

Community Land Trusts – An option for affordable housing?

Purpose of this Paper

The purpose of this paper is to provide an introduction to the Community Land Trust model and the role it can play in meeting the need for affordable accommodation in the North. This paper is the first of a series of documents which will look at current and future mechanisms of providing affordable housing and creating sustainable communities.

Background

Community Land Trusts (CLTs) were first developed in Britain and Ireland in the nineteenth century out of experiments in land reform by the co-operative movement and the Chartists. One of the earliest examples is the Letchworth Garden City in Hertfordshire developed in 1903. This was devised by Ebenezer Howard using the 'Co-operative land society' system to capture land value for community benefit. This model was not replicated within Britain until the early 1990's when crofters in Scotland used CLTs to purchase land from absentee landlords.

CLTs are in their infancy within Britain when compared to the US. CLTs are now a well-defined legal form in the US and there are over 130 CLTs in the US which are eligible to financial and technical assistance from the government. Things have moved much slower within Britain and England in particular. There are around a dozen CLTs established within Scotland and the Scottish government have passed legislation to provide technical and legal help to communities. Within England there is no such formal support for CLTs and of the few CLTs developed, the majority tend to be within the more Southern regions. One of the aims of this paper will be to consider what the CLT model has to offer the North.

The Community Land Trust Model

Community Land Trusts can be defined as:

“a mechanism for creating community ownership of land, locking in land value and underpinning sustainable development for the benefit of a defined locality or community”

Source: The Countryside Agency

Community Land Trusts are democratically controlled non-profit organisations which acquire and hold land for the benefit of the local community. Legal structures used in Britain to date which are available to communities include: Companies Limited by Guarantee, Industrial and Provident Societies and Community Interest Company (CIC). Where a community creates the CLT membership is open to all local residents covered by the trust and those wishing to donate land or property. A committee to manage the trust is then elected from its membership base.

The essence of CLTs is capturing the enduring value of the land for present and future generations. This is achieved by taking land out of the market and separating it from its productive use so that the impact of land appreciation is removed. The value of public investment, development gain etc is thus captured in perpetuity for the local community.

There are a number of ways in which CLTs can acquire land. Land may be gifted, or be bought at a heavily discounted market price, in rural areas land on the edge of a village could be bought at agricultural prices with exemption planning permission. Furthermore in some situations planning permission could be given to private developers on condition that they endow a portion of the land to the CLT for affordable housing or other community purposes.

By keeping land and property prices separate CLTs are a mechanism for providing low cost housing to rent or buy for members of the community. In addition Community Land Trusts can involve:

- Enabling residents on lower incomes to acquire an economic interest in the success of their community
- Developing land for affordable workspace and retail units
- Providing and maintaining community facilities for social and public services
- Managing green spaces, conservation areas and providing access for new entrants to farming
- Promoting resident involvement, local democracy and active citizenship

Source: Community Finance Solutions, University of Salford

Providing affordable housing through CLTs

Readers are referred to the Community Finance Solutions leaflet 'Community Land Trusts: Affordable Homes in Sustainable Communities' for a more detailed explanation of the different ways CLTs can provide affordable housing. The following paragraphs provide a more general description of the basic principals.

By taking land out of the market the CLT model allows the development of affordable housing. It also allows the affordability of housing for future generations to be maintained. Thus meeting the aspirations for home ownership and providing a new rung between social housing and buying on the open market. CLTs treat land and buildings differently. Land is held permanently by the trust so that it will always benefit the community whilst buildings can be owned or rented by those who use them.

The CLT could acquire land which already had housing on it or CLTs may develop housing for themselves. They may also hold land beneath housing produced by other non-profit (and sometimes for profit) developers. In a leaflet created by Community Finance Solutions – University of Salford it was highlighted that in addition to local communities setting up bespoke legal structures to undertake a project a number of existing organisations can also be brought on board to help capture land value for local communities and provide affordable housing. These included:

- **Housing Associations** provide and manage social housing and have development expertise. Some are member-based, democratic organisations set up either as ‘benefit of the community’ associations or ‘bona-fide co-operatives’. Benefit of the community housing associations are well placed to utilise the CLT mechanism.
- **Heritage Trusts** exist for a wide range of purposes, usually related to the conservation of land, historic property or cultural/industrial sites. The National Trust is one example. Unlike CLT organisations their mission does not usually include the provision of affordable housing. However, some Heritage Trusts like the Isle of Gigha Heritage Trust in Scotland do develop affordable housing and have become CLT pioneers.
- **Development Trusts** are community-based organisations that undertake regeneration and development projects. They may undertake a specific project or, more likely a range of economic, environmental, cultural or social initiatives. They hold assets in trust for the long term benefit of the community. The nature of their assets and activities varied widely. Some Development Trusts may already be using, or could use the CLT mechanism, to underpin affordable housing development and/or mixed use developments.
- **Parish Councils** are expected to be given wider local powers and resources to run village and community services in future, including: managing parks, maintaining street lighting and employing neighbourhood managers. As democratically elected local bodies, Parish Councils in rural England and Wales, Community Councils in Scotland and Neighbourhood Councils in urban areas might also utilise the CLT mechanism for capturing value for meeting community needs.

Source: Community Finance Solutions – University of Salford

If the above organisations were to develop housing the land would be leased to them on a long term (usually 99 years) renewable lease as it would be for residents wanting to purchase a home, thus allowing them to raise a mortgage. This type of lease gives the owner of the property the right to use the land for as long as they wish to remain there. If owners decide that they want to move or sell up they can, however, the lease requires that the home be sold to the CLT or to a low income household for an affordable price. Generally prices are calculated using a resale formulae which ensures that any equity built up due to mortgage repayments or improvements is reflected in the price.

Community Land Trusts offer a number of advantages over other means of providing affordable home ownership;

- CLTs Do not rely on public subsidy
- CLTs build upon the understanding of local people to create integrated and sustainable solution to economic, social and environmental needs as well as providing affordable homes
- CLTs keep land and property assets in the hands of local people
- CLTs create in perpetuity a growing pool of equity which is recycled for the benefit of the same community
- CLTs tackle poverty and disadvantage
- CLTs attract new sources of funding

Source Community Finance Solutions

In addition to providing affordable accommodation in rural areas CLTs may be able to play a role in regeneration and in other inner city environments. A report published in 2002 by CCH, Birmingham City Council and the Housing Corporation looked at the role CLTs had to play in benefiting the community, Local Authority and other stakeholders in three areas of Birmingham. The report found that CLTs had great potential to deliver benefits to the community. The report viewed CLTs as a new way of partnership working which allowed the trust access to funds which would not be available to the individual. The work of CLTs in inner city areas could include managing communal facilities, working with RSLs to generate funding for mixed tenure estates and private sector renewal and providing an alternative to mainstream equity release models for low income home owners.

The uses of CLTs set out in the Birmingham study were also used to propose an alternative delivery vehicle for the Housing Market Renewal initiative in part of the Oldham pathfinder area. The CLT model was thought to provide an innovative way of investing in a low demand area and the model was thought to be able to deliver an alternative to traditional housing improvement grants and a framework for making decisions on clearance. It was thought that people would be able to come together and invest part of their property's equity in the CLT, benefiting in return from economies of scale and access to funds otherwise not available to the individual. Any increase in the prosperity of an area as it improves would benefit the whole community. The CLT would also put these benefits back into the community and aim to keep housing in the area affordable for future generations.

Summary

The aim of this short paper was to provide an analysis of the role that CLTs can play in providing affordable housing across the North. It has been demonstrated that the CLT model has a number of benefits to offer and should be used as one of a number of mechanisms available to provide affordable accommodation. The model may also be used as part of Housing Market Renewal Initiatives to promote community engagement and to ensure any work that takes place will benefit the community for generations to come.

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