



## **BRIEFING ON COMMUNITY LAND TRUSTS**

### **1. DELIVERING HOMES THAT LONDONERS CAN AFFORD**

#### Why are CLTs needed?

Decent, secure and affordable housing is getting harder and harder to come by in London. Increasing pressure on local authority provisions and exponentially increasing house prices mean that many people are having to choose between living in inadequate housing conditions or leaving their friends, family and community for good.

Community Land Trusts (CLTs) are a way of providing genuinely and permanently affordable home ownership, offering up one model to address the growing gap in the housing market between people who qualify for a council property and people who can afford to buy their own home. Furthermore, it does so in a way that does not require extra government subsidy, free land or a reduced profit margin for housebuilders. Citizens UK set up London CLT to act as a delivery body for CLT homes in London. From mid-2017, London's first CLT residents will move into the St Clements site in Mile End.

St Clements, which has already won several national housing awards, is being built by Linden Homes in partnership with the Greater London Authority and Peabody. The project will provide 252 new homes, 35% of which will be affordable housing including 58 units for 'social rent' and 23 community land trust homes. This was made possible by the Mayor of London and the Greater London Authority as the landowner including a Community Land Trust as part of the site after a campaign by thousands of east Londoners to see St Clements become London's first CLT.

At present there are commitments for around 400 CLT homes in the capital. The first 23 CLT homes at St Clement's will be completed throughout 2017 and many local authorities have committed to delivering a CLT in their borough in the coming years, including Lewisham, Southwark, Croydon, Redbridge and Tower Hamlets.

### **2. COMMUNITY LAND TRUSTS – THE DETAILS**

#### How are CLTs controlled?

CLTs are democratic membership organisations open to people living and working in an area, and organisations based in or operating in an area. London CLT's board, elected by the membership, is made up of one third each of future and existing residents, local people in the community and independents and experts to ensure the board has the capacity to deliver on its core aims.

### How much do CLT homes cost?

Our CLT homes are priced according to local earnings, ensuring that people are no longer priced out of the neighbourhood they grew up in. 'Local earnings' are taken as the average of median incomes using data published by the Office for National Statistics in November each year.

For example, based on provisional 2016 figures this means we could offer homes in Croydon at approximately:

- £159,000 – 183,000 for a 1 bedroom property
- £205,000 – 232,000 for a 2 bedroom property
- £253,000 – 281,000 for a 3 bedroom property
- £300,000 – 330,000 for a 4 bedroom property

CLT homes are about providing people with a home, not just an asset. The contract signed upon moving in makes sure that all residents have to sell the home to the next household again at a price according to local earnings. This means the homes can be sold on again at a similarly affordable level every time a new family moves in.

Each year, the CLT will advise occupiers what they can sell their home for in the coming year, based on the latest income figures. London CLT has decided to put a floor on the resale price if median incomes ever go down, so occupiers will never get less than they initially paid.

### How much could we pay a development partner for CLT homes?

The price paid to any development partner is net of CLT development on-costs, which are calculated on an open book basis to show 'full cost recovery', according to the Office for Civil Society's (Cabinet Office) guidelines.

At St Clements, London CLT were able to pay the development partner on site within the region of what they would normally expect for a shared ownership property. This meant they were able to maintain the same profit margins as if the development had gone ahead without a CLT. London CLT's on-costs at St Clements Hospital are approximately 20%. There were exceptional costs on that project due it being the first of its kind. It is likely that these costs would be less on other projects, in the region of 10-15%, subject to negotiation and effective integration of the CLT into the project delivery to minimise costs.

For example, based on provisional 2016 figures, the purchase price paid by London CLT to any development partner in Croydon, net of its on-costs at approximately 10% would be:

- £143,000 – 164,000 for a 1 bedroom property
- £185,000 – 209,000 for a 2 bedroom property
- £228,000 – 253,000 for a 3 bedroom property
- £270,000 – 297,000 for a 4 bedroom property

London CLT believes that the above offer means we can cover approximate total build cost per unit. This is based on an assumption that our development partner could deliver a scheme at £2,700 - £2,800 / m<sup>2</sup>.

### Who gets a CLT home?

London CLT developed a Allocations Policy that is agreed with a Rent and Nominations agreement with the local planning authority as part of the Section 106 requirement for a site. At St Clements, the allocations criteria were sourced through a survey of members, subsequent workshops at member and board level and discussions with Tower Hamlets council. This results in the following allocation criteria:

1. Finance – priced out of the housing market and able to afford a London CLT home.
2. Housing Need – require a property more suitable than their current accommodation.
3. Connection – have a minimum of five years' connection to the borough.
4. Involvement – belong to and participate in the local community
5. Be supportive of the London CLT.

We would look to consult with and local authority on the details of our allocations policy.

### What are CLT purchasers buying?

A CLT purchaser will get a minimum 125 year lease from the CLT. The CLT could be the freeholder of the building or site, or a head lessee of a number of properties across a development. The price paid by the occupier is not an entitlement to a fixed percentage of market value or of equity ownership. The lease conveys a right to full ownership subject to buying and selling the lease at a price determined by a formula based on incomes.

The right to staircasing is a normal condition of HCA, GLA or local authority affordable housing grant on shared ownership homes. However, there is no statutory right to staircase. The primary purpose of a CLT lease is to ensure that no staircasing is permitted.

The occupier will have a normal mortgage. The lease will have ground rent and service charge obligations. Mortgage providers will treat this type of CLT lease as one of a number of Resale Price Covenant leases currently used in S.106 Agreements. Although the CLT occupier does not acquire a specific percentage of ownership, mortgage providers will assess their security by comparing the size of loan required against market values in the normal way.

### Who provides the mortgages?

Residents applying for a CLT home at St Clements are welcome to source their own mortgage. However, to guarantee all residents are covered, London CLT has secured mortgages for first phase of homes at St Clements from Ecology Building Society and are in negotiations with two other lenders, who are preparing to take it to their board. We also have a major charitable funder interested in encouraging mortgages by offering social finance to providers in the event that the market response is less than expected.

Broadly speaking, lenders are interested the following advantages of the CLT model:

- Very high open market value compared to sale price
- Buyers are vetted, and London CLT has 4 people waiting for every 1 property.
- There is no risk of negative equity for buyers – London CLT takes the sale price as a floor; it will not drop if median incomes in the local area fall.
- As the steward and guardian for buyers, London CLT has a clear interest in not losing homes and therefore a desire to work with residents in the event of distress. London CLT also has the financial capability to buy them out if there was a problem.
- There is near limitless demand for these homes in London.

### **3. DELIVERING COMMUNITY LAND TRUSTS IN LONDON – 3 OPTIONS**

Due to the scale of the challenge London faces in providing homes for those on both low and average incomes, we believe the borough's first CLT must be seen as pilot project with a view to delivering further CLT homes in the years to come.

3 options for how this could be delivered are outlined below, but we welcome suggestions how to add further ways we can build more London CLT homes.

#### **Option A: CLT as Intermediate Housing Product in partnership with a private developer.**

This model was used at London's first CLT site, St Clement's in Mile End. It was made possible in the first instance by the landowner, the GLA, agreeing to explore the inclusion of a CLT in the disposal brief to members of the GLA's London Developers Panel. London CLT's intermediate housing product makes up a third of the developer's contribution to Tower Hamlets Council's 35% affordable housing policy requirement; Peabody Trust provides the balance with social rent. London CLT was able to pay the development partner a price comparable to the sum normally expected from a housing association for shared ownership.

The involvement of the CLT is, therefore, just a normal part of meeting the affordable housing requirements of local authorities, and is probably more policy compliant than many similar products as it is genuinely and permanently affordable to local people on median incomes.

#### **Option B: CLT as Intermediate Housing Product in partnership with Redbridge Council or a Housing Association.**

This model would allow Local Authorities to deliver a CLT as part of their own house building programmes on council land, on a very similar basis to the St Clement's project described above.

#### **Option C: CLT providing Intermediate Housing as direct developer on council-owned land.**

This model relies on Local Authorities selling council land at a price less than the full market rate, ensuring the scheme can be delivered as many CLT homes as possible. It would allow the site to be 100% CLT homes targeted at local people on median incomes. London CLT is in conversation with both Lewisham and Croydon Councils about this model.

London CLT has recently completed a Community Share Offer that reached over £500,000. This gives us sufficient pre-development finance to act as a direct developer.

#### **END**

For any queries regarding this submission, please contact Calum Green on 07914193089 or [calum@londonclt.org](mailto:calum@londonclt.org)