



Rural Cooperative Living

An affordable, flexible mid-market housing model
55° North Architecture // David Howel

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This document outlines a proposal for a new way of developing housing, offering secure and affordable homes for younger households and those on average incomes. It is a flexible model based on either zero-subsidy or low-subsidy options and offers low carbon housing that can be adapted and extended over time. We have illustrated these ideas by showing how they might work on a rural site in the Loch Lomond National Park area, but the intention is that it is a model that could work in urban or rural locations.



Introduction

The Market: The Scottish housing market is suffering a crisis. Whilst the number of £1m+ houses being sold continues to rise, the lower to mid market is failing with first-time mortgages inaccessible, high levels of deposit required and budgets for social housing drastically cut. With fewer opportunities to get onto the housing ladder and an inadequate choice of low cost rented homes which also fail to deliver the security people seek.

The People: A household on an average income cannot afford to buy an average priced house. This is particularly affecting younger households who are forced into inappropriate rented accommodation or living with parents into their adulthood. Many people are routinely spending more than a third of their income on housing costs.

The Proposition: We think there is a new way to address these issues, which can offer an affordable, flexible and participative form of living with decent low carbon housing with good space standards; a house that people can invest in over time and one that will grow with them and their families.

This paper seeks to explore the potential for a flexible, affordable, mid-market housing model.

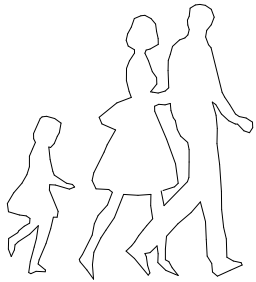
Stats

Average UK first-time buyer age	- mid-late 30's
Average Scottish houseprice	- £158k
Average first time buyer deposit	- £27k in Scotland
Average household income	- £25k
Average household size	- 2.18 people

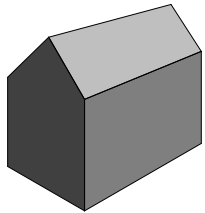
Our proposal offers residents security of tenure, affordable running costs, a long term savings plan, active participation and scope to extend their home over time.



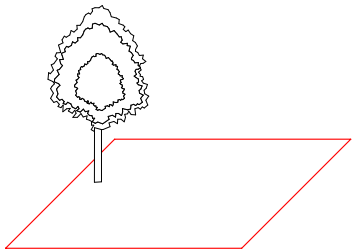
Participants and Key Principles



Households: Each household makes a capital contribution equal to 6 months rent to the cooperative and agrees to pay a set rent which is below market rate with an index-linked annual increase (the model option that attracts Government subsidy would be based on zero-deposit and 80% Local Housing Allowance rent). In return, they become tenant-members of the cooperative with both a financial commitment and a long-term savings plan built in. Should they wish to move, their lease is assigned to a new member by the cooperative and they receive their initial deposit plus 5% per annum 'savings' (on the basis of a minimum period of occupation). The new tenant-member will then pay a similar level of deposit to gain entry to the co-op, thus ensuring continued affordability. Households can invest in additions to their property and recoup costs through the cooperative should they move on.



Housing Association: The Housing Association facilitates the initial set-up of the cooperative (including tenant-member selection and funding arrangements), manages the design and build with the tenant-members within an active 'group self-build' approach and sets up the initial management/factoring arrangements (the intention being that the cooperative is self-managing over time). The HA fulfills their remit of local housing and regeneration and utilises their ability to explore long-term funding investment and long-term leasing of land as well as offering tenant-members secure tenancies.



Place: The intention is to create successful places that are well designed and well connected. Future residents and the Housing Association have direct involvement in preparing a design framework to allow for community development; streets, plots and spaces inter-linked with capability for small-scale workspace and expansion of home/work areas over time.



Funding: Tenant-member deposits and other sources of available equity are matched with ethical investment funding offering sustainable and low-risk, long-term returns with the cooperative structure providing rental income stability. As an alternative to commercial mortgages, 'socially responsible investment' funds and investors will be sought to fund the development stages on a staged-basis (as with self-build mortgages at present) to ensure risk and exposure is managed. Options could include one large investor or access to smaller investors through Housing Association bond issues but the investors would be restricted in terms trading of the investment to protect the cooperative. Investors benefit from the commitment of the participants, security in terms of deposits, land and assets but sign up as 'silent partners' as long as the rental payments are achieved. Future independence may be sought by cooperatives through mortgages secured against the built assets to allow for a long-term exit strategy. Where the option is taken to aim for 80% Local Housing Allowance rental levels with no deposits, existing mid-market grant funding arrangements can provide additional security.



Balmaha Forest Site



Site: The site is on the eastern edge of Balmaha, overlooking Loch Lomond in the heart of the National Park. It is beneath a heavily wooded hill and has views to the south over the loch and the Luss hills, a beautiful spot.

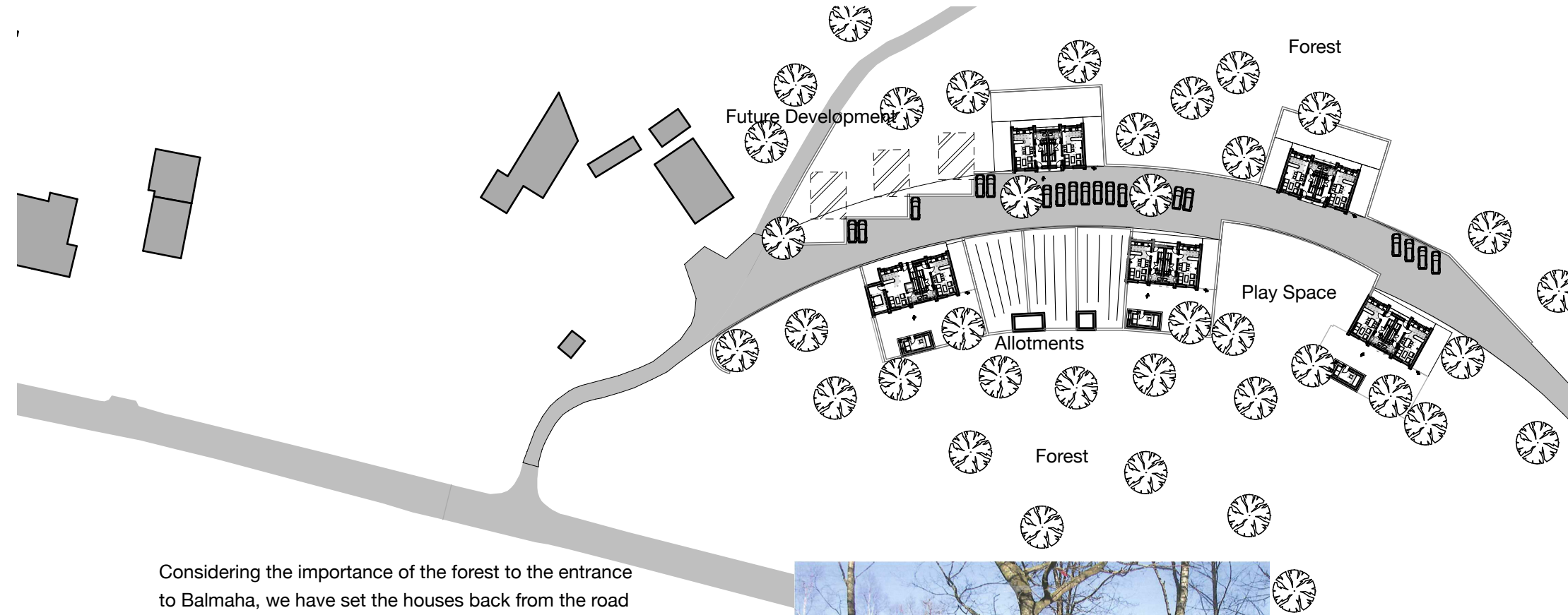
The road to the south is a key tourist route which makes the site highly visible and insensitive development could erode the character of Balmaha and cause further parking issues in the summer.

The site is owned by a Government body and made available under a community land ownership programme.

Balmaha: Balmaha has a population of 724, a small shop, a pub, tourist information and tourist facilities. It is on the West Highland Way and employment is principally in the tourism industry.

Programme: 10x two bedroom houses capable of future expansion in a layout suitable for families and development over time.

Planning Principles



Considering the importance of the forest to the entrance to Balmaha, we have set the houses back from the road around a crescent. This retains the single street character of the village, offering a forest setting for the residents, creating a street away from the tourist route and allowing for future densification of the settlement. The central street is a key social space; it is a shared surface with play, relaxation and service spaces. There are direct routes into the forest from the street. The forest between the development and the road could be landscaped to allow allotments, play spaces or future expansion of the cooperative.



More Than Houses

Routes through to the loch and to the forest

Allotments with south aspect

Local stone walling and seats

Open forest between houses, could be utilised as allotments and provide space for future growth of the cooperative.

Opportunity for home offices in gardens to open on to forest, paths or street.

New native species trees planted. Existing trees retained

On street parking

Bonded gravel surface with SUDS system

The street is designed as a key social space, a play space for children, a socialising space and for key services such as parking and recycling. It has a gravel surface to encourage slow speed driving and discourage tourist parking in the summer.



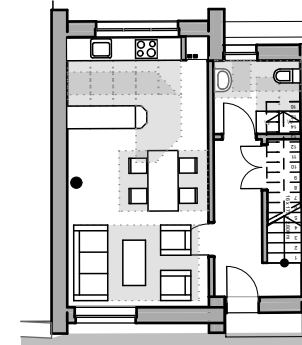
Flexibility and Adaptability



The basic unit for this development is a **two bedroom** semi-detached house type built to Passivhaus standards, designed to maximise views to Loch Lomond, **capture the sun** and be extendable in the future. New residents energy bills are much lower than conventional construction, keeping all of the running costs **affordable**, below 5% of average income.

Residents can upgrade their homes at anytime, up to 50% of their plot can be developed. Mechanisms to allow easy **extension and adaption** are incorporated into the initial build stages such as lintels and openings in the structure, pad foundations for future extensions and installation of services.

Capital input by residents can be augmented with additional borrowing by the cooperative; rent is increased to the individual householders to cover the cost of this borrowing.

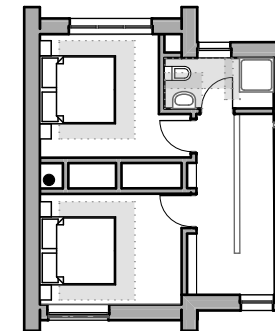


Basic Unit

- Open plan living space
- Wood burning stove
- Bathroom / utility room
- Two double bedrooms

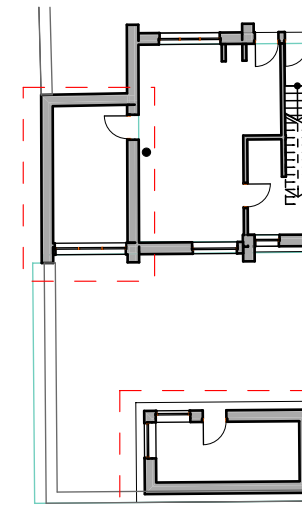
Floor Area: 80m²

Energy Demand: 120kW/h/m²

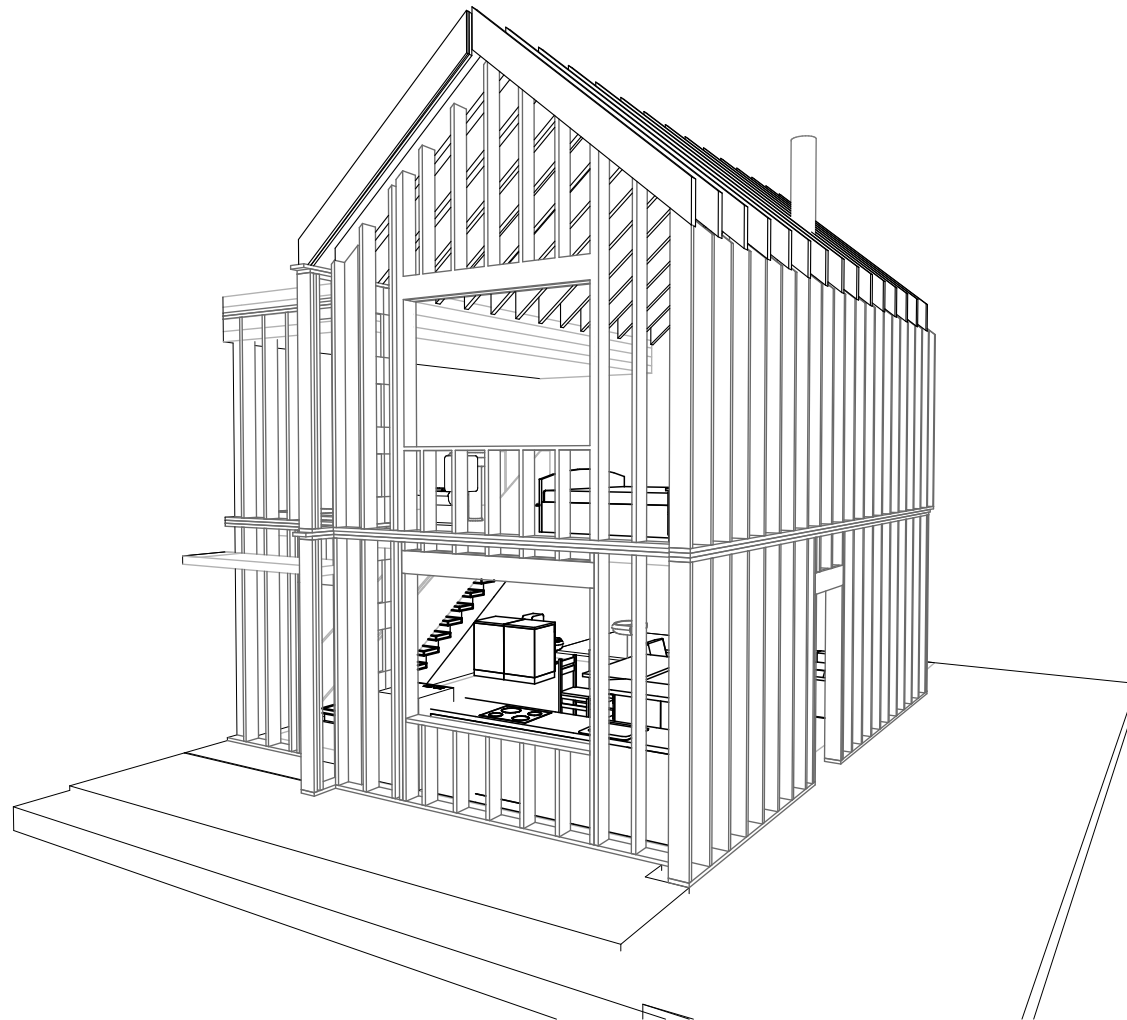


Upgrade options

- Extra bedrooms (up to 2)
- Extension into loft
- Garden room
- Larger bathroom
- Home office
- Conversion to studio flats
- Garage or storage space
- Separate bedsit annex



Homegrown Construction



We have considered the construction of the houses to **minimise energy bills**, maximise the use of Scottish timber and utilise the best construction products from around the UK. This offers affordable living whilst promoting employment and investment, particularly in the rural areas of Scotland.

The houses are designed to meet the **Passivhaus standard**; deep Scottish timber frames fully filled with recycled newspaper are combined with British made triple glazed windows to offer exceptional insulation. An efficient heating system based on a wood burning stove, solar panels and mechanical heat recovery ventilation complete the energy saving features.

Scottish timber is used throughout. Spruce provides the structural members and durable larch cladding is used as a roof and roof covering. The specification measures and minimises embodied energy throughout the design.

Design for expansion is embedded in the housing model. The structure is designed to allow all of the internal walls to be moved, to make installing doors around the stairs and gables easy, foundation pads for extensions are laid out and services are designed for new connections in the future.



Indicative Financial Appraisals

As opposed to a detailed appraisal for this particular site, we can outline the proposed approach on a 'per unit' basis. It should be treated as a guide and a basis for further detailed development of a cost plan.

We would like to outline three potential versions of the model; one where the land is assumed to be public-owned, one where the land is assumed to be private-owned, and one that is based on the lower rent and small grant subsidy.

It should be noted that the appraisals are based on the assumption that ethical investment can be secured at the proposed yields and this funding approach is being investigated on an on-going basis. Furthermore, the lower-rent approach would likely require a reduction in costs to facilitate a more viable investment return.



Public Land with Sale & Leaseback

The proposal is based on a cooperative working on land owned by the organising Housing Association, where there is scope for plots to be sold to an investor and leased back by the co-op. The rental level is set below market level (and capped at 30% of national average income) and residents need to put down a deposit equating to 6 months rent into the cooperative.

Capital Cost

Construction	£88,000 - £1100/m ² construction costs
Fees	£13,200
Sub-total	£101,200

Capital Income

Tenant-Member Deposit	£3,750
Plot Sale to investor	£15,000 (notional land value)
Sub-total	£18,750

Operating Cost

Plot Leaseback (7% return)	£1,050 (based on £15k plot value)
Management, Maint./Repairs	£1,050 (NHT model with co-op management)
Co-op savings plan	£200 (5% pa on deposit, recouped on departure)
Sub-total	£2,300pa approx.

Operating Income

Rental	£7,500pa - Which equates to 30% national average income and is below median local rental equivalent
Net Operating Income	£5,200pa

Investment

82% Finance	£82,450
	+15,000 land purchase, possible separate investor
	- 6.3% return on development investment plus 7% return on land investment
	- Combined 6.4% return



Private Land, Long Lease

The proposal is based on a cooperative working on private-owned land, with a long-term lease granted to the co-op in return for an annual return. The rental level is set below market level (and capped at 30% of national average income) and residents need to put down a deposit equating to 6 months rent into the cooperative.

Capital Costs

Construction	£88,000 - £1100/m ² construction costs
Fees	£13,200
Sub-total	£101,200

Capital Income

Tenant-Member Deposit	£3,750
Sub-total	£3,750

Operating Cost

Land Lease (7% return)	£1,050 (based on £15k plot value)
Management, Maint./Repairs	£1,050 (NHT model with co-op management)
Co-op savings plan	£200 (5% pa on deposit, recouped on departure)
Sub-total	£2,300pa approx.

Operating Income

Rental	£7,500pa - 30% national average income and is below median local rental equivalent
Net Operating Income	£5,200pa

Investment

96% Finance	£97,450
	5.3% return on investment



Mid-Market Rent Grant Subsidy

The proposal is based on a cooperative working on public-owned land (e.g. held in Trust or Community Land Trust), assuming zero land cost with affordable housing provision creating best-value use of public assets. The rental level is capped at 80% Local Housing Allowance rate with no tenant deposits. In this scenario, current mid-market grant funding aimed at intermediate rental can be targeted to assist in creating a viable ethical investment return for the model (grant based on standard HAG financial appraisal).

Capital Cost

Construction	£88,000 - £1100/m ² construction costs
Fees	£13,200
Sub-total	£101,200

Assume public land held in a Community Land Trust or Development Trust.

Capital Income

Grant	£11,690 (based on MMR Grant Funding Appraisal)
Sub-total	£11,690

Operating Cost

Management, Maint./Repairs	£1,050 (NHT model with co-op management)
Co-op savings plan	£200 (5% pa on deposit, recouped on departure)
Sub-total	£1,250pa approx.

Operating Income

Rental	£4,800pa (80% Stirling LHA, average of 2 & 3 bed allowance)
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Net Operating Income	£3,550pa
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Investment

88% Finance	£89,510
	4% return on investment



Contact Details

55° North Architecture: We are a small design studio, based in Scotland, passionate about designing places for people and the planet. Expert in ecological, low-carbon development designed with the community, we undertake design work from a strategic level to detailed architecture with creativity, enthusiasm and knowledge.

We undertake feasibility studies, master-planning projects and full architecture services together with research. To discuss a project or an idea please contact Matt Bridgestock through our website at: www.55northarchitecture.com/ or on 0141 418 2988

55° North have been assisted in the design development by Icecream Architecture. Based in Glasgow, Icecream Architecture use their mobile office as a base for community consultation and design work. See www.icecreamarchitecture.com/

David Howel: David Howel is a qualified town planner and urban designer, with over 10 years experience in consultancy and private residential development. With a combination of planning, development and urban design knowledge and skills, a broad outlook can be brought to every project with thorough analysis, appraisal and strategy integral to the process. This range of experience and detailed knowledge is supplemented by collaborative working with other architects, designers and planners to deliver a broad service for landowners, developers, advisory bodies, communities and individuals. Contact David via his website at: www.davidhowel.com/ or on 07817-295619

