

CHAPTER 8

Options for developing the scheme and taking it to completion

CASE STUDY High Bickington CPT

8.1 Introduction

8.2 Development options

‘The CLT is moving and growing, and it’s done with thought and integrity. That’s what’s really attractive about what’s happening here’

Resident of Crosby Ravensworth, home of Lyvennet Community Trust

CASE STUDY

Developing the scheme and taking it to completion: High Bickington CPT

The redevelopment of a former farm adjacent to the village of High Bickington is a major £12.5m 'holistic' sustainable development, in this Devonshire parish of 800 people. Begun in 2000 as a parish appraisal, the multi-phase project seeks a truly viable future for the rural community, with community facilities and community enterprise as much a part of the project as affordable homes for younger generations.



High Bickington CPT

To date, the scheme has built 16 affordable homes, five homes for open market sale and two workshops for local businesses. The new homes are just part of a site which also includes a new 'state of the art' community centre, sports facilities and a community woodland. The development has created a natural focal point within the village, and will further foster a sense of community to sustain the village into the future. The whole site is served by a biomass district heating plant developed by the Trust, which is keen to promote its environmental sustainability.

Another 18 homes and four more workspaces will be provided in the future phases of development, the profits being used to repay development loans on the community facilities and to provide a 'dowry' for the Trust's future. The final piece of the jigsaw will be the building of a new primary school. This has received significant support from the local authority, which has committed funds to developing the building's infrastructure. Numbers at the existing school have already started to climb following the completion of the first houses, strong evidence of the scheme's potential.

The development has not been an easy process for High Bickington Community Property Trust, despite the encouragement of the local authority, which have provided land for the Trust through a combination of lease and

freehold transfer. However, the initial planning application was rejected by the then Secretary of State for Communities and Local Government in 2006, as a 'major departure from the local development plan'. Despite this initial setback, the Trust continued to work with the local authority, and a new planning application was approved in 2009 without further intervention by central government.

The High Bickington journey is characterised by strong and effective community engagement. With its roots in an early parish appraisal, the Trust is helping to build a vibrant and sustainable future for the community, encouraging local involvement based on a long process of planning and construction coupled with a developing approach to community enterprise and community involvement in its governance and management. More than 220 local residents are members of the Community Property Trust with each holding a £1 share. Over 100 residents came out to plant a community woodland in 2005. Ventures such as the village cinema club and community dance productions are raising the profile of community involvement and will eventually also help provide funds towards the on-going provision of services and the building of an economically self-sustaining future at High Bickington.

8.1 Introduction

Building a scheme may well be the shortest and most exciting phase of the whole project. It is also a complex and expensive process and benefits from early preparation and the advice and support of professional expertise throughout.

This chapter reviews the choice of construction contracts and partnership options for CLTs and looks at the ways they offer differing levels of involvement and risk sharing. A recommended source of more detailed information about the full development process can be found in **Developing Affordable Housing: a guide to development and regeneration** (2nd Edition 2009) published by the National Housing Federation.

The development brief

Developing and building out a site is complicated and expensive. Before a procurement route can be chosen the CLT must be clear about what it wants to build and the budget and timetable within which it must work to satisfy any funding requirements. **Chapter 5 Making it stack up** outlined the initial work a CLT should do to prepare a preliminary feasibility study and now, with professional help, a detailed **development or project brief** should be written. This should specify: the number of homes; types of tenure; sizes and quality standards needed and any specific aspirations the CLT has in terms of innovative construction etc. Further information about compiling such a brief can be found in a guide to the design management process entitled **Standards and Quality in Development: A good practice guide** (2nd edition) available from the National Housing Federation www.housing.org.uk/Onlinestore/ or from the Royal Institute of British Architects website – www.architecture.com

The professional team

A professional team which is knowledgeable, enthusiastic, cost effective, supportive and professionally qualified will go a long way towards supporting a CLT through the scheme construction phase and must be in place early. It is important to appoint consultants formally in writing, even for initial advice given at risk, and as soon as it is clear a scheme is likely to proceed a formal appointment should be made. Useful advice on appointing professional consultants can be found in the Asset Transfer Unit Guide www.atu.org.uk/guidance/PropertyDevelopment/AppointingProfessionals

The two key consultants will be the architect and cost consultant.

If the scheme must meet Homes and Communities Agency (HCA) design standards then it is essential that the architect is familiar with these and that they are incorporated into planning drawings at an early stage. This requirement must be incorporated into the CLT's design brief. Detailed information on these standards can be found in the **HCA's Design and Quality Standards (2007)** www.homesandcommunities.co.uk. The standards are concerned with the external and internal quality of the scheme and its sustainability credentials. For more technical information visit the Planning Portal: www.planningportal.gov.uk.





Holy Island Community Development Trust, Northumberland

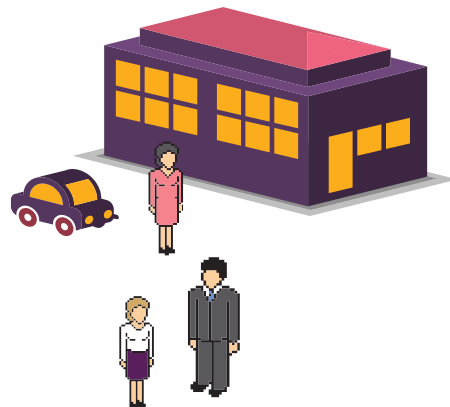
The architect should also help with planning negotiations, design consultation and advise on the necessary ancillary reports required to accompany a planning application. More information on planning is set out in Chapter 7 Land and Planning.

The cost consultant, possibly a building surveyor for a very small scheme or more likely a quantity surveyor, must be very familiar with the specific requirement of the scheme and if necessary be able to offer calculation services for HCA performance criteria. The quantity surveyor will potentially play two separate critical roles:

As **technical advisor**, e.g. providing budget cost estimates and help with ongoing financial appraisals, advising on procurement routes and risk assessment, organising tendering, including checking for application of EU procurement directives, assessing construction proposals and compliance with the CLT's brief and negotiation with contractors.

As **contract administrator** responsible for management of the building contract (in most contracts).

The Quantity Surveyor will usually act as coordinator to ensure compliance with Construction (Design and Management) Regulations 2007. Their main role is to advise the client, coordinate Health and Safety aspects between all parties, ensure pre-construction information is shared and that a final Health and Safety file is completed.



8.2 Development options

Overview

A CLT can opt for a variety of building contracts or to work in differing partnership models with housing associations or developers.

In choosing a building contract a CLT needs to consider its view of the importance of **time, cost and quality**. They are all important but it's unlikely that any one type of contract can deliver all three equally and emphasis on only one criterion will have a negative effect on the others. A more realistic view would be to identify two criteria when considering procurement options. Another key consideration is the CLT's attitude to risk and control. If a CLT prefers to delegate risk through a building contract then it also delegates some control in decision making.

Some CLTs may prefer to stand back from direct involvement in most or some of the processes in the construction phase. Examples of the emerging partnerships with housing associations and developers and the pros and cons of making such a choice are discussed later in this section.

Building contracts

The Joint Contracts Tribunal (JCT) has been producing building contracts since 1931. They are accepted across the construction industry and have been updated in 2011. Provided amendments to the contracts are avoided, or are only inserted after taking formal professional advice, the contracts provide contractual security for all parties and means of re-dress in the event of dispute. The traditional contract was the most popular for a number of years but has now largely been replaced by design and build. This latter contract is discussed in some detail below and the key features of other contract options are included for comparison viz. off-the-shelf and turnkey, management, self build and self finish and refurbishment building contracts.

Design and Build

Design and build is the most commonly used form of building contract by CLTs and housing associations. This procurement method involves the CLT passing on design responsibility for the scheme to the contractor, essentially allowing the contractor's expertise to manage the project from design to construction and completion.

The form of the building contract will be described in some detail to assist a CLT in making the decision as to whether it wants to take on this process itself or delegate it to a partner. In the event that a CLT negotiates with a developer over homes already on site and a development agreement is to be used rather than a JCT contract, it is also useful to consider the design and build contract as a template and endeavour to include as many of its provisions as possible into a development agreement. (See: Off the shelf /turnkey section below.)

Key elements of the contract

It is usual for the CLT to appoint its own architect to secure detailed planning permission. By doing this the CLT, which will have consulted widely on design, can stay in control of external design and tender prices will not be inflated by contractors pricing the unknown risk of onerous and expensive planning conditions. The contractor will still be responsible for internal designs and risks associated with securing building regulations approval and design and adoption of roads and services. Post tender a contractor may choose to employ the original architect to achieve some continuity of design or may employ its own designer. As there are contractual implications for the CLT if it insists on the use of its architect, best advice would be to leave the decision to the contractor.

Full information from all site surveys and investigations must be provided to tendering contractors to avoid them pricing in extra sums for risks of unknown conditions or including provisional sums in a tender. A design and build contract can be negotiated but if the CLT does not have figures from recent tenders to use for comparison it would be difficult to demonstrate that the negotiated price was competitive.

A design and build contract includes a **fixed price** and a **fixed contract completion date**. The CLT has good cost and time certainty and all on site risks are borne by the contractor. The CLT should avoid making any changes once in contract as these could be very expensive. Payments will be made to the contractor by **monthly valuation** or by **stage payments** giving a steady cash flow profile for the CLT.

The contract documents

A quantity surveyor, acting as the employer's agent (EA) for the CLT, will take responsibility for collating the contract documents. Included in these will be the employer's requirements. These are based on the CLT's design brief but the employer's agent will support the CLT in ensuring that everything the CLT requires in terms of standards and performance of specification and design is included here. The contractor puts together the contractor's proposals. These should reflect the CLT's requirements and it is the role of the employer's agent to advise the CLT if there are discrepancies as this could give rise to disputes during the contract. Both these sets of documents are very important and checking prior to signature is essential. A detailed breakdown of the contract sum, the planning drawings and the signed JCT contract will complete the documentation.

By the time a building contract is signed and a start on site is imminent it may be a good time to have a party. Staging a 'sod turning event' can be another opportunity to involve the community and stakeholders in celebrating the realisation of your vision. Contractors are

usually very happy to be involved and share publicity and might be able to contribute to the hospitality budget.

Managing the scheme on site

Once the scheme is underway it should proceed through logical steps, with a range of scheduled checks and balances in place. This will ensure that anything that does stray off target can be addressed quickly and that the project completes successfully.

Monthly site meetings

Once work has begun on site the EA will organise monthly site meetings with the contractor. The business of these meetings is to monitor progress, agree the proportion of the contract due for payment, answer any queries and ask about progress over adoption procedures and help the builder overcome any difficulties. The contractor is required to produce reports of inspections by the National House-Building Council (NHBC) or equivalent organisations, which will provide the construction warranty and building regulation inspection reports. It is also the opportunity to observe and check on the build quality. In agreeing the valuation certificate for works done to date there is an acceptance that the building is being developed in accordance with the contract. If the build quality is inadequate payment will be refused until work is re-done or repaired or in an exceptional situation the contract can be determined.

The contractors should provide a detailed works programme which covers all the main aspects and demonstrates completion within the agreed timeframe. This can then be used to monitor progress during the build process.

Monthly payments

The JCT contract will normally state that payment is due to the contractor within 14 days of issue of the valuation certificate. Failure to pay the certificates on time is a breach of contract. The CLT must ensure that necessary

funding/signatory arrangements are in place in order that these monthly certificates can be paid on time. If the CLT is not sure that a 14 day payment period can be met it may be possible to agree a 21 day period with the contractor but this must be agreed and entered into the JCT contract before it is signed and sealed. No monthly payments should be made before the JCT contract is signed.

The provisions of the contract will require the contractor either to provide a performance bond of up to 10% of the contract sum or insolvency cover and it is important that the employer's agent is satisfied that these, plus the contract warranties discussed below, are in place before a first payment is authorised.

It should be noted that the taking out of multiple bonds impacts on the borrowing capacity of contractors and in a difficult borrowing climate the CLT may well be prepared to accept insurance against insolvency as an alternative protection against the business collapse of the contractor. The best protection of all is, however, detailed scrutiny of the financial strength of the contractor before entering the contract.

Insurance and collateral warranties

Under the terms of the contract, from the date of possession of the site, the contractor is liable for the insurance of the site and the building works. Any site insurance taken out by the CLT should be suspended and be re-instated from the date of practical completion but the CLT should check with its insurance broker to check that there are no gaps in cover.

The employer's requirements will have stated that collateral warranties for the benefit of the CLT are required for all major designers/suppliers providing services to the contractor e.g. timber frame suppliers, heating system designer/suppliers but excluding in house designers. The employer's agent should require these to be produced before the first site meeting.

Claims for additional costs and delays

Under a design and build contract claims by the contractor for extra costs should be rare as the contractor is responsible for the final design and specification and accepts risk for unforeseen situations. The contract will specify agreed causes for delay which might mean an extension of time would be granted but these will be very specific and need formal evidence e.g. adverse weather with the provision of meteorological reports, or delays by statutory authorities with evidence of the same.

In the employers requirements CLTs should avoid the specification of named products or suppliers and instead seek performance standards. If the contractor experiences delays by a specified supplier or product he could make a claim against the CLT. The CLT should also be aware that if it seeks changes in specification or design in the course of the contract the contractor is entitled to claim for additional costs and will certainly do so!

On the CLT's side, the contract will specify a sum for "liquidated and ascertained damages" known as LADS. These are the actual weekly costs the CLT will incur from a delay in completion. This is normally the weekly interest cost or the weekly loss of rent, if more. These are deducted from certificates due if the contract completion has been delayed.

Handover and defects

When the scheme is nearing completion, the contractor will arrange a site meeting with the CLT's professional team to agree whether the works meet the required build standard and agree a list of remaining works that must be completed or remediated (snagging list) before a handover of the scheme can be agreed. The CLT will have almost certainly sought zero defects in their employer's requirements and will re-state this.

It should also be noted that the employer's requirements will have asked for numerous specific guarantees, certificates of inspections, confirmation of compliance e.g. planning

conditions, building regulations, a tenant's information pack etc. all to be available at handover. If homes are to be let or marketed/sold immediately after handover it is essential that the contractor complies with these documentary obligations of the contract as well as the physical construction before handover is accepted.

A date is agreed for handover by which date all snagging items should be completed. At the handover meeting on site, the list is checked and if the CLT and professional team are satisfied with the final work, handover is accepted and a **practical completion** certificate issued.

Defects liability period

This is a period after practical completion in which the CLT can require the contractor to return to site to correct any omissions or defective work. The contractor cannot be held responsible for any defects which are not related to the contract or any which have been caused by resident misuse. A typical defects period is 12 months and if less should at least cover mechanical and electrical plant for 12 months.

A sum of money 'retention' is kept back from the monthly certificate payments against failure to remedy defects. In this event the sum would be used to employ another contractor and would be deducted from the contract sum.

Towards the end of the defects period the CLT and professional team should contact residents to request access for the team and contractor to inspect and list any remedial works to be done. Once these have been rectified and checked, the employer's agent will issue a statement confirming this and advise the CLT that the retention should be released to the contractor. Depending on the size of the original contract this may be a large sum of money and the CLT should ensure it has the funds available in good time.

The contract will have also specified that a 10 year guarantee is provided by NHBC, Premier or Build Zone or equivalent. This guarantee covers construction defects and not maintenance.

Summary

The design and build contract gives good certainty of cost and time. There is also scope to secure the quality standards a CLT needs and monitor progress on site. The contractor takes on design and construction risk, reasons for disputes are minimal and there are provisions for claims by the CLT for delayed handover and rectification of defects.

Several CLTs have successfully developed schemes acting as client e.g. High Bickington Community Property Trust and Buckland Newton CLT. Their case studies and comments on the process can be found on the "See it and Believe it" section of the CLT Network site: www.communitylandtrusts.org.uk

Traditional or conventional contract

Under a traditional contract responsibility for the entire design and specification is separated from the construction process. The architect appointed by the CLT provides detailed drawings, secures planning permission, and produces a specification of works. Bills of quantities are prepared by a quantity surveyor who is also employed by the CLT. Some professional practices can provide both design and cost services. Following a tender and negotiation the CLT appoints the contractor to construct the works to the design and specification for a contract sum and a set completion date. The builder on site has therefore a complete set of instructions to follow and is only responsible for the build quality of the scheme.

Liability for design, appropriate specification and road and service adoption design and procedures rests with the architect as lead consultant. Other professional consultants provide supporting services to the architect but are appointed by the CLT. Frequently the architect acts as contract administrator too.

There are three forms of JCT contract available and the standard provisions in respect of monthly site meetings, payments following valuations and contractor responsibility for site insurance and safety apply. Defects period and handover procedures are similar to those in the design and build contract.

Pros and cons of the traditional contract

The CLT has a very large input into the design process and signs off all plans. The CLT (through its consultant) is in control of administrative matters relating to the contract. There is scope within the contract to make changes during construction for an agreed rate, but if the design phase is rushed or incomplete, unreasonable time targets are set or tender documents are incomplete there is a potential time and cost risk for the CLT. As full documentation is needed prior to tendering, the overall programme for the scheme may be long.

With a contract sum stated in the contract there is a reasonable expectation of outturn cost but no certainty. The figure will be adjusted throughout the contract and the final cost will not be known until contract completion. There is scope for disputes to arise over cost over-runs and delays in issue of instructions by the architect and where responsibility lies for problems. During the defects period disputes may also arise over liability for cost of remediation in a specification versus quality of build debate.

Off-the-shelf and turnkey

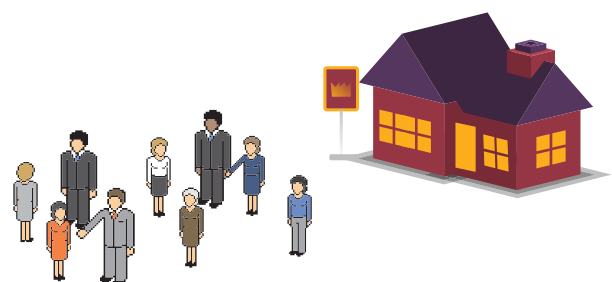
If a developer is building a large residential scheme there may be an opportunity for a CLT to purchase homes as part of the affordable housing quota prescribed in the planning permission. By definition the homes are already designed or even partly built. If the CLT is able to negotiate with the developer early enough, it may be possible to incorporate changes to internal specification and minor exterior provision e.g. sheds, to bring the homes closer to the CLT's design brief but it is unlikely that

external layout and appearance can be changed if planning is approved. If possible the CLT should seek to persuade the developer to enter a **development agreement** which could then include most or some of the provisions of the employer's requirements in the design and build contract and allow for stage payments but it is likely that the developer will want to use its standard conveyance contract.

The CLT has limited control over design and quality and is unlikely to achieve its own or HCA quality standards but can purchase quickly for a fixed price. In a turnkey arrangement there is one final payment on completion of the homes and the CLT would need to know it could access the whole purchase sum for an agreed date.

There will still be the need for the CLT to organise a handover inspection to be carried out by a building surveyor and establish the arrangements for dealing with defects during a period of 6 to 12 months. Evidence of building guarantee will also be required and a full range of completion certificates and any legal guarantees. If the homes are not yet built it might be possible for the CLT to have some involvement in inspecting and recording the work as it proceeds.

Theoretically off-the-shelf sounds a less attractive procurement form than ones allowing more CLT design input, but when the developer is a housing association with similar high quality standards and there is an early and close working relationship, a very efficient and successful scheme can be achieved, as for example Wickham CLT in Hampshire working with Hyde Martlet housing association. See: www.wickhamclt.org.uk



Management contract

Rather than employing a single main contractor, in this form of contract the CLT employs a site manager who organises the work through a succession of subcontractors, in effect taking on the role a developer would play. This type of contract requires a very large input from the CLT and virtually no opportunity to share risks and is more usually used in commercial development.

Self-build and Self-finish

One way to reduce development cost is a self-build approach. A self build contract involves potential residents putting in their own time to work on the construction of the homes, thereby reducing some (or in some cases) all of the labour costs. The self builders in effect become the contractor or one of the subcontractors and a site manager is employed to support, advise and supervise them.

The homes should be designed with self builders in mind i.e. simple design and the self builders should be identified at the earliest possible stage. The CLT would need to ensure that the self builders understand the considerable demands on their time and receive appropriate pre-contract training.

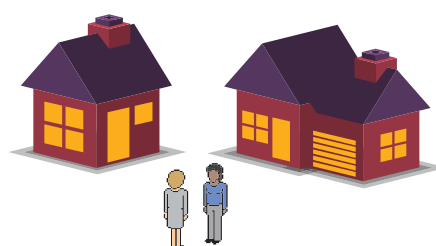
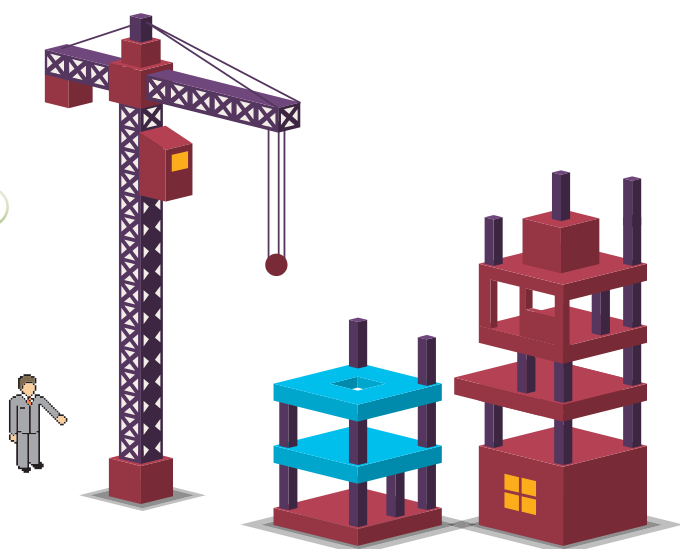
With self-finish, the self-builders complete certain works e.g. kitchen/bathroom fitting, decoration and tiling and either buy or rent the partly completed home with a requirement that they then act as subcontractors to the main contractor for the self finish component.

A good example of a self build CLT scheme is that developed by St Minver CLT in the village of Rock in Cornwall. In the first scheme 12 residents were sold plots with planning permission and with foundations and timber frames already constructed and the self builders completed the homes. A project manager was appointed to oversee the self build work and the houses were completed on time and on budget. A second phase of eight self-finish homes at St Minver was subsequently completed in March 2012 in partnership with Cornwall Rural Housing Association. In each phase none of the residents was allowed to move in until all the homes were complete. For detailed information about the St Minver project see: www.crha.org.uk/cclt/cclt.html. More general information about self build projects is available from the Community Self Build Agency's website: www.communityselfbuildagency.org.uk.

Refurbishment

CLTs choosing to undertake a refurbishment project would be advised to use a traditional JCT Minor Works Building Contract with contractor's design for works up to the value of £250,000 and a JCT Intermediate Building Contract with contractor's design for larger contracts. The CLT, working with a professional team of designer and architect, would write a specification and client design for the works to be tendered and built. There is a considerable degree of cost and time risk in any refurbishment contract particularly with very old buildings and a contingency sum must be included in any contract.

For more information on procurement and building contracts visit the Constructing Excellence in the Built Environment website: www.constructingexcellence.org.uk and the JCT website www.jctltd.co.uk



Partnerships with housing associations and developers

A CLT does not necessarily have to take on the whole responsibility for development of a scheme. Depending on its attitude towards involvement and risk it may wish to partner with a housing association to undertake some or all of the development. For the development of a large urban scheme a partnership with a national developer and /or a housing association might be appropriate.

Housing associations can be viewed as natural partners for community groups. Like CLTs housing associations are not-for-profit organisations that provide affordable homes as well as vital services for communities, such as employment, training and activities for young people. Many housing associations share the same mission and purpose of many CLTs in providing good quality affordable homes. Housing associations are specialists in all aspects of affordable housing and bring that expertise to any partnership arrangement.

Finding the right partner

It should be noted that not all housing associations will be able to devote the time and resources to working with a CLT and CLTs need to seek out those with an enthusiasm for partnership working. The National CLT Network can provide a list of potential housing association partners or there may be a local CLT umbrella organisation that can help to broker a partnership (see Chapter 2.3 for details).

A partnership with a housing association is potentially for the long term and a clear understanding of the respective roles and responsibilities of the partners is essential. Some CLTs have found it useful to set out their aims, vision and expectations of a partner into a **partnership brief** and this can inform any future legal agreement with a housing association.

Some of the mutual benefits of a CLT and housing association partnership are shown below.

Benefits to CLTs of partnering with a housing association

- **Access to experts** – staff in housing associations are specialists in all aspects of affordable housing.
- **Access to financial capacity** – housing associations that develop sites have sizeable loan facilities with mainstream lenders.
- **Ready access to grant** – housing associations that develop are already approved Investment Partners with the HCA, solving the need for the CLT to qualify as an Investment Partner themselves.
- **Reputation with local authorities** – housing associations are known to be strong, well regulated organisations, often with tenant and community representation on their boards.
- **Regulation** – housing associations will be registered as Registered Providers with the HCA and have the capacity to handle a range of regulatory obligations.
- **Risk management** – housing associations are experienced at managing risk.
- **Capacity building** – housing associations may be able to provide training for CLT boards as well as financial modelling, thereby building the internal capacity of a new CLT.

Benefits to housing associations of partnering with a CLT

- **Reputation with communities** – housing associations can develop deeper relationships with communities through the democratic nature of a CLT.
- **Providing more affordable housing** – links with CLTs help housing associations increase the supply of affordable housing, meeting a wider range of needs.
- **Access to land** – some landowners would rather entrust their land to a local CLT than a housing association.
- **Access to funding** – the HCA has reserved some funds for community-led housing development. CLTs can also access other streams of funding, including community shares.
- **Helping meet government priorities** – the Localism Act gives powers to communities to share their area and bring forward development.
- **Innovation** – housing associations can be at the forefront of this new way of working with communities.

Development partnership models

Several recent partnership models with housing associations and developers have begun to emerge. It should be borne in mind, however, that there is a trade-off for a CLT in delegating part or all of the development process to a partner. Risk, reward and control are closely related and if they are passed to another organisation the CLT should be prepared to accept a lower level of income and to exchange control for influence, though it might be possible to regain control in the future by reimbursing the partner for its development expenditure.

A publication on partnerships, “Trusts and Association: Partnerships between Community Land Trusts and Housing Associations” has been produced by the National CLT Network and the Somerset, Devon and Dorset CLT Project. It includes case studies of partnerships and a partnership options appraisal which compares partnership models in terms of risk and return to a CLT. It can be downloaded from the National CLT Network website www.communitylandtrusts.org.uk

We will consider consortia partnerships using public land, development or service level agreements, leasehold partnerships and shared site partnerships in this section.

Partnerships using public land

Chapter 2.2 describes the early history of East London CLT, set to be the London’s first CLT. It has now partnered with Galliford Try as developer and Linden Homes as contractor to develop St Clements Hospital site in Mile End east London, a 4.5 acre site currently owned by the HCA. With a development on this scale a consortium approach is appropriate and may well establish principles to be taken forward into future projects and by other urban CLTs. For details see: www.eastlondonclt.co.uk

On another HCA owned, derelict hospital site at Cashes Green in Stroud, Gloucestershire Land for People (GLP), acting as an umbrella CLT, has formed a partnership with Hab Oakus. Hab Oakus is a joint venture between Hab, the development company founded by Kevin Mccloud of Grand Designs fame and the Green Square Housing Group. As Chapter 7 sets out, when development negotiations for this mixed private and affordable housing site are complete it is anticipated that recently formed Cashes Green CLT will take on long term responsibility for the affordable housing. Further information can be found online: www.cashesgreenc.lt.org.uk

Development or service level agreements (SLA)

In a partnership where a CLT owns the land and wants to secure specific services from a housing association a **development agreement** or **service level agreement (SLA)** is needed which sets out the respective roles in the partnership. A CLT intending to use a SLA must take legal advice and be very clear about the service and quality of service it requires. A model memorandum of understanding is available on the National CLT Network website see: www.communitylandtrusts.org.uk. The National CLT Network is also developing a model agreement.

The Holy Island of Lindisfarne Community Development Trust (HILCDT) entered into a service level agreement with Four Housing Group housing association which covered both the construction phase and management of 4 homes on land in the ownership of the Trust. The scheme secured HCA funding and completed in 2010. In the case study on the National CLT Network website, trustees admit that they were breaking new ground in drawing up their SLA agreement with Four Housing Group. For more detailed information see: www.communitylandtrusts.org.uk – rural case studies, and www.4hg.co.uk.

Leasehold partnerships

This form of partnership is based on a CLT owning the land and the housing association developing the site and managing it on a long term lease. The CLT will expect to achieve a smooth development, procurement and management function by delegating the risks and responsibility to the association but will also waive rental income other than ground rent, and will exchange control for influence. The quality of the trust and mutual understanding of the two parties is critical to the success of this type of partnership. The CLT has a leaseback option and might be able to buy back the properties in the future by reimbursing the association for its development expenditure but this may not be financially feasible.

The following model documents are available to download on the National CLT Network website:

- A lease between a CLT and housing association with a break clause
- A partnership agreement that sets out the ongoing working relationship to supplement the long term lease.

Two useful case studies of CLTs which have agreed leasehold partnerships are Worth Community Property Trust with Synergy Housing Group and Symene Community Land Trust with Hastoe Group. Both partnerships are based in Dorset and both secured HCA funding. Brief details can be found in the publication “Trust and Association” on the National CLT Network website: www.communitylandtrusts.org.uk/resources/publications

CLT and housing association/developer partnerships using shared sites

Cornwall Community Land Trust (CCLT) a countywide umbrella CLT and Cornwall Rural Housing Association (CRHA) have formed partnership arrangements which have been used extensively by Cornish CLTs. Under the terms of these agreements the housing association acquires the site and develops and owns the rented homes and builds homes for equity sale or to “weather tight”, for self builders, on behalf of the CLT. The CLT holds pre-emption rights to buy back properties and there are resale price covenants on the equity sale homes. With two small organisations coming together, the CLT benefits from the housing association paying the initial development costs and procurement expertise and both organisations benefit from economies of scale.

This model has been used successfully in Blisland where CRHA built seven homes for rent and CCLT sold 6 homes to local people at a discounted sale price on the same site. Other examples of this form of partnership include St Ewe Affordable Homes Ltd and CHRA in St Ewe and CCLT and CRHT in St Teath. Details of these schemes can be found on the CRHA website: www.crha.org.uk/cclt/cclt.html

Cornish CLTs have also partnered with developers to share small sites in the Lizard and Luxulyan and details of these are also available on the CRHA website.

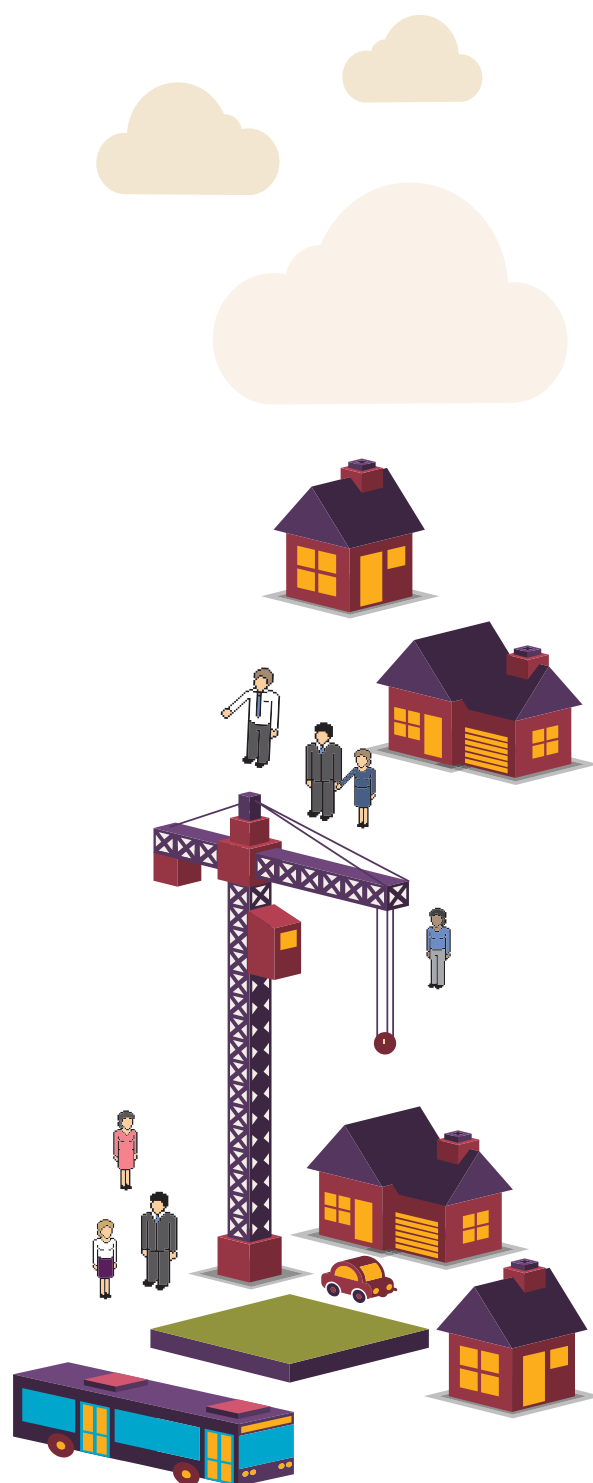
And finally... a word about risk

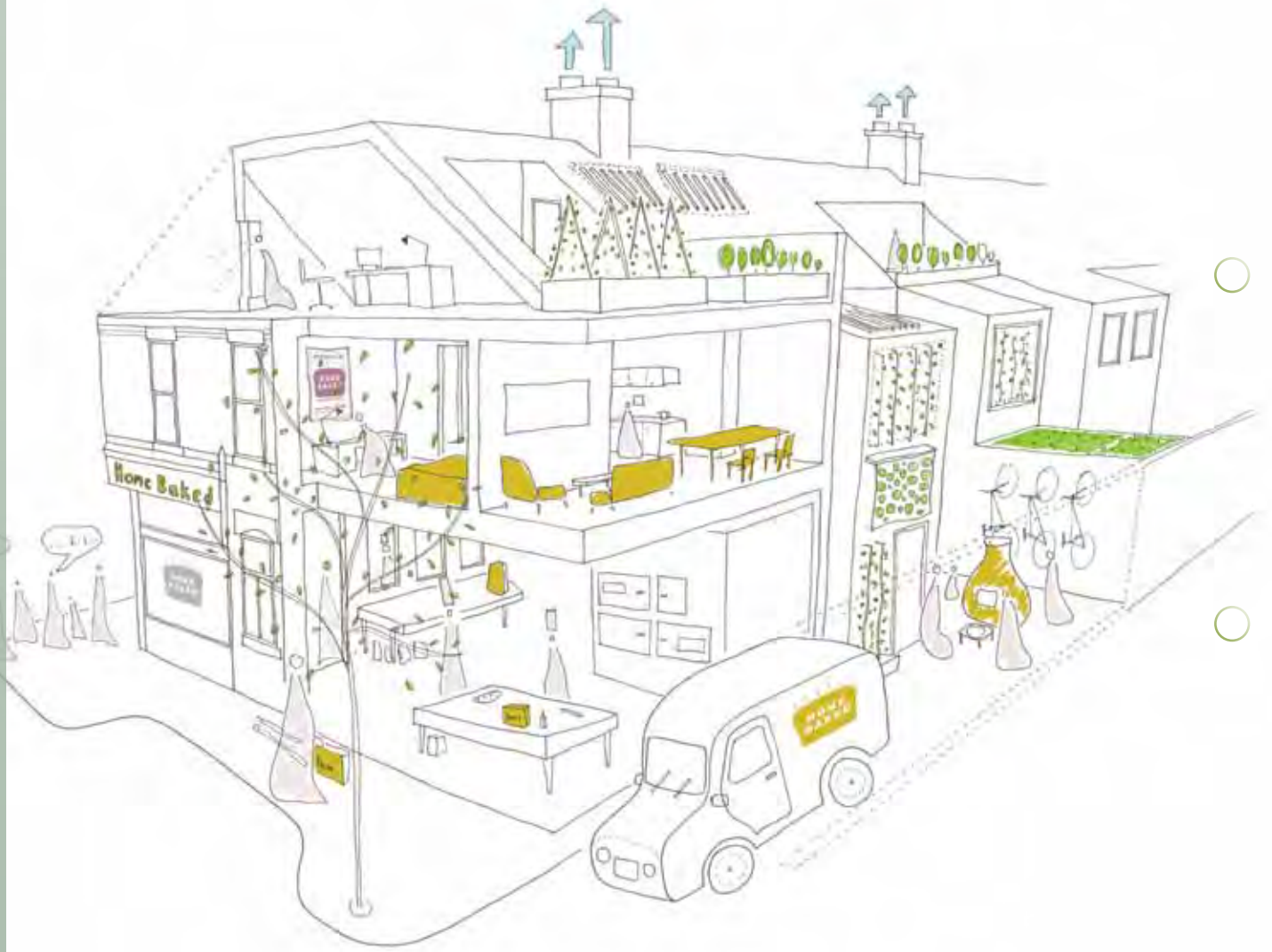
Construction represents the single largest capital cost in any housing project. It can be up to 70 -80% of the total budget. Even a small cost over-run can mean the difference between a viable and a non viable scheme. The construction phase also determines the quality of the project and, therefore, its long term maintenance cost. A scheme built to budget may prove unviable in the long-run if its maintenance costs are too high to be supported by the rental income.

Developing and building out a site is a complex, expensive and risky process. For a CLT which might be developing only its first or second housing scheme or community building, the risks must be very carefully managed. Unlike a developer or housing association, a CLT does not have the benefit of a large portfolio of projects where 'swings and roundabouts' can be balanced out. Every project must be a success on its own terms.

Each CLT will have a different approach to risk and it is important to determine what this is at the outset. Some CLTs may be happy to undertake the whole development process with minimal input from other agencies and in return enjoy sole control and anticipate full financial return. At the other end of the spectrum a CLT may wish to delegate development, procurement and maybe also management risk to a housing association partner and to accept a minimal level of income and to exchange control for influence.

Across the country CLTs are successfully building community schemes on both an independent and partnership basis. It is clear that there really is no 'one size fits all model' for development and procurement but a range of development options is beginning to emerge and it should be possible for CLTs to identify a route best matching their appetite for involvement, control and risk.





Plans for Homebaked CLT, Anfield, Liverpool