

Affordable Rural Housing Commission Call for Evidence on Affordable Rural Housing

The following response follows the Affordable Rural Housing Commission's invitation to provide evidence of innovation in the delivery of affordable housing in rural communities. This response includes the contributions of a range of organisations as follows:

Stephen Bendle – Wessex Reinvestment Trust
Richard Clarke – The Building and Social Housing Foundation
Pat Conaty – new economics foundation
Rosemary Foggitt – Common Futures

The Community Land Trust – Adding Value

A Community Land Trust (CLT) is a mechanism for creating community ownership of land, locking in land value and underpinning sustainable development for the benefit of a defined locality or community. A CLT is an instrument for democratic ownership of land by the local community. Land is taken out of the market and separated from its productive use so that the impact of land appreciation is removed, therefore enabling long-term affordable and localised development. The value of public investment, philanthropic gifts, charitable endowments, legacies or development gain is thus captured in perpetuity, underpinning the sustainable development of a defined locality or community.

As the successful schemes in the Highlands and Islands of Scotland have shown in the past ten years, CLTs can bring together expertise within a community and also attract board members with particular specialisms to get involved.

A CLT is a locally based not-for-profit organisation that owns land and property in trust for the benefit of a community. With the appropriate policy framework, some of the benefits could include:

- A long-term reduction in the cost of affordable housing provision through a mechanism that locks in subsidy and passes benefit on to successive generations
- A consultation process methodology that can deliver more affordable housing units over and above planning policy guidelines
- A mechanism to support and expedite affordable housing delivery on difficult to develop sites or small, neglected ones
- A practical vehicle that helps deliver a wide range of Government policy objectives such as active citizenship, sustainable communities, and best value
- A partnership that enables RSLs to engage with communities to deliver innovative developments that are community driven and address effectively local needs
- A local agent to deliver seed funding and technical support for regeneration projects
- A locally based, democratic organisation with the ability to deliver services that meet the needs of the community
- Added value through local participation in governance

The constitution of a CLT is written so as to secure 'long term and enduring community benefit' by ensuring that local assets, gifts and/or dowries/endowments are excluded from the speculative housing market in perpetuity so that the appreciation in the value of assets helps to meet locally based needs. The views of local people are wholly represented through 'one member one' vote membership rules within a tripartite management structure that provides real and direct access to local governance.

Local Attitudes and the Planning Process

Local attitudes

Communities that aspire to address their housing needs must cooperate with a wide range of organisations and individuals in order to plan and deliver new developments that meet their needs. This process can be complicated, time consuming and requires specialist expertise. However, many communities have risen to this challenge. Support by Government in recent years on innovative local needs analysis and planning exercises through Vital Village

Appraisal schemes and under the Market and Coastal Towns Initiative has stimulated local participation efforts to a) assess the level of local needs in rural areas and to b) match these against potential resources and local expertise to deliver solutions.

Local attitudes are an important consideration for any development as local support or lack of it will influence planning decisions. Communities often feel that developments are 'done to them' by detached bureaucrats rather than driven by their needs.

The most fundamental ingredient for the successful delivery of affordable housing in rural areas is therefore comprehensive engagement and consultation with the community that will experience the positive or negative effects of the development. Participative planning techniques that involve a broad spectrum of local stakeholders in rural areas can enhance the likelihood of success of affordable housing initiatives.

Affordable or social housing can have negative connotations for local people who can mobilise quickly in protest when the benefits of a development are unclear. Landowners in rural areas often have close links and aspire to bring benefit to their community. They are often deterred from providing sites for affordable housing firstly, due to the low price payable for affordable housing land and the fear that someone other than them will profit from getting a new permission from outright sale at some time in the future; and secondly, they fear being held to account for an unpopular development.

The planning process

Many small rural sites fall below the radar of current site size thresholds thus wasting opportunities to deliver affordable housing on local plan or Section 106 sites. This though can be overcome if planners enable the potential for small site developments, like in say Stonesfield, by not specifying a minimum scheme size in the local plan.

Planners consider a range of issues in evaluating a scheme: the site must be suitable for social housing to limit social exclusion; there must be access to public transport; and access to schools, health care and shops; and with regard to design, is the property development proposed in keeping with the surrounding area. A planning application can be refused repeatedly whilst these issues are ironed out, so it is essential to work with planners and the community from the earliest possible stage to expedite the planning process. Communities expect action quickly and enthusiasm wanes when delays occur.

An inflexible regulatory framework can result in local authorities being reluctant to take a holistic view on planning issues and to ensure that developments are driven by a community's needs. Fewer affordable housing sites are included within the local plan in rural areas. If a community is unclear as to the benefits of a scheme, this can result in lengthy and costly local plan inquiries.

Community capacity

Negotiations between various groups with regard to a rural exception site can be prolonged and complicated, often taking six years from original concept to start on site. Communities may distrust the local authority or housing association and question the real motive and therefore take a long time to build a relationship of trust. A lack of experience can lead to unrealistic demands by a community with regard to a development.

Capacity Building Solutions Provided by the Community Land Trust

A CLT has the potential to provide comprehensive engagement with members of the community in order to reach consensus on how a development can meet the needs of key stakeholder groups both locally and regionally. A CLT provides an ideal and accountable vehicle to carry out the key functions to help all stakeholders in:

- Identifying suitable sites
- Agreeing appropriate design aspects
- Agreeing land use and tenure forms
- Creating project ownership

- Expediting the planning application process
- Appraising a broad range of project benefits to obtain a consensus of support

Some communities have an innate cohesion as evident from a strong local association or active parish council with an existing network of meetings and seasonal events. Thus where this is the case, there will be fertile ground in terms of the likely engagement in the development process, whilst other communities will need some degree of resource support to build capacity. Both Vital Villages and the Market and Coastal Towns Initiative showed how such involvement can be catalysed.

The complex nature of negotiations in rural areas is a demand on resources which can deter affordable housing providers from embarking on a particular development. To enhance community planning there is potential for partnerships with Registered Social Landlords (RSLs) and autonomous CLTs that are less constrained by the regulatory framework thus enabling an RSL to experiment with more flexible and innovative affordable housing developments.

We believe that the excellent work of Vital Villages and the Market and Coastal Towns Initiative can be further enhanced by a vehicle such as a CLT (as already demonstrated in rural Scotland). Use of CLTs should be extended to England as they are ideal vehicles to engage local rural residents, businesses and community groups in both popular planning work with the local authority and local landlords, but can then provide the missing institutional framework to deliver the solution needed.

We commend the forthcoming launch of the Rural and Community Programme in April 2006 and suggest that some of the £27 million funding programme is directed towards CLTs as vehicles to develop the capacity of rural communities.

In this regard, case studies such as Stonesfield in Oxfordshire, Cashes Green Hospital in Gloucestershire and South Kilburn NDC are evidence that with the appropriate technical support, village, market town and urban communities have an inherent capacity to make decisions about their future and will unite for a common cause.

English Partnerships and Stroud and District CLT have worked together to develop a CLT on the Cashes Green Hospital Site. The community driven planning of the development has resulted in local support for a greater number of affordable housing units and density as compared to the original recommendation for the site in the planning policy guidance. Consultation has also resulted in agreement on homes with a reduced environmental footprint through the introduction of renewable technology for the development plan.

Consultation can expedite the design and planning process by increasing the likelihood of local support for a development which can help to bring sites forward more easily. Many small rural sites fall below the radar of current site size thresholds thus wasting opportunities to deliver affordable housing on local plan or Section 106 sites. CLT techniques for positively engaging local stakeholder can enable planners and local authorities to be more creative and give support to more innovative developments and thus take a more holistic view with fewer delays and less appeals as a result.

Release of Land

Release of land for development

The seemingly inextricable link between land value and house prices creates a pattern of gradually increasing cost with both leading the other. This situation creates a hope value on land that discourages development as landowners hold on to land in the hope that it will eventually be part of a local plan. Both landowner and developer estimate the eventual price of a house on the open market with the developer bearing the risk. Private developers will therefore attempt to maximise the profit by limiting the number of affordable housing units on a scheme. Land prices make it impossible to deliver affordable housing and social housing providers struggle to compete with private developers on local plan sites.

Much of the available land is privately owned and by more than one owner; this complicates land assembly negotiations. Rather than sell land to a community at less than best price, landowners often wish to retain an interest as they are concerned that if they give land at less than best value, it may later fall into private hands for a profit.

Local authorities will also aim to sell land at best price in order to support other strategic commitments.

Community Land Trusts – Building Relationships with Landowners

There are circumstances in which a parcel of land could bring real and lasting benefit to a community and a CLT could persuade a landowner or local authority to sell at a reduced price with the assurance that the land will be excluded from private sale. Land was obtained in this way by the village community of Stonesfield in Oxfordshire, thus enabling the development of affordable housing on a site within the village.

A CLT can provide reassurance for landowners in a number of ways:

- Perpetuity clauses ensure that land will not pass to private ownership for profit;
- The decision over the use of their land to best meet local housing needs can institutionally be supported by local people through their participation and membership of the CLT;
- The potential use of existing bonds between landowners and communities to free land for donation to a trust in return for a guaranteed income for the landowner;
- Provides a means for landowners to benefit their community both economically and philanthropically;
- Affordable housing developments are more likely to have support through the in depth consultation locally essential to establish a viable CLT;
- Landowners more readily can be encouraged to provide land at less than hope value;
- Familiarity and collaboration with local CLT members creates a relationship of long term trust.

Funding Affordable Housing in Rural Communities

Funding frameworks

With the exception of pilots to allow private developers access to grant, only registered housing associations can bid for social housing grant and current policy favours a smaller number of RSLs to deliver affordable housing. There is a risk that the specialist housing associations that work in rural areas will find it increasingly difficult to access sufficient grant to deliver significant numbers of affordable housing units unless grant is top sliced specifically for this purpose.

There is a need for a more holistic approach to design, which is driven by a community's needs. The inflexibility of the design regulations that are associated with social housing grant can discourage delivery of affordable housing. Some rural sites do not readily lend themselves to Scheme Development Standards and struggle to accumulate sufficient points for the currently required 'Very Good' Eco-Homes rating.

As there is insufficient public funding to deliver all the required affordable housing, communities must have the freedom to harvest the potential of private finance and individual appetite for social return where there is an incentive to invest in ethical community projects.

Low cost home ownership schemes

In current low cost home ownership schemes the subsidy that goes into affordable housing is not well preserved and thus can inadvertently leach out when a property staircases to full ownership. Although the capital receipt goes into a pot to assist other households, there is subsidy leakage firstly, as house prices are not static between the sale of one dwelling and purchase of the next; secondly, as the pot covers a region with different housing markets, the sale of one home does not necessarily fund the next; thus creating an ongoing need for further injections of capital from central government.

Current subsidy mechanisms prop up house prices by stimulating demand and lead thereafter to situations where those households in greatest need fall below the radar of shared ownership properties that are only accessible by a small proportion of those on housing waiting lists.

This is demonstrated in this example from Ropley, East Hampshire.

Three bed terraced house in a rural village location.
Property Value: £210,000
Percentage Share: 25%
Percentage Sale Price: £52,500
Total Rent: £434.34 per month

Source: Swaythling Housing Society

In order to purchase just one quarter of this property, a household would need an income of at least £20,000 per year to cover the mortgage and rent. Their income would need to increase significantly in order to staircase to full ownership.

A State of the Countryside report shows that in 2003, 22 percent of rural wards had an average income of less than £20,000 per year.

Community Land Trusts - Better Value for Money

Locking in subsidy

The resale formula employed by a CLT can successfully lock in the initial subsidy used to purchase or develop a property and with each successive resale of the property, the subsidy can increase proportionately in value. Under a well-designed resale formula, the outgoing household receives a share in the increase in value with the remaining value always staying with the property to allow a reduction in price to future incoming leaseholders as compared to the open market value of the property.

By employing a resale formula that splits the increase in value at a ratio, say of 1:3 between incoming and outgoing household leaseholders, Burlington CLT in Vermont, USA's resale data shows that it has been able to help households on increasingly lower percentages of Area Median Income (AMI) with each resale over the past 20 years.

As there is no subsidy leakage under a CLT, successive generations of households can be assisted without a need for an injection of further capital from central government. The subsidy does not change hands or pass from household to household because in practice the open market value of the property is not affected but the price is adjusted.

The additionality that a CLT provides could encourage landowners and local authorities to sell land to a community for less than open market value, if it can be shown that the return includes regeneration of a community and meets wider strategic objectives.

CLTs encourage innovative finance solutions

CLTs provide an opportunity to explore innovative finance solutions. Stonesfield CLT is an example of how a trust can be a recipient of individual investors who are looking for a social return on their investment. Members of the community and local businesses purchased an ethical investment bond which offered both a reasonable economic return and a parallel social investment opportunity to help the community meet its housing needs diversely. Stonesfield also utilised the value of its land asset in order to secure loans for development. The revenue from rent was initially used to pay off loans and once these are cleared over the next few years, the surplus revenue will be used to fund services to the community such as enhanced home help for older people in the community and a youth worker.

The village community of Stonesfield in Oxfordshire originally partnered with two different housing associations but eventually decided to go it alone as the design constraints resulted

in a development that would not have met the community's needs. With local involvement, the residents of Stonesfield went on to raise capital through private finance (some of it locally from low interest loans from better-off residents) and delivered homes that had a small environmental footprint and exhibited innovative design which had the full support of local people.

Another example of innovative financing is provided by High Bickington Community Property Trust, which has worked hard to produce a detailed plan for 20 acres of farmland, increasing its value from £500,000 to £2.5 million. The plans for a comprehensive £12 million development include innovative methods of cross-subsidy, private finance and community ownership of assets. The planning application enjoys the support of the local council, district council, Devon and Cornwall Housing Association and 155 villagers who are £1 shareholders in the Trust. Despite local support the planning application has been called in by the Office of the Deputy Prime Minister and is now subject to a lengthy delay due to concern that "the proposals may conflict with national policies."

Under the High Bickington plan, Devon and Cornwall HA will use some Social Housing Grant to provide affordable housing for rent to meet the needs of the poorest. In addition, the endowment of land to the CLT by Devon County Council for 99 years from a redundant 'county farm' can utilise 'exception site' designation to underpin without any Government subsidy, the construction of intermediate market housing for key workers to access affordable home ownership. Thus CLTs uniquely as a delivery vehicle can provide affordable housing for those on the lowest level of income right up to those on average levels of income up to salaries of say £25,000 to £30,000 yearly.

Cashes Green in Gloucestershire and High Bickington in Devon have both developed plans that will use the sale of private sector housing to cross-subsidise affordable housing which will be passed to the CLT as an intrinsic benefit.

Other purposes and benefits

Work on CLTs in Newham, East London by London Rebuilding Society backed by the Treasury's Invest to Save scheme is seeking to show how the vehicle can help older, low income pensioner households to release equity through the Trust as 'land steward' in order to attract housing investment for significant home improvement needs. Also in rural areas of low demand, such as the Coalfield regions, CLTs can similarly act as a vehicle for small estates to collectively attract much needed investment for mixed tenure regeneration plans.