

Self-provided Housing in the Cambridge Sub-Region: Levers for Change – Report and Recommendations

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1.0 Executive Summary

1.1 In September 2009, Cambridge City Council and South Cambridgeshire District Council commissioned a Scoping Study for the development of Orchard Park K1 site through some form of self-provided housing. The outcome of the study has been to understand self-provided housing as a potentially valuable additional source of supply for the Sub-Region, not just for this site, or only on public land, or just in the current difficult housing markets.

1.2 Central Government is also taking a renewed interest in the self-provided sector, especially as it may make up upto 20-25% of new housing supply in 2009-10. In December, CABE published a study of “citizen-led” housing as part of a book of proposals for alternative ways of producing new housing and places, *“Who should build our homes?”*¹.

1.3 Self-provided housing includes a wide spectrum of approaches:

- Self-building: literally building the whole dwelling;
- Self-finishing: taking a property from a housebuilder and completing from first fix, second fix or decorating stages; and
- Self-commissioning: directly procuring professional design services and contractor or housebuilder.

In each of these options, the activity may be carried out by an individual or groups, as conventional home owners or renters, or in a group of variable size with some form of social organisation and corporate structure, such as community land trusts, mutual cooperatives, or co-housing groups; institutional forms of delivery to which all political parties are giving increasing attention

1.4 This report suggests a three pronged approach to develop:

- Housing and planning policies to reflect the need and demand for self-provision;
- Preferred methods of enabling and delivering self-provided housing viz “Independent” and “Enabled” Co-housing, and
- Working up a range of site specific proposals.

1.5 The aim is to create a policy context in which future decisions can be taken by both councils about their Use of Resources, particularly land in their ownership, to promote self-provided housing where this will deliver desired policy wellbeing outcomes more effectively than other ways of delivering new housing supply. However, where there is a sufficient evidence base, policies will be needed to apply the requirement for self-provision to sites in other public and private ownerships through planning conditions, or S.106 obligations.

1.6 In this report, it is recommended that the preferred option for a project specific proposal at Orchard Park K1 is Enabled Co-housing, providing homes in partnership with an established housebuilder for outright ownership, with collective ownership of the public realm. Other options and tenures will be appropriate in other situations.

1.7 The Co-housing model is becoming more widely promoted in England for both rented and home ownership housing. It can be seen as a good and recognizable brand

¹ <http://www.cabe.org.uk/news/who-should-build-our-homes>

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to promote in the Sub-Region, with a strong track record of providing good quality homes and places, and stable communities, in other northern European countries.

2.0 Recommendations

Spatial Planning:

- The scope of the next Strategic Housing Market Assessment and Strategic Land Availability Assessment should be extended to cover appropriate questions about current activity, levels of need and demand, and land availability for self-provided housing.
- Following the results of both assessments, the updated evidence base should be evaluated to formulate any new policies that will be required to apply on land in public and private ownership.
- Interim policies for the use of council owned land to support self-provided housing should be adopted on a site-by-site basis, to support the delivery of existing policy objectives.

Enabling:

- As part of their strategic housing activities, the Councils should initially set up a joint consultative Self Providers Forum [SPF] with the established self-providers to assess the potential role, capacity and enabling and promotional requirements for a self-provided sector in growth area projects in and around the city.
- The two councils should canvass other potential organisations that might have a role to play in identifying and/or representing other potential self-providers eg. the University of the Third Age, rural housing enablers, travellers, and ethnic representative bodies.
- The two Councils should canvass the interest in working together with other adjoining councils in the sub-region engaged in similar initiatives eg. East Cambridgeshire District Council's programme of support to village-based Community Land Trusts: a possible forerunner of the Local Housing Trusts proposed in the Conservative Housing Green Paper as an extension of the current cross-part support to community land trusts.

Delivery:

- The Councils should develop generic concept models for Independent Co-housing and Enabled Co-housing, both to assist Members and officers understand the operating and policy context in which such schemes can be promoted, and how council assets can be sold through OJEU compliant procedures (where these are needed) at the best consideration reasonably obtainable. [An outline of the two approaches and disposal and procurement guidelines are contained in Annex A]

Orchard Park KI Project Plan:

- The Councils should start working with the Enlinca Co-housing group, within the context of the Self-Providers Forum, to carry out a soft market testing to establish whether they can build up an active cohort of prospective purchasers for homes on the K1 site.
- Subject to the outcome of the market testing, the City Council should proceed with proposals to market the site and procure a development partner for an Enabled Co-Housing Project.

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- The Councils should engage with central government, other public bodies and representative bodies to draw up a project brief and joint funding proposal for an Action Learning Project and the Orchard Park Innovation Fund to run alongside the development project.

3.0 Proposals

3.1 Spatial Planning Policy and Housing

Housing policy relating to new housing supply in England is primarily embodied in planning policy, particularly PPS3 Housing. This provides guidance on the qualitative and quantitative application of the evidence base which must assess market activity, need and demand, and the availability of land to meet the demand.

Self-provided housing output nationally is generally recognised by government and the mainstream housebuilding bodies to be in the order of 15000 to 20000 homes each year. Government data collection methods does not distinguish sufficiently between different types of private sector providers to pick up all self-provided homes, but it is accepted that, in 'normal' years, this output represents about 8-10% of total completions. In the current year, when total output may fall to 90,000 or lower, it will represent between 20-25%. Evidence from previous recessions shows that self-provided output has either been maintained or even increased during the recessionary period.

Politicians of both main parties have belatedly recognised the significance of the sector, with speeches in December 2009 by Housing Minister John Healey at the Fabian Society and Shadow Housing Minister, Grant Shapps, in Cornwall, both acknowledging the contribution of the sector and its potential value to boosting supply and meeting very local needs and demand that the mainstream market cannot. The Liberal Democrat spokesperson, Sarah Teather, and earlier Matthew Taylor, have always been more supportive of citizen led housing solutions. It is possible that the Pre-Budget Review and other pre-election announcements by all parties, in the New Year will propose measures, and possibly pilot projects or initiatives, to support the sector.

The government's proposals will probably cover some of the following areas of planning and housing policy; areas which have also been reflected in the interviews with stakeholders during the Scoping Study, or emerged in the feedback from participants in the Study's stakeholder workshop in November 2009.

3.2 The Evidence Base required for national and local planning policies

- Strategic Housing Market Assessments [SHMA] largely ignore this segment of supply. The scope of the SHMA needs to assess the current levels of activity and supply, (with definitions of what counts,) the levels of unmet demand, and support needed to realise demand.
- Strategic Housing Land Availability Assessments [SHLAA] similarly ignore this segment of the market, including the assessment of sites that may be suitable for particular kinds of self-provided housing, e.g. infill sites that may be unattractive to mainstream housebuilders, or Walter Segal construction methods on sloping sites

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or poor made-up ground, and site sizes/locations that may support the growth of intentional communities.

3.3 Policies grounded in the broad themes of national and local planning objectives

- Economic Development – availability of housing supply for local employment, localised product development and off-site production, technology and skills development.
- Housing Market Performance – Resilience of housing providers and maintenance and increase of supply during recessions, kickstart of weak housing markets by early adopters, increased competition from innovation, quality, aftercare and speed of production.
- Climate change, sustainable development and sustainable communities – the capacity of ‘early adopters’ to build new intentional communities, and to promote a critical mass of collective sustainable behaviours to supplement sustainable technologies in achieving low carbon lifestyles.
- Affordability – self-building and self-finishing cost options, reduced risk and profit structures to reduce outturn cost to occupier, and potential to attract institutional funding for rent to mortgage products.
- Placeshaping – the capacity of intentional communities to contribute to the design, delivery and ongoing stewardship and governance of localities, especially in the establishment of new neighbourhoods and settlements.
- Housing need and community cohesion– the capacity of intentional communities to cater for specific housing and social care needs through mutual support and pooling of social, environmental and economic capital, eg. housing for older people, vulnerable and lonely single people, and Black and Ethnic Minority communities, including travellers.

3.4 Refining existing planning practice and processes

There was acceptance that there was a need to investigate:

- Better quality and more pro-active and creative pre-planning discussions to build trust between applicants and LPA staff, and to create greater certainty before formal planning to reduce planning risk and provide the platform for developing higher quality schemes capable of delivering wellbeing outcomes. (This is also a mainstream point that has also emerged strongly in the CLG’s Pre-Budget Review consultation with industry stakeholders.) The success of Project Vauban in Freiburg, according to Freiburg’s Chief Planner, was due to the active role played by him and his staff in negotiations amongst the self-provider groups and in assisting the applicants to realise what were already much higher aspirations for quality and sustainability than mainstream developers.
- The potential to use the new style Local Development Orders and Sustainable Communities Act 2007 designations to enable self-provided housing solutions in particular places, where special procedures are justified.

3.5 Land disposals related to planning policy

Access to land is the most commonly cited reason for the relatively low market share of self-provided housing. Established housebuilders control the dominant share of sites of all sizes, and access to finance to secure options or ownership.

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In the short term, at least, most enabling measures will therefore have to focus on unlocking access to existing public land supply:

- More detailed understanding of public land asset management practice and the relationship of Use of Resources to corporate and spatial planning policy and the achievement of policy and operational outcomes. The Audit Commission's first round of Comprehensive Area Assessment [CAA] reports, launched in December 2009, highlighted the importance of this area of local authorities' activities. The Local Government Association was concerned that the reports identify significant shortcomings in performance, especially in the context of capital finance shortages over the next Comprehensive Spending Review settlement 2010-2013. The potential for sales to self-providers to generate higher plot prices than bulk purchasers, as in Germany, should be explored and tested.
- Public land sales with a prescribed proportion of self-provided plots, within the normal constraints of planning conditions, S106 requirements, masterplan, design code, density requirement and development brief for the site, to reflect the evidence base and the consequential policies. This approach would be the same as the land disposal practice of the former Commission for New Towns, agreed with the Treasury, to ensure that new provision reflected the broad composition of existing markets in terms of tenure, size, price and method of provision; between 5-12% of new housing plots were allocated to various kinds of self-provision. The comprehensive housing market evidence base now available through SHMAs and SHLAAs would now provide a more informed basis for responding to both previously unrecorded and evolving types of need and demand, eg. more and different models of housing and care for the aging "baby boomer" generation for which the market is not yet providing, the growth of single person households, and the renewed emphasis on family houses, both generally and for specific ethnic and cultural communities.

In the longer term, however, where there is a sufficient evidence base, policies will be needed to apply the requirement for self-provision to sites in all other public and private ownerships through planning conditions or S.106 obligations.

3.6 Recommendations

- The scope of the next Strategic Housing Market Assessment and Strategic Land Availability Assessment should be extended to cover appropriate questions about current activity, levels of need and demand, and land availability for self-provided housing.
- Following the results of both assessments, the updated evidence base should be evaluated to formulate any new policies that will be required to apply on land in public and private ownership.
- Interim policies for the use of council owned land to support self-provided housing should be adopted on a site-by-site basis, to support the delivery of existing policy objectives.

4.0 Enabling and Project Delivery – Generic models of self-provided housing

4.1 Options considered

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The Scoping Study explored a range of options for enabling and project delivery:

4.1.1 Independent self-organising groups and individuals: includes:

- Co-housing projects such as the recently completed of 35 self-commissioned homes at Springhill, Stroud and other co-housing projects now in planning,
- Community Land Trust [CLT] projects, such as the 12 home self-build St. Minver CLT in the Cornish CLT programme which now totals over 120 homes in 17 villages across the county;
- Self-build groups, which are either grant aided for rent or Homebuy, or private self-build groups, some of which received assistance from the former Housing Corporation's Self-Build Revolving Fund designed to assist groups with site acquisition and up-front fees in advance of normal development finance, and
- Cooperatives, both privately funded par value ownership and grant aided social rent projects

Risk assessment: Groups take on all risks – site purchase, development finance, planning, construction costs, and marketing if group members drop out. Both CLTs and cooperatives have or are developing primary and secondary structures in which secondary agencies provide professional expertise to support the primaries which actually undertake and occupy the new developments. This substantially reduces the risks of cost and time overrun.

4.1.2 Enabled self-provision: includes:

- Project Vauban in Freiburg, which has been cited in the work supporting the Cambridge Quality Charter for Growth. The local authority enables self-provider groups to participate in the development of a new suburb through offering plots by open market tender, and then enabling the purchasing groups to appoint panel architects and constructors to build homes on serviced land prepared by the local authority in accordance with a master plan and design code. The City Planner takes a proactive role in ensuring high quality proposals within the policy constraints, as well as through managing negotiations between adjoining plot developments in the pre-planning stages. Many of the purchasers made a positive choice to live in Vauban because of the city's vision and leadership to deliver high quality homes, public space, and community facilities for families, public transport and the opportunity for sustainable living.
- Other German cities, such as Tübingen, Dresden, Leipzig and the former East Berlin, where projects similar to Vauban have been promoted either by developers trying to kickstart weak housing markets, or by local authorities, of many different political persuasions to support social and economic policies, particularly for encouraging integration across ethnic, cultural and age barriers.

Risk assessment: Groups take on the same risks as self-organising groups above, but benefit significantly from the leadership role of the local authority as both planning authority and land developer, with project management and coordinating functions, and an ability to implement the masterplan flexibly to respond to experience and changing needs over the course of the development.

4.1.3 Developer-led resident managed housing

This is not a true self-provided solution at the development stage, but includes:

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- SPAN housing developments from the mid-1950's to early 1970's. Purchasers were obliged to set up and participate in resident controlled management companies which owned the common areas and sometimes the freehold of all the leasehold flats and houses. The companies had responsibilities to manage and maintain the homes and the landscape setting that were such a feature of the SPAN housing developments. SPAN projects, such as Highsett in Cambridge, are characterized by plain architecture, high quality public realm, and community stability. SPAN schemes remain highly sought after, despite their age, and often command premium resale values. Some niche housebuilders interviewed for the study are also looking back to the SPAN model, as well as developing new ways of working directly with potential purchasers on the design, co-funding and building or finishing of new homes.

Risk assessment: The developer takes all the risks. Incoming residents assume stewardship responsibilities and therefore the risk to the resale value and cost of occupation if they fail to carry out their responsibilities effectively. The enduring popularity of SPAN schemes suggests this is a very low risk.

4.2 Applicability of options

In the UK and Cambridge setting, the Freiburg approach is not currently practical. UK local authorities rarely fulfill the same combined functions of planning and delivery, and few are resourced to do so. The Homes and Communities Agency does have plan making and planning management powers, as well as delivery capacity, but it accepted that they will only use their planning powers, as a last resort and on political direction. Their priority is to assist local authorities through Local Investment Agreements negotiated through the 'single conversation' setting out capital investment plans, enabling activity and outcome and output objectives.

However, UK local authorities **do** have strategic housing and economic development functions which require and enable them to support any approach to housing provision and supply, and the strengthening of local housing markets, that meets agreed policy priorities. The interviews and practical workshops for the Scoping Study indicated strong levels of interest in self-provided housing and an understanding of the added value that self-providers could bring to the making of new neighbourhoods, both from public bodies, professionals, and potential self-providers in the city. Given the increasing level of mainstream political interest in self-provision, especially in the context of 'localism', it is possible that local authorities will be expected to play a growing enabling and facilitating role.

4.3 Preferred options

The presumption has been made, therefore, that strategic housing objectives could be strengthened by enabling self-provided housing projects in the sub-region to enrich the current range of housing provision, and to improve quality and diversify production. From the examples examined through the Scoping Study, two approaches are favoured:

- **Independent Co-housing**, as a brand name for all the independently self-organised categories described in 4.1.1 above, viz co-housing, CLTs and cooperatives; and
- **Enabled Co-housing**, as a brand name for a hybrid of Enabled self-provision [4.1.2] and Developer led approaches [4.1.3] to cover groups recruited either by

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themselves, or with support from a council [or RSL/professional firm/agent], working with a developer, who will carry an agreed level of the project risks. Such developers are likely to be smaller or niche housebuilders, with an interest in higher quality and more sustainable homes, and already innovative in the ways they engage with prospective purchasers. Several of these were interviewed during the course of the study.

4.4 Building local capacity

In regeneration good practice, it is a truism that local authorities should “work with what is there”. In the city, there are three established groups of self-providers who are keen to undertake new developments for their communities of interest:

- **Argyle Street Coop**, located off Mill Road, just north of the mainline railway, is a thriving mutual coop of over thirty years’ standing, designed in the 1970’s for single people. It is looking for new sites to build larger family homes for some of its existing members and broaden its mix of dwelling types. It also aspires to meet the very highest standards of sustainable construction, aiming for Level 5/6 of the Code for Sustainable Homes. They are supported by Birmingham Cooperative Housing Services, part of the Accord Housing Group in Birmingham, providing services to primary coops.
- **Enlinca**, the Cambridge co-housing group has been in existence for about 8 years. It has a small organising committee, but an extensive mailing list of over 150 members. The national co-housing movement also aspires to very demanding standards of sustainable living and construction. The local group has been limited by the difficulty of obtaining access to land in fierce competition with mainstream housebuilders and a continuously rising land market over the period of their existence, making market entry almost impossible, without a structured land purchase deal, subject to planning and funding. They have established links with the Argyle Street Coop, the UK Co-Housing Network, and other co-housing projects under development.
- **Cambridge Chinese Community**, representing members of the Chinese community living in and around Cambridge and relatives and businesses overseas. They have negotiated with Cambridge Housing Society and the City Council to provide an extra-care housing scheme for Chinese elders. There is interest from the community to establish other housing projects for their members, and they have resources in the UK and overseas to support their plans.

Between them, these three cover the full spectrum of interest from grant-aided social rent and Homebuy [shared ownership] to shared equity and market housing. All three have been operating on a volunteer self-funded basis.

4.5 Enabling Recommendations

- As part of their strategic housing activities, the Councils should initially set up a joint consultative Self Providers Forum [SPF] with the established self-providers to assess the potential role, capacity and enabling and promotional requirements for a self-provided sector in growth area projects in and around the city.
- The Councils should canvass other organisations that might have a potential role to play in identifying and/or representing other potential self-providers, eg. the University of the Third Age, rural housing enablers, travellers, and ethnic representative bodies.

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- The Councils should canvass the interest in working together with other adjoining councils in the sub-region engaged in similar initiatives eg. East Cambridgeshire District Council's programme of support to village-based Community Land Trusts: a possible forerunner of the Local Housing Trusts proposed in the Conservative Housing Green Paper as an extension of the current cross-party support to community land trusts, and proposals to support their development in the RSS Implementation Plan.

The Councils may wish to start promoting policies or land disposals to enable both independent self-organising and developer-led or enabled self-providers.

4.6 Delivery Recommendations

- The Councils should develop generic concept models for both Independent and Enabled Co-housing, both to assist Members and officers understand the operating and policy context in which such schemes can be promoted, and how council assets can be sold through OJEU compliant procedures (when these are needed) at the best consideration reasonably obtainable. [An outline of the two approaches is set out in Annex A, and notes on disposal and procurement guidelines are contained in Annex B.]

5.0 Orchard Park KI Project Plan

5.1 The Site

Site K1 is a serviced site at the eastern end of Orchard Park, in a section in which only K1 and L2 are still undeveloped. The site is approximately 2.4 acres/ 1.0 hectares, with a lapsed outline planning permission for 37 market homes. The affordable housing obligation has already been met elsewhere in Orchard Park.

The site was marketed for sale in 2007, with the benefit of this permission, then valid, for homes to be built at Code for Sustainable Homes Level 3. An offer made in June 2007 was not completed, and housing and land markets collapsed shortly afterwards.

5.2 The City Council's priorities

The Council has spent approximately £xx on its contributions to infrastructure, and its objective is to recoup as much of this as possible. The Council aims to obtain the best consideration reasonably obtainable in current market conditions and in the context of its corporate planning objectives for the Use of Resources. [See further sections 6.0 Use of

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Resources and Annexes B and E] It intends to recycle the capital receipt from K1 in order to re-invest in other City priorities.

5.3 Development and Mortgage Finance

The Scoping Study examined the current mortgage market conditions both for development finance for a group schemes as well as retail mortgages. It found that mainstream bank lending was excessively cautious, whereas local building societies and specialist lenders, like the Ecological, were more supportive. The supply of mortgages was still very tight, both in volume and cautious Loan to Value ratios ranging from 65% to 85%.

None of the lenders was enthusiastic about development finance. Lenders looked for additional comfort through working with established developers, and any extra financial security and underwriting that might be on offer, eg. building on land under licence, with land price paid over on the sale of each completed home.

Unlike conditions pre-2007, a development of 40-50 homes is now rated a “large scheme”, meaning that lenders would expect to share risk, even on retail mortgages, with 2-3 other lenders. The Cambridge Building Society was willing to take the lead in putting together such a consortium of lenders for retail mortgages.

5.4 House Price Sales Values

Orchard Park is an established market, with clear benchmark values, currently reflecting the thresholds of the current SDLT bands. The table below shows the changes from the peak of the market in 2007 to date:

<i>Unit Type</i>	<i>Size</i>	<i>Sales Values 2007 >2009</i>
4Bed House	110m ²	£320,000 > £250,000
2Bed Flat	61- 70m ²	£220,000 > £162,500 average

5.5 Site value

Average Plot Prices in Orchard Park, at the 2007 peak, were in the order of £130,000+. If the site had been sold as planned in mid-2007, by the time the homes had come to market, the build cost as a residual would have had to be in the order of £450/m² ie. about half the typical mainstream housebuilders rate of £900/m², and one third of a standard RSL Code 3-4 home rate of £1200/m². The development would not have been viable, and it unlikely that it would have proceeded.

Today, assuming a Code 3-4 standard of approximately £1200/m² build cost, plot prices might be in the order of:

<i>Unit Type</i>	<i>Size</i>	<i>Plot Price 2009</i>
4Bed House	110m ²	£55,000 - £63,000
2Bed Flat	61- 70m ²	£32,000 - £37,000

ie. very broadly between a third and half of land values in 2007, reflecting the national trend in the fall of land prices since the peak of 60-75%. Without a full viability test of the site with a specific mix and design, it is only possible to put a very broad current guide price of between £1.9m to £2.2m for the scheme that previously had planning permission.

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5.6 Site utilization

The scheme density of 36 dwellings per hectare complies with the current proposal for the whole development. However, the proposals for Orchard Park will shortly be reviewed to accommodate the impact of the Planning Inspector's additional allocation of 200 units to the area. It may be appropriate and necessary to modify the density of currently undeveloped sites.

Possible benchmarks of 40-45 dwellings per hectare, from the high quality Cala and Abode projects in the urban extension at New Hall, Harlow, might be explored, especially if a self-provided approach is adopted. For example, a self-provided group might be more interested in adopting a low car use/ownership lifestyle, thus reducing the amount of the site required for mews roads, garages and parking courts.

A higher density scheme, still within the spirit of the current Design Brief, should therefore yield a higher site value that would recover a greater proportion or even all of the Council's outlay.

[NB. The information contained in the preceding paragraphs 5.4 to 5.6 does not constitute formal valuation advice, is derived from secondary market data and is intended to be indicative only.]

5.7 Development options

The development process for a self-provided scheme will need to take account of:

- the current financial climate, and likely mortgage valuation levels and LTV ratios;
- the Council's objectives to maximise its receipt; and
- the limited development and project management resources of the Councils.

5.8 Responsibilities of the Councils

The outcome of the Scoping Study is to favour an Enabled Co-housing project, in order to minimise risk and ensure the development takes place within the timescale required by the Council to ensure that it can recycle the capital receipt to Clay Farm

The key elements of the process of self-provision will require both Councils to work together on the following enabling functions:

- Establishing a new planning and development brief for the site to establish density and other design criteria that will provide sufficient planning certainty and flexibility to attract development partners and prospective self-providers;
- Procuring an enabling development partner via open tender/OJEU process to develop the land under licence, on deferred purchase terms;
- Supporting Enlinca, the Cambridge Co-housing group, to recruit prospective purchasers, and to form them into a corporate body to work with the Councils as joint commissioners of the project;
- Supporting a collaborative pre-design & pre-planning process between the developer, co-housing group and the Councils;
- Integrating Building Society building risk assessment and mortgage commitment into the pre-planning of the site and design of sustainable dwelling types;
- Overseeing the negotiation of a risk sharing and profit protocol between the developer and co-housing group, including a contract to build the agreed scheme to a timetable.

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Outline proposals for the developer procurement and land disposal arrangements, and a project programme are contained in Annex B.

5.9 Action Learning Project

The Councils would be pioneering a new approach to the development of public land, at a time when public policy is focusing more closely than ever on the potential contribution of self-provided housing to national housing supply, and on the effective Use of Resources to deliver both quality policy outcomes and capital resources to reinvest in other council activities. [An extract from a Discussion Paper on Self-Provided Housing submitted by the RICS to the Minister of Housing in November 2009 is attached in Annex C.]

Following the Pre-Budget Review in mid-December, the DCLG are proposing to make a series of announcements, in the New Year, about housing market interventions and pilots aimed at increasing new supply whilst maintaining quality. There is a reasonable likelihood that some new measures will be announced to support the self-provided sector and its promoters.

However, there is a real shortage of first hand learning and experience of delivering such schemes, so it would be essential to take the opportunity to maximise the learning opportunities provided by a live project. Key areas of learning would be the leverage of public assets to:

- Increase choice and competition, and raise quality
- Diversify providers and increase rate of supply
- Increase land value per plot
- Develop a brand for sustainable living

Learning from these topics would have immediate relevance to other self-provided housing schemes, already planned eg. at Cambourne, and potential initiatives for the sustainability exemplar at Clay Farm, and other publicly owned sites, including Northstowe. Such learning would also have an impact beyond the City and Sub-region up to the region and nationally eg. for other self provided housing projects currently being considered by councils and regeneration initiatives in Sheffield and Essex.

During the course of the study, it was established that a number of bodies would be interested in participating in an action learning network associated with the project: CLG Housing Futures and Eco-Towns teams, HCA, and Cambridge Horizons. Other bodies could also be approached: Cambridge County Council, HCA Academy, UK Co-housing Network, the recently relaunched Joseph Rowntree Foundation Sustainable Urban Neighbourhoods [formerly New Communities] Network [SUNN], facilitated by Urbed, that includes the Orchard Park Community Council, and the National Self-Build Association. Some would be in a position to contribute to the funding of an Action Learning Project where there was a direct relationship to the formulation of new or better policies and developing good practice.

Locally, the Councils are keen to use the project to build relationships with other complimentary initiatives such as the Cambridge Regional College and SmartLIFE project, The Hive, on the site between Orchard Park and the College. They also wish to take up the Orchard Park Innovation Fund to support a project focused on the way an

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intentional community, such as a co-housing group, can develop a low carbon lifestyle, with lessons that could be used elsewhere and disseminated through the Orchard Park Community Council, the Hive and the Parish Energy Partnerships.

Further details of the possible sustainability characteristics, synergies and learning objectives are set out in Annex D.

5.10 Recommendations

- The Councils should start working with the Enlinca Co-housing group, within the context of the Self-Providers Forum, to carry out a soft market testing to establish whether they can build up an active cohort of prospective purchasers for homes on the K1 site.
- Subject to the outcome of the market testing, the City Council should proceed with proposals to market the site and procure a development partner for an Enabled Co-Housing Project.
- The Councils should engage with central government, other public bodies and representative bodies to draw up a project brief and joint funding proposal for an Action Learning Project and the Orchard Park Innovation Fund to run alongside the development project.

6.0 Use of Resource Implications at K1

6.1 Council objectives

The City Council, as landowner, wishes to maximise its receipt, and to recycle it within a given timescale to other Council priorities. South Cambs District Council, as local planning authority, wishes to secure a development on the K1 site that will enhance the quality, social mix, wellbeing and sustainability of the new neighbourhood.

Although the two Councils have different roles and responsibilities in relation to this site, they have shared objectives and interests in ensuring that Orchard Park is a successful place. It is anticipated that a future realignment of the administrative boundaries between the two councils will bring Orchard Park into the City Council's control.

6.2 Guidance on the Use of Resources

Both Councils will therefore have regard to the way in which this site can be used to achieve social, economic and environmental objectives and wellbeing outcomes contained in their Sustainable Communities Strategies and Local Area Agreements. They will also have regard to the Key Lines of Enquiry in the Audit Commission's Comprehensive Area Assessment on the use of resources, as well as Treasury guidance on the disposal of local authority assets.

The Stakeholder workshop considered a number of key themes from these sources, exemplified by the following:

- *“Councils do not own land for its own sake or to make profits. Assets are held for pursuing policy objectives.” Value for money and the valuation of public sector assets [HM Treasury, July 2008]*
- *“Councils should work with partners and community groups to make the best use of their assets for the benefit of their local community...using property to shape*

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places and deliver economic, social and environmental outcomes.” **Local Authority Asset Management Best Practice Guides - Introduction [RICS for CLG, June 2009] on Audit Commission's Comprehensive Area Assessment, KLOE on the Use of Resources.**

- *“Councils will have to show how they have used assets to mainstream the principles of Sustainable Development ... [that includes]...achieving the ultimate goal of improving the quality of life for people now and in the future.”* **Comprehensive Area Assessment Use of Resources Framework [Audit Commission, Feb 2009 paras 3.5.1/5]**
- *“The valuation of a publicly owned asset is based on the interests of society as a whole, not the council alone.”* **Value for money and the valuation of public sector assets [HM Treasury, July 2008]**

None of these extracts imply that the Council's duty and ability to secure 'the best consideration reasonably obtainable' would be compromised by having to accept a receipt that is less than market value; rather they describe the circumstances in which market value is understood, established and obtained. The issue of "less than" only arises if the Council sells for a use that is less valuable than another more valuable one that is also permitted on that site. [Provided the difference is less than £2m, the Council can make a sale under the Local Authority General Consent 2003].

In this case, the only and thus most valuable use of the site for private housing for sale [or rent] has already been determined by the masterplan and previous outline planning permission. In Annex E: Q&A's about 'best consideration', it is suggested that there is no reason for assuming that a disposal for self-provided housing intrinsically requires the site to be sold at less than market value.

The means of delivering the housing may, however, have a material effect on the ability of the development to achieve a number of wellbeing outcomes. Section 3.0 of this report, on Spatial Planning Policy and Housing, suggests the kind of policy context that might be adopted to achieve a range of mainstream policy outcomes in a development by self-providers that might be less easily achieved by other means. The report advocates setting clear policies about the circumstances in which self-provided housing is required to meet identified needs and demand, and/or to achieve desired policy objectives. Disposals of public land made in the context of such policies will, by definition, be at market value, and thus at the 'best consideration reasonably obtainable'.

The RICS has commissioned new valuation guidance for the Red Book that will clarify these issues on the interpretation of 'best consideration', taking account of the impact of the spatial planning reforms of 2004, and subsequent administrative reforms and arrangements that have taken place since the Local Authority General Consent 2003. The new guidance is planned for publication in 2010.

7. 0 Legal Implications

7.1 Local Authority powers

The earlier sections of this report describe the policy context and administrative arrangements that relate to a local authority's actions to promote self-provided housing

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through national and local spatial planning and housing policies. The Local Government Acts of 1972 and 2000 provide local authorities with the powers to do whatever is necessary to promote the wellbeing of their areas and citizens.

7.2 Procurement and terms of disposal

On October 2009 the Office of Government Commerce published new guidance on the disposal of local authority assets in Information Note 11/09. This helps to clarify the position of councils selling land subject to development agreements, in the light of the Roanne Case. The Note places a greater onus on councils to determine whether they are procuring works through the disposal of an asset, and to observe the OJEU tendering procedures where works are required and described by the tendering authority. Councils' contracts can be invalidated if they are challenged and found not to have observed the correct procedures.

This report will not give an authoritative view on whether an OJEU process would be required for K1. Specialist legal advice should be sought. However, it does suggest that it would be advisable and even beneficial to use the OJEU procedures, partly to avoid the risk of later delay, additional costs and potential disruption of development by a third party challenge, and partly because there may be merit in ensuring the opportunity is canvassed widely in national and mainland European markets, on the basis of a well described tender brief and evaluation process.

8.0 Cost Profile and Financial Implications

8.1 Project Costs and the Unit Cost Profile

This study was not intended to provide a detailed cost appraisal of “a scheme”. However, the study has made an analysis of an indicative ‘cost profile’ of typical dwellings that are found elsewhere in Orchard Park, and which will form the basis of the K1 development. The purpose of the cost profile is to understand the capital structure of a typical dwelling and indicate areas of flexibility, eg. amount of profit commensurate to an agreed profile of risks, and the limits of discretionary spending. The Cost Profile will be used to obtain comparable bids from potential development partners, to establish an offer price for the land. Annex E contains some Q&A’s about the relationship of dwelling cost to plot price, and thus total site value.

The main discipline for all is to recognise the limits imposed by current mortgage markets. Purchasers will not get mortgage valuations and offers in excess of those being made for typical dwellings elsewhere in Orchard Park. Purchasers wishing to spend more on dwelling quality or additional space will have to negotiate what they can within the typical cost profile, and meet any extra-over cost from their own equity investment, in cash; kind or labour. This will be in addition to any capital required to cover the gap between the purchase price and mortgage advance, depending on the Loan to Value criteria in force at the time.

Profit levels for the enabling development partner will depend on who takes the marketing, sales, cost of finance and construction risks, and the degree to which they can be shared, mitigated or even substituted. For example, if the developer partner is married to a ready made group for the whole development, both marketing costs can be reduced and marketing risk discounted. The developer’s costs in managing a group of

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active and involved 'off plan' purchasers will bring its own set of costs and risks, which might be substituted for all or part of the marketing costs.

It is suggested that the procurement documentation should include a schedule of risk items to be priced by the tenderers, with options for reducing or sharing risk, and/or substituting expenditures.

The summary Cost Profiles below also give indicative residual plot prices, within a range dependent on varying profit levels. [As in Section 5, this table does not constitute formal valuation advice.]

ORCHARD PARK K1 TYPICAL UNIT COST PROFILES Q4 2009		
Type	3/4 Bed House	2 Bed Flat
Size	110m2	65m2 av
Selling Price/m2	Say £2270	Say £2500
Selling Price Q4 2009	£250K	£162.5K
Development Costs/Unit @ Code 3 Build cost /m2	£1200	£1350
<ul style="list-style-type: none"> • Unit Build Price 	£132k	£88k
<ul style="list-style-type: none"> • Fees/Legals/Marketing/SDLT/Planning/Building Control/Insurance/Finance Costs 	£32k	£21k
<ul style="list-style-type: none"> • Profit on capital employed @ 15% 	£23.5k	£16k
<ul style="list-style-type: none"> • Profit on capital employed @ 20% 	£31.5k	£21.5k
TOTAL	£187 to £195k	£125k to £130k
Residual Plot Prices at 20-15% Profit	£55k to £63K	£32k to £37k
Land as % of Gross Development Value	22-25%	20-23%

8.2 Council Costs

The Councils will need to consider what additional costs they might incur in promoting a self-provided housing scheme. It is hard to put an exact figure on this. As this is the first project of its kind, it would be unrealistic to expect that there would be no more work than a "normal" project. However, it is also important to ensure that such schemes are discriminated against for that reason alone. If they become a more mainstream delivery mechanism, any extra cost and time should be judged against the required or desired policy objectives and the weight of evidence behind the policy or project.

The Councils should consider the amount of money that they would normally expect to spend on Member, officer or consultancy time. For this site, the activities will be broadly allocated as follows on a range of standard and extra-over activities:

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8.2.1 City Council activities:

- Preparing site information
- Legal advice and documentation
- Marketing and/or tender advice and documentation
- Evaluation of offers/tenders
- Negotiation with a number of potential purchasers/preferred bidder
- Valuation
- Senior management, and committee work
- Liaison with South Cambs DC and Orchard Park Community Council on planning brief, infrastructure costs and provision etc.
- Member involvement and decision-making

Extra-over activities for self-provided project might include:

- More detailed tender brief and evaluation process
- Liaison with South Cambs DC, Orchard Park Community Council, Enlinca and Self Provider Forum on pre-planning
- Organisation of and participation in soft market testing

8.2.2 South Cambs DC and Orchard Park Community Council activities

- Planning and urban design brief
- Development management negotiations with prospective developer
- S.106 Agreements
- Planning committee work
- Member involvement and decision-making
- liaison with City Council on planning brief, infrastructure costs and provision etc.
- Orchard Park management, coordination of RSL and housebuilder partners, liaison with Gallagher etc
- Community Development and integration of new arrivals
- Community Council capacity building, organisational development, forward planning and budgets
- Promotion of sustainable living, use of Innovation Fund, linkages to the Hive project

Extra-over activities for self-provided project:

- More detailed tender brief and evaluation process
- Liaison with South Cambs DC, Orchard Park Community Council, Enlinca and Self Provider Forum on pre-planning
- Organisation of and participation in soft market testing
- Ongoing support to co-housing group

8.2.3 City Council, South Cambs DC and Orchard Park Community Council activities

- Linkages to regional and sub-regional learning networks eg. SHAPE East, Inspire/ East, Sustainable Built Environment East, Foundation East etc

Extra-over activities for self-provided project:

- Setting up action learning structures and funding with Cambridge Horizons, CLG, HCA and others.

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- Contributing to (and benefiting from) action learning

To ensure all these standard and extra over activities are effectively managed, coordinated and focused to ensure the project as a whole proceeds in a timely manner, it is suggested that the Councils should allocate:

- A senior Member and Council Officer as Project Champions
- A Principal Officer as Project Manager with joint council responsibilities and accountabilities to coordinate and manage all the activities. This could be a mix of consultancy and officer time.

The extra over Project Manager time should be focused on the first year, as set out in the programme in Annex B, to get the project into contract. This might be as much as 1 day per week at peak periods, by might average out at 3 days per month over the year. One of the tasks of the Council's Project Manager would be to ensure that adequate management and accountability arrangements were built into the management of the project by the enabling development partners and co-housing group, so that the councils could increasingly relate to the project in much the same way as an RSL project.

If the bulk of the project management role was undertaken by a consultant, provision should be made for between 30-40 days consultancy time, at between £xx /day ie. say between £xxx and £xxx. A lower day rate with a success related bonus for achieving key milestone dates would help keep the overall cost and risks down. The additional costs should be seen as part of the set up costs for the wider process of enabling self-provided housing in the sub-region.

8.3 Timing of Capital Receipt

The programme in Annex B shows that it would be possible to achieve the capital receipts within a three year period. The time allowances for some activities are realistic and slightly on the cautious side, but it must be acknowledged that any new process will have its teething problems and unfamiliarities. The key to achieving the programme will be the dedicated project management time by an experienced programme manager, either internal or external, or with additional support.

9.0 Conclusion

The Council's interest in promoting a project at Orchard Park K1 has coincided with renewed interest by politicians in the self-provided sector. The reasons for this interest are partly concerned with finding "new entreats" to the market to boost sources of housing supply, and partly relate to political ideas about localism and redressing the balance between the role of the State and the citizen. Both these themes will be at the forefront of the general election in 2010, and in whatever new political environment exists after the election. The Councils are in a position to capitalise on the work they have done so far and to take advantage of their position, both to be involved in informing government on appropriate ways of supporting the sector and councils, and benefitting from any financial support from government for pilot projects and enabling activities.

Stephen Hill, Director, C₂Ofutureplanners

ANNEX A: GENERIC CO-HOUSING MODELS

Option 1: Independent Co-housing

Based on Springhill Co-housing, Stroud: an autonomous self-organising group

C₂O futureplanners - Advice Note

Working @ the Hub Kings Cross stephenhill@futureplanners.net Tel 07795 813

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Basic Key features:

- Prospective group members club together to develop a vision and find site
- Form company limited by shares; all members [35] buy 5000 x£1 shares
- Each household chooses one member to be a director of the company
- Each household puts up their plot price [£18-38k] to buy freehold of the site [£550k]
- Company appoints consultants and contractor
- Members input to design of site layout, and develop a range of generic house types for each household size. House types then customized for individual households
- Company arranges commercial loan from Coop Bank [£3.6m] to start the building [as stage payment self-build mortgages not possible as homes will be leasehold not freehold]
- Everyone pays a monthly sum [upto £300 max for 5B houses] to service the Coop loan
- Individuals arrange own mortgages and pay for homes on completion
- Company grants 999 years leases on all properties [check...with covenants to the freeholder and other leaseholders]
- Company takes all risk on development costs; limited marketing risk to fill vacancies if anyone dropped out
- Initial share capital repaid to members after completion
- Company takes all decisions regarding ongoing management and maintenance of site and buildings
- Exit routes: individuals notify company which has 28 days to nominate replacement or individual can offer for sale openly.

Comments:

- Strong commitment to corporate structure and collective responsibility.
- Availability of pump-priming finance for land came from purchasers with capital or ability borrow against existing mortgages
- The group input to the site layout was crucial, but there was probably too much customisation of house types: led to complications with contractor. Less choice would not have been a real restriction.
- Project depended on a strong leader to initiate it and lead it. In retrospect, members feel they should have had professional project manager to take more control over consultants and contractor, rather than rely on the group leader.
- Original estimate £650/sq.m unrealistic, but final figure £1100/sq.m quite reasonable when benchmarked against “normal” RSL for equivalent standards, and considering extreme slope of site, site being occupied as homes finished etc.
- Unfamiliar process meant that all the rules had to be made up as they went along. Hard work to get project finance, mortgages, professional services and construction all lined up; required exceptional determination.
- The process and design solution disturbed the status quo for members and officers.
- Completed scheme is very popular, with only 2 moves since completion in 2005: one death and one family move for employment.
- Values about 10% premium on area
- ‘Design’ is the ongoing experience of living there

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A model Joint Venture proposal and structure for this approach has been offered to the Councils by Nick Hood, partner at Carter Jonas and non-executive director of the Cambridge Building Society.

Option 2: Enabled Co-housing

Based on a hybrid of the German model and SPAN developments, with a developer assisted self-commissioning development with resident self-management...with options

Basic key features, assuming publicly owned site:

- Council procures development partner through OJEU to design, build and market scheme on designated site
- Council enables a local sponsor co-housing group to register potential self-commissioners as “off-plan” purchasers
- Development partner develops integrated housing and landscape vision, and obtains planning permission
- Purchasers pay reservation fee for their plots
- Partner develops site and sells to individual purchasers in usual way
- New properties sell freehold or on 999 years leases
- Each sale document requires owners and leaseholders to become members of the Resident Management Company, usually a not-for-profit Industrial & Provident Society
- Freehold of common areas and benefit of covenants on upkeep of the homes vested in the Resident Management Company
- Individuals arrange own mortgages with consortium lenders and pay for homes on completion
- Partner takes all risk on development
- Everyone pays a service charge for the upkeep and development of the common areas. and maintenance charges for the flats
- Resident Management Company takes all decisions regarding ongoing management and maintenance of site and buildings
- Exit routes: individuals can offer for sale openly.

Options:

- Land transfer: initial transfer to development partner and individual onward sales by partner, or conventional building under licence and individual back to back transfers direct from council via partner - with freehold of shared areas transferred to Resident Management Company on completion of whole.
- Ownership: freeholds on houses and leases on flats or all 999 year leases
- Role of prospective purchasers: as shadow or formal company structure, as consumer or clients, as end purchasers or co-funders
- Risk sharing protocols to suit project eg. reduced developer profit in exchange for reduced marketing risk
- Finance: pay on completion with contract to buy at fixed price at outset or contracted stage payments from individuals via self-build type mortgages to reduce financing cost risk.
- Design choices by prospective purchasers: site layout and/or generic house types and/or bespoke variations, integrating building society technical risk and valuation assessment into design stage.

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- Choices of finish for self-completion...at first fix/second fix/ decoration/fully finished
- Land/plot price: fixed at Day 1, subject to planning, or varied to reflect changes in market and subject to overage or clawback.

Issues:

- How to reduce risk to partner to bring down profit on risk?
- How to minimize incidence of SDLT on land and dwelling transfers?
- How to avoid any VAT liabilities on new build work?
- How to make it all as simple as possible?

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ANNEX B: OUTLINE PROPOSALS FOR DEVELOPER PROCUREMENT AND LAND DISPOSAL, AND PROJECT PROGRAMME

1.0 Next Steps

The following key actions were established at the workshop as being needed:

- before the Councils could formally agree to commit to the project, **in bold**, and
- For consideration in early project planning.

No.	ACTIVITIES	Lead	
		City Co	S Cambs
	An agreement between the Councils to establish roles and responsibilities for developing and championing a shared vision, delivery arrangements, planning, community leadership and learning	Joint	
	Establish and work with the Self-Providers Forum to undertake some soft market testing of both potential development partners and purchasers	Joint	
	Assist the Self-Providers Forum to hold an Open Day Event	Joint	
	Establish a new planning and development brief for the site to establish density and other design criteria that will provide sufficient planning certainty and flexibility to attract development partners and prospective self-providers;	Joint	
	Develop a Land disposal & Partner procurement plan for KI that will satisfy the new OGC guidance	Y	
	Take advice on appropriate structures for Individual ownerships and corporate ownership and stewardship of shared space	Y For KI disposal	Y For link to O.Park C'ty Co.
	Liaison with Building Society to establish technical risk and funding audit requirements and processes; integrating Building Society building risk assessment and mortgage commitment into the pre-planning of the	Joint	

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	site and design of sustainable dwelling types		
	Supporting Enlinca, the Cambridge Co-housing group, to recruit prospective purchasers, and to form them into a corporate body to work with the Councils as joint commissioners of the project		Y
	Develop with Self-Providers Forum a model capital structure for the project eg. how best to reduce sales and construction risk, through contract arrangement and finishing options	Joint	
	Develop the potential of the Synergies already identified	Joint	
	Develop Action Learning proposal to identify partners and sources of funding	Joint	
	Agree Planning & Communications strategies	Joint	
	Overseeing the negotiation of a risk sharing and profit protocol between the developer and co-housing group, including a contract to build the agreed scheme to a timetable.	Y	
	Supporting a collaborative pre-design & pre-planning process between the developer, co-housing group and the Councils		Y

2.0 Notes on Procurement and Disposal Criteria

2.1 Land Price Options: All Subject to Planning and built under licence

- Agreed Fixed Price on Day 1
 - Paid on completion of contract
 - Paid on transfer of completed dwellings to individual purchasers
- Agreed Minimum Price plus overage at time of transfer of completed dwellings
 - On open book accounting
 - Guaranteed Minimum Price plus fixed % overage against maximum allowable costs
- Agreed Fixed or Minimum Price plus clawback at time of first resale, on difference between initial purchase price and resale price, on a sliding scale of reducing % over eg. 5 years, say 100% in Year 1, 80% in Year 2 etc.

2.2 Cost Control Options

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- Tenders for land sought on the basis of typical dwelling sizes and total site capacity and dwelling mix described in the disposal brief, together with a baseline performance specification eg. Code for Sustainable Homes Level 3, compliance with Design Code etc.
- Tenderer bids for land on a per plot basis and agreed schedules of construction and other costs, including self-provider group management; allows for changes to dwelling mix to be accommodated and variations to total land price to be negotiated later.
- Alternative specification and size choices can be negotiated between enabling developer and individual purchaser within the agreed cost profile of the dwelling type.
- Individual purchasers can increase the specification of their homes by negotiation. Any costs in excess of the cost profile will have to be met by the purchaser, and will not affect the plot price for the home.
- The Council can seek alternative bids for different criteria eg. induction and training of co-housing group, Code for Sustainable Homes Level 4 or higher, establishment of a car club, setting up an Energy Service Company, or other long term ownership and maintenance arrangements etc.
- A similar bid structure should determine the cost and value impact of the shared common spaces ie. a baseline performance specification to be priced with developers estimated costs or an agreed Provisional Sum, apportioned to each plot to allow for more detailed design within an agreed cost profile once the developer has been selected and is in negotiations with co-housing group and the local planning authority.

2.3 Enabling and Risk Sharing Options

Developers interviewed in the Study had a range of ideas about how they would apportion risk and relate to the prospective purchasers, individually and as a group. The tender brief should capitalize on the potential for innovation and variation. A set of minimum performance expectations should be established between the Council and the Self Providers Forum, for inclusion in the disposal brief, offering tenderers the opportunity to improve or go beyond the minimum requirements.

The marking system for the tenders should give the Enabling and Risk Sharing Options sufficient weight to ensure it was a material consideration in choosing between alternative tenders, to balance the price offered for the land, the co-housing group's preferences for a customer friendly partner, and any risk to the amount and timing of the sales receipt.

2.4 Project Timetable

The indicative timetable below shows that a well programmed and managed programme should return the receipts from land sales over a three year period.

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The activities upto March/April 2010 are intended to enable the councils to decide whether to proceed with an Enabled Co-housing project or dispose of the site to a housebuilder for conventional development. The request for Expressions of Interest from developers will require them to demonstrate they are able and willing to support a Co-housing group and/or deliver a conventional scheme of the required quality, to a new planning brief agreed during Q1/2010.

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Key Activities/Events	09/q4	10/q1	Q2	Q3	Q4	11/q1	Q2	Q3	Q4	12/q1	Q2	Q3	Q4
<i>Set up/Meet SP Forum</i>	■	■											
<i>OJEU PIN/Eol soft market test</i>		■											
<i>Open Day Event</i>		■											
<i>Establish Co-housing Company</i>		■											
<i>Establish new planning brief</i>	■	■											
<i>City Council decision on SP or normal sale</i>		■											
<i>OJEU full procedure</i>			■										
<i>Tender Evaluation</i>				■									
<i>Post-tender negotiation and pre-planning</i>				■	■								
<i>Full Planning</i>					■	■							
<i>Sale and build contract negotiations</i>						■	■						
<i>Build programme</i>							■	■	■	■	■	■	
<i>Sales and Receipts</i>										■	■	■	■

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ANNEX C: Extract RICS SELF- PROVIDED HOUSING DISCUSSION PAPER FOR CLG November 2009

1.0 Policy promotion

If self-provision is to be adopted as a modest but significant strand of local housing markets, with similar status and legitimacy to other mainstream providers, there are several overarching themes that will need to be promoted:

- Advocacy at ministerial level that covers and joins up sustainability, housing, planning, skills/business/product development, third sector and community cohesion policy strands.
- Brand recognition, through ministerial visits to eg. Springhill in Stroud, other self-provided schemes/groups, completed and underway, and attention to overseas exemplars.
- Building of capacity through publicity, local enabling initiatives, recognition of and support to national bodies, eg. NaSBA, UK Co-housing Network, CSBA etc.

All these measures need to be characterized as “leveling up the playing field...promoting innovation and more effective competition ...etc”, and must directly resist the charge that will inevitably be made that this sector is being supported as unfair competition to established providers.

The following paragraphs set out a range of levers for change in each of the key areas of activity. Some of these will apply to all market sectors. The self-provided perspective is a useful means of seeing more clearly problems that affect all sectors.

2.0 Finance and enabling for land purchase, development and retail mortgages

A range of new or increased/improved financial products to facilitate development:

- Revolving funds for land purchase and up front design and viability fees, based on the Housing Corporation Revolving Fund established in 1988 for group private sector self-build schemes. [Still exists within the HCA?]
- Model JV partnerships between public land owners and self-providers for land to be developed under licence, with residual outturn valuations, or geared ground rentals, or sliding scale clawback arrangements on resales within 5 years, similar to Right to Buy and co-ownership leases.
- Locally approved panels of professionals, housebuilders and constructors, appointable on standardised terms and risk sharing protocols.
- Expansion of mainstream mortgage products for recognised/branded self-provider models, in context of express government support for the self-provided sector.
- Local Authority Mortgages for self-providers building to Code for Sustainable Homes 4 standard and above, and/or partial mortgage guarantees to mainstream lenders to cover extra-over Code costs in excess of mortgage valuations.
- Local Authorities and RSLs providing deposits to cover the current LTV ratio gap.
- Equity transfer and release products for older people downsizing to self-care co-housing or other mutual schemes, and needing extra care services later in life.

3.0 Cultural and business model change

Any programme for supporting new market entrants will be characterized by established providers as additional competition for land, more expensive, difficult, more risky etc. ie.

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thinly disguised code for “not like us, the devil you know, and unnecessary and unwelcome competition both in markets and for political access”. Cultural change will therefore need to be explicitly valued and supported:

- Government should commission an action research programme to promote and evaluate a range of self-providers in a number of different “place” settings, over say a 3 to 5 year period, as basis for assessing all alternative approaches to housebuilding more critically for their value for money and capacity to deliver policy outcomes. This could be done by HCA, as part of their current VfM studies and outcome appraisals, in partnership with JRF, following their ‘self-build’ studies in 1999/2001, and the recent re-establishment of their New Communities Network.
- IDEA, CABE, and HCA training for culture change and capacity building for public bodies to develop enabling skills and attitudes.
- RDA and local authority economic development strategy support for new business opportunities for self-provider group enablers, project managers, professionals and enabling partnerships with mainstream and niche housebuilders.

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ANNEX D: K1 PROJECT PLAN ADDITIONAL INFORMATION

The generic model for Enabled Co-housing in Annex A above would form the basis of this project plan.

In addition to the principles described in the main text, further details of the K1 proposal are outlined below:

1.0 Sustainability objectives:

- Technology and Social Organisation
- Target: minimum Code 3 level but preferred Code 4, and/or with options for future-proofing retrofitting
- Tax efficient retrofit options through non-profit status of co-housing company
- Behavioural change: consumption, energy, waters, waste, car use, food buying and growing
- Retention of trees, adapting field ditch/drain as SUDS
- Adopting measurable individual and collective Carbon Reduction targets to be supported through the Orchard Park Innovation Fund
- Learning about impact of social organisation to inform the sustainability objectives for the “exemplar sustainability” project at Clay Farm

2.0 Synergies:

- Cambridge Growth Charter 4 C's: new tenures and production
- Alignment of LDF, SCS, LAA, Climate Change Strategies and evidence base – SHMA and SHLAA
- The Hive, SmartLIFE, CityLIFE
- BRE/EEDA Hub – SME services and products
- Orchard Park Community Council role in community building
- Parish Energy Partnerships
- Orchard Park Innovation Fund
- City Council new housebuilding and land use
- Inspire/SHAPE/Sustainable Built Environment/ Foundation...EASTs

3.0 Action Learning Project

The project will need to be supported by a real time evaluation process, to provide feedback (with structured strategic peer review) during the project and to identify and disseminate key learning points. The key areas of learning will probably need to include:

- Partner procurement, and leverage of public land under new Office of Government Commerce guidance
- Integrating occupiers into supply chain, understanding what is important to occupiers, and what producers can really do
- Risks and rewards of permissive permissions, masterplans and design codes
- Normalisation of funding, land disposal and planning eg. new style LDOs and Sustainable Communities Act 2007
- Social impact on scheme and neighbourhood
- Economic impact on value of homes and land
- Effective dissemination and knowledge sharing

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4.0 Challenges to existing practice

This project will test many assumptions and established ways of working. The following were identified as challenging questions during the Scoping Study interviews and workshop:

- Location, location, location – Is this the right place to pilot the approach?
- Rebuilding trust – How to use the planning process more creatively through permissive and flexible planning?
- Understanding the essence of self-provision – How to shift from controlling to enabling?
- Creating a culture of co-production - What is really important to policy makers and providers?
- Relevance to policy context – What can be learnt about housing market resilience, and bottom up ideas about sustainable living, localism and new citizenship?
- Learning for the future –How to involve young people as the occupiers of the future, and through school based learning?

ANNEX E: Q&A on BEST CONSIDERATION ISSUES

The project at KI will involve everyone in working in unfamiliar territory. Here are some likely reactions to the proposal, and responses to the concerns that these reactions imply:

- **Q. On Value - The individual specification of each unit will obviously cost more money. This additional build cost can only be reflected in the land value as the buying public will have the choice between the competing house builders next door.**
- A. Purchasers will only be able to get mortgages based on well established market levels of lending for typical houses in Orchard Park, so unless purchasers have extra equity of their own, they will be limited to norm market levels of cost and value, and building societies' Loan to Value ratios.
- **Q. On Value - The plot values used in the Study report are based on where sales to private house builders currently are. It is likely the plot value on a self-provided basis will be considerably lower due to the reasons raised above.**
- A. The procurement of the development partner can prescribe a norm level of build cost per dwelling type for the standard required by the Council, ie. Code for Sustainable Homes level 3 or 4. Expenditure in excess of the norm can be incurred by individuals to achieve even higher Code levels, or other quality standards, but these will not reduce the land value.
- **Q. On Value - The Study suggests there is evidence that sales to self-providers can produce higher plot prices than sales to bulk purchasing housebuilders. This is surprising.**

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- A. That is the evidence of land sales by the German local authorities cited. Individuals and housebuilders will price differently for risk, and the opportunity cost of buying a particular site. Individuals and small groups may pay more for the opportunity to build their own home per se, or for a specially favoured (to them) location. They may be able to use the equivalent of the developer's profit, financing costs and overheads to get the "right" site.
- **Q. Number of units – The Study suggests that the number of homes be increased from 35 to 40-45 units. Maybe this is too high, and if private developers were asked to build on this basis, the Council would doubtless also get a higher land value.**
- A. High quality developments by mainstream developers in similar urban extensions have commonly adopted densities slightly higher than those adopted at Orchard Park. Higher values would be expected, but the expectation would apply to any kind of housing provider.

Also, increasing the utilization of the site may be dependent on whether prospective occupiers wish to adopt a low car ownership and usage strategy, leaving more space for extra homes. A developer would probably discount the value of the site if required to develop on that basis, as it would be seen as a serious deterrent to the "normal" purchaser. Self-selecting self-provider groups of occupiers can make different choices and take the benefit of those choices in ways that the unknown speculative purchaser cannot.

- **Q. On Timing and amount of capital receipt - Some market research suggests that the market will be very much on the mend in 18 months or so. Land values might have increased substantially in the next 18 months. If the Council is going to wait that long, or longer for its capital receipt, though the building under licence mechanism, doing the same with a private sale, would mean there would be a higher capital receipt.**
- A. Market forecasts at this time are likely to fluctuate regularly while the recession continues. Some forecasters currently suggest that the "double dip" of the recession is yet to hit the housing market. Mortgage and development finance remains tight. Cash rich developers are active purchasing sites, but they are a limited segment of the market and are focusing on forced sale situations where they can strike the hardest bargains.

Also, individual purchasing decisions will be tied very closely to employment prospects and future taxation levels; neither of which is likely to be capable of being predicted with any degree of certainty in the next 6-9 months.

There is no intrinsic reason why self-providers will pay less than a 'private' sale. Self-providers are also private purchasers. Market forces apply to them as much as any other purchaser.

Given the continuing uncertainties in land and housing markets, an early sale even with a deferred receipt may give a level of certainty that the Council would prefer over the prospect of an enhanced receipt that remains uncertain. The Council

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could also consider some kind of clawback from the first purchasers on the difference between the purchase and the resale value, if the first resale takes place within a prescribed number of years, say between 5 and 10 years; similar to the old co-ownership housing resale rules and the Right to Buy.

- ***Q. On Location – Self-provided housing sounds an excellent proposition. However, the location of this site is not suitable. The quality of surrounding buildings may detract from people wishing to spend time and energy on building their own property. Perhaps Clay Farm would be a better location.***
- A. Taking decisions by second guessing what self-providers may or may not want is one of the reasons why self-providers find it so difficult to access the land market. The proposed soft market testing would be a more helpful guide to the likely level of demand and long term commitment.

Orchard Park may not be everyone's preferred location, but it provides a good range of new housing at the all important entry level to local housing markets, in which demand continues to exceed overall levels of supply. The site will be well located in relation to the guided bus, the Regional College, and the Hive project. Clay Farm and other council owned sites would certainly be other good places to promote the self-provider approach, to meet the demand from purchasers at different price levels and with their unique needs and expectations that can most advantageously be met in those locations.

- ***Q. On the Developer's role – The Council will take on all the risk whilst the developer takes a profit for both the project management and the contracting.***
- A. The procurement of the enabling developer partner should ensure that the price of the land is fixed, subject to planning, and that the development and marketing risk is taken on by the developer, and/or shared in agreed proportions between the developer and the group of prospective purchasers. The Council would continue to take the risk for its own expenditure upto the exchange of contracts that it would in any event expect to incur on any land sale, subject to planning.
- ***Q. On Valuation - It might be an idea to have an independent Red Book valuation of the site if sold on a conventional basis to a private developer or on a self-provided basis.***
- A. A Red Book valuation will be required to frank any price finally agreed between the Council and the purchasers. The question implies that the self-providers would by definition only be able or willing to pay a lower price than a mainstream housebuilder. Earlier answers suggest this should not be the case. Unless the Council places more conditions (that might affect the value) on one class of purchaser as opposed to another, a Red Book valuation would not intrinsically be able to distinguish between a housebuilder and self-providers.

The procurement process will aim, in any event, to secure competitive bids for the land on a like for like basis.