

## **Appendix B – Background information on different forms of ownership / models for affordable housing.**

NB: Views expressed are from the contributor not SSDC.

**From: Community Council for Somerset**

**[http://www.somersetccc.org.uk/community\\_planning/rural\\_housing/housing\\_scheme\\_types](http://www.somersetccc.org.uk/community_planning/rural_housing/housing_scheme_types)**

### **Affordable Housing - Scheme Types**

Affordable housing is housing that will be available for people, whose income denies them the opportunity to purchase or rent houses which are generally available on the open market. This is as a result of the relationship between their income and housing costs. Affordable housing includes subsidised housing (reduced cost market housing and social rented housing).

The different types of affordable housing are as follows:

#### **Affordable Social Rented Housing**

This scheme is developed, with subsidy, by Registered Social Landlords/Housing Associations. It provides rented housing to households otherwise unable to afford market rents.

#### **Reduced Cost Market Housing**

This scheme is owner-occupied housing. It is provided at the cheaper end of the housing market (with associated financial subsidy, to make it affordable to assist households unable to resolve their housing needs in the housing market). Various models exist, and the projects are considered on a scheme by scheme basis (depending on housing need and affordability in the area). Models such as shared ownership or discounted market housing are included with this definition.

#### **Shared Ownership**

This scheme helps people with a regular income who want to buy their own home, but cannot afford to purchase outright. With shared ownership, just enough money is borrowed, to cover the share that is being purchased. This share is usually 50% but can be 25% - 75%. Depending on the model used, rent may be payable on the remaining share - which is normally owned by a Registered Social Landlord. On certain properties, further shares may be purchased. It may be possible to eventually progress to outright ownership. Others (usually in rural areas) restrict ownership to allow the Registered Social Landlord to ensure that future sales are to someone with a local need.

#### **Discounted Market Housing**

This is owner occupied housing, provided at the cheaper end of the market (with associated financial subsidy - by either a developer or a Registered Social Landlord). A discount is provided on the open market value. This is usually 25% (usually with the Registered Social Landlord withholding an equity stake in the property).

#### **Low Cost Market Housing**

This scheme is housing, provided without subsidy, at the cheaper end of the market (by private developers). The characteristics of this housing will ensure it remains affordable to subsequent occupiers. These properties help to create mixed and balanced communities. They may help to meet the needs of first time buyers or key workers.

## **Self Build**

Self-Build housing is housing where the future occupants or the community, work together to build a property for themselves. This may involve the pooling of skills from various areas, or a 'train and build' scheme - where individuals learn new skills as the scheme progresses. Although the houses may be started from scratch, the group may simply work towards 'finishing' properties erected by professional contractors.

## **PRESS RELEASE – Carnegie Trust UK Posted on 05/03/2010**

**[http://rural.carnegieuktrust.org.uk/news and events/new boost for rural homes initiatives](http://rural.carnegieuktrust.org.uk/news_and_events/new_boost_for_rural_homes_initiatives)**

### **New Boost for Rural Homes Initiatives**

Community organisations trying to build affordable homes in the rural towns and villages of Somerset and Dorset are to get valuable business support from a new partnership.

Resonance and Wessex Community Assets are today revealing details of a two year partnership to pilot a support business for Community Land Trusts across Somerset and Dorset. The 'action research' project is being supported by the Carnegie UK Trust, which promotes sustainable rural communities, using funding secured from the Department for Communities and Local Government.

Paul Sander-Jackson, Executive Director of *Wessex Community Assets*, says there's a huge challenge ahead:

*We are very excited to be awarded a key role in stimulating and supporting communities to tackle the urgent problem of providing housing that is affordable for people who want to live and work in our towns and villages.'*

Steve Watson, *Resonance*, formally CEO of *Somer Housing Association*, will be leading the technical assistance team with outreach support from Alison Ward of *Wessex Community Assets*. Initially the team are working to establish relationships with key partners operating in and around the Dorset and Somerset area and identify communities that have both the housing need and capacity on the ground to develop a community Land Trust.

Daniel Brewer, Director of *Resonance*, says the partnership creates an opportunity to put ideas into action for the people of rural Dorset and Somerset.

*'There are a number of critical success factors we are looking to test, but we are currently convinced that having community entrepreneurs with focus and tenacity is one of them. Our role will be to walk with these key individuals to navigate the community development journey by providing expertise in project management and raising funds.'*

Carnegie UK Trust awarded the contract to *Resonance* and *Wessex Community Assets* because of the team's experience in affordable housing, community development and financing social enterprise. The project has been devised on the basis of experience gained across the UK in finding community-led solutions to meet housing need, including practical examples from the South West region and the regional support of the Cornwall Community Land Trust project.

Kate Braithwaite, Director, Rural Programme at Carnegie UK Trust, said:

*'We want to demonstrate that the success in Cornwall, Northumberland and other regions can be replicated, built upon and rolled out across the UK.'*

Initial funding for the project is for 2 years by which time it is hoped that the umbrella organisation will become self-supporting through fees charged to successful developments.

**From – Community Finance Solutions c/o University of Salford**

[http://www.communitylandtrust.org.uk/index.php?option=com\\_content&task=blogcategory&id=16&Itemid=39](http://www.communitylandtrust.org.uk/index.php?option=com_content&task=blogcategory&id=16&Itemid=39)

CLTs are established in communities to acquire fixed assets and then hold them in perpetuity for local use. They work on a non-profit basis, raising money from new sources and unlocking other resources, to provide and manage housing, workspace, community buildings and green spaces (including allotments).

CLTs work by enabling occupiers to pay for the use of buildings and services at prices they can afford, while the value of land, subsidies, planning gain and other equity benefits are permanently locked in, on behalf of them and future occupiers, by the Community Land Trust.

CLTs are not a wholly new kind of organisation - in spirit they are similar to some development trusts or almshouses and smaller housing associations. What they offer is a vehicle for the delivery of community aspirations. They are expressions of community engagement - and they also offer a new set of legal, financial and resource management tools that are relevant to a wide range of existing as well as new organisations.

The government\* has also placed a major emphasis on building new affordable housing over the next ten years. Community Land Trusts represent one of the innovative new ways not just to deliver on this goal but also to capture in local communities across the UK the wider social and economic benefits of this investment in affordable housing.

\*Published prior to May 2010.

**From the Cumbria Housing Trust**

[http://www.crht.org.uk/index.php?option=com\\_content&view=category&id=46&Itemid=70](http://www.crht.org.uk/index.php?option=com_content&view=category&id=46&Itemid=70)

**So what is a CLT?**

A CLT is a not for profit organisation based in and run by the community, permanently owning land and property for the long term benefit of local people. Examples exist of affordable housing, community buildings, community farms and community owned retail premises. (See [www.crht.org.uk](http://www.crht.org.uk) CLT section Case Studies).

**Are CLTs recognised as suitable deliverers of affordable housing?**

Yes, a definition was included in the 2008 Housing & Regeneration Act which enables Local Authorities to have confidence in whether an organisation is recognisable as a CLT, and means that CLTs can obtain Housing Grant from the Homes & Communities Agency. The definition is as follows:

A CLT is corporate body which

- (1) is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order to provide a benefit to the local community; and to ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community

- (2) is established under arrangements which are expressly designed to ensure that any profits from its activities will be used to benefit the local community (otherwise than by being paid directly to members); and that individuals who live or work in the specified area have the opportunity to become members of the trust (whether or not others can also become members); and that the members of a trust control it.

### **What forms of incorporation are available to CLTs?**

The most common form is probably that of a Charitable Company Limited by Guarantee registered with the Charity Commission and with Companies House. This may not raise shares but can receive donations and has many tax advantages including exemption from stamp duty. Where the intention may be to raise community investment through a share issue the Industrial & Provident Society form is most commonly used. The latest Model Rules for a CLT IPS including an asset lock are available from CDS Co-operatives. An IPS may also be granted 'exempt charity' status with the Inland Revenue (likely to come under the Charity Commission in the future) enabling the same tax advantages as a charitable company. Other forms are available including a Community Interest Company which may raise shares but does not have tax advantages, and a Charitable Incorporated Company which is registered only with the Charity Commission rather than Companies House as well. (see CRHT comparison sheets on legal forms at [www.crht.org.uk](http://www.crht.org.uk) publications, the Cumbria CLT Handbook pages 13 & 14 and the CLT Practitioners Guide at [www.communitylandtrust.org.uk](http://www.communitylandtrust.org.uk)).

### **How do CLTs meet the costs of development?**

Some of the scheme costs will be met through income from rents or the sale of part ownership homes. The rest has to be provided from some form of subsidy.

Housing Grant: Now available to CLTs from the Homes & Communities Agency. See DTA guidance 'Accessing National Affordable Housing Programme Grant' at [www.dta.org.uk](http://www.dta.org.uk) [NB: currently suspended]

Cross subsidy: Sale of limited Open Market Housing may provide on site subsidy free from excessive regulation.

Local Authority capital grant

Community share issues: If set up as an Industrial & Provident Society CLTs can receive investment in the form of ethical shares. See [www.communityshares.org.uk](http://www.communityshares.org.uk)

Long term re-investment income: Where communities develop commercial assets, or where loans associated with rented homes are repaid, rental income provides re-investment income for further development or to fund local services.

Charitable trusts with social / housing objectives

Local fund raising

Joint mortgages with wealthier local people? 'Tenants in Common' mortgage - ?