
Overview and Scrutiny

Low Cost Home Ownership Review

Housing Select Committee

April 2013

Membership of the Housing Select Committee in 2012 / 13:

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Chair's Introduction

To be inserted.

Councillor Carl Handley
Chair of the Housing Select Committee

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Executive summary

[To be inserted once agreed by committee]

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Recommendations

The Committee would like to make the following recommendations:

[Please note, these are draft recommendations to be considered and approved by the Committee]

- R1. Lewisham Council and partner organisations need to ensure that all residents are aware of both the benefits and the pitfalls of choosing to buy a home through the Right to Buy Scheme.
- R2. Lewisham Council should explore options to limit the number of RtB leaseholders sub-letting their properties or selling them to local private landlords. This could include exploring options for charging leaseholders for renting their property in the first five years and looking at options for giving the council first refusal on the property in the event of a sale.
- R3. Lewisham Homes should promote the Cash Incentive Scheme alongside Right to Buy to ensure that tenants are aware of all the options available to them.
- R4. Lewisham Council and partner organisations need to ensure that all residents are aware of both the benefits and the pitfalls of choosing to buy a home through a Shared Ownership / Shared Equity scheme.
- R5. The Housing Select Committee support the South East London Housing Partnership in their efforts to maintain a portal website to make it easier for residents to navigate the range of Shared Ownership / Equity options available locally.
- R6. Lewisham Council should measure the demand / interest in self build locally
- R7. Lewisham Council should promote the Mayor of London's "Build your own home – the London Way" funding pot to local residents who are interested in self build.
- R8. Lewisham Council should work with local partners such as the credit union to open up new finance options for any potential Self Build / Custom Build projects in the borough.
- R9. Lewisham Council should explore all options for providing appropriate affordable land to Self Build projects that help meet local housing needs.
- R10. Lewisham Council should re-explore the sites that have been considered for infill development under the Housing Matters Programme with a view to making any suitable sites available to self builders.
- R11. Lewisham Council should explore a Community Land Trust as an option for releasing land for self build projects.

- R12. Lewisham Council should re-explore the sites that have been considered for infill development under the Housing Matters Programme with a view to making any suitable sites available to groups wishing to set up a Community Land Trust.
- R13. Lewisham Council should work with local partners such as the credit union to open up new finance options for any potential CLT in the borough.
- R14. Lewisham Council should create a local version of the CLT Handbook to simplify the process for any local community groups thinking of approaching the Council to set up a CLT.
- R15 A further report on low cost home ownership, including updated information relating to the recommendations set out in this report should be brought before the Housing Select Committee in the 2013/14 municipal year.

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1. Introduction and key lines of enquiry for the review

1.1. At their meeting on Tuesday 11th September 2012 the Housing Select Committee (HSC) decided that, in the context of the Housing Matters programme and the shortage of homes available in the borough they would like to look at other options for low cost home ownership.

1.2. It was decided to consider four possible options for low cost home ownership:

- Right to Buy / preserved Right to Buy / Right to Acquire
- Shared Ownership / Shared Equity
- Self Build / Custom Build
- Community Land Trust

1.3. A scoping report was agreed at the Housing Select Committee meeting on 31st October 2012. The key lines of enquiry agreed relate to each of the four areas of the review. These are outlined below:

- *Right to Buy/preserved Right to Buy/Right to Acquire*
 - What are the advantages and disadvantages of RTB (a) for tenants and (b) the council and the wider Lewisham population?
 - How has this affected the retained stock of council owned homes in Lewisham and stock transferred to RSLs?
 - Has there been any abuse of RTB in Lewisham (e.g. by companies seeking to induce tenants to buy their properties and then sell them under rent back schemes)?
 - How many applications for RTB has Lewisham Homes received since the government increased the discount and what are the future projections?
 - Have RSLs that have received transferred stock seen an increase in applications?
 - Do the Council and its RSL partners actively promote RTB and RTA?
- *Shared Ownership/Shared Equity*
 - How many different shared ownership/shared equity schemes exist?
 - What are the advantages / disadvantages of shared ownership/shared equity?
 - What number and proportion of home owners have been helped with shared ownership/shared equity?
 - How many shared ownership/shared equity homes have been built by Registered Social Landlords in Lewisham over the past ten years?
 - How many shared ownership/shared equity homes have been provided in Lewisham as a result of s106 planning requirements?
 - What factors have affected take up of shared ownership/shared equity homes schemes?
 - What factors, if any, have restrained supply of shared ownership/shared equity homes?

- *Self Build*
 - What are the advantages / disadvantages of self build?
 - What examples are there of self build projects pursued by Lewisham Council or Lewisham Homes or RSLs in the borough historically and currently?
 - What are the reasons behind the low proportion of self build properties in the borough and what impediments are there that may discourage self build schemes? How can these be removed?
 - Is Lewisham doing anything to encourage bids to the London Mayor's 'Build your own home – the London way' scheme?
 - What land currently owned by Lewisham Council might be suitable for self build? If the land was provided for free what would be the impact for the Council and how much would it cost, approximately, for a resident to self-build a family sized house on this land?
 - *Community Land Trusts*
 - How do CLTs work?
 - What are the advantages / disadvantages of CLTs?
 - What examples are there of successful urban based CLTs?
 - What land currently owned by Lewisham Council might be suitable for a CLT? If the land was provided to a CLT for free, what would be the impact for the Council and how much would it cost, approximately, to build a family sized house on this land?
- 1.4. It was agreed at the HSC meeting on 31st October that the review would be conducted over two evidence sessions to be held on 4th February 2013 and 6th March 2013.
- 1.5. On 4th February the committee received a report from the Executive Director for Customer Services that contained:
- information on the four options for low cost home ownership including the advantages and disadvantages of each option;
 - examples of how each option has worked in Lewisham to date and the potential for, and desirability of, encouraging each option in the future; and
 - information on how each option might link to the Council's wider housing plans including the Housing Matters Programme,
- 1.6. At the meeting on 4th February evidence was provided by:
- Kevin Sheehan, Executive Director for Customer Services;
 - Genevieve Macklin, Head of Strategic Housing;
 - Louise Spires, Strategy, Policy and Development Manager – Strategic Housing;
 - Madeleine Jeffery, SGM Housing Strategy and Development;
 - Adam Barrett, Director of Resources - Lewisham Homes;
 - Orville Phillips, Right to Buy Manager - Lewisham Homes; and
 - Mrs Mead – a leaseholder representative from St Johns Court in Lewisham.

- 1.7. At the meeting on 6th March the committee received further written evidence that included:
- Case Study: Segal Close – prepared by the Scrutiny Manager with input from Jon Broome, an original resident and architect of Segal Close. This provided details of the development of the first Local Authority backed self build scheme in the country developed in Lewisham in the later 1970s.
 - Comments from Jon Broome on self build – written comments on self build from Jon Broome, original resident and architect of Segal Close.
 - Build Your Own Home – The London Way – a funding prospectus from the Mayor of London outlining the Greater London Authority policy position on custom build.
 - East London Community Land Trust (CLT) – Frequently Asked Questions – Information adapted from the East London CLT website by the scrutiny manager to provide background on the East London CLT.
- 1.8. At the meeting the committee heard evidence from:
- Ted Stevens, Chair of the National Self Build Association;
 - Dave Smith, Director of the East London CLT;
 - Lina Jamoul, Community Organiser for London Citizens;
 - Ms Jacob Da Silva – leaseholder representative from the Passfields Estate;
 - Ms Roberts – representing elderly leaseholders from the Passfields Estate;
 - Debbie Coombs, Assistant Development Director Sales and Marketing – Family Mosaic;
 - Lucy Chitty – London and Quadrant; and
 - Madeleine Jeffery, SGM Housing Strategy and Development.
- 1.9. The committee concluded its review and agreed its recommendations on 3rd April 2013.

2. Background

- 2.1. Most people want to own their own home, as they feel that home ownership confers a variety of benefits including increased security and a greater sense of control and belonging. Increasing home ownership has been an important goal of successive governments, and national policies have sought to encourage the expansion of this sector of the housing market. In the mid-1970s only half of all households in the UK were owner-occupiers. However, since the launch of the 'Right To Buy' scheme, governments of all persuasions have pushed policies to get more people onto the property ladder. The result, fostered by financial deregulation which led to a greater availability of mortgage finance, has been a dramatic increase in home ownership to a peak of just over 70% in 2003.¹
- 2.2. However, in addition to increasing the availability of mortgage finance, the deregulation of financial markets also led to house price inflation which was followed by the 'credit crunch'. Lenders began to market mortgages which provided 100% of the finance required or else had a very high loan-to-value ratio; lent to those with chequered credit histories or low and insecure incomes; offered 'cash back', or 'self-certified' mortgages; and sometimes lent up to four or five times the salaries of the mortgage applicants. This was unsustainable and the availability of mortgage finance for people on low incomes is now greatly restricted and home ownership in England has declined to 67.4%.²
- 2.3. Over the years, governments have come up with a number of different schemes to promote low cost home ownership for aspiring home owners who would struggle to buy a home on the open market, starting with the '**Right To Buy**' scheme, which has seen over two million social housing properties transfer into private ownership over the thirty years since its inception.³
- 2.4. There have also been government backed schemes run by Registered Housing Providers to encourage shared ownership or shared equity. Although there has been a significant take up of these schemes, the contribution of shared ownership to overall home ownership is very low and, from the purchaser's point of view, there are drawbacks as they only enable the purchaser to buy a share in the property rather than buy it outright, and pay rent on the remainder, buying additional shares if or when they are able to afford it.⁴
- 2.5. **Self build schemes** are another way of encouraging low cost home ownership, but they have had a limited impact on home ownership in the UK. Whilst between 7-10% of all new homes in the UK are self-built⁵, of all

¹ The end of the affair: implications of declining home ownership, Andrew Heywood, The Smith institute, 2011, p4
See: <http://www.smith-institute.org.uk/file/The%20End%20of%20the%20Affair%20-%20implications%20of%20declining%20home%20ownership.pdf>

² Ibid, p7.

³ See DCLG website: <http://www.communities.gov.uk/housing/homeownership/righttobuy/>

⁴ The National Housing Federation (NHF) has estimated that 170,000 homes have been provided for shared ownership since 1979: National Housing Federation *Shared Ownership Facts & Figures* (2010)

⁵ See: http://www.bsa.org.uk/docs/mortgages/lending_information_for_self_build.pdf p6

French and German new builds approximately 60% are self-built and in Austria that rises to around 80%.⁶ However, despite the limited impact of this method in securing low cost home ownership, Lewisham has had a number of successful self-build schemes and there have been recent initiatives launched to promote this way of acquiring home ownership by the Greater London Authority.

- 2.6. In recent years the **Community Land Trust** (CLT) movement has begun to make headway, building low cost homes largely on donated land. CLTs also have the advantage of producing affordable homes which remain affordable, insofar as the discount at which they are bought has to be passed onto future occupiers rather than accruing to the seller as a windfall profit⁷.

Lewisham

- 2.7. There is arguably a high need for low cost home ownership schemes in Lewisham. Over the past 15 years, high levels of demand and constraints on land availability have driven an above-average growth in house prices across London, including in Lewisham, and this has limited affordability for residents. In 1997 the average house price in Lewisham was £73,789 and the median salary was £16,120, a price to income ratio of nearly 5:1. By 2010, and despite the downturn in the broader economy, the average house price in the borough had increased to £255,351 and the median income had increased to £23,592, resulting in a doubling of the price to income ratio to almost 11:1⁸.
- 2.8. House prices have since stabilised, but mortgage finance is increasingly rationed and deposit requirements have increased. To be able to purchase a property in the lowest 25 per cent of prices in Lewisham in 2010, a single resident would need to be earning at least at the level of the highest 25 per cent of earners (£40k p.a. or more), qualify for a 75 per cent loan-to-value mortgage, and have saved £1 in every £5 that they had earned for 7 years or have other access to the £45k deposit. With personal debt levels still high - £1,700 for every adult in the UK aged 18 or older, compared to £1,000 in 1997 – this rate of saving is unlikely, and first time buyers are increasingly reliant on family support to access home ownership⁹.
- 2.9. Figures provided in the 2011 Census show that of 116,091 households in Lewisham 43.6% are either owned outright, owned with a mortgage or part of a shared ownership arrangement - a decrease from 50.1% in 2001.
- 2.10. It is in this context that the committee decided to undertake their review into options for low cost home ownership in Lewisham. The remainder of this report will detail the findings of this review and the evidence base for the recommendations that the committee wish to make.

⁶ See: <http://www.constructivemagazine.com/news/mccloud-recruited-self-build-push>

⁷ See: National CLT Network website: <http://www.communitylandtrusts.org.uk/what-are-clts>

⁸ Housing Challenges and Opportunities, officer report to the Housing Select Committee, 18 January 2012, p4

⁹ Ibid, p7.

3. Right to Buy / Preserved Right to Buy / Right to Acquire

- 3.1. Right to Buy (RtB) is a policy introduced in the late 1960s in Greater London that gives secure tenants of Council and Housing Association (HA) homes the legal right to buy the home they are living in. Councils are permitted to retain the receipts and use them to develop new, replacement affordable homes. Preserved Right to Buy refers to situations where a council home has been sold to another landlord (such as a HA) whilst a tenant is living in it but the tenant has retained the right to purchase the property. Right to Acquire (RtA) is a similar scheme that is available to tenants of self contained Registered Provider properties built or purchased after 1st April 1997.

Recent Policy Changes

- 3.2. In March 2012 the then Housing Minister, Grant Schapps, announced the final guidance on a series of major policy changes designed to reinvigorate the governments RtB scheme. This included an increase in the maximum discount from £16,000 to £75,000 (depending on the type of property and the length of time the tenant has lived there) that has applied since 1st April 2012. The increased discount does not apply to properties that are eligible under Right to Acquire.
- 3.3. Additionally it was announced that after the deduction of cost and compensation for any loss of income to the Local Authority the Treasury and local authorities would receive the same amount they would have expected to receive had the RtB policy remained unchanged. Local Authorities would then be able to use part of their receipts from the RtB sales to fund replacement housing provided they enter into an agreement with the government that they will limit the use of RtB receipts to cover only 30% of the replacement dwelling.
- 3.4. The government expects that any new housing provided would be in the affordable rented sector which could mean that tenants are being charged up to 80% of the total market rent. This would equate to around £193.60 per week for a two bedroom property in the borough.¹⁰

Advantages of RtB

- 3.5. The main advantage of RtB is that it allows a social tenant to purchase their own home at a discounted rate.
- 3.6. This can be very attractive to tenants such as Mrs Mead from St John's Court who gave evidence to the committee. She had lived in her home for over 30 years, since she was 18 years old, and when she came to buy the house in 2000 the cost of the mortgage repayments were in fact less than the cost of continuing to rent the property.

¹⁰ Based on the 80% of the median rent for a two bedroom property in Lewisham according to figures provided by the Greater London Authority available online:
<http://legacy.london.gov.uk/rents/search/results.jsp?x=537666.588922&y=174001.711905&propertyType=twobed>

- 3.7. Mrs Mead also advised the committee that the process of applying to buy her home through RtB was simple, although she did have some support with the administration from her family.

Disadvantages of RtB

- 3.8. The main disadvantage of RtB to the tenant is the costs associated with the buying and owning a property. Buying a property involves applying for a mortgage – a process that is difficult in the current economic climate and one that involves various fees and charges.
- 3.9. It should be noted that whilst Mrs Mead acknowledged that she found the process of obtaining a mortgage relatively straightforward in 2000, she felt that the process would be more difficult now. This was reinforced by Orville Phillips of Lewisham Homes, who advised that he knew of a tenant in Lewisham who was struggling to obtain a mortgage despite the RtB discount bringing the value of the property down to almost £100,000.
- 3.10. Additionally there are many costs involved with owning a home as homeowners take on the responsibility for repairs and maintenance. Leaseholders in flats are also more likely to be liable for the cost of major works and the decision on when to carry out these works is out of their hands.
- 3.11. The evidence supplied by Ms Jacob Da Silva, a leaseholder from the Passfields Estate, highlights a case of a leaseholder being charged for work that they had very little control over. This situation was particularly extreme given that the property was in a listed building, which increased the cost of the work, and there were limits to what modifications could be made to the property. Ms Jacob Da Silva estimated that she had spent between £20,000 and £30,000 on major works which had added no value to her property despite having lived in it for five years.
- 3.12. Ms Jacob Da Silva and Mrs Mead both stated that they would reconsider their decision to purchase a property under RtB given their experience of home ownership.

Recommendation:

- R1 Lewisham Council and partner organisations need to ensure that all residents are aware of both the benefits and the pitfalls of choosing to buy a home through the Right to Buy Scheme.

- 3.13. In theory the RtB scheme should help create a natural mix of tenures in the local community but the evidence supplied by the officer report suggests that these properties are often bought and then rented out, potentially to homeless households or people on housing benefit. Figures released in the national press on 6th March show that of the 5249 leasehold residential properties owned by Lewisham, 1694 (32%) have “correspondence

addresses” which could suggest that they are being sub-let by their new owners. These same figures also showed that one local landlord owned a total of 6 ex-council properties.¹¹ This evidence suggests that promoting RtB is doing little to improve the mix of tenures, especially in parts of the borough that have high concentrations of social rented housing such as Deptford, New Cross, Lewisham, Lee Green, Catford, Forest Hill and Sydenham as identified by the Unitary Development Plan in 2004.

Recommendation:

R2 Lewisham Council should explore options to limit the number of RtB leaseholder sub-letting their properties or selling them to local private landlords. This could include exploring options for charging leaseholders for renting their property in the first five years and looking at options for giving the council first refusal on the property in the event of a sale.

3.14. Whilst individual sales under the RtB scheme do not directly affect the retained stock or stock transferred to Registered Providers, there is a cumulative effect. The table provided in the officer report demonstrates the effect of one RtB sale on Council income, using the average rent of a Lewisham Homes property at the beginning of 2012 / 13:

Rental Income (Less 2 % Voids)	-£4,458.49
Less Management Costs	£1,285.95
Less Maintenance Costs	£1,745.44
Less Capital Costs	£1,115.83
Net Position	-£311.27

3.15. Based on these figures the 12 RtB sales that had been completed between 1st April 2012 and early January 2013 have resulted in a loss of income for the Council totalling £3,735.24. Whilst this is not a lot of money, other evidence suggests that some residents may be waiting for Decent Homes work to be completed before applying for the RtB scheme so this figure could rise as the year progresses. Additionally, there is a need to factor in the loss of 12 properties that would otherwise have remained available to meet the needs of those registered as priority homeless.

3.16. Officers also expect the increased discount on offer since April 1st to have an effect on the number of applications for the RtB scheme this year. Based on current trends they estimate that roughly 249 applications to purchase one of the Council’s 15,364 properties will be received between April 2012 and 31st March 2013. This is a significant increase on the total of 58 forms received in 2011 / 12.

¹¹ See <http://www.mirror.co.uk/news/uk-news/right-to-buy-housing-shame-third-ex-council-1743338>

Promoting Right to Buy

- 3.17. The new guidance for RtB requires local authorities to be proactive in promoting RtB and Lewisham Homes have complied with this by advertising in their newsletters, on their website (see Appendix A) and in local housing offices. The Government also advertises locally and recently ran a poster campaign at bus stops in Lewisham.

Other schemes available locally to promote home ownership

- 3.18. An Officer report was taken to the Housing Select Committee meeting on 6th March detailing changes to the Cash Incentive Scheme (CIS) which is run by the Council. This allows a Council tenant to receive a grant based on the size of their property to help them buy a property on the private market anywhere in the UK and free up their current property to be re-let by the Council.
- 3.19. The changes to the CIS have yet to be agreed by Mayor and Cabinet, but the proposal taken to the Housing Select Committee sets out the following grants to be awarded to a CIS mover based on the property returning to the Council:

Type of property returning to the Council	Grant for releasing a flat	Additional £5,000 grant if releasing a house
5 bed	£39,000	£44,000
4 bed	£34,000	£39,000
3 bed	£29,000	£34,000
2 bed	£26,000	£31,000
1 bed	£21,000	£26,000

- 3.20. Despite the difference between the incentive and the potential RtB discount, there are advantages to both the Council and tenants of choosing the CIS over the RtB scheme. The tenant can choose to buy a house anywhere in the borough, in London, or in the UK; potentially in an area where they are more likely to secure a mortgage. The Council is able to help tenants access low cost home ownership whilst retaining its own housing stock to help those on the housing waiting list.

Recommendation:

- R3 Lewisham Homes should promote the Cash Incentive Scheme alongside Right to Buy to ensure that tenants are aware of all the options available to them.

4. Shared Ownership / Shared Equity

- 4.1. Traditional Shared Ownership enables someone to purchase a new or existing home from a housing association. They purchase the maximum share in the property that they can afford with a minimum requirement of 25% and maximum of 75%, and pay rent on the remaining share. Properties are either brand new or being sold by existing shared owners. The rent on the outstanding share is usually set at a maximum of 3% on the value of that

share when the home is first sold. Rent levels on resale homes can be higher.

4.2. There are currently a number of other Shared Ownership / Shared Equity products available in Lewisham including:

- *First Buy*: potential buyers are offered an equity loan of up to 20% of the full purchase price which is interest free for the first five years – after which buyers will pay a fee on the equity loan of 1.75%, rising annually by the increase in the Retail Price Index (RPI) plus 1%. Buyers are expected to raise the remaining 80% of the cost of the property through their deposit and mortgage. This scheme is funded by the developer and the Government. Barratt Homes are offering FirstBuy Homes in the Renaissance Development in Loampit Vale.
- *HomeBuy Direct*: similar to FirstBuy – the only difference being that purchasers are offered a loan of up to 30%. It should be noted that there are only a limited number of properties still available in London via this product.
- *Rent to Buy*: allows prospective buyers to rent a new build property at a rent 20% lower than they would expect to pay on the open market for up to 5 years with the option to buy the home through a shared ownership arrangement when they are ready to do so.
- *Newbuy*: this scheme is aimed at first time buyers who only have funds for a 5 – 10% deposit on a home they wish to buy in England. Participating lenders will provide a 90 – 95% loan-to-value mortgage to buyers who meet the qualifying criteria.
- *Armed Forces Home Ownership Scheme (AFHOS)*: a scheme designed specifically to provide assistance for qualifying service personnel (between 4 – 6 years continuous service and unable to afford a suitable home on their own) to purchase a home on the open market. Eligible service personnel will have access to an equity loan of between 15 and 50% of the value of the home that they choose. This scheme is administered by Swaythling Housing Society.

4.3. Appendix B provides information on a wide range of historic shared ownership / shared equity products that were also considered by the committee as part of the evidence taken for this review.

4.4. The majority of the products, both current and historic, have been channelled through the “Homebuy Agent” which has acted as a one stop shop for applications by potential purchasers or intermediate renters, and for marketing properties for all providers. This service, known in London as FIRSTSTEPS, has consistently been provided in London by a partnership arrangement involving London and Quadrant and the Metropolitan Housing Trust. This service ceased to exist on April 1st 2013 as a result of the policy changes that will be outlined below.

Recent Policy Changes

4.5. In September 2012, the Mayor of London issued a funding prospectus relating specifically to homes for working Londoners as part of his Housing Covenant. Through this he requested bids for a flexible product that can be any of the following:

- “Rent to save” – similar to “Rent to Homebuy,” the tenant pays a rent of up to 80% of the market rent and commits to saving a deposit within 5 years to purchase.
- “Traditional Shared Ownership” - applicant buys between 25% and 75% of property and pays a rent on the unsold equity of up to 2.75% p.a.
- “Equity loan” - a maximum loan of up to 20% of the property value with an interest fee of 1.75% of loan charged from year 6 of home ownership

4.6. Properties relating to the flexible product should be owned by a Registered Provider at the time of first letting/sale. This is for regulatory reasons and helps to ensure that the grant is recycled.

4.7. The Housing Covenant also announced the abolition of the “Homebuy Agent.” The Greater London Authority (GLA) is attempting to streamline the process by making applicants deal directly with each Registered Provider. The GLA will provide a portal website linking to each provider’s marketing website. The South East London Housing Partnership, which includes Lewisham, is exploring options to maintain the “Homebuy Agent” service as they believe that its loss will have a detrimental impact upon Local Authority (LA) and Registered Provider workloads and resources, in addition to complicating the process for potential applicants.

Advantages of Shared Ownership / Shared Equity

4.8. The evidence supplied to the committee by the officers and marketing representatives from London and Quadrant (L&Q) and Family Mosaic suggests that there were very few advantages of Shared Ownership and Shared Equity Products outside of the fact that they offered residents one option of getting a foot on the property ladder. In particular, this could be beneficial to those on the housing list who will never realistically be a high enough priority to be housed in social/affordable rented accommodation. These tend to be low income, working households who are unable to buy on the open market. Some buyers of a shared ownership property eventually buy 100% of the equity, suggesting it is an option for low cost home ownership.

4.9. Shared Ownership and Shared Equity products are often criticised, as home owners can become “trapped” with a high rent and a high mortgage payment if their financial situation changes; however, the evidence provided to the committee by Debbie Coombs (Family Mosaic) and Lucy Chitty (L&Q) suggested that it was possible for tenants to staircase down to a lesser share of the ownership or even to a normal tenancy arrangement. This could be attractive to residents who would be concerned that they would stand to lose a home bought on the open market if they fell into financial difficulties.

- 4.10. Additionally, the evidence provided by Family Mosaic and L&Q suggested that they offered additional support to residents in financial difficulty, including: referrals to a credit control team who offer information, advice and guidance on selling their home, stair-casing down and managing arrears.

Disadvantages of Shared Ownership / Shared Equity

- 4.11. The main disadvantage of buying a shared ownership home is the risk of repossession if the buyer falls into financial difficulty. Purchasers can sometimes find it difficult to sell a property if they only have a share and haven't been able to purchase the whole property. As the Registered Provider will still own a percentage, they have first refusal to buy the property, but generally the resale will be advertised via the Homebuy Agents webpage.
- 4.12. The officer report considered by the committee suggests that the cost of some shared ownership schemes do not necessarily compare favourably with an outright mortgage. An example offered in the report is the Pride of Deptford scheme in the north of the borough, where the BBC's mortgage calculator suggests that purchasers could be liable for a monthly interest-only mortgage payment of £525 (based on 3% interest over 25 years) whilst the total monthly cost under the shared ownership scheme (mortgage and rent) worked out at £742.
- 4.13. Shared ownership / equity products are affected by the general housing market. In the current adverse economic climate, purchasers require a substantial deposit which is often out of reach due to restricted access to credit, below inflation wage rises and the high cost of living. This results in a loss of supply of Shared Ownership properties as Registered Providers become less likely to take the risk of developing large numbers of Shared Ownership properties, instead preferring to deliver higher numbers of new affordable homes. Conversely when finance is more easily accessible, the demand for shared ownership products can be lower, as the cost of the mortgage and the rent compares unfavourably with the cost of a traditional mortgage arrangement.
- 4.14. An additional disadvantage of Shared Ownership is the fact that a purchaser will need to pay insurance costs as well as 100% of the cost of the repairs and maintenance, despite the fact that they do not own 100% of the property. L&Q and Family Mosaic acknowledged that this was the case, but they stressed that the rental charge was based on the "tenant" holding a full insuring and repairing lease. They also pointed out that these issues would be known to the prospective purchasers in advance of them opting to take up a shared ownership option.

Recommendation:

- R4 Lewisham Council and Partner Organisations need to ensure that all residents are aware of both the benefits and the pitfalls of choosing to buy a home through a Shared Ownership / Shared Equity scheme.

- 4.15. The differing and ever changing products on offer can be confusing to the potential purchaser and may prevent people fully considering low cost home ownership as an option, preferring to remain in social, affordable or private rented accommodation. Choices may become more confusing with the abolition of the Homebuy Agent in April 2013.

Recommendation:

- R5 The Housing Select Committee support the South East London Housing Partnership in their efforts to maintain a portal website to make it easier for residents to navigate the range of Shared Ownership / Equity options available locally.

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5. Self Build / Custom Build

- 5.1. Self build provides an opportunity for residents to build their own home through a variety of different approaches. A private resident can purchase a piece of land, get planning permission and build their own home to live in or sell with very little involvement from the Council. Alternatively a group can approach the Council and a proposal can be developed together.

Options

- 5.2. In his evidence to the committee Ted Stevens, Chair of the National Self Build Association, was very keen to stress that a self build home does not necessarily need to be a “Grand Design” – the majority of Self Build homes are modest structures. In fact self build properties do come in all shapes and sizes, from the timber-framed properties at Segal Close (see below) to a standard brick property.
- 5.3. Self Build / Custom Build schemes can involve varying degrees of input from the self builder, ranging from the complete build being undertaken by the self builder, to assisted build where certain specialist trades can be supported, leaving the self builder to carry out only the final decorating and fixing work. Projects can fall anywhere along this spectrum and as technology changes, the options increase and modern alternatives could now include off-site manufacture methods, where the majority of the building work takes place in a factory resulting in less work for the self builders when they get on site.
- 5.4. The committee were provided with the details of a number of other self build projects that are ongoing in other parts of the country which have been included as Appendix C of this report. These demonstrate a range of designs, from the terraced and semi-detached properties developed as part of the projects in Lancaster and Cornwall, to the eco-friendly earth sheltered / straw bale homes built in Nottinghamshire and Leeds respectively.

Segal Close

- 5.5. The committee considered a case study of the Walter Segal-inspired self build development at Segal Close near Honor Oak. Segal was a Swiss architect who had developed a method of building using a modular, timber frame system that allowed for ease of construction and low maintenance whilst minimising the need for “wet trades” such as bricklaying and plastering.
- 5.6. This scheme was developed in the late 1970s, with support from the Lewisham Council Housing Committee, on a steep site that was deemed unsuitable for the development of standard council housing. It allowed those in housing need, mostly without building skills, to design and build their own homes. It was one of the first Local Authority backed self build schemes in the country.
- 5.7. The finished site provided homes for 14 families on the housing waiting list and was considered such a success that the council commissioned a second

similar scheme comprising 13 two-story houses at what is now Walter's Way in Honor Oak Park. Subsequently, the role of developing social housing has passed to Housing Associations, who developed a further 5 sites in the 1990s.

- 5.8. The success of the Segal Close self build scheme triggered the initial interest in self build in the 1970s, and the market continued to grow until it peaked at almost 20,000 completions per annum across the country in 1997.

Demand

- 5.9. Figures provided by Ted Stevens demonstrate that 53% of people want to build their own home at some stage. This is based on a Building Societies Association survey carried out in October 2011. A further breakdown of these figures show that 30% of people want to build their own home within the next five years, 12% want to start a project within the next year and 1 in 4 are keen on being involved in a group self build. Additionally, 400,000 people searched www.rightmove.co.uk in September to find a plot for a self build.
- 5.10. No figures were provided showing local demand but the officer report provided as part of the written evidence suggests that the Council has been approached by a number of groups on proposals for a Self Build scheme at the Church Grove site in Ladywell.

Recommendation:

- R6 Lewisham Council should measure the demand / interest in self build locally

- 5.11. Ted's evidence also demonstrates that a large number of local authorities across the country are looking at creating some sort of self build development - see appendix D. These include rural authorities such as Cherwell, urban areas like Stoke and London Boroughs such as Newham, who are looking at building eight self build units on a site set aside by the GLA.

National and Regional Policy

- 5.12. Three key documents have recently informed the policy position on Self Build. The first is "An Action Plan to promote the growth of self build housing" which was produced by the Self Build Government – Industry Working Group in July 2011. This document contained a series of recommendations around land and procurement models, finance and lending, regulations and red tape, and the self build industry itself. These recommendations informed the National Planning Policy Framework (March 2012) which sought to ensure that Local Authorities were proactively assessing local demand for self build land and making provision to meet that demand. They also were the basis for the advocacy of stronger support for Custom Home Building (including £30 million funding) set out in the Government's November 2011 white paper: "Laying the Foundations: A Housing Strategy for England."

- 5.13. The committee also considered the Mayor of London's funding prospectus – "Build your own home – the London way" – as part of their evidence on self build. This funding prospectus is linked to the "Laying the Foundations" white paper and offers Londoners the chance to bid for a share of an £5 million pot of funding to support Custom Build Housing.

Recommendation:

- R7 Lewisham Council should promote the Mayor of London's "Build your own home – the London Way" funding pot to local residents who are interested in self build.

Advantages of Custom / Self Build

- 5.14. Custom / Self Build offers a number of advantages to the homebuilder and the local community. Both Ted Stevens and Jon Broome, architect of Segal Close, point to the self-confidence and life skills that self builders gain from working collaboratively and dealing with a wide range of authorities and professionals. Self build projects can also be conducted alongside training opportunities to enable self builders to build skills that could help them back into employment.
- 5.15. Those involved in self build projects, including Ted and Jon, tend to highlight the sustainable community that self build projects tend to foster as a result of the effort that goes into building and personalising each home. This gives residents a real stake in their homes and the community in which they live and this is backed up by the length of time self builders tend to stay in their completed properties – Ted's evidence suggested that they moved on average only once every 25 years compared to the national average of once every 6 years. On a local level, figures show that of the 14 families who moved into Segal Close in the late 1970s only 4 had moved on by 1995 and one of these (Jon himself) had moved into another self build home.
- 5.16. The cost of building a self build home can be significantly lower than the cost the council would pay to build social housing. Ted's evidence suggests that a basic house could be built for around £30,000 - £40,000 whilst a home built to a "social housing specification" could be built for around £100,000, which would compare favourably to the estimated average cost of £150,000 per new build unit quoted in the Housing Matters programme. The costs would obviously depend on the size of the property, how straightforward the construction methods are, and how much self-help labour the builder was prepared to undertake. An additional advantage of self build homes is that they tend to be energy efficient and therefore the ongoing running costs tend to be reduced.
- 5.17. Self builders can also boost the local economy as they are more likely to source materials locally and hire in local tradesmen to help with the work on their homes.

Disadvantages of Self Build / Custom Build

- 5.18. The evidence provided to the committee acknowledged that sourcing land for self build schemes in London can be difficult. This is particularly relevant in the current economic climate where LAs are being asked to make savings and are therefore reluctant to lose out on even a portion of the capital receipt that can be gained from simply selling land on the open market. There are, however, opportunities for councils to be creative and recognise the potential of self build homes to help meet local housing priorities, but these will be discussed in the next section.
- 5.19. Accessing finance to fund a self build / custom build property can be more challenging and involve extra fees when compared to a mortgage to buy a home outright. This is because lenders often wish to release the money in stages so they can check on the ongoing progress of the work on the property.

Recommendation:

- R8 Lewisham Council should work with local partners such as the credit union to open up new finance options for any potential Self Build / Custom Build projects in the borough.

- 5.20. Self build / custom build properties can take longer to complete than a housing development undertaken by a contractor, given the potential additional training needs for the self builders and the amount of manpower each self builder can realistically bring to the project. As Jon Broome highlights in his evidence, “more or less unskilled self-builders working more or less part time with generally fewer resources of plant and tools than a contractor and building to a higher quality than many contractors will never be a quick solution to housing problems.”

Potential for Innovation

- 5.21. Arguably Self Build / Custom Build has more potential for innovation on behalf of the Council than the other options for low cost home ownership highlighted in this report. Self Build / Custom Build also has the potential to aid the wider community by increasing skill levels amongst self builders and fostering an improved community spirit.
- 5.22. Some of the innovations on behalf of the Council could help overcome some of the issues highlighted above.
- 5.23. In terms of providing affordable land for development, the Council could look at helping set up a Community Land Trust (see section 6 of this report), setting up an arrangement whereby land is only paid for in the event of a self builder selling a house or encouraging groups to group together to buy land.
- 5.24. Ted Stevens stressed in his evidence that there is a need for Councils to think creatively if they wish to support Self Build, as it would be possible to set parameters or criteria that would ensure that self build homes help meet local priorities. Lewisham can learn from their own history, as the previous self build schemes in Honor Oak were restricted to those on the housing waiting list.

Recommendation:

- R9 Lewisham Council should explore all options for providing appropriate affordable land to Self Build projects that help meet local housing needs.

- 5.25. Additionally, some of the sites being considered for infill development under the Housing Matters programme may be suitable for self build, particularly those sites that have been deemed unsuitable for development by the Council.

Recommendation:

- R10 Lewisham Council should re-explore the sites that have been considered for infill development under the Housing Matters Programme with a view to making any suitable sites available to self builders.

6. Community Land Trusts

- 6.1. Community Land Trusts (CLT) are non-profit, community-based organisations that are usually run by volunteers that develop housing, workspaces, community facilities or other assets that meet the needs of the community. They are owned and controlled by the community and are made available at permanently affordable levels.
- 6.2. According to the CLT handbook, provided as part of the written evidence to the committee, a CLT has five key features:
- Community-controlled and community-owned – set up and run by the community and for the community.
 - Open democratic structure – membership should be open to those who live and work in the local community and these members should be actively engaged in the work of the CLT.
 - Permanently affordable housing – the home or other asset must not just be affordable for the first buyer but the affordability must be maintained in perpetuity.
 - Not-for-profit – any profits generated must be used to further the community's interests.
 - Long-term stewardship – a CLT does not disappear when a home is sold or let but it retains a long term role in stewarding the homes.

Advantages of a CLT

- 6.3. The main advantage of a CLT is the ability to provide permanently affordable housing to meet local housing needs. There are a number of options for doing this including shared equity arrangements. The committee were informed by Dave Smith of the East London CLT of their formula-based system that ties the value of housing in the CLT to the local median wage. The ground lease for properties in the CLT is purchased using the formula, and in the event of a sale, the same formula is applied again to determine the value of the house. This allows the homeowner to receive a fair return on their investment whilst any new owner will pay a fair price for their property.
- 6.4. Arguably, CLTs can have a more positive impact on the whole community compared to the other options for low cost home ownership. Membership is not limited to residents of the homes in the CLT but it is open to the whole community as is the case in East London where local residents can pay £1 to join the CLT. Through a combination of the ground rent collected for the properties and the membership fees, Dave estimates that the members of the CLT will be able to vote on how to spend an estimated £45,000 on improvements in the local area.
- 6.5. CLTs can develop with little or no financial assistance from the Council, as was the case with the East London CLT who expect to pay £3 million direct to the developer for the properties in the CLT and expect to receive £3.8 million in rent in the first year. The only funding they expect to need is a bridging loan to help buy the land.

- 6.6. It is also possible that Local Authorities may need to supply discounted or free land for any CLT scheme to work in the borough. As mentioned in the previous section, it is possible to use a CLT to release land for self build projects.

Recommendation:

- R11 Lewisham Council should explore a Community Land Trust as an option for releasing land for self build projects.
- R12 Lewisham Council should re-explore the sites that have been considered for infill development under the Housing Matters Programme with a view to making any suitable sites available to groups wishing to set up a Community Land Trust.

Disadvantages of a CLT

- 6.7. 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.

Recommendation:

- R13 Lewisham Council should work with local partners such as the credit union to open up new finance options for any potential CLT in the borough.

- 6.8. Buying a home in a CLT may not be as cheap as some of the other options being explored as part of this review but it is open to anyone in the local community and does not have the same restrictive criteria as other schemes such as shared ownership and right to buy.

Potential in Lewisham

- 6.9. Actively pursuing CLTs as an option for low cost home ownership may initially require large amounts of Local Authority time and possibly funding to support the development of a CLT.
- 6.10. Evidence to the committee from Dave Smith suggests that CLTs must arise from an active community group that is already in place. A Council cannot impose a CLT, but there are measures that can be taken to encourage and facilitate the creation of a CLT locally as detailed in the recommendations above.

Recommendation:

- R14 Lewisham Council should create a local version of the CLT Handbook to simplify the process for any local community groups thinking of approaching the Council to set up a CLT.

7. Monitoring and ongoing scrutiny

Recommendation:

R15 A further report on low cost home ownership, including updated information relating to the recommendations set out in this report should be brought before the Housing Select Committee in the 2013/14 municipal year.

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- Harrington, Catherine and Seagrief Rose (eds), *CLT Handbook*, (National CLT Network, 2012)
- Heywood, Andrew, *The end of the affair: implications of declining home ownership* (The Smith Institute, 2011)
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- Minutes of the Housing Select Committee meeting on 4th February 2013
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- The Community Land Trust Network – www.communitylandtrusts.org.uk
- The London Rents Map – available online at legacy.london.gov.uk/rents/
- The National Housing Federation, *Shared Ownership Facts and Figures* (2010)

Appendix A

Lewisham Homes Right to Buy Website:



WANT TO GET INVOLVED? Request a copy of our Residents' Compact and find out how! ☎ 020 8613 7660

8

Changes to the Right to Buy

From 2 April there are major changes happening to the Right to Buy (RTB) Scheme. Most secure tenants have the right to buy their homes at a discounted price once they have been public sector tenants for a minimum of five years.

The Government announced that they would be increasing the maximum RTB discount up to £75,000 from 2 April 2012.

The exact amount of discount depends on the market value of your home and the length of time that you have been a tenant.

Making the right choice

Becoming a homeowner is one of the most important decisions you will make. We have a team who can help you with your application and discuss the benefits, costs and obligations of becoming a homeowner.

Our advice is free and in most cases we can provide the same service as those who charge. We do not receive any commission from mortgage companies or other organisations.



We have a team of officers who can help with your Right to Buy application free of charge.

Get your free information booklet or talk to a member of the RTB team today!

☎ 0800 028 2 028 press 5
@ leasehold@lewishamhomes.org.uk
www.lewishamhomes.org.uk

Things to consider when buying your home



If you sell your home five years after buying it, you won't need to repay any of the discount. (NB - you will have to repay some or all of the discount if you sell within the five year period)



You will need to arrange and pay for all repairs inside your home, including repairs to your central heating.



If you have a mortgage it will include interest on the amount you have borrowed and your interest rate may increase over the years.



If you buy a leasehold property (flat or masonette) you will pay service charges to cover works to shared areas of the block and services to your property which may include caretaking, antisocial behaviour etc.



As a homeowner you cannot claim housing benefit. The Department for Work and Pensions does provide some help with mortgage payments if you run into financial difficulty, but this may not cover all of the monthly mortgage payment.



If you do not pay your mortgage, your home may be repossessed.

www.lewishamhomes.org.uk

Appendix B

Historic shared ownership / shared equity products

Homebuy

- 1.1. Homebuy is the umbrella term for a number of home ownership products, however historically it referred specifically to a product aimed only at existing tenants and people on the waiting list. The applicant would need to be able to get a mortgage for 75% of the purchase price. The remaining 25% was provided through a loan from the RP. There were no loan repayments until the property was sold. Repayment was based on 25% of the sale value.

London Wide Initiative (LWI)

- 1.2. London Wide Initiative was a shared equity product for key workers, and in some cases local residents, at specific developments across London. Through LWI, the government retains a percentage of equity in a home and the home buyer did not need to make any monthly payments on the government's share. If the home buyer left their key worker profession within the first three years of ownership then they repaid the government's share or sold the home.

Open Market HomeBuy

- 1.3. Open Market HomeBuy helped first time buyers and key workers buy a home of their own on the open market with help of an equity loan. In 2008 two options replaced the old Open Market HomeBuy scheme that had existed since 2006, these options were MyChoiceHomeBuy and Ownhome.

MyChoiceHomeBuy

- 1.4. MyChoiceHomeBuy was a government funded, low cost home ownership product that enabled eligible applicants to choose and purchase a home of their own on the open market with the help of a flexible equity loan. Home buyers would raise a mortgage with a high street bank or building society and received a government equity loan of up to 50% of the property value. There was an annual charge on the loan of 1.75% in the first year that would marginally increase each following year.

Ownhome

- 1.5. The alternative scheme to MyChoiceHomeBuy was called Ownhome delivered by Places for People where home buyers could borrow between 20% and 40% of the value of their chosen property, up to a maximum of £165,000. No interest payments were payable on the Ownhome loan for the first five years. After five years interest was charged at a fixed rate of 1.75% each year. After a further five years this would increase to a fixed rate of 3.75% p.a.

First Time Buyers' Initiative (FTBI)

- 1.6. First Time Buyers' Initiative was a government backed scheme started in 2006 delivered through English Partnerships (the then national regeneration agency, in collaboration with the Housing Corporation). It enabled aspiring first time buyers, who could not otherwise afford to buy a new home, to purchase a new property with an affordable mortgage and with government assistance on a designated FTBI development. Assistance was paid to the participating house builder, not the first time buyer. The government would then be entitled to a share of the future sale proceeds which are equal to the initial percentage contribution required to assist the buyer. It enabled the FTBI buyer to take out an affordable mortgage (minimum 50% of the total purchase price) on which they would make repayments.

Key Worker Homebuy

- 1.7. This is an equity loan scheme that operates in a similar way to Homebuy. Qualifying key workers could obtain a loan of up to £50,000 to put towards a purchase on the open market. The amount of the loan was determined by what the key worker could afford. Unlike Homebuy, it didn't have to be 25% of the value. The loan was only repayable if the property was sold or if the purchaser stopped being a qualifying key worker. At this point, the percentage of the value that was represented by the loan at the original point of purchase was repayable to the housing association.
- 1.8. The proceeds were all recycled to provide more affordable homes for key workers.

London Challenge Key Teacher Homebuy

- 1.9. This was a highly targeted scheme aimed at teachers with specific attributes such as leadership potential, or teaching in a challenging school. The scheme operated in the same way as Key Worker Homebuy except that qualifying teachers could access equity loans of up to £100,000 to buy a home on the open market. These buyers did not have to be first time buyers.

Key worker new build shared ownership

- 1.10. This scheme operated in the same way as ordinary shared ownership except that it was only available to a defined group of key workers, defined by the then Housing Corporation. Purchasers who stopped being a qualifying key worker had to buy all of the remaining equity or sell the home to a qualifying key worker nominated by the housing association.

Do-it-yourself-shared-ownership (DIYSO)

- 1.11. The Government stopped funding Do-It-Yourself-Shared Ownership (DIYSO) homes some years ago. DIYSO worked in the same way as shared ownership except that instead of being offered a new home, the applicants themselves found a home to buy on the open market. The home could be

anywhere in England. Consequently some housing associations have a few DIYSO homes outside their usual area of management.

Home Ownership for People with Long Term Disabilities (HOLD)

- 1.12. The South East London Housing Partnership have worked with Hyde Housing Association for several years to provide innovative and flexible solutions to help residents with disabilities to stay and even purchase their own homes and to live independently.
- 1.13. HOLD is not a separate product but the route that people with long term disabilities can use to buy shared ownership properties in London. To qualify for this scheme people must:
- Be over 18 years of age;
 - Have a recognisable housing need;
 - Have a good credit history;
 - Have no outstanding debts;
 - Be receiving medium or high rate Disability Living Allowance Care Component; and
 - Be unable to work now or in the future (ideally this will have been proved through a Work Capability Assessment).
- 1.14. The scheme is only suitable for single people or for couples who are both disabled and who are both unable to work due to their disability.

Appendix C – Other Self Build Projects highlighted by Ted Stevens

Lancaster Cohousing:

Fantastic riverside site where 41 zero carbon homes have been built, plus communal facilities like guest bedrooms, play room and workshops

Took a long time to make it happen – started in 2004 and only just finished

The homes cost £110-302k each

Builder constructed the whole lot to a design everyone had a say in.



Hockerton, Nottinghamshire:

Five families built a terrace of earth sheltered homes

Very green/off-grid solution

The families worked collectively to build the shells, then finished their own homes themselves

Worked out at about £90k per home (in 1998)

Has won many sustainability awards



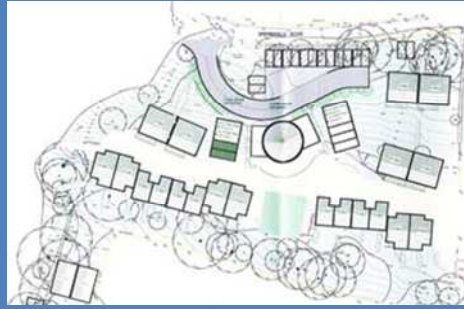
Springhill, Cohousing, Stroud:

Steep site that has become a home for 34 families – from one bed flats to five bed homes

Large 'common house' for communal meals and community activities

Built with a £4.2m loan – some homes were purchased outright; some are for rent. Typically each home cost a little less than similar homes nearby

Won numerous awards



St Just in Roseland, Cornwall:

Six homes build in 2011-12 by locals with connection to the building trade

Land purchased from farmer by Parish Council and put into a CLT – so homes remain affordable

Three bed stone clad cottages built for £60k each (plus significant fees on professionals!)

One of the best Community Self Build projects to date – Cornwall seen as a pace setter



LILAC Cohousing, Leeds:

20 homes currently being built on redundant school site three miles NW of city centre

All committed to making the homes as green as possible – uses straw bale and a panel based construction system

Built with £420k support from the HCA

Operated as Mutual Home Ownership Scheme – which ensures rents are fair and makes ownership affordable



Ashley Vale, Bristol:

Former scaffolding yard in central Bristol

30 local families bought the site, split it into individual plots and constructed their own homes

Also provided six 'self finish' bungalows and six 'self finish' apartments in former redundant office block

Typical homes cost less than £100k

Quality of life survey shows people are happier and feel safer

Winner of numerous planning and urban design awards



Appendix D:
Other Local Authorities looking at some sort of Self Build / Custom Build Development.

