

Book Reviews

Common Ground - for Mutual Home Ownership: Community land trusts and shared-equity co-operatives to secure permanently affordable homes for key workers

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This publication is the third in a series entitled *The mutual state in action* and examines the housing problems of key workers and the possibility of using community land trusts and a form of housing co-operative to solve those problems. This particular report arises from an initiative by CDS Co-operatives, which initially commissioned the necessary research and brought in the New Economics Foundation. They were further assisted by the Housing Corporation grant funding which matched the financial contribution of CDS.

Readers will be aware of the generality of the problem, particularly as it affects wide swathes of the south of England, London especially. Here house prices outstrip the financial resources available to workers necessary to the effective working of many of our public services. Those 'key workers', considered to be in most need are teachers, police, nurses and other essential health staff, social workers, fire fighters and transport workers. The government has acknowledged the problem with its Starter Homes Initiative which was introduced towards the end of 2001. However, this only deals with the tip of a very large iceberg. More recently there has been yet another government initiative, the Key Worker Living scheme, introduced just over a year ago and intended to help key workers buy homes or just to stay in the south east. Some 25,000 people have applied for the interest free loans under this scheme but less than 4,000 have actually acquired a property.

This report deals essentially with two problems. One is derived from the figures above, namely, how is the supply of housing affordable to the target market to be achieved? The other is equally problematical: having provided the housing, how is it to be kept affordable for the next generation of key workers? Current key workers are usually only acquiring properties suitable for singles or couples: in order to move

up the housing ladder to a property suitable for a family with children, they will need to sell their current property at sufficient profit to contribute to the purchase of a larger property.

The first part of the solution to both problems is an advocacy of Community Land Trusts. Derived from an Indian idea, the form has developed most in the USA. Parcels of land are acquired by a non-profit company (the Community Land Trust) and held in perpetuity. The land acquired comes from transfers of surplus property held by public bodies and from charitable donations from the private sector. Properties built on the land are sold (on a lease) to the individual occupiers or a housing co-operative/non-profit company. An individual occupier subsequently wishing to sell their property must do so to the Community Land Trust (CLT) at a below-market price designed to balance the interests of the homeowner (giving them a fair return on their original investment) and the CLT (allowing them to sell on to a new occupier at an affordable price).

In the UK, the model has so far been used most extensively in the Highland and Islands of Scotland, moves strengthened by the 2003 Land Reform (Scotland) Act which provides a framework for establishing CLTs.

Thus the authors of the report argue that the Community Land Trust model creates a mechanism for lower costs (by significantly reducing land costs) and for keeping a long-term control of the price of resales. What does the shared-equity co-operative add to these benefits?

Before getting to that, the report considers the experience of forms of housing co-operatives in Britain, Europe and North America, particularly where the members have a direct financial interest. One detects the hand of Johnston Birchall in this survey. In the UK it reviews the stories of the Tenant Co-partnership model of the early years of the last century and the Co-ownership models of the 1960s and 1970s. The

former failed in the most part because it relied on outside financing in large degree and where property values rose rapidly, outside investors had a vested financial interest in keeping control from the residents. Where that problem was avoided, the societies tended to become isolated and eventually sold the properties to their members. In the case of co-ownerships half a century later, rising property values encouraged on this occasion the residents themselves to wind up their societies and buy the properties individually (assisted by a ruling that the purchase price could be no more than the outstanding mortgage debt). Thus neither model provided long-term affordability.

Elsewhere, the financial stakes in housing co-operatives range from zero (the non-equity or par-value co-operatives of Britain, Canada and Denmark) through a limited stake (limited equity co-operatives in the USA) to a full stake (such as in the USA or Scandinavia where co-operative flats are bought and sold like a leasehold property in the UK).

The model proposed by the report is that of a shared or limited equity co-operative. On the basis of a building licence from the CLT, the co-operative would have the properties built, financed by a loan guaranteed by the Co-operative Housing Finance Society. Members of the co-operative coming into residence would not apparently be required to make a significant down-payment, if any, but would pay a rent based on their salaries (30 to 35%) to cover outgoings and contingencies. When members leave, they would take an equity stake based on the rent payments they have made plus a share in the increase of the value of the property (as measured by a public official and net of any equity retained by the CLT).

A short summary cannot do full justice to the closely argued text and wealth of details in this report – 50 pages of text, plus notes, glossary and six major appendices. There are some small quibbles – a reference in the text to Appendix 6 turns out to be Appendix 5; despite a detailed Contents page, an index would have

been useful – but these in no way take from the thought and work that has gone into the document.

A few observations on the proposed model may be in order. Firstly, it lacks the relative simplicity of the basic co-operative model but that is largely a consequence of being based on a considerable proportion of outside financing, a common problem among housing co-operatives which require most of their investment up-front. Secondly, a further consequence of that is that there is a danger of overselling the benefits of mutual ownership and resident control when there will be stronger external controls exercised by creditors and regulatory bodies. Thirdly, the nature of the kind of housing being provided is that the occupation is likely to be transitory, rather like the student housing co-operatives in the USA where the power and influence of full-time staff are even more marked than in co-operatives with longer-term membership. A fourth point related to all the above is that co-operatives are not immune from a common business problem of balancing the interests of current and future members. In the case of housing co-operatives, this can manifest itself by keeping rents down and failing to make provision for future major repairs and improvements (hence the external controls). And finally, in the British context, the housing culture looks to individual owner-occupation as the norm to which all should aspire. The Chancellor of the Exchequer recently launched yet another initiative to provide more money for shared ownership with the aim of increasing the proportion of owner-occupation in Britain from 70 to 75%. In the run-up to the recent General Election, it was only the Liberal Democrats who picked up the proposals in this report (although, as Johnston Birchall would tell you, it was the Liberals who have given most support to the Tenant Co-partnerships while the Labour Party went down the council housing route). Are the advocates of co-operative solutions to housing problems fighting a losing battle?