

# 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

# CLT Pioneer - Scotland

## **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 (eg. 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

# CLT Type: the Options

*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)

# CLT Development Phases

## Stage 2: Development Tasks

- **Fundraising** to secure both development and future operational resources in cash and in kind
- **Selection of development partners** (eg 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

# CLT Development Phases

## **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