Community Land Trusts

Pat Conaty
new economics foundation

Edmonton, Canada
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Housing – Crisis of Affordability

- **Public sector employees** – 60% earn under £16,000 yearly and average house price over 10 times this level in 2007
- **1996 – 2007**: house prices rose by 204% and average wages by 94%
- **Sub-prime lenders**: 80% made loans in 2006-2007 without checking affordability
- **Credit crunch**: ending of easy-credit, deposits typically now £17,000
Housing Affordability Crisis – Welsh University Town Example

- Ceredigion County (Wales) terraced house £63,998 (2002) and £147,377 (2007)
- Aberystwyth terraced house £161,779 is higher and equivalent to the national average of £161,606 for England & Wales
- Aberystwyth apartment price average is not much lower at £157,305
- Housing demand heavily in excess of supply due to University pressure – 12,000 indigenous population and 21,000 combined student population
Community Land Trusts

Mutual system for democratic, community ownership of land for a diversity of local needs including:

(i) affordable housing to rent or to buy
(ii) affordable workspace and retail units
(iii) providing community facilities
(iv) managing allotments/farms, co-housing projects, conservation areas, community woodlands, windfarms, micro-hydro and CHP
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Community Land Trusts – Young Movement

- First CLT in USA in 1968 - but most projects since 1995 (220 CLTs in 40 American states)
- Scotland: developments in rural areas with support from Scottish Parliament since 2003 (25 CLTs)
- England and Wales: first projects being set up now, mostly rural (5 CLTs set up and 20 in formation)
CLT development in Britain and Government support

(i) Scotland – growing support since 2000 but focus on depopulating rural areas in the Highlands and Islands

(ii) England – National Demonstration Project supported by charitable foundations with limited Government support yet, but all party support for the concept

(iii) Wales – support in one rural County, Powys, but growing support from the Welsh Assembly Government
CLTs – Past and Present

- Reverses enclosure, first proposed by Thomas Spence (1775) as ‘Parish Land Trusts’
- Developed by the Co-op movement: Robert Owen, Chartists and John Ruskin 1830 to 1890
- Letchworth Garden City (1903) ‘Co-op Land Society’ – Ebenezer Howard, Unwin and Parker
- Gandhi and Vinoba Bhave – Bhoodan and Gramdan movement
- US civil rights movement – Bob Swann
- Scottish Community Land Buy-outs
Thomas Spence – British Land Reformer and CLT Founder

(i) 1774: Inspired by grass roots campaign to stop enclosure of Newcastle Town Moor

(ii) 1775: Parish Land Trusts proposed to capture the ‘unearned increment’ for community benefits

(iii) 1793: **Real Rights of Man** – disagreed with Tom Paine, argued that ‘all dominion is rooted and grounded in Land’ – democracy needs a property rights foundation
Affordable Housing in Britain

Main providers:
(i) Municipal and district government: major provider but housing stock has been sold since 1980s and stock increasingly transferred to social landlords (including ALMOs)
(ii) Housing associations: the favoured non-profit provider – build mainly for rental or shared ownership. This sector includes a small housing co-op movement
(iii) CLTs – large potential provision and new vehicle for intermediate market
CLT Pioneer - England

Stonesfield Community Trust

(i) Founded in 1983 – led by Quaker activist
(ii) Donated quarter acre site in Oxfordshire village for affordable housing for local people
(iii) Secured planning permission – raised site value from £3500 to £150,000
(iv) Raised a mortgage and ethical investment from local people and Quakers
(v) CLT has developed 12 units of low-cost ‘green housing’ and workspace and retail units
Isle of Eigg Heritage Trust – Land for People

(i) Community organised buy-out of the island for £1.5 million: struggle for decades with absentee landlords

(ii) CLT established in 1997 – has developed community owned businesses: including shop, tourist facilities, workspace, hydro power plants and wind farm (energy now 98% renewable)

(iii) Successful struggle led to Community Land Unit and Land Reform (Scotland) Act 2003 giving communities a pre-emptive ‘right to buy’ and also setting up the Scottish Land Fund
CLTs – UK Housing Market Gap

• Local people in need of affordable housing - based on 30%-35% of income
• not social housing for the poor – CLTs complement public and housing association market
• Target frequently people in the intermediate market on average earnings (£14K to £30K)
• Recognise and seek to meet the needs of young people and local communities
Five steps to affordability

1. Gifted or heavily discounted land
2. Gifted and discounted professional services (e.g. involve as Board members)
3. Cost-effective, energy efficient design and economical construction techniques
4. Reducing the need for bank borrowing and minimising interest payments
5. Co-operative housing - through a Mutual Home Ownership Society (MHOS)
CLT Appraisal Process

Pre-development Feasibility Work

• Market appraisal and affordability design & selection criteria: through housing needs survey
• Site selection: through options appraisal
• Costs appraisal including Sustainable construction methods and viable options
• CLT model: options appraisal
• Outline financial model for preferred site
• Report for the planning authority and target funders
Securing land and Local Planning Permission

- **Local Government Act - Section 106 agreements**: requires developers to set aside land for affordable housing to secure planning permission
- **Rural exception sites**: allows land to be accessed at agricultural prices for meeting local needs for housing development
- Difficulties in most urban areas in Britain – to find a site to make a start
Local Housing Needs Survey

Methods to appraise the local market:
(i) Local housing market price appraisal
(ii) Waiting lists and municipality data assessment
(iii) Postal survey and analysis of demand by age groups, for particular property sizes and for tenure (to rent or to buy)
(iv) Local surveys in target local areas including public views on affordable housing development and local needs
**Objective:** to preserve affordability in the long term through locking in the land assets and a resale formula

**Obstacles:** Right to Buy legislation - leasehold enfranchisement and ‘Rule against Perpetuities’

**Tenure forms and Legal Solutions** include:

- Equity purchase
- Rent to equity
- Mutual Homeownership Society (Co-op model)
- Declaration of trust
CLT Type: the Options

**Considerations** include:

- Tax (housing association rules limit this)
- Welfare Benefits (to cover job loss)
- Transaction and management costs
- Repair and Maintenance costs (lease issues)
- Long-term environmental objectives
- Democratic participation/community control and benefit
CLT Target Housing Costs

- 3 bedroom house: £120,000 (£220,000)
- 2 bedroom house: £100,000 (£168,000)
- 1 bedroom flat: £70,000 (£100,000)
Stage 2: Development Tasks

- **Fundraising** to secure both development and future operational resources in cash and in kind
- **Selection of development partners** (e.g., architect, housing association, other risk manager)
- **Preparation of model leases and the allocation policy**
- **Development of drawings**, the business plan and the planning permission proposal
- **Negotiating planning permission**
- **Arranging mortgage finance** and other gap funding as required for technical assistance, construction and for 25-30 years
Developing an Allocations Policy

• Lettings policy will be drawn from earlier work: any 106 Agreement, business planning, housing needs identified, target resident group;
• Policy must be clear and transparent;
• A list should be maintained of those interested in the housing;
• Application forms and a leaflet containing a clear explanation of the tenure should be drawn up for circulation;
• Housing should be advertised about 3 months before construction is due to be completed.
CLT Development Phases

Stage 3: Construction Phase

- Tendering the work
- Negotiating the contract
- Exchanging the contract
- Managing the work and mitigating risks
- Handover
Sustainable Construction Methods and Costs

- Local organisations and green builders have a wealth of knowledge and expertise (CAT, West Wales Eco Centre);
- Crucial to identify the right architect;
- Energy savings should be integrated into financial modelling;
- Availability of government grants?
- Relevance of green energy?
- Social sustainability: employment and training for local people as part of the construction project?
- Cost considerations: off-site construction?
- Self-build option?
Reducing construction and operating costs

(i) Using modern methods of construction: Nordic Co-op Open House or pod systems (eg. Elements Europe, a one-bed unit of housing can be delivered for around £47,000)

(ii) Timber-frame ‘assisted self-build’ system – Accord Housing Association
Reducing Financing Costs – Current Methods

- Scottish Land Fund – feasibility study grants and loan finance
- Community Land Trust Fund – technical assistance grants and pre-development revolving loans (site surveys, architect fees and planning fees)
- CLT can use Industrial and Provident Society to promote an ethical share issue to raise capital locally towards costs (Stonesfield model)
- Champlain Land Trust (Burlington, Vermont) gift aid system
- CDS Co-operative Housing Finance Society (loan guarantee mechanism for co-op housing)
- Venturesome and Charity Bank – specialist finance
Stage 4: Completion & Operational Phase

• Appointment of management agent or CLT manager
• Letting the properties to rent or to buy
• Production of publicity material and a prospectus for the CLT
• Raising of funding to resource next project and the establishment of the CLT as a social enterprise for town or municipality
Mutual Homeownership (MHOS)

- Housing Co-op owns the dwellings
- Separate CLT company owns the land
- New members make a 5% deposit
- Mortgage is corporate
- Full repairing lease based on 30% to 37% of household income
- Lease payments convert to equity stakes
- Co-op pays members leaving their equity less 10%
Gloucestershire Land for People

• Piloting the first MHOS project in Stroud
• Cashes Green, former hospital site
• Planning for Real with 200 residents
• Development of 77 Eco-Homes: 50 MHOS and 27 open market to cross-subsidise
• Community centre and health centre
• 25 allotments and nature area
• £8.8 million mortgage – CDS Co-operatives