

Shelter's response to the
Department for Communities
and Local Government
Consultation – Community
Land Trusts

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Shelter

Shelter is a national campaigning charity that provides practical advice, support and innovative services to over 170,000 homeless or badly housed people every year. This work gives us direct experience of the various problems caused by the shortage of affordable housing across all tenures. Our services include:

- A national network of over 20 advice centres
- Shelter's free advice helpline which runs from 8am-8pm
- Shelter's website which provides advice online
- The Government-funded National Homelessness Advice Service, which provides specialist housing advice, training, consultancy, referral and information to other voluntary agencies, such as Citizens Advice Bureaux and members of Advice UK, which are approached by people seeking housing advice
- A number of specialist projects promoting innovative solutions to particular homelessness and housing problems. These include housing support services, which work with formerly homeless families, and the Shelter Inclusion Project, which works with families, couples and single people who are alleged to have been involved in anti-social behavior. The aim of these services is to sustain tenancies and ensure people live successfully in the community.
- A number of children's services aimed at preventing child and youth homelessness and mitigating the impacts on children and young people experiencing housing problems. These include pilot support projects, peer education services and specialist training and consultancy aimed at children's service practitioners.
- We also campaign for new laws and policies - as well as more investment - to improve the lives of homeless and badly housed people, now and in the future.

Summary and recommendations

- Shelter supports the principle of Community Land Trusts (CLTs). We believe that CLTs have a role to play as one of a number of approaches to the delivery of affordable, and specifically social rented, housing.
- While CLTs have a role in both urban and rural contexts, the model has potential advantages for the provision of affordable housing in rural areas, where it can be very hard to replace affordable housing that is lost to the open market.
- We would like to see CLTs give consideration to how their residents can be supported when, and if, their circumstances change, for example through flexible tenure arrangements.
- Shelter considers that all individuals considering taking an equity stake in a CLT should be provided with comprehensive and transparent information about the investment in order to inform their decision making.
- We welcome the proposed value for money study, and would like to see it include an investigation of the rules around the disposal of public land, particularly that held by government departments. Shelter considers that the rules around the disposal of public sector land should be reviewed, with a view to identifying greater opportunities and incentives to provide public sector land below market rates to those developing affordable housing, including CLTs.
- As there are legal and policy mechanisms available for CLTs to help ensure that affordable housing remains within the CLT permanently, at this point in time Shelter does not propose any other provisions on this issue. However, we would like to see ongoing monitoring of this aspect of CLTs to ensure that the current approaches to keeping housing affordable over the long term are working effectively, and if any new policy or legal responses are required.
- Shelter supports the research project being commissioned by the Government to review the availability of, and access to, technical expertise and development support for community organisations to enable them to successfully manage and own public assets.

Introduction

Shelter welcomes the opportunity to comment on the Department for Communities and Local Government's (CLG) consultation on CLTs.

Shelter supports the principle of CLTs as one of a range of approaches to delivering affordable housing, a position we have previously outlined in our response to the Housing Green Paper *Homes for the future: more affordable, more sustainable* and in our submission to the Taylor Review on Rural Economy and Affordable Housing.

The credit crunch, and subsequent economic downturn, have significantly altered the landscape for housing delivery in England. The reliance on private development and section 106 agreements as

the primary mechanism for delivering affordable housing is no longer a sustainable proposition in the current economic climate. Over the short to medium term as lack of liquidity in mortgage and lending markets severely curtails house building and buying, it will become more important to utilise new models of housing delivery. Over the long term, the emphasis will need to be on sustainable models of development, particularly for affordable housing.

CLTs are an example of a different way of delivering affordable housing by focusing on smaller scale, localised housing investment to lock in affordability in perpetuity. CLTs have the potential to play an important role in supporting the development of affordable housing in areas where larger scale investment may not be viable, such as rural communities. In either a rural or urban context, CLTs provide an opportunity for residents to play an active role in shaping where and how they live.

While CLTs show promise as a mode of delivering affordable housing, there are a number of issues associated with the model that need to be addressed. The discussion paper highlights some of the issues around shared ownership and right to buy, and how these sit alongside the intent of CLTs to permanently lock in affordability. The consultation document discusses a range of issues and asks specific questions. We have responded to these questions, where appropriate, below.

Recognition for Community Land Trusts

- *Do you agree that the CLT model has a role to play in a 'mixed economy' of different social and affordable housing providers?*
- *What role can CLTs play in both a rural and urban context?*

Shelter believes that CLTs do have a role to play as one of a number of approaches to the delivery of affordable, specifically social rented, housing. CLTs provide the opportunity to meet housing need through community centred development and management over the long term. As there is no single approach to CLTs, the model's advantage is that it can be adapted to the needs and aims of the community it is located in. But this flexibility also has the potential to add to the complexity of establishing and managing a CLT, as issues around its governance and administration need to be worked out alongside negotiating the planning and development process. The consultation document's proposals for how the skills required to manage these aspects of a CLT's role can be developed are commented on below under the heading 'supporting the way forward'.

The publication, 'Placeshaping: A toolkit for Urban Community Land Trusts', articulated the function that CLTs can fulfil:

*'There is an urgent need for new institutions to deliver genuinely affordable housing and retain permanently the benefits of affordability in particular places, related to employment and community integration and cohesion.'*¹

While CLTs have a role in both urban and rural contexts, the model has potential advantages for the provision of affordable rural housing. Affordable housing in rural communities presents a number of challenges, including the availability of land for development and affordability issues. Families and first time buyers in rural areas find it increasingly difficult to buy, or even rent, suitable accommodation because of the high cost of living relative to their income. This situation has significant consequences for the viability of communities, in both an economic and social sense. Shelter's investigation into the rising cost of rural homes concluded 'the severe and growing shortage of affordable housing is polarising communities, forcing families out of the countryside, and removing a labour force needed to sustain rural life'.²

Shelter considers it critical that tenants in affordable housing are supported when, and if, their circumstances change, for example through flexible tenure arrangements. Flexible tenure enables tenants to staircase up (through taking an equity stake in their home) and down (from shared ownership/equity to renting) as their situation changes while providing security of tenure. Supporting flexible tenure arrangements may need to be carefully considered by CLTs, which tend to be smaller developments. As tenure mix will affect a CLT's income, each trust (particularly those with a small number of units) may need to consider how staircasing, up or down, could impact on their financial stability.

The consultation outlines how CLTs assess whether an individual is in the right financial position to invest in shared ownership by undertaking affordability checks, and ensuring appropriate levels of financial commitment by matching an individual's investment to their income. Land values are a key factor affecting the return an individual will see from investing in the property market. As the CLT model takes land out of the market to preserve affordability the return on a shared equity/ownership investment in a CLT is likely to be lower than the potential return on property invested in on the open market. For people looking to take an equity stake in a property held by a CLT, Shelter considers that in addition to looking at an individual's financial circumstances all prospective residents should be provided with comprehensive and transparent information about the investment, including the potential risk and return, in order to inform their decision making.

¹ 'Placeshaping: A toolkit for Urban Community Land Trusts', Community Finance Solutions, April 2008.

² *Priced out: The rising cost of rural homes*, Shelter, 2004.

Finance

Do you think that scope of the value for money study is right? If not, what else should be considered?

Shelter is pleased to see the proposal for a 'value for money' study included in the consultation document. To deliver affordable housing where it is needed, and as models such as CLTs provide new approaches to housing delivery, government will need to adapt the way it determines the allocation of social housing funding. Funding decisions will need to account for both the financial robustness and community benefits of proposals seeking public funding. The proposed study provides an opportunity to explore how these different elements could be taken account of in the context of different forms of housing delivery vehicle.

Of particular interest to Shelter is the aspect of the study looking at issues associated with the valuation of public land. We would like this part of the study to also include an investigation of the rules around the disposal of public land, particularly that held by government departments. This is an issue not only in relation to CLTs but also in the wider context of how the public sector makes land available for the development of affordable housing.

All affordable housing developments, particularly smaller ones such as CLTs, rely on low land values and build costs to make their schemes viable and affordable. Over a quarter of the land that could potentially be used to build homes is publicly owned, either by central government departments such as the Ministry of Defence or Department of Health, or local authorities. These land holdings provide an opportunity to support the delivery of affordable housing by providing land for development at below market value to organisations such as housing associations and CLTs.

For local authorities there is flexibility and guidance on how they can dispose of their land at below market prices to further social objectives. However, there is no similar provision for government departments in the Government Accounting Rules, which require departments to dispose of land at market value (regardless of whether the transaction is with a private or public body).

This issue was also raised in the 'Placeshaping: a Toolkit for Urban Community Land Trusts', which recommended a review of public asset management strategies and Government Accounting Rules of asset owning Government departments, such as the Ministry of Defence and Departments of Transport and Health, to align them with the wellbeing objectives of local government.

Shelter considers that the rules around the disposal of public sector land by central government departments should be reviewed, with a view to amending them to enable to disposal of public land at below market values where the land is to be developed for affordable housing. If this change

was made there may be greater opportunities and incentives for the development of affordable housing, including by CLTs.

Affordable in perpetuity

Are there other ways to ensure perpetuity of community benefit on homes provided by CLTs?

While reasonably involved, there are a number of measures outlined in the consultation document on how CLTs can govern themselves to keep housing affordable in perpetuity. These include the designation of 'protected areas', generally rural areas, which permit providers to restrict the equity share purchasers can buy, and other constitutional approaches which would provide exemptions eg being a charitable company limited by guarantee with charitable housing objectives.

With the legacy of right to buy having significantly reduced the level of social housing in England, and delivery of new social housing not keeping pace with need, it is important that there are models of housing delivery that secure affordable housing in perpetuity. This is particularly true of social housing in rural areas, where there are often significant barriers to replacing stock. CLTs have the ability to shape their constitutional arrangements so that affordable housing remains within the CLT permanently. At this point in time, Shelter does not propose that there should be any other explicit provisions to keep CLT housing as affordable in perpetuity. However, we would like to see ongoing monitoring of this aspect of CLTs to ensure that the current approaches to keeping housing affordable over the long term are working effectively, and if any new policy or legal responses are required.

Supporting the way forward

- *What other potential support is required to develop a viable, well managed and robust CLT sector?*
- *How can/should a sustainable framework of support for CLTs be delivered?*

Shelter supports the Government's research project to review the availability of, and access to, technical expertise and development support for community organisations to enable them to successfully manage and own public assets. This research should provide useful insight into the generic support needed to manage CLTs. We would like to see the study focused on providing recommendations on practical approaches/ tools that can be applied by those with responsibility for CLTs.

There will also be housing specific knowledge and support that will be required by those managing a CLT. This means that there is a role for government agencies such as the Homes and

Communities Agency, CLG and local authorities to support CLTs to gain the skills needed to develop and manage affordable housing. Part of this could be facilitating supportive relationships between housing associations and CLTs, where the housing association could take on either an advisory role or providing financial support.

Conclusion

CLTs will be able to draw on the significant support they enjoy at the community and government level as they continue to develop. While the model shows promise as one of a range of approaches to developing affordable housing there are still some challenges ahead. The complexity of their governance and how CLTs are able to access land and finance in the wake of the credit crunch will need to be monitored closely as CLT proposals move from concept to delivery. We await with interest to see how this form of social housing delivery is taken up and put into practice to meet the need of the local communities and address housing need.

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