Lavis, 2019 P.6.

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Community Led Housing can take many forms, but seven types are most common:

- Community Land Trusts (CLTs)
- Cohousing
- Cooperatives
- Self-help housing
- Community Self build
- Self-finish
- Tenant Management Organisations

Viability principles in CLH projects

CLH projects have a different viability profile from conventional housing delivery. Their income will be constrained by their objective of delivering permanently affordable housing. At the same time, the cost of CLH schemes are likely to be higher, reflecting their more limited borrowing capacity because of lack of credibility with financiers in the early stages and before the organisation has assets to borrow against.

For these reasons, land price is critical and planning policies should seek to bring forward sites where the land price is below full residential value. Policies SWD1-3 help to achieve this critical variable.

It is likely that CLH schemes will need blended finance. This could be a mixture of gifts, grants, loans, community shares, crowdfunding, cross-subsidy, etc. Achieving the first piece of the funding package often leads to further investment as confidence in the project grows.

Acquiring assets can also need donations, less than market valuations, bequests, taking on leases rather than purchasing, and working collaboratively with partners such as Housing Associations, Local Authorities, and landowners both public and private.²

The transfer of assets at low values can be important by enhancing and, in some case, being a determining factor of the financial viability of proposed developments, especially in areas where land values are high. However, not all local authorities have suitable assets available to transfer, and where they do the issue of gaining 'best value' for land over and above consideration of the social returns and impacts can affect potential disposals at low or discounted rates.³

A very important feature of CLH projects is the ability to avoid the developer's profit, typically a minimum 20% uplift on their costs for a profit margin. Community-led housing projects run by a legal entity which has a not-for-profit constitution, nonpaid

² A report on the Urban CLT Project (a pilot scheme to give a £10,000 grant to some urban CLH projects at an early stage of their development) found that over 90% of revenue grant funding came from either charitable foundations or Central Government, 66% of which came from charitable organisations such as Power to Change, the Nationwide Foundation, and Big Local. See the Urban CLT Project Evaluation Authored by Dr Tom Moore, University of Liverpool et al.

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trustees and many volunteer members can undertake many functions without cost to the project. The project costs can be spent on experts: architects, surveyors, valuers, financial expertise, legal charges etc. Further savings can be made using “sweat equity.”

Grant funding comes and goes but a useful source of current available funds can be found at www.communityledhomes.org.uk/make-it-happen/get-funding. Typically there are national and local charities with funding for housing and occasionally, a parish council can provide start-up funding for a CLH. The Community Housing Fund from Homes England is paused but The Affordable Homes Programme 2021-2026 is available for Housing Associations to access (where a partnership with a CLH project could be agreed) Local authorities in England can make capital grants available in several other ways including Right to Buy receipts, the New Homes Bonus and Section 106 commuted sums, provided they work within the Prudential Code limits.

A range of social lenders, including Ecology Building Society, Charity Bank, Triodos Bank and Unity Trust Bank, are more familiar with the community-led housing sector than most high street lenders and are willing to lend to schemes with viable business plans. One relatively new High Street bank, Handelsbanken, has now lent to community-led housing schemes. In addition, investment platforms such as Abundance are increasingly attracting significant amounts of investment in affordable housing. (<https://www.abundanceinvestment.com/our-impact/investments/liverpool-community-homes>)

Some Local Authorities have revolving loans for CLH projects. For example, Great Yarmouth Borough Council and East Cambridgeshire District Council both have funds for a pre-development costs to be repaid upon completion of the project or written off should the project not receive planning permission. www.great-yarmouth.gov.uk/article/6307/Funding

Using Public Works Loan Board money at a very advantageous interest rate, either Parish Councils or Local Authorities can make money available to CLH organisations for subsequent repayment from the rental income. Elmswell CLT, formed by the Parish Council, are planning to use this route.

<http://elmswell.suffolk.cloud/assets/Parish-Council/Policies-and-Documents/Greene-King-development-consultation-pamphlet.pdf>

Finally, the value of donations of building materials, pro-bono work and voluntary help should not be underestimated where the community may be fully engaged in the project. SouthGen's (Southwold) first £4500 in development capital came from volunteers organising the removal and sale on Ebay of the hospital's generator, donated to them by Hastoe Housing Association.

Case Studies

Swaffham Prior CLT acquired assets through the generosity of three landowners who wanted to see their land transferred to the community via 8 affordable homes using the cross subsidy of market houses. www.swaffham-prior.co.uk

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Homes for Wells (HfW) acquired the old school in Wells next the Sea for £500k from Norfolk County Council and turned it into 10 dwellings and since have gone on to provide more homes, some of which have been leases extended by second home owners. Using fund raising events, crowd funding, grants and loans, HfW now houses 54 local people. www.homesforwells.com

Great Staughton CLT will use local 'poors' land to work with a Housing Association to build affordable houses on a piece of land previously used as a donkey field.

Lavenham CLT acquired their old transport site from Suffolk County Council for a transfer fee of £1. This site now houses 18 families.

www.lavenhamclt.onesuffolk.net

The Peninsula Villages CLT (Alderton, Bawdsey, Boyton, Hollesley, Shottisham and Sutton) have used CLH funding from East Suffolk Council to support the cost of building 4 affordable houses. They are planning to use this collateral to undertake their next project which will entail bidding for some redundant Ministry of Defence property. www.peninsulavillagesclt.org.

In Southwold, Southgen, a Charitable Community Benefit Society, acquired a 999-year lease for a peppercorn rent from a Housing Association that had bought a de-commissioned community hospital from the NHS at a discounted price to reflect partial community use of the land. This partnership is now delivering a community hub with four new community facilities plus 9 affordable housing units on a site that the NHS had initially intended to sell for 9 market dwellings that would have been bought as second homes or for holiday letting.

Many CLH organisations are using the cross subsidy of some market housing sales to make viable affordable homes viable, which are then held for the community in perpetuity. The Stretham and Wilburton CLT (SWCLT) in East Cambridgeshire utilised a Local Plan policy where land which was not allocated for housing development could be bought by CLH Groups at a price more modestly above its agricultural value, with the residual value then "captured" to fund affordable housing. If the CLT does not have any capital, a percentage of open market homes can be developed to pay for the affordable element. SWCLT, which began with no capital, now has 19 homes, soon to be 23, one hectare of open space and is now developing further assets including some rented business space and a doctor's surgery. Its rental income generates £12,500 monthly for the community. Keswick Community Housing Trust was set up by Churches Together in Keswick. Its first development was on burial land surplus to church requirement that was acquired at an advantageous price. It used community shares, a commercial loan, grants and cross-subsidies from market housing to build affordable housing.

Leeds Community Homes reported that their Community Share issue had been one of the most important impacts on the Urban Project. The success of Community Share offers highlights how CLTs and other community-based projects can diversify their funding sources compared to mainstream housing providers, tapping into sources of finance that may only be available due to their unique social goals and commitment to community ownership.

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Southgen (Southwold) is also an example of a successful community share offer and the ability to leverage further funding. After raising £479,000 in grants, the share offer was launched with a maximum goal of £350,000. It achieved £398,000 in six weeks, which was topped up by another £100,000 bought by Co-Op UK through a Power to Change matching equity award. See www.southgen.co.uk/community-shares.

Increasingly CLH organisations are making use of Section 106 agreements. In some cases, Local Authorities are aware that few Housing Associations are interested in taking the affordable housing element of larger developments. In other cases such as East Cambridgeshire District Council there is a specific supplementary planning document which encourages CLH developments and CLTs in the area have been part of the s.106 agreement.

A recent example in Stradbroke, Suffolk has a s106 agreement that designates 3 homes (out of the 11 being built) as the affordable element using a discounted market sale model where the CLT will benefit from 25% of the equity in the homes – making them affordable for the purchasers of the 75% equity and at the same time giving the community a long term asset. The fact that the CLT controls a quarter of the equity mean these houses are permanently affordable. If they are sold, they return to the CLT, which sells them to another family that qualifies for shared ownership.

The 1.4 hectare site at Shaldon Road, Bristol was an over-grown area of old allotments, which the Bristol City Council transferred to Bristol CLT to build an exemplar development of 100% affordable homes. There are now fifty 1, 2, 3 and 4 bedroom homes, all built to “passivhaus” standards.

Bristol CLT’s Fishponds Road scheme provides an example of the role played by sweat equity in making a CLH scheme viable. This was its first community-led development of 12 homes, completed in 2016. The emphasis was on creating an affordable and highly community-focused development, and each resident had to be a member of the CLT, becoming invested in the scheme and the CLT’s ethos. Residents played an active role in the design phase and were also able to self-finish their homes, sharing the work to complete kitchens, bathrooms, flooring and more. As a result, residents were able to earn 'sweat equity' in return for the time & effort they put into the project. This either increases the share of the property they own or reduces the rent they pay.

Conclusion

The role of planning policy, whether contained in a Local Plan or Neighbourhood Plan, in encouraging Community Led Housing, is to enable CLH Groups to develop innovative solutions to making CLH schemes viable. Policies SWD1 – 3 in the emerging Southwold Neighbourhood Plan provide a necessary policy framework to enable this to happen in Southwold.

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