

Chichester District Council

OVERVIEW AND SCRUTINY COMMITTEE

17 March 2015

Community Land Trusts and Custom Build

1. Contacts

Report Author:

Linda Grange, Housing Delivery Manager,
Tel: 01243 534582 E-mail: lgrange@chichester.gov.uk

2. Recommendation

- 2.1. To note the role of community land trusts (CLT's) and custom / self-build in the delivery of housing and consider what the district council can do to both promote these initiatives and support rural parishes and communities interested in CLT's and custom build.**

3. Background

- 3.1. Last September Overview & Scrutiny Committee considered the Housing Strategy review and a new intermediate housing policy. At the meeting officers were asked to provide members with a briefing paper on CLT's and self-build housing so that members could consider how they can contribute to the supply of affordable housing within the district.
- 3.2. The Localism Act brought about new opportunities for communities to shape their local area with new rights providing opportunities to develop new homes and community assets. At the same time, in the face of an under-supply of housing and house prices far exceeding what is affordable to local people the Government's housing strategy encourages the delivery of housing through both large scale measures, such as new Garden Cities, to developer-led custom build methods and community-led housing solutions, including community land trusts and self-build.
- 3.3. Registered providers are often unable or unwilling to develop small rural sites as they are unable to achieve the economies of scale required to develop affordable housing with the low levels of grant subsidy now available and their limited staff resources.
- 3.4. SDNP have indicated that its members wish to promote community land trusts as a means of delivering affordable housing in the National Park.
- 3.5. CLTs have previously been considered by Policy Development Committee in March 2006 and then Executive Board in May 2006 which resolved that the delivery of a small scale Community Land Trust be explored further as and when opportunities arose.

- 3.6. Kirdford have recently set up a CLT, the first in Chichester district. The parish propose to work with Greenoaks Housing Association to deliver affordable housing to meet local housing needs, as set out in their neighbourhood plan.
- 3.7. Currently less than five parishes have expressed any interest in community land trusts.
- 3.8. A self-build group was set up in Petworth about 5 years ago. The rural housing enabler worked with the group to find a suitable site and discussions were held with the Leaconfield Estate. However, a suitable site could not be identified and the project was not progressed.
- 3.9. The attached briefing papers (appendix 1 & 2) provide more information on government policy, support and funding, and the benefits of and problems with the delivery of housing through CLT's and custom build housing. Suggestions are also made as to what the district council can do to both promote community led initiatives and support rural parishes and communities interested in CLT'S.

4. Appendices

Appendix 1 – Community land trusts briefing paper

Appendix 2 – Custom & self-build briefing paper

5. Background Papers

- 5.1. The Community Land Trust Handbook, The National CLT Network, December 2012
- 5.2. Community Land Trusts, Executive Board, 9 May 2006.
- 5.3. Right to Build: Supporting Custom and Self Build Consultation, DCLG, October 2014.
- 5.4. Build-it-yourself? Understanding the changing landscape of the UK self-build market, Centre for Housing Policy, The University of York, spring 2013.
- 5.5. Homes to DIY for The UK's self-build housing market in the twenty-first century, Joseph Rowntree Foundation, 2001.

Community Land Trusts – Briefing paper (OSC March 2015)

What is a Community Land Trust (CLT)?

Community Land Trusts (CLTs) are organisations initiated and governed by local residents seeking, for instance, to facilitate the delivery of affordable housing and other beneficial community facilities within a defined geographical area. CLTs are non-profit organisations led by representatives of local communities (in some cases separate from the Parish Council), through an open democratic structure. Their practical focus is usually on the development and permanent retention of affordable housing or community facilities. The introduction of Neighbourhood Planning in the Localism Act provides an opportunity for CLTs to be identified as part of the solution to locally identified needs. There are now 170 CLTs across England and Wales, half of which have formed in the last 2 years, most are located in rural areas in the north and south west. Their predominance in these areas is typically because the communities have identified a housing need and at the same time recognised that market development or registered providers (RPs) are unable to meet their needs due to isolation and the prioritisation of affordable housing development in areas of greatest need, i.e. town and cities, particularly in London and the South East.

How do they work?

CLTs can acquire land or property and hold it in trust, allowing them to control the price of homes they develop on the land, through ownership and covenants in the freehold title that are placed on the resale and rental of homes. The basic concept is that the land is taken out of the market equation, so that the impact of land appreciation is managed or controlled to enable delivery of long-term affordable and sustainable local development. The value of development gain is thus captured in perpetuity by the community.

When offering homes for sale, CLTs typically retain the freehold of land and sell leaseholds or equity stakes at affordable levels, with resale restrictions in place to maintain affordability and avoid homes being taken into private ownership.

CLTs may find that land will come forward from local landowners who are swayed by the emphasis that CLTs place upon meeting local needs and the assurance that the land and the homes will be stewarded in perpetuity for the benefit of the local community. There are three principle sources of sites for CLTs;

- Rural exception sites – the land is made available at a substantially reduced value.
- Section 106 sites – the affordable housing contribution is usually developed by registered providers but CLTs may be able to bid for these sites.
- Land in public ownership – transference or sale to a CLT of land or buildings that are in public ownership for “less than best (financial) consideration” because of the social, economic and environmental benefits that would result from a CLT development. The Royal Institution of Chartered Surveyors (RICS) has issued best practice guidelines to local authorities and public sector institutions identifying the typical processes that would have to be followed to justify such an action.

A CLT does not necessarily have to take on the whole responsibility for the development of a scheme. For example in regard to affordable housing, and depending on its attitude towards involvement and risk, it may wish to partner with a registered provider to undertake some or all of the development. Generally RPs share the same mission and purpose of CLTs, to provide good

quality affordable homes and can offer their expertise to any partnership arrangement. However, not all RPs are willing or able to devote the time and resources to working with a CLT, as the risk is high and the return is low.

In the long term most CLTs aim to be financially independent with rents, ground rents, letting and service charges covering mortgages and running costs, with any deficits being covered by local fund raising.

Allocations and local connections

Most CLTs will wish to have as much control over the future allocations of the homes as possible and this usually includes giving extra priority to those with local connections. However, if the development of homes involves funding from the Homes and Communities Agency, nominations arrangements must be agreed with the local authority and the allocations policy must demonstrate how it will “contribute to the local authorities’ strategic housing function and sustainable communities”. Not all RP’s rely on the HCA funding.

Setting up, support and funding

The National CLT Network promotes and supports the work of CLTs and its members across England by providing resources, training, advice and support. It also manages the CLT Fund (funded by various trusts and foundations). This has both a Feasibility Fund which provides a day's scoping support with a technical adviser and a Technical Assistance Fund which provides grants of up to £5,000 to emerging CLTs to develop their initial ideas into a comprehensive business plan.

Action in Rural Sussex (AIRS) has set up a CLT umbrella project (funded by SDNP and the Coast to Capital LEP) to support emerging CLTs in Sussex and Surrey. They have employed a CLT officer who is responsible for supporting steering groups, reviewing feasibility, providing advice on accessing funding, grant and loans, identifying project finance and assisting with business plans.

To support the development of community-led housing, the Government has made available a portion of the Affordable Homes Programme for community-led housing scheme. In addition, a £30 million revolving loan fund has been put in place to support group self-build or custom build schemes.

Despite these opportunities, communities are operating within a very challenging economic environment. There is less Government grant available for affordable housing, limited availability of private finance for development, a general tightening in mortgage lending and escalating constructions costs, all of which makes the development of new homes a challenge. Listed below are the possible funding sources available to CLTs:

- HCA National Affordable Housing Project Grant funding
- Local authority grants including commuted sums received in lieu of affordable housing
- Banks and building society’s
- Charitable grants
- Cross subsidy from market value sales
- CLT Investment Fund
- Community Fund Raising

Why set up a CLT?

Issues of housing supply and affordability are inherently linked to high land values, which are one of the biggest impediments to the delivery of affordable housing. The implication of this is that a growing percentage of the cost of homes is taken up by land costs, creating what a joint report by KPM and Shelter (2014) recently described as “*a vicious circle in which high land prices ensure housing outputs remain low and house prices high – which in turn sustain higher land prices.*” It is these forces that CLTs seek to counter, as they seek to reduce the impact of land prices on the cost of the homes they develop by holding it in trust and capturing land value for community benefit.

The benefits of setting up a CLT can include:

- Long-term investment in the community with the value of the land captured for community benefit in perpetuity and any public subsidies for land purchase and build locked in for future generations.
- Long term stewardship of community assets. They are community led and controlled, with responsibility for monitoring publically funded projects shared with residents and other local trustees.
- They can provide a mix of tenures to meet the needs of local people and offer guarantees in respect of nominations going to residents with a local connection.
- A CLT might bring forward land that would not otherwise be available.
- They can create income for community re-investment
- Achievement of wider social and economic benefits for the community, such as retaining younger households and building social cohesion.
- Delivery of innovative models of affordable housing, designed to be affordable to the community. CLTs are not necessarily subject to the same regulatory framework as registered providers.

Issues & problems associated with CLT's:

The concept of CLT's is not new but more recent interest has shown that there are legal, technical and practical difficulties that need to be overcome to make CLT's more effective, particularly where planning gain or public funding, in the form of a grant is involved.

- The support and commitment of the community is essential to successful delivery.
- CLTs are expected to be mini developers but as CLTs are run by local volunteers the resources and expertise available to bring forward developments is often limited and progress can be very slow in the delivery of the housing or other community owned facilities.
- Securing funding and being able to meet completion targets set by the HCA or funders can be challenging for a locally based organisation run by volunteers.

- Finding a partner RP is becoming more difficult as local providers merge and become part of regional/ national organisations.
- It can be difficult for those wishing to purchase a home in the CLT to obtain a mortgage from a high street bank as banks are concerned about their position in the event of a default. To mitigate against this, the East London CLT have taken a position that in this situation, the bank could sell the property on the open market.
- Buying a home in a CLT may not be as cheap as some of the other low cost home ownership options. The cost of a property in a CLT will partially be dependent on the cost of the land and whether it is sold at a discounted rate or transferred at a nominal fee.

What can CDC do to support rural parishes and communities interested in CLT'S?

- Information & support – Work with AiRS to promote awareness of CLTs, provide information on how they work and offer support to those communities wishing to explore this route to delivery of affordable housing, including signposting to available information, examples of best practice and existing practical and legal guidance.
- Assessment of housing needs including a Housing Needs Survey
- Identification of RPs willing to work with CLTs. Currently Green Oak Housing Association and Hastoe Housing Association have advised that they are willing to work with CLTs within the District.
- Help to identify suitable sites and provide guidance on planning policy and planning applications.
- Consider making funding available to support the development of CLTs, such as interest free loans; deferred interest on loans to cover development finance for site purchase and build costs with interest paid upon completion; grant for creating serviced self-build plots covering the land costs, services and slab foundations. CDC would need to ensure that any group receiving assistance from the Council to set up and manage a CLT had the necessary level of expertise and commitment to deliver the project.
- Use of New Homes Bonus – discretionary grant (up to £25k) to help cover early development work or as a contribution to land or construction costs.

Example CLT Case Study

Lyvennet Community Land Trust, Cumbria – was formed in 2008. In July 2012 it completed the development of 20 homes, including 8 self-build properties. The funding cocktail used by the trust will be typical for many CLTs, and is outlined below.

1. Early Feasibility

Lyvennet Community Land Trust used grant funding to accomplish two key preliminary steps: registration of Lyvennet Community Land Trust as a company, and establishing a business plan. Company registration, in January 2009, cost £1,000 and was covered by a grant from the local parish council. Support for the development of the business plan, a key document used throughout the project with grant funders, banks and the local community, was provided by grant from the CLT Investment Fund.

2. Pre-development work

The trust used loan finance from the CLT Fund and the local authority to cover pre-development work, as outlined below. Site purchase and full planning was funded by the CLT Fund Investment Fund.

COSTS		FUNDING
Pre-development		
Initial site layout and design by architect	£26,100	£30,000 - CLT Fund Pre-Development Investment Fund Loan. March 2010 £30,000 - Eden District Council Loan. April 2010. (This was subsequently commuted to a 50:50 loan-grant arrangement)
Asbestos, topographical, bat and ecological surveys on site	£5,100	
Site valuation	£3,200	
Technical support with Tenant Services Authority and HCA applications	£4,400	
Planning application	£4,200	
Legal work associated with obtaining charitable status	£3,500	
Site development work, including the services of an Independent Financial Verifier	£3,500	
Charity Bank Fees: 1% arrangement fee on initial £1m mortgage and loan	£10,000	
Site purchase and full planning		
Site purchase	£252,000	£300,000 CLT Fund Investment loan (Charities Aid Foundation). December 2010
Full scheme design by architect	£33,000	
Initial input from design engineer	£11,500	
Legal fees associated with site purchases	£3,500	
Total Cost	£360,000	Total Funding: £360,000

3. Development of the scheme

The build costs of the Trust's scheme were funded by a mix of grant and loan finance, as well as some cross-subsidy of the affordable housing units using the proceeds of sale of other units.

COSTS		FUNDING	
Build costs	£1,345,000	Bridging finance loan -	£975,000
Loan repayments	£345,000	Charity Bank. March	
Professional services	£176,800	2011	
- Architect	£65,400	HCA National Affordable Housing Project Grant (50% payment on start on site and 50% on completion). March 2011	£660,000
- Design engineer	£50,200		
- Quantity surveyor	£40,800	Cross-subsidy proceeds from sale of initial self-build plots. May 2012	£10,000
- Planning and regulation fees	£10,300	Income from two shared ownership properties	£195,000
- Accountants	£5,400	Big Society grant	£32,000
- Code assessor and waste plan	£4,700	Community fundraising	£8,000
Interest charges	£108,000	Community fundraising	£8,000
Contamination reports and remediation	£24,000	Rental income	£500,000
Repayment of bridging finance	£975,000		
Total costs	£2,949,800*	Total funding	£2,980,000**
		Total surplus	£30,200

* Additional costs were accrued, however are not provided in the breakdown

**Additional funding was received, however is not provided in the breakdown

The National Community Land Trust Handbook provides a more detailed step by step guide on community land trusts and details of further case studies.

Custom & Self Build briefing paper (OSC March 2015)

Background and definitions

This Government is keen to promote the custom and self build sector. They see it as a way of increasing the capacity and diversity of the house building industry and as an affordable way to home ownership.

The Government defines custom build housing as housing commissioned and built by individuals or groups of individuals for their own use, either by building the home on their own or working with builders. It typically involves individuals or groups of individuals commissioning the construction of a new home or homes from a builder, contractor or package company or, in a modest number of cases, physically building a house for themselves or working with sub-contractors.

The term “custom build” generally describes a more “hands off” approach where a specialist developer coordinates the whole process, with a contractor or package company undertaking the design and construction incorporating clients' demands. Increasingly developers are creating large estates of individual serviced plots with outline planning permission. These are then sold to individuals who specify their own design and organise the build out of the plot.

Self build is a type of custom build and usually used to describe projects where the individuals involved play a significant part in the process including the organisation of the project, commissioning of the architect and builder or the physical construction or finishing off work.

It is suggested that custom build can be cheaper, greener and more affordable than standard market housing. In the past custom build homes in this country have been seen as an option only for a privileged few, but in many other countries, they form an important way of building new homes for households.

Identified barriers to custom build in this country include access to suitable plots of land to build on; access to development finance to enable the purchase of land and start of construction; and the hurdles and frustrations that many custom builders face when they engage with the regulatory regimes that govern the development process. Government initiatives directly aimed at these barriers include:

- An online Self Build Portal to provide information for self builders
- Making £30 million available from 2012 to provide short term capital finance for group self build projects.
- Creating a £150 million Serviced Plot Fund starting this year to provide 10,000 serviced plots by 2020.
- Making available up to £65 million for affordable housing projects (including self build) from the Affordable Homes Guarantee Programme.
- Exempting custom builders from paying the Community Infrastructure Levy and taking steps to scale back Section 106 burdens.
- Identifying a pipeline of sites for custom build opportunities through the Homes and Communities Agency's disposal of public sector land; and
- Placing a stronger emphasis in planning policy and guidance (through the National Planning Policy Framework) on local planning authorities planning for custom build when preparing their local plans.

Government Policy and the Right to Build

DCLG recently consulted on a new Right to Build which proposed to give prospective custom builders a right to a plot of land from their local council. 11 vanguard schemes have already been established to test the practicalities of operating the right across England with the aim of legislating for this in the next Parliament.

It is proposed that the Right to Build will operate as follows:

- Prospective custom builders will be entitled to apply to their local planning authority for a suitable, serviced plot of land on which to build or commission their own home;
- This application will be recorded on a Right to Build register for their local area
- The demand on the register will be taken into account in particular in the preparation of local plans so that there are appropriate planning policies in place to bring forward sufficient plots of land for custom build; and
- Registered custom builders will be offered suitable plots of land (with some form of planning permission and servicing) for sale through the local planning authority at market value.

Private Members' Self-Build and Custom Housebuilding Bill 2014

This focuses on enacting the first element of the Right to Build. The purpose of the Bill is to allow individuals wishing to build their own home to register with the relevant authority for a suitable plot of land. Specifically the Bill makes provision for:

- Relevant authorities to maintain a register of people who are seeking to acquire a serviced plot in their area in order for them to build houses for them to occupy as homes; and
- Relevant authorities (broadly local authorities) to have regard to the demand for custom build housing as evidenced by the register when exercising certain functions including those relating to planning and housing.

The Bill proposes that local planning authorities would need to publicise their register, so that local custom builders are aware of it.

The Government recognises that there are some authorities with significant constraints on land supply for housing who may face particular challenges in bringing forward land to meet all the demand expressed on the register through the local plan process.

In such circumstances it is proposed that the obligation remains with the authority where the prospective custom builder has the local connection. However the authority might bring forward land from another authority in the housing market area to offer to people on the register and discharge their statutory responsibilities. The authority may need to be able to evidence both that it is constrained within its own area and that the alternative plots being provided are in a reasonable alternative location.

The full proposals involve local planning authorities:

- being responsible for bringing forward plots with outline planning permission and any relevant servicing (including land remediation),
- offering plots of land to registered custom builders,
- developing their own local allocation scheme within a national framework.

Custom build is generally considered to be a form of market housing and although there has been some delivery of affordable housing through the custom build it is very limited. The Government is however, proposing to design the Right to Build in such a way that it offers the opportunity for people who are eligible for affordable housing to work with a local registered provider to develop an affordable custom build home. The Government also believe Community Land Trusts (CLTs) provide an opportunity to bring forward custom build housing to meet local people's housing needs whilst involving the community in the design, development and on-going management of the homes.

The benefits of custom build / self-build

- Group self-build may help foster a strong community and self builders tend to stay in their homes longer than the national average. This could be a particular advantage of a CLT self-build.
- Homes are designed to meet needs and requirements of occupiers.

- Costs can be significantly lower, as in the case of a CLT, but this can depend on the type of custom build, design requirements, land costs and regional differences.
- Some custom build schemes incorporate an element of training and may result in the participants acquiring new skills.
- Local sourcing of materials may boost local economy, though internet facilitates national and even global sourcing.

Issues and problems associated with custom build

- Identifying suitable land, especially in expensive areas, such as the South East where competition from developers is greatest. Most of the vanguard schemes are being delivered on surplus public land.
- Securing finance as mortgages for custom build are considerably more expensive and involve additional fees. Loan funding is currently less than 0.8% of market share and group builds can be particularly difficult to finance as a commercial mortgage is required.
- Homes take longer to complete as build programme not so tightly coordinated and controlled than if undertaken by experienced contractor with resources on hand.
- Planning complexities incurred both in custom build and self- build and can incur a disproportionate amount of input compared with traditional schemes.
- Potentially limited impact on increasing the number of additional homes delivered as frequently developed on plots where existing homes are demolished or where a denser development would have been built if built speculatively.
- Higher risk –reliant on group of individuals mutually dependant, giving a high level of commitment, affecting cost controls, delays, finance.
- Custom building is more often undertaken by people scaling up, who have equity and time to devote rather than potential first time owners.

Following the work of the 11 vanguard councils findings are to be made available this summer, some such as Cherwell, Teighmouth and Exmoor and Dartmoor national parks will be of particular relevance to Chichester district.