Housing Select Committee		
Title	Models of delivering new housing – scoping note	
Contributor	Scrutiny Manager	Item 5
Class	Part 1 (open)	26 June 2017

1. Purpose

At its meeting on 18 April 2017, the Committee agreed to hold an in-depth review into different models of delivering new housing in Lewisham. This paper provides some background information about delivery models for new housing, nationally as well as in Lewisham, and suggests some key lines of enquiry for the review.

2. Recommendations

The Committee is asked to:

- Consider and note the content of the report.
- Consider and agree the proposed key lines of enquiry and timetable for the review.

3. Policy context

3.1 It is widely accepted that there is a housing affordability crisis in London. The London Housing Commission said that providing enough secure, affordable and decent homes is one of the biggest challenges facing the capital – with London needing at least 50,000 of them each year to keep pace with its growing population.[1]

3.2 The Commission found that the average house in London costs half a million pounds, more than 12 times the median income – the highest ratio since records began.[2] And according to Shelter, across England, eight out of ten working, private renting families cannot afford a newly-built home in their area.[3]

3.3 Lewisham itself faces severe housing pressures across all tenures, with a chronic lack of supply of new homes driving higher prices and decreasing levels of affordability. According to the Land Registry, the average house price in Lewisham is now more than £414,000 – 80% increase on 2010 (£226,000).[4]

3.4 Much attention is paid, nationally and regionally, to the numbers of new homes being delivered. The national government's target is to build one million new homes by 2020, while the London target is 42,000 each year.[5] Lewisham also has a target of 18,165 new homes between 2009/10 and 2025/26.[6]

3.5 As well as setting targets for volume, Lewisham is employing a range of models of delivering new housing, providing a variety of housing options, from community-led approaches and temporary housing using modern methods of construction to joint ventures with private partners.

3.6 But which models, or combination of, are best suited to the needs of Lewisham residents? This review is intended to take a closer look at a number of different models and gather evidence to help the Housing Select Committee inform the debate.

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[1] Bliss, N (2009), *Bringing Democracy Home*, Commission on Co-operative and Mutual Housing, p3
[2] *ibid*, p5
[3] Shelter, *New Civic Housebuilding*, March 2017, p2
[4] landregistry.data.gov.uk/app/ukhpi/explore
[5] The London Plan, 2016, p97
[6] Lewisham Core Strategy, 2011, p36

4. Community-led housing models

4.1 Community-led housing is designed and managed by local people and built to meet the needs of the community – not for private profit. It's intended to be a way for local communities to provide their own decent and affordable homes.[7] Housing can be rented to local people at affordable rates, kept low over the long-term, or sold to create income for the community. It's often designed to help certain groups – for example, young people, older people, or those in need of affordable family homes.[8]

4.2 Community-led housing projects come in many forms, including Community Land Trusts, Co-operatives, Cohousing, and self-help housing, but two schemes are rarely the same. It's meant to be about enabling local people to develop housing in the way that is right for them.

4.3 Overall, community-led housing currently represents less than 1% of the UK's housing stock.[9] This compares to 5 to 15% across Europe.[10] The sector is growing however, as the need for local, affordable housing persists, particularly in large urban areas. The Smith Institute found that the sector is currently developing around 370 homes a year.[11]

4.4 The box to the right sets out some of benefits the 2009 Commission on Co-operative and Mutual Housing found that community-led housing can provide, where properly fostered and nurtured.[12]

4.5 Research has also found that community-led housing provides added social value. There is evidence that controlling assets by tenants and low-income groups has positive effects on personal and community wellbeing, as well as self-esteem, health, employment, and life chances.[13]

4.6 The community-led sector is currently dominated by co-operatives in terms of the existing housing portfolio – there are around 800 co-operatives in the UK, managing around 170,000 homes – but

- deliver high resident and member satisfaction with services alongside vibrant community identity;
- stimulate individual and community resilience through active and democratic citizenship;
- provide a place-making cornerstone, making places work better for people who live in them;
- contribute to addressing social disadvantage and worklessness;
- can enable collective influence over what happens beyond the immediate boundary of an individual property, whilst at the same time supporting the individual household interest in housing;
- be a tenure of status, meeting the needs and aspirations of people who want their individuality guaranteed through community based solutions.

Source: Co-operative and Mutual housing commission

[7] locality.org.uk
[8] *ibid*
[9] Locality, *Understanding the potential of small-scale community-led housing*, July 2015, p20
[10] Kevin Gulliver and Chris Handy (2014) *More than Markets. Mutual and co-operative housing in the UK*. Institute for Human City, p21
[11] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p15
[12] Bliss, N (2009), *Bringing Democracy Home*, Commission on Co-operative and Mutual Housing, p16
[13] Kevin Gulliver and Chris Handy (2014) *More than Markets. Mutual and co-operative housing in the UK*. Institute for Human City, p23

information from the sector suggests that community land trusts are likely to achieve the majority of new development.[14]

4.7 According to the Economic & Social Research Council, community-based housing groups can make significant contributions to affordable housing, regeneration, and local wellbeing, but they cannot be expected to replace traditional social housing or resolve fundamental societal issues on their own, without local and central government support.[15]

4.8 In December 2016, Big Society Capital (an independent financial institution set up to help grow social investment in the UK) launched a £15m investment facility for social investors to fund large-scale community-led housing projects. The facility will support the growth of community-led housing by investing alongside other social investors into projects across the UK.[16]

4.9 Under the National Housing Federation's 2015 voluntary Right-to-Buy agreement with the government, most community-led developments should be exempt from the Right to Buy.[17]

Models of community-led housing

MODEL	DESCRIPTION OF THE MODEL
Self-help Housing	Self-Help Housing involves groups of local people bringing empty properties back into residential use. Use of the properties varies from long term tenancies to short life housing to meet immediate needs such as move on accommodation and supported housing.
Cohousing	Cohousing is a form of intentional, self-managed community, made up of single private dwellings and additional shared communal facilities such as a common house with a community kitchen and dining room. Cohousing communities can be mixed tenure.
Cooperative and tenant controlled Housing	A Housing Co-op is a housing organisation where members (tenants) democratically control and manage their homes. Housing Cooperatives are autonomous of external organisations. Housing cooperatives are encouraged to cooperate with other cooperatives and a key feature is the education and training of members.
Community Land Trust (CLTs)	CLTs are independent local organisations established to tackle dysfunctional housing market issues and create permanently affordable intermediate housing for purchase and for rent. CLTs sometimes own other facilities on behalf of the community.
Development Trusts, Settlements & Social Action Centres	They are community anchor organisations involved in a broad spectrum of community projects, charitable assistance, enterprise and community asset development that span social, economic and environmental concerns in a local area.

Source: Locality (2015)

[14] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p15-7
[15] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p21
[16] Big Society Capital news release, *New £15m investment boost for community-led housing projects*, 13 Dec 2016
[17] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p42

5. Community Land Trusts

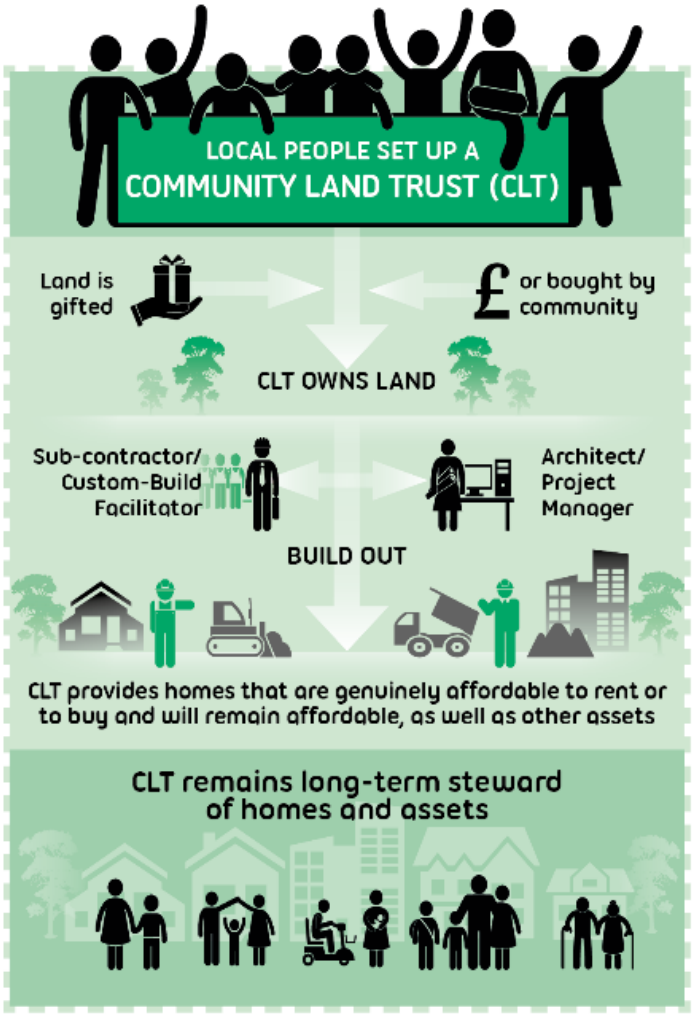
5.1 Community Land Trusts (CLT) are a form of community-led housing where local organisations set up and run by ordinary people develop and manage homes. The main purpose of the CLT is to make sure that the homes are genuinely affordable, based on what people actually earn in their area, and not just for now but for every future occupier.[18]

5.2 There are currently more than 225 community land trusts in England and Wales, half of which were set up in the last two years. According to the National CLT Network's estimates, a further 700 CLT homes are due to be completed by 2018, and more than 1,300 by 2020.[19]

5.3 CLTs are defined in law and there are certain things that a CLT do:[20]

- A CLT must be set up to benefit a defined community
- A CLT must be not-for-private-profit. This means that they can, and should, make a surplus as a community business, but that surplus must be used to benefit the community
- Local people living and working in the community must have the opportunity to join the CLT as members
- Those members control the CLT (usually through a board being elected from the membership).

5.4 Many CLTs are not registered as a Registered Provider with the Homes and Communities Agency and so should not be affected by the Right to Buy.[21]



Source: National Community Land Trust Network

[18] www.communitylandtrusts.org.uk
[19] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p16
[20] *ibid*
[21] www.communitylandtrusts.org.uk

6. Community land trusts in Lewisham

6.1 Lewisham's Housing Strategy 2015-2020 includes a commitment to work with local communities and partners to maximise the delivery of well-designed and affordable new homes, and an objective to support resident-led development.

6.2 Lewisham is currently working with community land trusts on two separate developments in the borough, as an alternative way to provide homes that will be affordable in perpetuity.

6.3 At Church Grove, Ladywell, the council has been working with The Rural Urban Synthesis Society (RUSS) on a development that will provide 33 affordable homes – 14 for shared equity, 12 for shared ownership, and 2 shared houses for affordable rent and 5 social homes. The model RUSS are using on the site is to retain at least 20% ownership across all of the tenures so that they can make sure that any resale is affordable.

6.4 RUSS have recently completed an extensive co-design process with the Church Grove residents group and are currently working towards submitting a planning application. It's anticipated that the self-build process can start in early 2018.

Building the homes our residents need – our aims:

To work with our communities and partners in order to maximise our ability to deliver well designed and affordable new homes for Lewisham.

To support the development of new homes that meet high standards of design, sustainability, accessibility and energy efficiency to meet the long-term needs of our residents.

[…]

Source: Lewisham Housing Strategy 2015-2020

6.5 A further community land trust site has been identified in Brasted Close, Sydenham. Officers have been working with the London Community Land Trust, Lewisham Citizens and the local community to develop plans for 14 new homes. These homes will be for sale with the value linked to local median income in perpetuity. Like with the Church Grove site, the contract signed by new residents makes sure that future sales are at a price according to local earnings.

7. Co-operative housing

7.1 Co-operative housing is housing that is "developed by, with and usually for, a democratic community membership organisation; and is controlled (and in some cases owned) by a local democratic community membership organisation".[22]

7.2 Co-operatives are essentially housing associations governed by the tenants/members which provide grass-roots control over housing. They provide rented housing without landlords, where the tenants are collectively their own landlord.

7.3 Co-operatives come in all shapes and sizes and can have diverse structures and constitutions. Two of the most common models in the UK are Tenant management organisations and Housing Owned by the Co-operative.[23]

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[22] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p17

[23] *ibid*

- **Tenant management organisations** (TMOs). Certain housing services are democratically managed by tenants through a management agreement with the social landlord. TMOs do not own the properties in which their members live.
- **Housing Owned by the Co-operative**. Here the housing is owned and democratically governed by the membership. Members have collective control and have the same responsibilities and privileges as any other homeowner.

7.4 Within the community-led sector, co-operative housing is the largest in terms of existing housing under management. There are an estimated 836 co-operatives operating within the UK, managing around 169,000 homes.[24]

8. Co-operative housing in Lewisham

8.1 There are a number of co-operative housing schemes established in Lewisham, including:

- **Deptford Housing Co-operative** – A fully mutual ownership co-operative with 138 properties.[25]
- **Sanford Housing Co-operative** – 14 purpose-built shared houses and 6 studio flats, providing 123 single rooms.[26]
- **May Day Permanent Housing Co-operative** – 17 homes, from one-bed flats to four-bed flats. Operates a 50% nominations agreement with the Lewisham Council.[27]
- **Brockley Tenants' Co-operative** – owns 90 flats and houses and manages a further 72 which belong to Hexagon Housing Association.[28]

> "*Local authorities would benefit from looking at Europe. There are hundreds of co-housing groups in the Netherlands and the government actively subsidises it as a real option for people to choose.*"
>
> Dr Melissa Fernández Arrigoitia, Research Fellow, LSE (2015)

9. Cohousing

9.1 Cohousing is separate, but shares some features of co-operative housing. Cohousing communities are often defined as "intentional communities" – they are created and run by their residents. Each household has a self-contained, personal and private home but residents come together to manage their community, share activities, eat together.[29]

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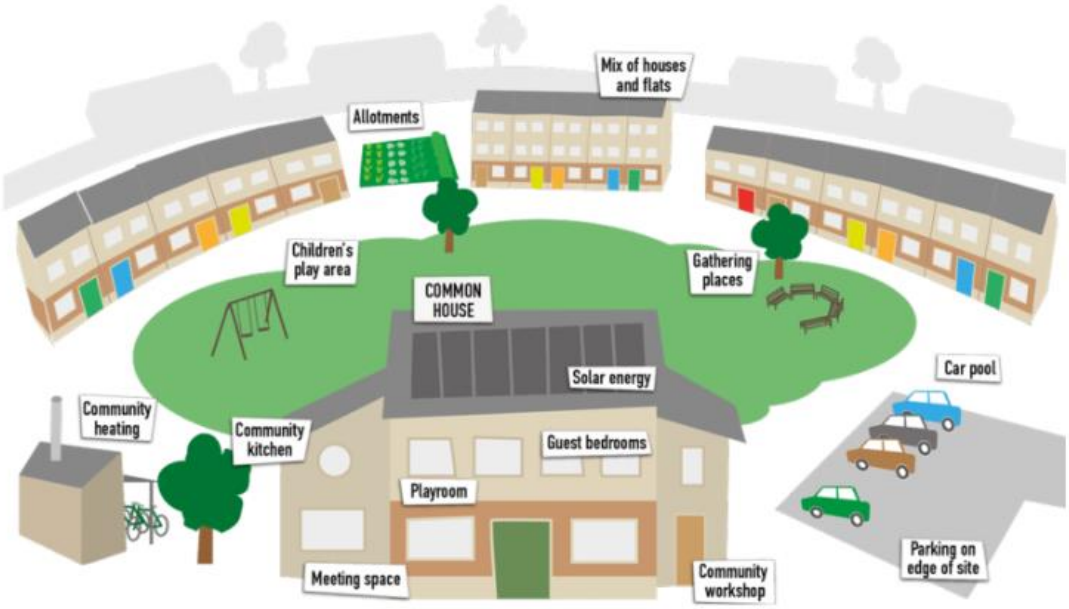
[24] Heywood, A (2016)
[25] http://www.cds.coop/co-op-directory/az-listing/deptford-housing-co-operative-limited
[26] http://www.cds.coop/co-op-directory/az-listing/sanford-housing-co-operative-limited
[27] http://www.cds.coop/co-op-directory/az-listing/may-day-permanent-housing-co-operative-limited
[28] http://www.brockley-tenants-co-op.co.uk/page/1/about-the-co-op.html
[29] Heywood, A (2016) *local housing, community living: prospects for scaling up and scaling out community-led housing*, The Smith Institute, p17-8

9.2 Cohousing started to develop in the UK at the end of the 1990s. According to the UK Cohousing Network, there are now 19 completed cohousing projects in England and one in Scotland. Looking ahead, there are an estimated 231 new-build and 17 renovated homes planned for 2018-20.[30]



10. Cohousing in Lewisham

10.1 One co-housing scheme currently in development in Lewisham is at Featherstone Lodge, Sydenham Hill. Featherstone Cohousing Ltd are developing a cohousing scheme for over-50s, converting and extending a large Victorian house. They aim to have a final decision on the site purchase in 2017, with development expected to take at least another year before residents can move in.

11. Joint venture models

11.1 Establishing a joint venture with a partner organisation is one of the options that an increasing number of local authorities are looking to in order to deliver affordable housing in difficult times. Joint ventures can provide access to new land and development opportunities and allow councils to keep control of land and assets while sharing risk.

11.2 There are a wide range of joint venture models in operation across the sector, from one-off contractual agreements to special-purpose vehicles. The structure of any particular joint venture ultimately depends on the objectives of the partners involved.

11.3 A common model is where the housing provider owns land or assets and seeks a partner to invest equity funding in the venture and to manage parts of the process, for example, constructing and selling market sale homes. Another common scenario is where a housing provider enters a joint venture to access more land opportunities –

[30] *ibid*

some partners may have better land-buying capability or an existing land bank, for example.

11.4 A current example is provided by Haringey Council's proposal to form a 50/50 partnership with a private developer to regenerate and develop council-owned land through a housing development vehicle (HDV).[31]

11.5 Haringey is contributing land and other assets as its equity stake and the developer will match this with their own funds. Both parties will have 50% control and individual business plans will be signed-off by the council before each piece of land is passed over to the HDV.

11.6 Haringey intends that social rent homes transferred like this should no longer be subject to the Right to Buy.[32]

11.7 Hammersmith and Fulham Council have also recently signed a 50/50 joint venture deal with a property developer in order to build 133 new affordable homes. The majority will be at council-level rents and local people will be given first refusal on new homes.[33]

Case study: Packington Estate, Islington

To enable this estate regeneration project, Islington Council agreed to transfer the land and existing buildings of a dilapidated estate to Hyde Housing Association, who entered a 50/50 joint venture with private construction firm Rydon. Most of the homes are for social rent, at a fraction of the rent that similar homes would cost to rent privately, and are indistinguishable from the homes for private sale.

Source: Shelter (2017)

12. Joint ventures in Lewisham

12.1 Lewisham Council itself has recently been seeking a joint venture partner for the Besson Street "build to rent" scheme. The council has been looking for an experienced organisation, which would bring expertise, housing management and development funding, as a partner for a 50/50 deal to develop, market and manage the scheme.

12.2 The scheme will create around 230 units of private rented accommodation. 65% of homes will be let at an initial market rent, with increases capped in line with inflation. 35% will be affordable homes let at a discounted rent linked to local incomes – a "living rent". The intention of the scheme is to provide secure and quality housing for local residents in employment who are not eligible for social housing, but who are also priced out of home ownership. If successful, the joint venture model could be expanded across the borough.[34]

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[31] Haringey Council website, Haringey Development Vehicle [accessed June 2017]
[32] Shelter Blog, *Can Haringey's housing development vehicle provide a case study in joint ventures?*, February 2017
[33] Hammersmith and Fulham Council, *More than 130 genuinely affordable homes planned for Fulham*, November 2016, LocalGov, *Council signs joint venture to deliver 'genuinely' affordable homes*, February 2017
[34] Inside Housing, *Lewisham Council seeks partner for JV scheme*, October 2016

13. Commentary on joint venture models

13.1 Joint venture approaches have received significant attention from industry experts and commentators in recent years, with many in favour of broadly similar models.

13.2 Shelter, for example, in their report, *New Civic Housebuilding: A better way to build the homes we need* advocated an "equity partnership" approach. This approach would see landowners invest their land as equity into partnerships to deliver long-term revenues and high-quality, locally affordable housing schemes – rather than being sold for the highest price.[35]

13.3 Partnerships would typically include the major landowner, a source of "patient finance" and a coordinating body, with each acquiring equity in a single corporate body. The report said that these new partnerships relied on land entering the scheme at a predictable and lower value, and recommended that the public sector lead by example by using its land to support high quality development and affordable housing.[36] Given the lower risks provided by securing land at lower prices, the report also recommended that longer-term, lower cost sources of "patient" finance (like pension funds) could also be attracted to such partnerships.[37]

13.4 The final report of the London Housing Commission, *Building a New Deal for London* (March 2016) also commented on the possibility of using joint ventures to deliver more homes across all tenures in London.[38]

13.5 The report observed that, as major landowners, landlords and planners, local authorities are well placed to deliver significant numbers of new homes, and recommended (like Shelter) that borough-owned land should be brought forward through joint-venture partnerships, with housing associations or private developers, to develop affordable and market housing. [39] The public landowner would keep either an equity stake or some portion of the rental income from the development.[40]

13.6 The final report of the Local Government Association Housing Commission, *Building our homes, communities and future* (December 2016) also supported the option of joint ventures. The report said that there is no "one size fits all" approach, as demonstrated by the range of examples sent in as evidence by councils, but recommended that local and national government work together to develop routes for

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[35] Shelter, *New Civic Housebuilding*, March 2017, p87
[36] *ibid*, p67
[37] *ibid*, p69
[38] IPPR London Housing Commission, *Final report: Building a new deal for London*, March 2016
[39] *ibid*, p77
[40] *ibid*, p23

councils to directly deliver new homes of all tenures through innovative delivery vehicles, including joint delivery vehicles.[41]

13.7 The Centre for London, in their recent report, *Strength in Numbers: Funding and Building More Affordable Housing in London* (March 2017) as well as discussing joint ventures between boroughs and private developers, also highlighted the potential for cross-borough collaboration between local authorities. The report noted that the difference in land value between in inner and outer London means that some boroughs lack land which they can afford to develop, while others have land available but lack public funding.[42]

13.8 The report recommended that the government should give local authorities explicit permission to spend commuted sums on affordable housing outside of borough boundaries, with boroughs co-commissioning a single developer.[43] The report argued that this approach could deliver up to five times more affordable homes, and noted that most local authority housing officers they spoke to expressed enthusiasm for greater collaboration between boroughs.[44]

14. Meeting the criteria for a review

A review into housing delivery models meets the criteria for a scrutiny review because:

- The issue affects a number of people living, working and studying in Lewisham
- The issue is strategic and significant
- This issue is of concern to partners, stakeholders and the community
- Scrutiny is likely to add value – Lewisham Council are currently working on a number of different housing delivery models across the borough so this would be a good time for the committee to review what's happened so far and consider the next steps.

15. Key lines of enquiry

15.1 **Consider the different models for delivering new housing in operation in Lewisham**. The key characteristics of each, the number of new homes being provided, within what timeframe, at what cost, and with which partners? In particular, how many affordable homes are they to provide, and which types. What are the anticipated next steps for each model?

15.2 **Consider the advantages and disadvantages of each model for Lewisham**, in the short, medium and long-term, in terms of speed, cost, scale, quality, affordability, and the needs of Lewisham residents. And gather evidence about other models that could be of interest to Lewisham.

15.3 **Consider the scope for further community-led models**, looking at, among other things, scalability, costs and local demand. **Also consider scope for different models of joint venture**, looking at, among other things, land and assets available and possible partners to council could work with – public and private.

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[41] LGA Housing Commission, *Building our homes, communities and future*, December 2016, p22
[42] Centre for London, *Strength in Numbers: Funding and Building More Affordable Housing in London*, March 2017, pp18-21
[43] *ibid*, p36
[44] *ibid*, p41

15.4 **Consider how the council might work with partners in the future** to ensure that good levels of affordable housing are achieved, taking into account, among other things, speed, costs, and tenure mix.

15.5 **Consider the necessary involvement from the council for different models**, in the short, medium and long term. What help and support can and should the council provide in terms of, among other things, guidance, coordination and management, and funding and investment? Does the council have the capacity and necessary expertise?

16. Timetable and potential witnesses

First evidence session – 5 July 2017

Council officers, RUSS, Lewisham Citizens, Deptford co-op, Brockley co-op, London Community Land Trust, National Community Land Trust Network.

Second evidence session – 6 September 2017

Council officers, other local authorities with experience of joint ventures (Newham, Croydon, Barking and Dagenham, Haringey), Shelter, LGA.

Report – 9 November 2017

Committee to consider final report presenting the evidence and agree recommendations for submission to Mayor and Cabinet.

17. Further implications

At this stage there are no specific financial, legal, environmental or equalities implications to consider. However, each will be addressed as part of the review as necessary.

For further information please contact John Bardens, Scrutiny Manager, on 02083149976 or email john.bardens@lewisham.gov.uk,