

Exhibit 17: Case study of a Rural Exception site

Buckland Newton Community Land Trust, Dorset

Summary

This Business Plan sets out how the community of Buckland Newton intends to come together to form a Community Land Trust which will buy land and develop affordable housing to meet the needs of local people, and help to make Buckland Newton a functional and sustainable community.

The needs survey housing has been carried out (and is regularly updated) by the Rural Housing Enabler for West Dorset. It currently demonstrates the need for 12 affordable homes, mainly for households who can afford mortgages from £50k to £110k but including up to 3 rented homes. These households require a mix of 1-bedroom to 4/5-bedroom homes, with the greatest demand for 2- and 3-bedroom homes at a cost which needs to average ~£80,000 or at rents which need to be no more than £80pw..

Land has been identified for the scheme.

Partly because low cost land alone does not enable the homes to be sufficiently affordable, and partly because the community is keen to devise a solution based on sustainable building methods, an innovative low impact design is proposed. The estimated cost as set out in annex 3 would enable the needs identified to be met.

An initial grant has been secured to take the scheme to the stage where it has planning permission. A further £19,000 is needed to complete the design and secure planning and building regulation approval: a loan for this sum will be sought from West Dorset District Council. This sum may need to be £79,000 to include the site purchase if development finance from a bank is likely to be delayed.

To undertake the development the CLT will

- raise loan finance from a bank for at least 70% of the total.
- raise loan finance also either from West Dorset District Council (WDDC) or a registered social landlord or a charitable trust such as Esmée Fairbairn which runs a loan scheme as well as providing grants

Efforts will be made to agree a section 106 agreement with WDDC planners which relies on the nature of the CLT to preserve affordability and sets a flexible affordability condition e.g. requiring sales at 40-80% of open market value and exempts a mortgagee in possession, as in the example at annex 5. If achieved this may enable bank finance to meet 100% of development costs.

A bank will be approached to provide an index-linked loan to enable the CLT to maximise affordability. In parallel the CLT will also explore a conventional loan supplemented by ethical finance, including the option of locally raised funds.

An allocations policy will be drawn up which enables the CLT to provide for those in the greatest need and who make the greatest contribution to the well-being of the community; and agreed with WDDC Housing. The CLT will use the tenures developed for Community Finance Solutions by Trowers and Hamlins with part-equity as the preferred model but rent-to-equity options or tenancy plus to meet the needs of those who cannot afford a mortgage.

Mortgage allocations will be secured from a building society or bank, securing prior agreement to the form of shared equity lease; and resolving insurance issues before work starts on site.

It is intended that the CLT would become a member of a district-wide or even county-wide CLT which would provide services such as management and back-up advice to other CLTs.

1. Needs to be met

It is apparent to those living in Buckland Newton, as elsewhere in rural Dorset, that the price of homes on the open market puts them out of the reach of local young people wishing to remain and work in the village; or of those who wish to move to the village for work opportunities or because of family connections. There is an issue too for older people who would like to move to a smaller home while remaining in the village as no new homes have been provided with the needs of older people in mind.

This anecdotal evidence is backed up by Annex 1 which provides a schedule showing those identified in the Piddle Valley as having a need for affordable housing, including which of these would be interested in living in Buckland Newton itself.

One of the ways these needs are met is through registered social landlords who bid annually for social housing grant (SHG) to enable them to buy or build new homes and let them on affordable terms. The scale of the problem identified however far exceeds the current or likely future allocation of SHG funds.

The community have therefore embarked on a plan to meet these needs themselves, without social housing grant.

2. Buckland Newton Community Land Trust

The issues considered by the community in deciding which legal form to adopt were:

- aims: both a company limited by guarantee and an Industrial & Provident Society can have aims which relate to the development and management of assets for the community.
- asset lock: it is important to those who invest in the scheme (the landowner from whom the land is to be bought, charities who provide funds, and the planning authority which enters into a section 106 agreement with the CLT) that the legal form adopted is seen to protect the asset in perpetuity.
- access to charitable funds: a registered charity can apply for charitable moneys. An IPS for community benefit can receive Lottery funding and funding from a number of charities that recognise the form but it may prevent application to particular charities that require charitable status for beneficiary organisations.
- membership: the IPS form is based on the principle of people coming together for a common aim with each member of the society having an equal vote. Through setting up classes of members (e.g. residents of CLT property; community members; and stakeholder members like the parish council) a balanced Board of management can be elected. The CLG form allows similar arrangements but would generally prevent residents of CLT property from voting if elected to the Board because of the need to declare an interest. The CLG form is better if the intention is to have a community organisation which provides for others; the IPS if the aim is for future residents to be closely involved.
- raising funds. The IPS has the potential to raise funds from members themselves through increased shareholdings on which a dividend can be paid. The CLG could raise loan stock from members but the mechanism is less straightforward.

Either legal form could be used. A meeting of 8 founder members including one who hopes to secure housing from the project met during May 2006 and will seek to register the Community Land Trust no later than the end of July 2006.

Establishing the Board will depend on securing the agreement from any stakeholder members to join the trust and the first AGM may need to be organised so that the Board can be put in

place. The founder members will take the scheme forward pending this wider Board membership, inviting potential future Board members to attend as observers for the time being.

Based on the decision on the legal form, the founders will also have to decide a membership policy under whichever set of rules is adopted. It is likely this will follow models elsewhere and provide for open membership for those living in or with a connection to Buckland Newton and possibly also subsequently expanded to include other villages in the Piddle Valley

3. Support

The community is being supported by the Rural Housing Enabler for West Dorset and Purbeck Districts.

Community Finance Solutions has made available:

- model rules
- model tenures
- assistance in preparing feasibility and business plans
- support in the process of appointing a professional team and community consultation

The hard work of organising parish meetings and liaising with the local housing and planning staff has been carried out by members of the community, led by the local District Councillor for the area.

4. Development

A search was undertaken for potential sites which might be acceptable to the planners under the exception planning policy and after two false starts a site was identified north of the village. The farmer who owns the land agreed in principle to sell it for affordable housing at £5,000 per plot.

Other sites might still be possible but for the time being the community has concentrated all its efforts on this one.

Annex 2 sets out the typical development costs for a conventional building scheme on this and indicates the salaries required to buy different sizes of home. While such a development would make homes much more affordable than those on the open market, there would remain a significant gap between what those identified in the survey can afford and the cost of the homes.

The community therefore decided to put all their efforts into developing a low cost and sustainable building method and have provisionally proposed adopting a modular solution which uses straw bales or waste wool to provide the insulation material. A decision has also been taken to build the homes using a design and build approach with the experienced low-impact materials specialists Dorset Centre for Rural Skills (DCRS) appointed from the outset as the building contractor.

An architect, Arco2, with experience of using straw bale methods for school class-rooms and other school extensions was appointed following invitation of three tenders.

In order to pay the architect for design work and to meet DCRS' development costs, a grant of £7,500 was secured through Dorset Community Action (DCA) from DEFRA's social fund. This sum is less than is expected to be needed to take the scheme to the full design stage. However the architect has agreed to work at below normal fee scales and to defer some payments to help to put the scheme together.

Annex 3 sets out the target costs and resultant affordability using this building method. It can be seen that achieving affordability for the identified needs depends very much on the outturn costs achieved. It is therefore an important part of this business plan that costs for:

- construction
- access
- infrastructure
- interest

are all kept to a minimum.

As well as adopting the low cost sustainable construction method, the contractor and architect have been asked to identify all possible methods of keeping costs down.

Road access is always a costly item and the option of a lower cost surface is being examined for all or part of the access. Car parking is proposed in one or two, overlooked locations rather in front of each house.

Infrastructure costs for a previously undeveloped site are an unknown but services do exist in the road. Drainage costs are to be reduced by adopting a sustainable urban drainage scheme.

The Business Plan will aim to examine these options critically with the designer and builder. The CLT and its professional team will also work with the planning authority to explain how the concept as a whole is intended to work to achieve both affordability and social and environmental sustainability. Information will be presented carefully to both housing and planning authorities and to key politicians.

The building method adopted involves considerable off-site manufacture and should enable the each home to be built in an 8 week period, minimising the interest which will accrue overall.

As well as land, construction, fees, charges and interest, the project budget for the construction of the homes includes £1,000/home for the CLT itself either to meet its costs (finding part-equity purchasers, administrative costs of running the CLT etc.) or provide it with a small reserve for eventualities.

5. Planning

Extensive discussions have taken place with the planning authority and it is intended to submit the scheme for planning approval in July 2006.

Consultation with the community has included a public meeting and will include a display of the proposed scheme in the village hall. The community's support will be sought to back the application. Those living opposite have objections and are concerned about drainage and traffics generation but attempts have been made to deal with these issues.

The site is in an Area of Outstanding Natural Beauty. The design form adopted is intended to copy that of a farm-stead so that although the facing materials do not include local stone or follow other local precedents, they are appropriate to the site. The planners have accepted that there is a lot of variation in design and that the principle of a design which reflects the use of local materials is an acceptable one. The architects and builder have continued to keeo a close watch on costs which has helped in negotiating variations to meet planning issues by providing valid reasons to resist costly changes that added little to the external appearance.

The terms of the section 106 agreement are critical in determining how the scheme can be financed. Any bank or building society providing a development loan to Buckland Newton CLT or a mortgage to an individual resident will want to be sure that their loan is secure; which means being able to recover costs in excess of the mortgage should either the CLT or

an individual mortgagee get into arrears. In the case of the development loan, property development does have attendant risks of cost overruns and if the section 106 agreement specified, for example, a maximum sale price, this is likely to limit the level of development funding to 70% of the total required. An offer to fund up to 70% has been received from Ecology Building Society; and, in principle, from Triodos Bank.

It is important to the CLT to agree an appropriate section 106 agreement. The CLT will wish to make property available at variable percentages of open market value, generally between 35% and 80%; and to use a range of different tenures whose aim is to achieve affordability in whatever way is necessary. If the agreement can recognise the legal form of the CLT and the way the asset is held for the community, not only can these varying needs be met but also the CLT should be able to raise 100% development finance from a bank or building society.

6. Finance

Finance can be considered under three headings:

1. Pre-development: the £7,500 grant may just suffice to allow planning permission to be sought but will not be sufficient to complete the design and deal with all the issues and some further pre-purchase funding could be needed.
2. Development: The CLT then needs to raise the development finance required to buy the land and construct the properties.
3. Long term: On completion, the development finance is repaid by either:
 - by selling equity to the applicants for affordable housing; or
 - by taking out a long term loan which is repaid from rents charged

Pre-development

An additional pre-development funding of £19,000 would enable the detailed design to be completed and planning secured prior to site purchase: the alternative is to proceed to purchase using the outline costing and design. The CLT may need to enter into an option agreement with the landowner to safeguard its investment in further design costs.

WDDC will be asked to provide a loan for this amount. One option is that this should be part of a pre-development loan facility which is made available subject to payment of a 20% premium on the sum borrowed if the scheme proceeds to cover abortive costs on schemes which fail.

Development finance

An appropriate s106 agreement will enable 100% bank or building society development finance to be raised since there is an exemption to the affordable housing clauses for a mortgagee in possession. This same clause will also enable mortgage offers to be obtained as the lenders are covered should individual mortgagors default on their payments.

West Dorset District Council have put aside nearly £200k to support innovative approaches to affordable housing and will be asked to provide loans for development costs which cannot be met through bank or building society loans

A cash flow forecast shows that a loan facility totalling £630,000 (£465,000 plus £170,000) will be needed to finance the scheme assuming completions and some sales can take place while construction proceeds, with the final sales within a month of completion.

A bank and a building society have both offered development loans equal to at least 70% of the acquisition and development cost loan, advanced as the scheme proceeds. They will provide 100% if they would have rights to take over land ownership and recover their

investment. This depends on the terms of the section 106 agreement as discussed above, under Planning.

If only 70% funding is provided (£465,000), there are three proposed routes to securing the remaining 30% (£170,000):

- a. seek a loan from WDDC
- b. seek on-lending from a registered cost landlord (RSL) since their business involves raising and using development finance for their own schemes on a continuing basis.
- c. seek charitable or community investment

(a) would mean securing loan finance of £170,000 from WDDC. This is close to the total sum WDDC has set aside to support innovative affordable housing solutions and it may be the sum that can be made available is only a part of this.

(b) depends on securing the support of an RSL. RSLs are subject regulations and targets from Housing Corporation which mean that activity unrelated to the delivery and management of their own homes may adversely affect the Housing Corporation's perception of the RSL's performance. These issues have begun to be explored with Western Challenge Housing Association.

(c) would involve either seeking a loan from one of the larger charitable trusts such as Esmée Fairbairn or Tudor who have begun to provide loans as well as grants; or working with Wessex Reinvestment Trust which has funding for a project to explore community investment (i.e. individual or organisational ethical investment to deliver a range of social, environmental and economic outcomes). Either route could provide greater local control, more opportunities and greater security in the long run but is not yet tested

All four options will be explored so that the project can also be a pilot for other similar developments in future.

Long term finance

The CLT will not need any finance itself for the proposed part-equity tenure but it will need to agree a mortgage allocation with one or more home loan providers. Given the nature of the scheme design, Ecology Building Society which has the aim of supporting low impact housing, has been approached and said that in principle it could provide half the mortgages required. To secure a mortgage allocation, the legal documentation (section 106 and equity mortgage agreement) will be sent to the Society for agreement.

The CLT will need finance for the rent and rent-to-equity models equal to the cost of the development but on deferred or indexed terms so that the repayment profile matches the rent profile. CFS has approached several lenders who have said that such finance could be available in principle but only if demanded on a sufficient scale.

Because the scheme is small, the most likely solution will be a combination of conventional and "patient" finance.. In this model a loan of £17,983 is repaid over 30 years with an interest rate fixed at 5%, but with payments deferred until the later years when there will be an increasing rental income (rising by inflation plus 0.5%). Finance will be sought from local people for whom this investment might be part of a portfolio, delivering a social return as well a financial one.

7. Tenure

The main tenure offered by the CLT will be part-equity.

One or two homes will be offered under rent-to-equity: rents for the 1-bedroom and 2bed 3 person units which might be rented will be:

Rent to equity		
	1-bed	2-bed3p
	£pw	£pw
Rent	68.20	80.08
Management	3.00	3.00
Insurance	3.50	4.00
Maintenance		
Cyclical maintenance		
Planned maintenance	4.32	5.12
Voids		
Net	57.38	67.96
Index-linked mortgage	£57.38	£67.96

The CLT will draw up an allocations policy in dialogue with the community and with the local housing authority which takes account of the tenure options and potential poverty trap. It is proposed at this stage to include the ability to afford the rent or mortgage required as a criterion but this will be reviewed as part of the process of finalising the policy.

8. Management

The management of 10 homes, most of which have been made available under part-equity places some burdens on the CLT but are thought to be within the scope of voluntary effort (The Pass Trust at nearby Wootton Fitzpaign has operated through voluntary effort for many years with very low management input). The equity mortgage will include a management charge but this may be waived. The CLT will however consider:

- entering into an agreement with an RSL to manage the homes
- entering into an agreement with a proposed district or county-wide CLT that might manage on behalf of a number of CLTs.

In either case, the CLT would still keep day-to-day contact with residents and deal with any contacts required to do with management or maintenance of the homes. The agreement would provide for help in dealing with legal problems, major repairs or other eventualities where technical or legal advice or knowledge is needed.

Insurance on homes constructed using straw bales is not expected to be a problem with Ecology BS advising of at least two options: the material is not especially combustible and is not anticipated to present any Building Control issues.

There will be a charge payable to the CLT for transferring the 20-year rental agreement to another tenant (to whom a new 20-year agreement will be granted on request within the first year) to cover the CLT's costs and a charge to cover legal and other costs when the property is sold and the equity mortgage redeemed on part-equity terms.

The aim of affordability means that as well as seeking to minimise the cost of the home, the CLT also wishes to minimise legal and transactions costs at purchase and on transfer. It will therefore consider carefully how much volunteer members are willing to take on.

9. Timetable and next steps

The intended timetable for the project is:

August 06	Apply for legal registration of CLT Seek WDDC loan finance to complete pre-development work and seek in principle agreement for development finance
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September 06	Apply for planning Enter into option agreement for land purchase Agree draft section 106 agreement Agree allocations policy and begin dialogue with WDDC
October 06	Secure planning Apply for and secure bank finance Secure WDDC or other development finance support Achieve legal registration Instruct solicitor on land purchase Agree allocations policy with WDDC Trustees decide re-sale formula
November 06	Buy site Complete design work
November 06	Agree build price Begin infrastructure work
December 06	Start construction of homes Applicants selected using agreed policy
March 07	First homes completed
May 07	First part equity sales completed
August 07	Work complete Rented homes let
October 07	Final part equity sales complete
September 06 - February 07	Defects liability

Annexes

- 1 Housing needs identified through Rural Housing Enabler survey of Piddle Valley
- 2 Cost and affordability of conventional development
- 3 Cost and affordability of proposed low impact building materials development

Annex 1: Housing needs identified through Rural Housing Enabler survey of Piddle Valley (updated November 2005)

Ref	Settle-ment	Recent verified?	No. in fam.	Ages	Reasons	Connect	Accom	Work	Register?	Gross HH income	Equity / savings
3	BN	NB Jan 06	2	45, 60?	Family, poor con, small	Living	HA rent			9.5k	
5	BN	NB Jan 06	4	35, 34, 5, 2	Small	Live, employ, family	private			22k	1k
7	BN	Sep-05	1	34	Security, condition	Employed and lives	tied	Agricultural		20k	
9	BN	NB Jan 06									
15	BN	NB Jan 06	1								
22	PT	NB Jan 06	2	77, 78	Wife's heart frail, v small accomm. for family visits etc	lives	HA flat	retired	yes all	14k	Probable
24	BN	NB Jan 06	2	22, 20	Set up new	all	parents	Senior officer DCC / clerk	yes	30k	6k
25	BN	NB Jan 06	6	36, 33, 14, 11, 9, 6	return, support aged parents, extended family	born, family	private		yes	20 to 30k	
26	BN	NB Jan 06	2	26, 34	stay, employ, set up, family support	born, live, family	private		yes	20 to 30	10k
28	BN	NB Jan 06	2	52	stay / employ / security / tied	grew up / lives / employed	tied		yes	under 10k	10k
29	BN	Recent form	3	23, 23, 1	stay/employ/secure/small/cost/family support/daughter school	all	private		yes	10 to 20k	5k
Reserve need / other locations											
13	PH		2	19, 19	set up, employ, leave parents	all				under 20k	
14	DOR		2	42, 42	Security, cost, family	born, employ				under 30k	
16	PT	Sep-05	1		set up , overcrowded	lives	Parents	2 pt time jobs	yes	20k	10k
18	PT	Sep-05	3	49, 49, 23	health -needs bungalow due to heart probs, also son epileptic	Born, lives, family	Magna	none	no	£5,712???	
21	PT		1	54		lives, family				under 20k	100k

Annex 2: Cost and affordability of conventional development

	1-bed	2-bed	3-bed	4-bed
	£	£	£	£
Land	3,503	4,777	6,051	7,006
Legals	701	955	1,210	1,401
Build	57,750	75,000	90,250	101,750
Infrastructure	2,452	3,344	4,236	4,904
Fees 10.00%	6,020	7,834	9,449	10,665
VAT	1,054	1,371	1,653	1,866
Planning	262	262	262	262
Building regs	250	250	250	250
BNCLT costs	1,000	1,000	1,000	1,000
Interest 6.00%	2,307	3,147	3,986	4,615
Grant	-525	-717	-908	-1,051
	74,774	97,224	117,439	132,670

Income required	£21,364	£27,778	£33,554	£37,906
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Annex 3: Cost and affordability of proposed low impact building materials development

Number Size	m2	1-bed	2-bed3p	2-bed4p	3-bed4p	4-bed8p	TOTAL
		0	2	4	3	1	10
		50	62	75	90	110	
		£	£	£	£	£	£
Land		3,109	3,856	4,664	5,597	6,841	50,000
Legals		622	771	933	1,119	1,368	10,000
Build		42,800	50,592	60,000	72,000	79,200	636,384
Infrastructure		2,061	2,177	2,699	3,265	3,918	4,789
Fees 7.00%		3,148	3,730	4,429	5,314	5,879	46,997
VAT		551	653	775	930	1,029	8,224
Planning		262	262	262	262	262	2,620
Building regs		250	250	250	250	250	250
BNCLT costs		1,000	1,000	1,000	1,000	1,000	1,000
Interest 6.00%		1,422	1,764	2,134	2,560	3,129	22,873
Grant		-466	-578	-700	-840	-1,026	-7,500
		54,875	64,999	77,012	92,111	102,721	817,098

Part-equity	1-bed	2-bed	2-bed single storey	3-bed	4-bed
Overall mix (15)	2	7	2	3	1
Proposed (10)	0	4	2	3	1

Required cost	£60,000	£50,000	Rent @ £300pm	£75,000	£110,000
		Rent @ £250pm		£85,000	
		£60,000		£110,000	
		£60,000			
		£70,000			
		£85,000			
		£120,000			

Average/target	£60,000	£75,000	£70,000	£90,000	£110,000

Proposed development: costs vs affordable mortgages

	1-bed	2bed3pSS	2-bed	3-bed	4-bed	Totals
	0	2	4	3	1	10
m2	50	62	75	90	110	
Target per home (£)	60,000	69,000	75,000	90,000	110,000	
Target overall (£)	0	138,000	300,000	270,000	110,000	818,000
Est'd cost per home	54,875	64,999	77,012	92,111	102,721	
Total estimated cost	0	129,997	308,046	276,334	102,721	817,098
Over/under	0	-8,003	8,046	6,334	-7,279	-902