



Common Ground – for Mutual Home Ownership

Community land trusts and shared-equity co-operatives
to secure permanently affordable homes for key workers

Written by the New Economics Foundation and CDS Co-operatives
Pat Conaty, Johnston Birchall, Steve Bendle, and Rosemary Foggitt

Common Ground – New Mutual Home Ownership Model



The crisis in the affordability of housing has become a major factor in the recruitment and retention of staff for key public services and other areas of the local economy.

In the past four years, the cost of buying a house has nearly doubled in Britain. As a result, home ownership is out of reach in over half of the counties of England, even for two full-time household incomes. In 2003, average prices rose by about £30,000. This is far more than the salary of bus drivers, nurses or most teachers. Many key service providers cannot afford home ownership and have to live in insecure, expensive, sub-standard housing. Many spend long hours commuting to work from lower-cost areas and congestion in public transport and on the roads has worsened in the past five years. Many public sector workers feel they will never be able to afford a home large enough to start a family. As a result, public services in many areas are stretched to the limit; the recruitment and retention of staff is becoming increasingly difficult because employees are leaving to move to areas where the housing costs less.

Land cost is central to the affordability of housing. Land for development is in short supply in many areas, both in the city and in the countryside. This has escalated housing costs – especially in the cities, market towns and rural villages of southern England.

The aim of mutual home ownership is to provide a way of separating the cost of the land from the purchase price of the housing on it. This is achievable in practice by taking the land out of the marketplace through a Community Land Trust. This innovative American mechanism can make housing much more affordable and keep the cost of home ownership in a closer relationship with average earnings in perpetuity. Like other owner occupiers, mutual home owners will have the opportunity to invest in their home and the incentive to look after and improve it. At the same time, the land can be held in trust for the benefit of future generations and the community as a whole.

The International Experience: Co-operative Housing and Community Land Trusts

More than nine in ten British households want to become homeowners. But due to escalating costs in 2003, the number of First Time Buyers has fallen to record low levels.

In Sweden, one in four homes is provided through housing co-operatives where tenants can become owners. In the United States, Community Land Trusts have been under development for over 30 years and provide low cost homeownership and limited equity co-op housing. How can the experience in New York or Stockholm, Albuquerque or Gothenburg help us address the homeownership crisis for key workers in Britain today?

History suggests that it can, and indeed that similar ideas were popular and successful in Britain in the past. Council housing was the principal source of housing for working people for over 50 years, but there have also been other forms of co-operative tenure, now forgotten, such as tenant co-partnership before the First World War and co-ownership societies in the 1960s and 1970s which were funded by the Housing Corporation. These different forms of mutual housing produced about 50,000 properties and enabled residents to have a stake in ownership. This housing was popular and many developments were highly successful in their own right.

More recent initiatives to provide affordable rural housing, using American Community Land Trust ideas, have been developed successfully in Scotland, including the Isle of Eigg Heritage Trust, which was formed in 1997, and the buyout of the North Lochinver Estate by the Assynt Crofters in 1993. More applications of the Community Land Trust approach are likely in the years ahead in the UK to offer affordable and permanent solutions to a diverse range of both urban and rural housing needs. CLTs can also be used to ensure that regeneration and local development benefits local people by helping to retain local outlets, create affordable managed workspaces or otherwise support the development of diverse neighbourhoods and local services.



The Mutual Home Ownership Model: Key Features

The mutual home ownership model is based on two core structural elements: a Community Land Trust to hold the land for 'community benefit' outside the market, and a shared equity housing co-operative, to reduce management costs and ensure democratic accountability. The key advantages in the model are that:

- unlike shared ownership, any public subsidy is locked in and preserved for future generations
- the proposed structure gives co-op members access to much lower mortgage rates than as an individual owner occupier
- monthly payments are flexible and based on an affordable percentage of a key worker's income. The equity share paid out to departing residents is proportionate to the amount they have paid in
- overheads and transaction costs are kept low by an assignable lease, so that residents can join or depart quickly and easily
- the housing will be new-build with high environmental standards
- residents will be responsible for repair and maintenance of the interior of their own accommodation and have the ability to alter or improve it if they so wish (within certain limits)
- residents will participate in the management of the scheme, but will have the scope to use professional management as appropriate
- residents will be able to increase their equity stake or, if need be, decrease it
- the scheme will be highly transparent and residents will receive regular statements setting out their equity units held in trust by the co-op

A Best Value Solution to the Challenge by Government

In the Sustainable Communities Plan (the new national policy for affordable housing provision and area regeneration in England) the Government has announced the allocation of £1 billion of funding over the next three years for key worker housing. The model developed by this Housing Corporation funded project is robust. Through the inclusion of a Community Land Trust (CLT) structure, the mutual home ownership system can deliver best value by capturing the value of any subsidy or gifted land for the benefit of the community in perpetuity. The CLT thus ensures that, unlike other shared ownership models, affordability can be guaranteed into the future for low to moderate income households.

“The biggest problem in the countryside is the lack of affordable housing for key agricultural workers and others. This is a bigger problem than rural transport to renew the local food sector.”

**Lord Haskins, DEFRA Rural Recovery Co-ordinator
on BBC Farming Today, 2003**

“This [report] offers the most economical and best value for money way of using public or private investment to meet housing needs. It provides for the needs of successive generations in a way which acknowledges the ownership aspirations of most people in this country, and the need to bridge the gulf between renting and owning.”

**Ken Bartlett, Chairman, Joseph Rowntree Foundation
Land Inquiry Commission**

What's in it for key workers?

- good quality, secure housing at affordable cost
- an opportunity to invest in a stake in the property, the size of which will depend on the payments made
- flexibility in the amount invested – opportunities to increase or reduce the investment, depending on personal circumstances and priorities
- clear information about the investment and how the equity stake is calculated in units held in trust by the co-op



This action research project was jointly sponsored by CDS Co-operatives and the Housing Corporation. Its remit was to research the housing conditions, housing needs and the aspirations of workers on average earnings in both the public and the private sector in two contrasting areas where the cost of housing has escalated in recent years: London and the rural South West of England. Over a hundred in-depth interviews were conducted with key workers in diverse occupations, housing providers and major employers, including hospitals, social services, schools and rural services.

The current range of affordable home ownership schemes, operated by Registered Social Landlords and funded by the Housing Corporation, include the Starter Home Initiative, Shared Ownership and Homebuy. They have proved to be popular and successful programmes but in recent years, even these options have become unaffordable for public sector workers in some areas.

The Crisis of Affordability: Key Worker Interview Comments

"I have my graduate loan to pay, I need a car to get to work, my rent is high. I take home £830 per month. I can't tell you how many houses I've lived in, I don't even unpack my boxes anymore."

"Leases are always for six months and then we often have to move on. Sometimes I then have to hunt for new housemates. I wish there were some kind of adaptable space for people's needs as their lives change, as they have children, grow old."

"My salary is £9,000 a year, and my husband earns £21,000 ... we applied for a Homebuy scheme purchase, but the maximum it would allow was £123,400 and the minimum price we could find for a three-bedroom house (we have a teenage boy and a girl) cost £130,000. I thought that we were on good money now and we could afford to buy, so we were very disappointed."

"I worry about our children's future. Where will they live when they get married? And we don't have much of a pension. A house offers more security. I'm not envisaging an early retirement."

"I am married and I have two young children. My wife is a teacher... I spend £4,000 a year on travel... I won't stay in my job in the long term, because of the commuting, I'll have to find something in a local authority in South Wales."

"I have been paying rent for 13 years and I don't own so much as a door-knob."

That is why alternatives are needed and a radical and practical new approach based on mutuality is recommended by this report to cost-effectively tackle the crisis of key worker housing in urban and rural areas of southern England.



What the report proposes:

This report has researched and tested the market feasibility for a new mutual housing solution, a shared equity housing co-operative.

It uses a Community Land Trust structure to provide a permanent means of locking in subsidy in the form of free or discounted land (or an equivalent sum in grant aid).

It also recommends that the shared equity housing co-operative model should be applied in Britain as a sustainable low-cost form of key worker housing to meet needs in both urban and rural areas.

It is recommended that regional pilot projects be funded to test the shared equity co-operative model based on a Community Land Trust. Initial interest for such pilots has come from local authorities with sites in East London, Milton Keynes and in the rural South West.



The report covers:

- Co-operative housing models: British and International experience
- Community Land Trusts: lessons from the USA
- legal structures for mutual homeownership
- finance aspects and innovative techniques
- views of key workers and housing practitioners
- tax and benefit issues
- business planning

This leaflet provides only a brief description of the mutual homeownership model. The full report *Common Ground – for Mutual Homeownership* (ISBN 1 899407 75 8) is available from:

Central Books, 99 Wallis Road, London, E9 5LN, Tel: 020 8986 4854, Fax: 020 8533 5821, Email: mo@centralbooks.com at a cost of £15.00 per copy.

The report is also available as a pdf from www.neweconomics.org.

For further information about the proposals contained in the report and ways forward, please contact:

**David Rodgers, Executive Director,
CDS Co-operatives, 3 Marshalsea Road,
London, SE1 1EP**

**Tel: 020 7397 5711
Email: enquiries@cds.coop
www.cds.coop**

**Sarah Forster, Programme Director,
Enterprising Communities,
Pat Conaty, Senior Associate**

**New Economics Foundation,
3 Jonathan Street, London, SE11 5NH**

**Tel: 020 7820 6300
Email: sarah.forster@neweconomics.org,
pat@conaty75.freeserve.co.uk**

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