

CORNWALL LAND
COMMUNITY TRUST

Community Land Trusts in Cornwall
Information Leaflet

working with



Cornwall Rural Housing Association

1. **Background information**

Cornwall Community Land Trust was established in 2007 as part of the Community Land Trust project hosted by Cornwall Rural Housing Association with the support of funding principally from The Tudor Trust and Cornwall County Council. The main focus of the Project was to investigate how Community Land Trusts (CLTs) could help to meet a wider range of needs throughout Cornwall.

2. **What is a Community Land Trust (CLT)?**

A Community Land Trust (CLT) (which is also sometimes called a Community Property Trust) is now officially defined in the Housing and Regeneration Act 2008, Part 2 Chapter 1, Clause 79:

A Community Land Trust is a corporate body which:

1. is established for the express purpose of furthering the social, economic and environmental interests of a local community by acquiring and managing land and other assets in order:
 - to provide a benefit to the local community
 - to ensure that the assets are not sold or developed except in a manner which the trust's members think benefits the local community
2. is established under arrangements which are expressly designed to ensure that:
 - any profits from its activities will be used to benefit the local community (otherwise than being paid directly to members)
 - individuals who live or work in the specified area have the opportunity to become members of the trust (whether or not others can also become members)
 - the members of a trust control it.

3. **Who are we?**

Cornwall Rural Housing Association (CRHA) is a charitable housing association registered under the Industrial and Provident Societies Acts 1965 to 1978. It is a Registered Social Landlord (RSL).

The Association was formed in 1985 with the specific aim of building homes for rent in the rural areas of Cornwall and the Isles of Scilly. The homes are let to local people in housing need.

Since its formation CRHA has completed 38 developments in village locations ranging in size from 1 property up to 12 and the Association currently has 250 properties in management.

Cornwall CLT Limited (CCLT) was registered as an Industrial and Provident Society with charitable rules in March 2007. It was established as an independent "umbrella" CLT for Cornwall which would help to set up local CLTs and also act as a facilitator for new developments of affordable homes for sale to local people. It has voluntary Trustees who sit on the Board of Management and who are elected each year by shareholders of the CLT. Shareholding membership costs £1 and applications are encouraged from anyone who supports the aims of the organisation.

As properly constituted not for profit organisations CLTs aim to build and sell good quality affordable homes to local people within local affordable price ceilings. The CLT is able to use legal mechanisms which will ensure that the homes remain affordable and available for local people in the future.

CCLT has adopted a business plan which aims to deliver at least 180 new affordable homes over a period of five years on identified sites either working independently or in partnership with housing associations or private developers. It is an independent organisation but for the first year at least it will purchase office space and services from CRHA.

To date three local CLTs have been registered and two more are due to go through the registration process. All of the CLTs have strong links with their parish councils and are affiliated to CCLT.

4. Legal mechanisms

The future occupancy and affordability of the affordable homes would normally be controlled through a Section 106 Agreement with the local authority. These controls are strengthened through local involvement in the following legal mechanisms:

Resale Price Covenant

This is a relatively crude, but well tested method of creating permanent affordability, whereby the property is sold in its entirety (the freeholder retains no equity share) to a buyer at a percentage of Open Market Value (OMV) and on re-sale the buyer must sell the property at that percentage. This is policed by the CLT as freeholder as there is a restriction on the buyer's title preventing sales unless the freeholder/CLT has confirmed that the re-sale procedure has been properly completed.

There is also a provision allowing the freeholder/CLT to nominate buyers, in accordance with an allocation policy agreed with the parish and district councils, plus a right of pre-emption inserted. Right of pre-emption lasts for 21 years by statute, but the 21 year period commences every time there is a resale. With re-sale price covenant schemes, disposal is normally by lease if they are flats and freehold if they are houses (to avoid leasehold enfranchisement). With houses there will be a small administrative charge of £150 per year, and where the disposal is by a long lease there is a small ground rent payable of £150 per year.

The advantages are that nationally there are a number of mortgage lenders, including well known high street banks and building societies, who will accept this mechanism as it has a proven track record and it does have the virtue of being simple to understand and operate.

This mechanism will be used on the recently completed scheme at **Blisland**. This is a joint scheme with CRHA where CRHA provided 7 homes for rent and Cornwall CLT will sell six homes to qualifying local people at about 50% to 54% of open market value, with target sales prices of £100,000 for the two bed houses and £120,000 for the three bed houses.

Declaration of Trust

This mechanism is not currently being used in Cornwall but is being piloted in Dorset and Yorkshire. It is essentially a lease which can be used for either a house or a flat where the landlord grants the lease jointly to itself and tenant. Each party then enters into a declaration of trust in the lease as to the respective shares they own in the property. This is intended to protect the long-term affordability of the property by preventing the purchaser from being able to benefit from leasehold enfranchisement (because the landlord is a joint tenant). This mechanism gives a greater flexibility of ownership but we are waiting to see if it will be accepted by a wider range of mortgage lenders before using it in Cornwall.

5. Where does the funding for CLTs come from?

Setting Up Costs

To date these have been covered by grants from local authorities and charitable trusts. A national Charitable Facilitation Fund has been set up for CLTs which is offering setting up grants for qualifying projects.

Development Finance

Loan funding is required to cover the costs of development until the properties are sold. For current project this funding has been obtained from local authorities to date in addition to other subsidies such as free land and top-up grants.

Loan facilities to finance the CCLT business plan are currently being negotiated and the Charitable Facilitation Fund can provide loans and grants for pre-development finance.

If a CLT wished to develop homes for rent it would require long term subsidised loans.

Running Costs

The CLT would receive a development allowance for each completed home sold to cover the costs of acquisition and disposal, including all fees, marketing and interest costs. Leasehold sales would allow for the collection of modest ground rents, and pre-emption agreements would allow the CLT to collect a fee of 1% of the restricted value for each successful resale.

6. Summary of potential advantages.

CLTs are seen by some as a cumbersome way of delivering affordable housing due to the high degree of work that has to be put in at local level at the “front end” of a development, and by others as potential competition. Many others recognise that CLTs can provide a community led solution to the crisis caused by the lack of affordable housing.

Although there are barriers to be overcome, particularly with regard to issues around legal definitions and funding issues, there are real advantages:

- Community involvement at all stages through a properly constituted, independent and not for profit organisation
- Reassurance to land owners and local authorities that the homes will remain affordable
- Reassurance to the community that housing will be allocated to people who meet the requirements for a local connection
- Purchasers of houses do not pay any rent (other than possibly a nominal ground rent)

The key to success is to find out what the community needs, how they want it delivered and then find the resources to do it.

For further information, please contact:

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