

Appendix B – Background information on different forms of affordable housing.

Affordable housing is housing that will be available for people, whose financial circumstances means they do not have the opportunity to purchase their own home or rent privately from the open market. This is as a result of the relationship between their income and housing costs.

Affordable housing includes subsidised housing which has received capital grant from either central Government sources, such as the Homes and Communities Agency (HCA), or local Government sources, such as the District Council. Affordable housing includes housing made available at below market rates through planning obligations (governed by a section 106 Agreement or a unilateral undertaking)

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| Social Rented Housing | Typically developed, with subsidy, by a Housing Association. It provides rented housing to households otherwise unable to afford market rents. Rents are kept low by a formula controlled by the HCA (often referred to as 'target rents'). |
| Affordable Rented Housing | The Government has stated that it will no longer fund Social Rented Housing, with some exceptions, but instead will stretch central funds further by allowing Housing Associations in receipt of grant to charge a higher rent. Affordable Rents are 'up to 80%' of the (prevailing) market rent - typically higher than the target social rent on a similar property but still below the market rate. |
| Intermediate Rented Housing | Any rented housing where the rent required is above the target social rent but below prevailing market rate can be described as 'intermediate'. Some Housing Associations have developed some intermediate rented housing in the past using central Government subsidy. In effect the 'Affordable Rent' model currently favoured by central Government is one form of Intermediate Rent. |
| 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. Often (but not always) rent is payable on the remaining share to the freeholder, which is often (but not always) a Housing Association. Usually further tranches may be purchased, this is known as 'staircasing'. It may be possible to 'staircase out' i.e. to purchase the final remaining tranche and become the freeholder. In some cases (especially in rural settlements) there is a cap on staircasing (usually 80%) 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 Housing Association). A discount is provided on the open market value in order to make it affordable. Sometimes this is achieved by a share being retained by the developer/Housing Association and sometimes by the obligations set out in the Section 106 Agreement |
| 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. Usually the rents charged are then lowered to reflect the 'sweat equity' input by the self-builders. |

Community Land Trusts (CLT)

Extract from Cumbria Housing Trust

http://www.crht.org.uk/index.php?option=com_content&view=category&id=46&Itemid=70

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 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. Where the intention may be to raise community investment through a share issue the Industrial & Provident Society form is most commonly used. 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.

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. Forms of subsidy include: Government Housing Grant; Cross subsidy from sale of open market housing; Local Authority capital grant; Community share issues; Long term re-investment income; Charitable trusts with social / housing objectives; Local fund raising; Joint mortgages / 'Tenants in Common' mortgage.