Appendix 1g

Routes to Delivery

A report into how Community-led Housing can contribute to addressing Oxford's housing need

Appendix 6: Feasible Delivery routes for Oxford

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1. Fully mutual co-operative

The scenario

The study team assessed the scenario of a housing co-operative buying a large home and converting it for sharing among 5 or more occupants following a standard fully-mutual co-operative approach. A recent example of this in Oxford is Kindling Housing Co-operative in 2016 (see case study Appendix 1). This delivery route is well tried and tested in the UK and two housing co-operatives have been set up in Oxford. The usual method is for a group to form the housing co-operative which then gets a mortgage and other finance to buy a single house. The residents renovate or convert the house and manage it under co-operative governance principles.

The ideal properties are larger homes with at least four bedrooms. The scheme tested assumes five or six-bedroom houses that can be bought for £80,000 per bedroom to ensure the rental is affordable to someone on a living wage, with an £85,000 per bedroom upper tolerance being viable in some cases. Because sales values are typically pitched per bedroom, the viability of this scheme is greatly enhanced if at least one reception room can be converted into a bedroom.

With this scheme, there is no need to find new land as it aims to use the existing housing stock. A housing co-op buys and redevelops existing buildings. Housing co-operative members may undertake the renovations using their own skills and those of other residents. The homes would require planning permission as Houses of Multiple Occupation but would be exempt from HMO licensing as fully mutual societies.

To increase the scale of this approach multiple homes could be bought through a parent co-operative with groups of sharers running individual homes within this. Each single home co-operative could in turn be a member of a secondary co-operative or 'parent' body with a charity or local government partner.

One variant of the fully mutual co-operative is to lease the properties rather than buy them. This variant avoids the up-front capital cost of buying a home for the co-operative but in all other ways the costs, value of the rooms and rent paid will be similar to the housing co-op scenario that has been described above. This is of particular relevance for Oxford because of the large numbers of people in shared rented accommodation. The housing co-op does not have to find capital to buy the homes which removes the time-consuming, risky and difficult process of fund-raising and buying on the open market which is a major barrier to housing co-operatives being set up. Housing co-operative can choose who to house whereas the private sector rental market is not accessible to many people who are eligible for the Local Housing Allowance.

Tenure

The housing co-op owns the property but the tenure for individual members is rental. All of the residents are members. Members control how the co-op is managed but pay rent to the co-op. They do not have any ownership stake in their home.

Affordability

The viability assessment shows that a shared house purchased at market prices by a non-profit entity in Oxford is affordable for single people who are employed full-time on the minimum wage. The rent (£88pw) is slightly above local housing allowance for a room in a shared house (£83pw) but 28% lower than market rates for rooms in the private rented sector (£122).

This approach offers a very high degree of involvement and control to residents. The residents have complete control over their rents taking into account what is needed to finance and maintain the house.

Benefits

Benefits from the housing co-operative approach include skill development, security of tenure, quality and mutual support.

Financing

This scheme is possible even if the housing co-op has to use 100% debt finance to purchase the property. The debt might include loans from family and friends which are then paid back over time with interest and a long-term (35-40 year) mortgage from an ethical bank such as Triodos or Ecology Building Society. Housing co-operatives may also be able to attract donations for example through a crowd-funding appeal or through grants.

Potential

The number of homes that could be purchased and run by co-operatives in Oxford is large but it is constrained by the amount of effort that is involved by the community group.

Based on the experience of Kindling Coop, we estimate that there may be demand for 4 co-ops per year housing 5 people in each, but that realistically 2 per year could be achieved by community groups on their own due to the challenges involved. Co-ops could house at least 5 people in each accommodating 50 to 80 people within 5 years and 100 to 180 within 10 years subject to successful purchase of suitable properties.

If a parent co-op were established to operate a large number of houses and if loan finance for homes was made available through a revolving loan fund then the potential could be very much larger, say half of the suitable homes that typically come up for sale each year 8 per year each housing 40 to 60 people, which could yield permanently and genuinely affordable accommodation under housing co-operative management for 400 to 600 people within 10 years.

In November 2017 there were over 3,600 Houses of Multiple Occupation in the city occupied by sharers. Semi-detached homes which are common in Oxford and tend to be suitable for larger households were selling for on average £500,000 over the 12 months to June 2018.[1] Market research for this study found 16 suitable homes with 5 or more bedrooms and selling for less than £500,000 were on the market as at July 2018.[2] If two of these were purchased by groups of sharers in a housing co-operative structure each year then over five years 50-75 people would be housed and over years potentially 100-125 people could be housed in secure and good quality accommodation under their own control.

Enabling support required

In Oxford half of all homes sold in 12 months to May 2018 were to cash buyers. Housing co-operatives are likely to require a mortgage which puts them at a disadvantage. The Council, housing associations and property owners could choose to sell their homes to housing co-operatives off-market but for a market price. Council support funded by the Community Housing Fund together with third sector support could enable the establishment of a parent co-op to buy and manage a large number of houses. The Council could consider initiating a revolving loan fund (through Council Public Works Board and attracting philanthropic and pension funds).

[1] UK House price data. landregistry.data.gov.uk
[2] Any 'corporate body' (a firm, a trust, a partnership, or a co-operative), has to pay a one-off 15 percent rate of 'stamp duty and land tax' (SDLT) when the residential property is valued over a certain amount.

2. Tiny Modular – Daisy Chained Sites

The scenario

The study team assessed a scenario with five small inner-city sites each taking five homes and total development scale of 25 small homes. The same methods and suppliers are used across all five sites creating economies of scale, with a staggered development period. The sites would be windfall sites, over 100 of which were identified in the land availability review carried out for this study based on the Council's land availability assessment.[3] By developing several small sites at the same time, this delivery scheme effectively operates as one large development, allowing the capital savings that come from bulk purchase of services and materials along with more efficient application of labour across all the sites. Costs can also be kept down by standardization of the design approach, larger orders when purchasing and offsite manufacturing.

The units would be developed at the same time or phased, using the same modular construction methods, materials, suppliers and contractors. The units would be very small (39m2) one-bedroom flats. This is the Oxford minimum space standard for a one-person dwelling. In the assessed scenario, this typology does not directly provide social rented housing. On these small sites, commuted sums are assumed to be paid for social housing elsewhere. Overall the homes would accommodate 25 people assuming 1 person per unit.

Higher density of units is assumed to be achieved by stacking or terracing tiny home modules. A higher plot ratio of dwellings per m2 of site area makes the units more affordable. This also allows a much larger proportion of the sites to be for shared external space. The assumption used is 40m2 of external space per flat not including balconies, giving 200m2 of open space on each site. Modular construction methods are also assumed at a build cost of £1,485 per m2.

Community-led housing mechanism

A community-led housing group carrying out this scheme could be a community land trust, a cohousing group or a housing co-operative. It could be self-build within the constraints of the overall construction method and other practical aspects that are required for the scheme's viability, or it could involve custom build or custom finish of some elements. A community land trust could finance, own and manage the units across all of the sites. Each resident would rent or lease their unit from the community land trust.

This delivery route would require project manager to coordinate the scheme as the development would be across multiple small sites in Oxford. A community-led housing group would form a partnership or contract with an architect or construction firm (possibly a small one) who would lead the work to obtain planning permission, provide project management, liaise with suppliers, carry out the work on site, take on the risk including any cashflow issues. It may be that the developer delivers the scheme and then sells to a community land trust once the units are completed. The community-led housing group would need to form effective processes and be able to take decisions or delegate to a small group in order to have any influence over elements of the design, layout and communal facilities.

A community land trust would finance, own and manage the units across all of the sites. There could be an element of self-build and custom-finish by the initial residents. The residents rent or lease their own unit from the community land trust.

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[3] URS Oxford's Housing Land Availability and Unmet Need December 2014 (www.oxford.gov.uk)

Tenure

The tenure is rented, shared equity, owned freehold or leased. The scheme would include social rented in line with policy requirements with nominations from the housing register, affordable rented, or homes for sale or shared equity at affordable price (less than 80% of market value). In a community land trust structure, leasehold owners would have a resale covenant to preserve the affordability for future residents.

Affordability

The viability assessment shows that small units built to Oxford's minimum space standards on land purchased at Oxford prices could be affordable for single people who are earning 40th percentile incomes below the median wage. The rent (£143pw) is below the local housing allowance for single bedroom dwelling (£159pw) and 34% lower than market rates (£217pw).

An average unit value of £150,000 was an input assumption in order to test an affordable scenario. This unit price is equivalent to the Local Housing Allowance amortised over the lifetime of the units. It is approximately 60% of the typical market price for a one bedroom flat in central Oxford.

The aim is delivery of affordable small market units for employed people in inner city locations. Eligibility for allocations to these units could be based on residential connection to the City and the household not being able to afford market housing. At £150,000 per unit, the homes would work for people earning £30,000 to £40,000 per year. The residents would either buy their flats or rent from the community-led housing scheme. Someone earning £30,000 who had saved 10% deposit and potentially could get a mortgage of 4.5 times their annual salary and an interest rate of 5% over 25 years, would have a monthly mortgage payment of £790. A similar rent of £750-£800 would be paid by those unable or unwilling to get a mortgage.

The community land trust would set the rents taking into account what is needed to finance the debt and maintain the units. A service charge would cover the costs of managing the shared areas.

Benefits

Benefits include affordability, quality with potential for shared facilities and mutual support. Living in a mutually supportive community lowers burden on social and health services.

Financing

The developer would finance the build and sell each plot to the community land trust as it was ready. The community land trust would obtain loan finance, possibly raise funds through crowd-funding or a community share offer and would get a mortgage from an ethical bank. The community land trust would pay the debt off over time with income from tenants and leaseholders. A revolving loan fund (with finance from local authority borrowing, large pension funds and/or philanthropists) could make cheaper finance available, enabling more affordable rents to be charged.

Potential

The number of homes that could be developed in this way is significant – the study team estimates that 75 single units could be delivered within 5 years and a further 235 within ten years, making 310 units in total over ten years.

The study team reviewed 107 small sites in Oxford with a combined area of 6.4 hectares. The review found 6 of these sites to be particularly suitable for this delivery route with a total of 0.8ha in area. If these or similar sites were developed under this delivery route then 3 of these schemes could be delivered to provide 75 small units for single people. This could be a realistic 5 year goal.

If a further 20 small sites that the team considers potentially could be suitable were developed under this delivery route then 9 additional schemes could be delivered with a total of 235 homes. This might be a longer term 10-year aspiration.

Enabling support required

To make this delivery route possible, property owners would need to sell small sites to the community land trust off-market to avoid the intense competition. Because of the high land values for inner city sites in Oxford, the viability of this type of scheme may require a grant element, crowd-funding or philanthropic funding. It could be helped by community-led housing members forming 'pre-sales' for the market homes, selling existing homes and getting individual mortgages lined up. Assuming a low 'profit' or contingency of 6.5% for the scheme and low build costs through modular construction, the residual land value is £9.5million per hectare. This is more than double the May 2017 government land value estimate for Oxford for small sites. Small corner or gap sites in in central Oxford are likely to command premium prices and the units may be very high quality and well designed. The community-led housing scheme could sell some of the units for full market price of up to £245,000 if needed in order to make the scheme viable.

3. Medium scale co-housing

The scenario

The scenario assessed is a new build scheme, with 40 dwellings using a mix of house types, single units, apartments, terraces using a co-housing layout on a total site area of just under half a hectare. The housing densities for this scheme are relatively high, because higher densities of housing are typically possible and desirable when more facilities are shared.

Community-led mechanism

This delivery route would be led by a community group who would commission the build and have a great deal of influence over design, quality and layout of homes on the site within the constraints set by financial viability. The types of homes would vary to suit the range of people interested in living there, but typically would provide a range (single people, couples, families, all ages and tenures). The individual units could be smaller than typical for each household type with many shared facilities integral to the design. The group would be likely to partner with a registered provider to manage the social rented housing with nominations from the housing register but an added requirement that the nominees sign up to cohousing principles. The group may follow a community land trust approach with a suitable legal entity to finance, own and manage the units and the shared spaces. Some of the units could be sold at market prices and could be freehold to cross-subsidise the affordable housing and enhance the viability of the scheme. There could be an element of self-build and custom-finish by the initial residents. Each household would rent or lease their own unit from the community land trust.

A community land trust structure such as that proposed by Oxford Cohousing for the Stansfeld development would work well for this scheme, with the units offered on a leasehold basis rather than freehold.[4] This structure enables leasehold provisions including limits on resale values which are typical in community land trust housing schemes. For example, some schemes limit the resale value of a leasehold unit to capital improvements plus inflation (or deflation) in

[4] Leasehold sales are likely to be allowed for community land trusts in forthcoming government legislation which will only allow leasehold for certain types of scheme. https://www.gov.uk/government/news/crackdown-on-unfair-leasehold-practices--2

line with local wages or the national house price index.

Community-led housing groups developing a scheme such as this would hold public meetings and engage with the people in the existing neighbourhood/s to discuss the plans and share ideas for how the new flats would positively interact with the existing community, possibly making additional community facilities available to all. An advantage of community-led schemes is that they can promote positive attitudes towards new housing through the active involvement of the community.

This type and scale of community-led housing could be a positive element in larger regeneration initiatives. Retrofitting cohousing in existing neighbourhoods could be an important delivery route for community-led housing in Oxford because much of the housing stock that will exist in 2031 has already been built or is in the process of being built.[5]

Tenure

The tenure is rented or leased or owned. The rented units would include social rent in line with policy requirements with nominations from the housing register. Leasehold owners could sell their lease but with a resale covenant limiting personal profit for example with allowable uplift in value linked to the minimum wage. The community land trust might retain first right of refusal when leasehold units are sold.

For the social rented units, allocations would be from the Council's housing list. It is possible that the community-led housing group would request that only people who agree with the ethos of the community-led housing scheme are allocated units. The ethos will vary widely from group to group but might include commitment to a car share scheme, sustainable lifestyles, attendance at community meetings and having a general interest in building community spirit.

Affordability

The viability assessment shows that a 40-unit cohousing scheme with a mix of units from 1-bed to 5 bed, developed on land purchased at Oxford prices could be rented or leased to households who are earning 30th percentile incomes. The rent or mortgage equivalent for a single person unit (£129pw) is below the local housing allowance for a single bedroom dwelling (£159pw) and 34% lower than market rates (£217pw).

The market houses in the scenario range from 1 bed to 4 bed and from £129,610 to £358,920 in value. These values are inputs to the assessment calculated based on local housing allowance rents amortised over 16 years giving an estimate of an 'affordable' house price. In comparison with Oxford house prices, the 4 bed homes are 70% of the market value of semi-detached homes sold in Oxford over the last year and the 1 bed homes are 54% of the market value of one-bed flats (see Appendix 2).

The cohousing company would set the rents taking into account what is needed to finance the debt and maintain the units. A service charge would cover the costs of managing the shared areas.

Benefits

Benefits include affordability, quality, shared facilities, neighbourliness and mutual support. Living in a mutually supportive community lowers burden on social and health services.

Financing

The cohousing company would obtain loan finance, possibly raise funds through crowd-funding or a community share offer and would get a mortgage from an ethical bank. The entity would pay the debt off over time with initial payments from owners (if freehold ownership is included) and income from

[5] SHMA Final Report p15

tenants and leaseholders. A revolving loan fund would help to make finance available which might otherwise be difficult to obtain. If there is any subsidy in land price or reduction in finance costs then more affordable rents could be charged.

Residents could take out individual mortgages for market sale properties and sales of the affordable units to the Council or a registered provider. The cohousing company could register as a provider and manage the homes itself, but existing groups have opted to approach the Council and other partners to manage the affordable housing. Homeowners wishing to live in the cohousing scheme would sell their homes and use the capital to buy-in to the scheme, others wishing to buy would need to be eligible for a mortgage and be able to raise the necessary purchase funds. Commitment of personal capital can drive procurement of land and construction.

A mutual approach could be considered for the larger schemes with the cohousing company, community land trust or co-op negotiating a mortgage for the market units across the entire site. In a mutual mortgage, the member's payments are made to the company that is then responsible for paying the bank. Because it is a company mortgage, the time over which it has to be repaid can be longer for example up to 40 years. The people in market housing can build up some equity in the market units once capital elements of the mortgage begin to be paid off. Anyone who leaves the market housing can be bought out by people coming in and taking on their equity as long as people living in the housing scheme accept the new individuals as community members. This is an example of the innovative financing that is possible in community-led schemes.

Potential

The number of sites that could be developed in this way in Oxford is small given the challenges involved, unless enabling support is provided. There are sites known to the study team that have become available in the past or might be possible for cohousing on this scale in Oxford. A site of half a hectare could accommodate over 100 people in 40 homes in a co-housing development. A realistic 5 year goal could be to develop the first co-housing scheme in Oxford on one site. Within 10 years, the study team estimates that three potential sites ranging in size from 0.5 to 20 hectares could be developed for over 500 cohousing homes for 1,150 people subject to the relevant permissions being granted.

Enabling support required

Oxford experience shows that groups cannot buy these sites on the open market in competition with larger entities with access to cheap finance and teams of experts. The main enabling support needed is to make land accessible for better housing solutions in a housing market where every site is snapped up, land-banked, providing top value market housing that is not what local people need. The Council could allocate a site for cohousing. A cohousing development could be enabled through planning policy or a S106 agreement with a developer. The Council or another landowner could choose to sell or lease a site for cohousing at market rates but not in open market competition. A market price would need to be paid but it may be possible to demonstrate best consideration by taking into account a strategy to maximise the return to the Council over the long term from investing in cohousing.[6] A developer partner would be needed to deliver the scheme. The group may need support in group process and negotiation with partners.

4. Large Sites

The scenario

The scenario assessed is 250 homes as an ambitious approach at the high end of what

[6] *Ibid*. Law Gazette Nov 2016.

might be possible in order to address the massive demand for good quality affordable housing.

Community-led mechanism
Community-led housing could form part of a bigger scheme. The Wolvercote Paper Mill site case study is an example of this. The community-led housing partnership aimed to provide serviced plots of land on which community housing groups could come together to build clusters of homes with custom-build developers. (See Appendix 1)

The social aspects of community-led approaches work best at neighbourhood scale of up to 40 units. Different clusters of community-led projects can serve different groups of people, use a different type of community-led mechanism or meet particular needs. The clusters can support each other and create synergies while preserving a neighbourhood community scale and neighbourly dynamic in everyday life. Different community-led options, flexibility on design and the community philosophy will create options that will be attractive to a wider range of potential residents.

Community-led housing works well as part of a larger development, allowing a more varied development typology and tenancy and a greater sense of community. Partnership with land-owners and developers who have an option to purchase a site will be necessary to access sites and secure the kind of finance required for this scale of project. Many of the large greenfield sites on the fringes of Oxford are owned by Colleges and many of these have agreed options with volume housebuilders.[7]

This delivery route would be led by a developer who would acquire the land and build the development. The developer would involve the cohousing or CLT group in design, quality and layout of homes on the site. The types of homes, size of units and shared facilities could be similar to the single site cohousing scheme above, but the community group is likely to have far less influence over all aspects of the development than a cohousing group who finances and commissions the build themselves. A registered provider would manage the social rented housing with nominations from the housing register but there would be an added requirement that the nominees sign up to cohousing principles. The group may follow a community land trust approach with a suitable legal entity to finance, own and manage the units and the shared spaces. If they do not choose to follow a community land trust approach some of the units would be sold at market prices freehold. There could be an element of self-build and custom-finish by the initial residents. Each household would rent or lease their own unit from the CLT.

Tenure
The tenure is rented or leased or owned. The rented units would include social rent in line with policy requirements with nominations from the housing register. Leasehold owners could sell their lease but with a resale covenant limiting personal profit for example with allowable uplift in value linked to the minimum wage. The community land trust might retain first right of refusal when leasehold units are sold.

Affordability
The viability assessment shows a large 250 unit scheme with a mix of units from 1-bed to 5-bed, developed on land purchased at Oxford prices, could be rented or leased to households who are earning 20th percentile incomes because of the benefits of developing on a larger scale with a large volume house builder financing the scheme. The rent or mortgage equivalent for a single person unit (£114pw) is well below the local housing allowance for single bedroom

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[7] http://housebuilders.whoownsengland.org/

dwelling (£159pw) and 34% lower than market rates (£217pw).

The community land trust or cohousing entity would set the rents taking into account what is needed to finance the debt and maintain the units. A service charge would cover the costs of managing the shared areas.

Benefits

Benefits include affordability and shared facilities with potential for neighbourliness and mutual support.

Financing

The developer would finance the scheme and sell completed units to the cohousing entity or CLT who would use the financing methods noted for the other delivery routes.

Potential

The sites that could be developed in this way are beyond the administrative boundaries of Oxford, but convenient for Oxford in the areas allocated by other Districts for Oxford's unmet housing need. Even part of one site could accommodate 575 people in 250 homes. This approach would have to be enabled by the Council through planning policy or a S106 agreement. In 5 years one such scheme could be a goal although this is only realistic if it is enabled through the measures in the next paragraph. Once proven, in 10 years a further scheme could be an aspiration, with over 1,000 people housed in 500 units.

Enabling support required

This scale of development requires a developer partner. A cohousing development could be enabled on part of the scheme through planning policy or a S106 agreement with a developer. For this type of scheme in other parts of the UK and in Europe, a political champion has been needed to enable this scale of development, working to a land management strategy that meets all of the City's objectives and not just profit-led.

A revolving loan fund would also enable cohousing groups or a community land trust to finance the purchase of their part of the site, repaying the loan over time through rents and capital payments by residents.

The community-led housing groups involved in the different clusters and types of community-led scheme on the site would be likely to need professional support to be effective partners in order to influence the scheme layout and house design effectively while remaining realistic about costs and viability.