



# Community-led housing

## A brief analysis for London Borough of Lewisham

June 2017

**Locality** is a national network of 600 community-led organisations, working together to help neighbourhoods thrive. We have been working with communities on built environment issues for over a decade, initially using our own charitable reserves to invest in a national Community-Led Housing (CLH) Support Programme at a time when CLH was less high profile, but nevertheless an important sector.

Locality's objective is to support the growth of the CLH sector and promote CLH as a key means of addressing the housing crisis and supporting communities.

Locality's current [support for Community-led Housing](#) consists of a small Early Stage Support programme funded by Nationwide Foundation, an online resource hub, [MyCommunity](#), funded by DCLG for communities interested in community-led planning and action of all kinds, membership of an emerging alliance of CLH support organisations and support to our own CLH member network. We also manage the DCLG Community Buildings Grants which can provide feasibility and pre-feasibility funding for CLH projects.

Addressing the housing crisis is one of the most pressing challenges of the day and there is no sharper divide in our country than the one created by the current, dysfunctional housing market.

'Community led' housing is a term commonly used to describe homes that are developed and/or managed by local people or residents, in not-for-private-profit organisational structures. Organisational structure varies but governance should be overseen by people who either live or work in the locality of benefit, or are direct beneficiaries. Community-led housing generally refers to a small geographic identified area of belonging or association.

CLH is usually developed by, with and for a community-led organisation or enterprise, and is controlled and in some cases owned or managed by a community-led organisation or enterprise.

## An introduction to Community-led Housing

There is no statutory definition of community-led housing. A working definition currently developed by the major players in the CLH sector at the moment defines CLH by a set of principles:

- I. A requirement that the community must be integrally involved throughout the process in key decisions (what, where, for who). They don't necessarily have to initiate and manage the development process, or build the homes themselves, though some may do
- II. A presumption in favour of activity where the local community are taking a long term formal role in ownership, management or stewardship of the homes
- III. A requirement that the benefits to the local area and/or specified community must be clearly defined and legally protected in perpetuity

CLH provides small-scale, locally-developed housing, designed and managed according to local priorities. It means local people can build the types of homes they need, for example, homes for young families who would otherwise be forced to move in search of lower prices, or homes for older people who want to downsize without having to look outside the places where they have lived all their lives. Crucially, CLH is a key element of communities taking control through the ownership and management of assets, and provides an important driver for economic regeneration and social enterprise.

CLH is an achievable option for many neighbourhoods but it currently represents only 1% of the total housing market, compared to our European neighbours where up to 10% of homes are community owned and managed. A new wave of community-led housing could make a clear impact on the housing crisis and help to deal with some of the following issues:

- the high cost of new homes - outside the reach of many of the individuals and families on low incomes
- the rising cost of private renting and the often poor conditions they offer, again affecting the individuals and families most in need of low cost, decent homes
- the overriding lack of any access to decent affordable housing for those at the margins of society
- the related problems that beset communities when access to decent, affordable accommodation is unavailable, for example, poor health, poor educational attainment, and crime

Communities have responded well to the community rights agenda and to neighbourhood planning, demonstrating a widespread interest in taking control of their local neighbourhoods. Over 300 neighbourhood plans have now passed a referendum and hundreds more are underway. Alongside this activity, existing community anchors with wide networks and reach, as well as new-start housing groups, are increasingly stepping forward to tackle the housing crisis for themselves.

Within Locality this is evidenced by the work of our 50 CLH members, the majority of which are involved in, or are considering the potential for taking on CLH projects, and also by other groups across the country who apply to the funding streams we manage. Most of the entrants to the CLH market choose to pursue the provision of affordable housing for rent as being the type of housing most urgently needed in their communities.

However in all cases, the organisation model, the type of tenure and the design of housing should be directly related to the particular needs of each local community and therefore CLH will continue to be developed in subtly different ways.

These groups overwhelmingly show a serious commitment to housing people according to need, but also have a high interest in building strong and sustainable communities and see decent, affordable accommodation as a lynchpin to these activities.

Though there are many complexities to running CLH projects, these groups, if properly set up and funded, can even raise a small income which can be re-invested in the wider neighbourhood, or in the building of further homes, leading to more resilient communities and ensuring a wider contribution to community action and new models of public service delivery.

## Barriers and enablers to growth of CLH

CLH groups commonly have an interest in affordable developments of mixed tenure, designed to meet the needs of their own communities. Communities show a strong desire to:

- build new homes
- refurbish existing empty properties (houses, office blocks, heritage buildings etc.)
- have an ongoing role in the ownership and management of housing

The key issues they face are:

- lack of capacity to develop CLH projects (particularly within new start groups)
- lack of revenue funding to pay for development costs/technical support
- inability to access land or buildings due to high prices/reduced asset transfer support/ land banking by developers
- lack of capital grant for development
- cost of debt finance

It is important to recognise from the outset that the majority of new CLH projects are relatively small scale, unlike, say most Housing Associations. The situation is slightly different where existing community anchor organisations are concerned, as they already have core capability and track record and may have potential to move more quickly and at scale.

Where new start groups and new build is concerned, due to the small scale of the initiatives and the often high cost of land and development, reliance on loan finance can often fail to prove a viable option. As a result, the availability of capital grants remains of crucial importance to the growth of CLH.

The availability of land or buildings is a key issue and continues to offer up many obstacles to CLH projects. However in areas where local authorities work with local groups, asset transfers of local authority-owned land or buildings can be extremely successful.

A key route for new organisations into housing delivery continues to be the empty homes sector, which offers a lower cost option and enables groups to take on assets and make homes available more quickly than other approaches and often provides skills training in the process. This process then enables future borrowing, allowing groups to move into new home building subject to appropriate levels of grant and low cost debt finance being available.

At the same time this approach has a significant regenerative impact in communities, by tackling the blight of low occupancy and dereliction. Pump-priming with interest-free loans, or better still, capital grants can be extremely useful here. There may also be a role for compulsory purchase of empty properties owned by absentee and irresponsible landlords. CLH groups can be highly successful in areas of market failure by involving tenants in the refurbishment and management of their properties.

Overall, CLH has the power to provide much needed homes and to underpin a whole range of other community initiatives designed to improve the quality of life for those in need, and to encourage stronger and more resilient communities across the board.

## Response to LBC Questions

Q. What are the key characteristics of community-led housing models? (feel free to focus on specific models if necessary)

A. The key characteristic of CLH is community control and accountability, via a democratic process, over the development process and the profits from housing development, and in some cases ongoing management of the housing.

Community is usually defined as community of place e.g. a ward, a village or a neighbourhood, but within that there may be a community of interest or need e.g. an intentional community, older people, young people, ex-service-personnel etc.

There is not a current statutory definition of 'community-led' housing, despite the term being in frequent use by public bodies and others. Two community-led housing approaches have UK statutory definition references and they are, the Cooperative Housing model in a raft of legislation starting with the 1965 Industrial and Provident Societies Act, and the Community Land Trust model secured a definition in Section 79 of the Housing and Regeneration Act 2008.

However, other forms for CLH fit within existing legal forms and models for community controlled organisations, such as Charitable Companies, Community Interest Companies and Community Benefit Societies. New models, such as Mutual Home Ownership, are being developed all the time within the existing legal forms available.

CLH organisations come in many shapes and sizes, but Locality's view is that scale matters and that most CLH organisations are managing less than 250 units of housing, which is why most Housing Associations these days are not classed as CLH.

Q. What is the size of the sector? How many homes is it delivering each year? How many homes is it forecast to deliver over the next five years?

A. Given that there is no clear definition of the sector, this is hard to say, but it is believed that the CLH sector currently accounts for about 1% of the housing in the UK, compared to 10% in Europe (Gulliver & Handy 2014, Lupton and McRoberts 2014). Predicting the growth of CLH homes is difficult given the many variables affecting such development and partly it depends on what support and finance is made available to accelerate growth. Some models predict possible delivery of 8-10,000 units by 2020 and of 40,000 units by 2025. In some parts of the country where gaining planning permission has become extremely hard due to opposition to large scale house building, a strategy of delivering all new housing via Community-Led Housing is being developed.

Q. How many of these are affordable?

A. CLH is almost always aimed at delivering some form of affordable housing (up to 80% market rate), either for rent or purchase, and critically, of ensuring affordability in perpetuity through the use of an asset lock, a Community Land Trust or other legal mechanism. In some CLH schemes there may be an element of commercial housing designed to subsidise the provision of affordable homes.

Some CLH is social rented housing, but given the need to become a Registered Provider to access HCA Grant, there is a major barrier to this at present.

Q. How long does it take on average to deliver housing?

A. This is no different to any mainstream housing provider in that this is dependent on how long it takes to achieve planning permission, development finance and land security. Research in 2014 found evidence of the potential of small housing providers to utilise local knowledge and connections to maximise community support for development, lower development costs and generate faster development timescales. (Lupton and McRoberts 'Smaller Housing Associations - Capacity to Develop New Homes' Joseph Rowntree Foundation, 2014)

The time taken to deliver housing also depends on the model - so that bringing empty homes or offices back into use for housing can be done very quickly whereas of course new build will take longer. Legal negotiations over transfer of land can unfortunately slow down the development process compared to buying on the open market, which is rarely an option for CLH groups.

Where a Neighbourhood Plan has been developed and adopted identifying suitable sites for community-led housing this can significantly speed up the planning process.

Q. How much does it cost on average to deliver housing, in comparison to other models of housing?

A. It is not possible to talk about 'average' costs given the range and diversity of CLH projects around the country. However, there are good reasons why CLH projects can deliver affordable housing, even at small scale. Community-led housing projects are not aiming to deliver a developer profit, therefore there can be a saving of 15% of the development costs which would normally constitute developer profit. Additional to this is the 'sweat equity' put in by volunteers managing the project and sometimes self-builders or volunteers/tenants involved in the actual refurbishment or building of the properties.

In addition there are considerable savings to be made when land or buildings are provided at less than market value, through a Community Asset Transfer from a Council or through a philanthropic landowner. CLH groups often take on sites which are not viable for commercial development and there can therefore be a good justification for providing the site at less than market rate. All of this explains why CLH groups are able to deliver affordable housing when commercial developers cannot.

Q. What are the key enablers that need to be in place to deliver community-led housing? (feel free to focus on specific models if necessary)

A. In Locality's experience the key enablers are:

- demand from local people coupled with skills and knowledge about what is possible
- availability of suitable land or property which can be accessed by CLH groups at a suitable price/on suitable legal terms
- development / capacity building/ pre-feasibility support and grants to enable groups to develop their knowledge, access technical support and undertake community consultation
- availability of finance for different development stages
- support from partners and help with brokering development partnerships
- Supportive planners with an understanding of CLH providing good pre-planning advice and guidance

Q. What support from local government does the sector currently receive?

A. This varies enormously around the country.

- The most supportive Councils have provided land or property at less than market rate, grants, interest free loans and or access to Right to Buy receipts.
- Some Councils have commissioned enablers like Locality to provide programmes of support to emerging CLH groups (Brent, Chichester).
- Other support provided by Councils includes encouraging the development of TMOs (tenant management organisations), or housing co-ops by their tenants, or encouraging the set-up of CLTs in their area.
- Local Authority ALMOs have partnered with CLH groups to help with access to development finance, especially Affordable Housing Grant.
- Some Councils have been very proactive in encouraging the development of Neighbourhood Plans in their areas and as these are adopted there is a framework in place to bring forward sites for CLH.

We know that new support arrangements are being set up by many Councils on the back of the CLH Fund but we don't have good information about what this looks like yet across the country.

Q. What additional support would help the sector deliver more homes?

A. One of the key actions Local Authorities can take is to identify suitable sites in their area for community-led housing, and create a process for making these sites available to CLH groups (new or existing organisations) at less than market value. The cost of land (particularly in London) is a major barrier to the development of affordable housing.

Other helpful activities include:

- Actively reaching out to community groups to encourage them to think about CLH
- Ensuring that officers are working across key Departments (planning, housing, community/neighbourhoods) to identify opportunities for CLH and make it easier for groups to come forward with CLH proposals (often it is very hard for community groups to identify a champion within the Council to help them on the journey)
- Making data on housing needs easily available to facilitate feasibility work and funding proposals
- Keeping an open mind about the best routes, models and options for developing CLH in the area (not assuming that a CLT is the only model, for example)
- Resisting the urge to try to control a community-led housing organisation or set up a local authority controlled 'community-led housing' vehicle. Community-led housing needs to be genuinely community led, democratically controlled and independent of the Local Authority.

Q. What is the realistic capacity of the sector if it were to receive any additional support it might need? Are there any potential barriers to the growth of the sector?

Where does the sector expect to be in five years?

A. This is a very difficult question to answer, as it depends so much on the enabling environment, commercial environment, land availability and planning system.

Given the huge shortage of suitable affordable housing across the country, CLH has an important role to play which is not simply to be measured by volume of housing delivered. CLH can help to create communities which work better, reduce housing voids and improve tenant relationships, provide specialist homes and help reduce care needs of older people, improve the quality and energy efficiency of new build housing and range of other benefits.

We are ambitious! In five years we expect the sector to have grown, considering the amount of interest we are seeing from within our member organisations, through Neighbourhood Planning groups and interest in pre-feasibility and feasibility funding. The major barrier to growth will be the failure to provide a consistent pipeline of development funding, capacity-building support, suitable and land/property.

In Lewisham the answer to this question will depend upon who owns land and property, what the demand is from local groups, and the strength of the existing community sector.

## References

*Gooding and Johnson (July 2015) Understanding the Potential of Small Scale Community Led Housing. Locality*

*Lupton and Dermot McRoberts (May 2014) Smaller Housing Associations - Capacity to Develop New Homes. Joseph Rowntree Foundation*