

Public Private Partnerships for Funding Affordable Housing Developments in New Zealand

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Executive Summary

The purpose of this report is to provide an overview of some of the different models that have been used successfully overseas for affordable housing and identify ways forward for partnership models for affordable housing in New Zealand. In Part 1 the report considers why partnerships are of interest when seeking new approaches to increasing the provision of affordable housing, notes recent initiatives in New Zealand based on a partnership approach, and identifies key components for partnerships to achieve affordable housing.

Some of the following factors are likely to be essential *key components* for any affordable housing partnership to achieve the desired affordability outcome – that is housing that is affordable for the target households.

- Access to land or property at reduced cost – including discounted market price, leasehold, deferred payments and the effect of planning policy
- Access to finance such as grants, deferred loans or loans at below market interest rates
- The incorporation of debt finance based on a net income stream
- Management expertise: particularly the capacity to manage development risk and ongoing-management risk
- Non-profit, charitable or community trust status of housing organizations: enabling profits to be foregone; accessing finance on more-favourable terms; and maximizing tax exempt status
- A broader range of household incomes for the household group being targeted, including moderate-income households.
- Opportunities for cross-subsidisation within and between development(s)
- Good quality design that is highly energy and water efficient to minimize residents' outgoings.
- Local Council support through the planning process and through contributions to the partnership of resources and/or implicit subsidies.
- The support of the local community
- Mechanisms that retain the housing as affordable into the future.

Part 2 provides a wide range of overseas case studies that illustrate some of the different partnership models that are being used to establish successful affordable housing schemes. International examples cannot be directly replicated in New Zealand because of differences in housing markets, policy contexts and the like. But they can be used to identify potential opportunities here and stimulate thinking and action in new directions.

The case studies demonstrate that a wide variety of different partnership models for increasing the provision of good quality affordable housing are possible. All of the case study partnerships make use of one or more of the first three key components:

- either land (or property) being available at below market rates, or deferred payments or leasehold
- and / or finance being available in the form of grants, loans at below market rates or deferred interest on loans
- and / or the incorporation of debt finance based on net income stream.

Where only one of these three key components is used, the schemes rely on some form of cross-subsidisation from market-rate development or provide affordable housing for shared-ownership for moderate-income households. Whilst a number of the partner housing associations have adopted *not-for-profit* status resulting in reduced development costs, the adoption of *non-profit charitable* status may be a critical component for some partnerships, especially if targeting low-income households, in order to access finance on favourable terms and tax exemptions.

Whilst energy- and water-efficient design costs more to develop, it also appears to draw in a range of finance from organisations interested in sustainable development. This increases the value of the development and may make it easier to access private sector financing.

Retention as affordable is an important component of almost all of the case studies. This recognises that many of the partners are supportive of the wider community interest (that is the provision of affordable housing for social investment, community and economic development reasons) and not necessarily for individual households to achieve a capital gain.

A number of the case studies not only provide affordable housing but have also achieved some wider community benefit: from the provision of community facilities and small start-up workspaces, to less tangible social benefits such as social capacity building, a safer urban realm, and training and employment opportunities.

In Part 3, the key components of affordable housing partnerships and lessons learnt from the case studies are brought together to consider the situation in New Zealand. Whilst almost all of the eleven key components exist in some form in New Zealand, there are some quite severe limitations, particularly in terms of the availability of funds and land at reduced costs, management expertise, responsibilities of local councils, and retention mechanisms.

Part 3 goes on to propose ways forward for public-private and non-profit partnership models for affordable housing. Three inter-related steps are considered: establishment of objectives and targets; identification of potential partners and resources; and selection of the appropriate model for each scheme.

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Introduction

With increasing concerns about housing affordability, for low-income and moderate-income households, we need to think outside our current primary models of housing assistance, that is central government provision of state houses and the Accommodation Supplement. Partnerships between organisations from the public, private and non-profit sectors provide new models for delivering affordable housing. We can learn from experiences with partnership models in other countries, such as England, Australia, the USA and Canada, to identify key characteristics of these models that might be appropriate for use in local housing markets.

New policy directions for increasing the supply of affordable housing in New Zealand, including public-private partnerships, an expanding role for the community sector, new types of tenure such as shared-ownership and the introduction of affordable housing contributions by developers, were foreshadowed in the NZ Housing Strategy in 2005. Local councils are recognizing the important role that partnerships can play in the delivery and management of affordable housing. For example, partnerships and collaborations are identified as central to Christchurch City Council's Social Housing Strategy, 2007.

The purpose of this report is to provide an overview of some of the different models that have been used successfully overseas for affordable housing and identify ways forward for partnership models for affordable housing in New Zealand. In Part 1 the report considers why partnerships are of interest when seeking new approaches to increasing the provision of affordable housing, notes recent initiatives in New Zealand based on a partnership approach, and identifies key components for partnerships to achieve affordable housing. Part 2 provides a wide range of overseas case studies that illustrate some of the different partnership models that are being used to establish successful affordable housing schemes. International examples cannot be directly replicated in New Zealand because of differences in housing markets, policy contexts and the like. But they can be used to identify potential opportunities here and stimulate thinking and action in new directions. In Part 3, the key components of affordable housing partnerships and lessons learnt from the case studies are brought together to propose ways forward for public-private and non-profit partnership models for affordable housing.

Part 1. Affordable Housing Partnerships: an introduction

Why consider partnerships for the provision of affordable housing?

Partnerships occur when two or more organisations agree to work together to achieve shared or complementary housing objectives. The partnership can take many forms. It can be based around joint investment or resources, such as time, expertise, information, funding, development sites and materials; it can be based round joint risk-taking and benefit sharing; or it can be based round shared responsibility and authority. (CMHC, 1999)

Partnerships can be very diverse ranging from short-term project-specific to long-term formal or informal arrangements concerned with ongoing relationships or policy development. Partner organisations can be involved in advisory or consultative capacities or in collaborative partnerships involving joint activity and decision-making in joint ventures. Partnerships for funding affordable housing may be used both for the creation of the fixed asset (bringing together land, capital, and expertise) and for ongoing management and maintenance.

Partnerships may result in the achievement of complementary goals by using innovative funding and tenure mechanisms, maximising the effectiveness of limited resources, learning from partner organisations, leveraging investment, and minimising risks by sharing. Whilst contributions to partnership ventures may be greater than in normal business transactions, the benefits may be greater and more diverse. But partnerships are also likely to be time-consuming, involve complex arrangements, and be difficult to manage not least because of differing levels of commitment to the project and the possibility that unequal resources may lead to disputes. (CMHC, 1999)

So why do it? For a community organisation or a local council that seeks to increase the provision of affordable housing, partnership with a private sector organisation can increase the resources, finance and expertise available for the project, enable the project to reach a wider pool of target households, and reach potential supporters and additional partners. The case for private sector businesses to get involved is less clear, not least because of the diversity of these organisations; including landowners, developers, construction companies, suppliers of building materials, professional services, housing management and real estate companies, financial institutions, employers etc. Some of the reasons why businesses can benefit from involvement include generating financial returns and a competitive edge from innovative projects; accessing funding sources that would otherwise not be obtainable; enhancing company reputation by demonstrating social responsibility and / or commitment to a community; and opportunities for staff development and positive effects on staff recruitment and retention. (BITC, 2003)

Not all partnerships will be successful. Appendix C provides a set of evaluation questions that all potential partners should consider before entering into a partnership agreement.

Some Recent New Zealand Initiatives for Affordable Housing

New Zealand has had some recent experience with collaborations and partnerships to increase the provision of affordable housing. Housing New Zealand Corporation's Housing Innovation Fund includes a fund for Local Government that has been

accessed by a number of councils to renovate and increase the supply of pensioner housing. The Community component of the Housing Innovation Fund has provided funding to community housing organisations for a number of affordable housing projects, in a variety of partnerships. For example, the Nelson Tasman Housing Trust (NTHT) received \$1.25 million from the HIF (70% of the capital costs of a project as a loan and 15% as a development grant) and a further grant from the Canterbury Community Trust (to cover the remaining 15%) for 4 new-build two-bedroom dwellings and 2 family houses, to be rented out by NTHT at 80% of the market rent. The new-build dwellings won an award from the Registered Master Builders for their energy efficiency.

For further information:

www.nelsonhousing.org.nz

In the last couple of years, several innovative partnerships for affordable housing have been proposed. One example is the Mission in the City project – a partnership between Auckland City Mission, St Matthews in the City, ASB Trust, HNZC and Auckland City Council. The proposal for the 4300 sq m site in the city centre, currently occupied by the Auckland City Mission and St Matthews car park, includes 5 floors of underground carpark, a community hall and a new square, a childcare centre, church offices and a café, City Mission offices and services for homeless people, and 170 apartments. The apartments are to be built in four buildings each with their own entrance and access, consisting of studios for homeless people, one-bedroom flats for HNZC, flats for single-parent tertiary students, and flats for people attending the adjacent ‘detox’ facility for drug and alcohol addicts. The financial arrangements have yet to be confirmed but it is anticipated that one third of the \$70 million will be covered by the underground parking facility.

For further information:

www.missioninthecity.org.nz

In a third example, Auckland City Council adopted a partnership approach in its Affordable Housing for Working Families Initiative. The City Council introduced a targeted rate for Community Development and Housing from 2005/06 of which \$1 million was allocated for affordable housing partnerships. The Council wished to facilitate increasing the supply of affordable housing whilst avoiding development and management risks, and understood that the \$1 million p.a. of dedicated revenue could fund borrowings of \$9 million spread over four years. The preferred approach was a programme facilitating ownership for first-home buyers through physical development of housing. In 2006, a memorandum of understanding was signed with a private development company McConnell Property (for developments of 20-40 units, a mix of affordable and market-rate dwellings) and a heads of agreement with the charitable trust New Zealand Housing Foundation (NZHF) for smaller-scale developments of 10-20 units. The NZHF had to change its trust deed to maintain tax exemption status with the Charities Commission. An assisted home ownership programme agreement was made in 2007: for the council to provide \$9 million (in either cash or land) over 4 years; for NZHF to leverage the council investment to deliver around 100 dwellings and manage households into ownership; with McConnell Property as a strategic partner. A council-owned site was identified for sale to NZHF for the first development. Following Council elections, the agreement is being re-negotiated to provide a reduced assisted homeownership programme.

For further information:

www.aucklandcity.govt.nz

What are the Key Components for Affordable Housing Partnerships?

Some of the following factors are likely to be essential components for any affordable housing partnership to achieve the desired outcome of **affordability** – that is housing that is affordable for the target households.

- Access to land or property at reduced cost – including discounted market price, leasehold, deferred payments and the effect of planning policy
- Access to finance such as grants, deferred loans or loans at below market interest rates
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- The support of the local community
- Mechanisms that retain the housing as affordable into the future.

All of the overseas affordable housing partnerships described in the following case studies achieve affordability by making use of a number of these key components. In addition, case specific factors, such as public funds for social investment that can leverage in private sector finance, and environmental features that attract support from 'green' investment funds, have been usefully employed.

Part 2. International Experience with Affordable Housing Partnership Models

This section of the report briefly describes some of the local context and relevant policies for partnerships for affordable housing followed by a number of case studies from England, Australia, the USA and Canada.

The case studies show that the expectations of the private sector (landowner, developer, building supplier etc), the non-profit sector (be it community group, non-profit housing association, or a community enterprise organisation) and the public sector (various government agencies and local councils) can be accommodated whilst providing affordable housing. The case studies are wide ranging in terms of degrees of formality and complexity of partnerships, scales of development and types of involvement (from project initiation through ongoing management). The selection of case studies is not intended to be comprehensive or exhaustive of all possible partnerships – indeed, in the USA alone, there are thousands of different partnership arrangements for the provision of affordable housing.

England: The Context for Affordable Housing Partnerships

In England the main policy measures for funding and resourcing development of affordable housing are the Social Housing Grant (SHG) and local council planning policies, particularly affordable housing development contribution requirements and agreements (often referred to as *Section 106* or *quota sites*) and the use of *Exception sites* in rural areas.

SHGs are funded by the Housing Corporation and are normally channeled through non-profit housing associations. SHGs are only available to non-profit organizations, and place requirements on household eligibility; form of tenure (for example the proportion of equity available for households to purchase in shared-ownership tenures); and ring-fencing of the subsidy should the dwelling be sold.

On Section 106 quota sites, a residential developer has to provide a percentage of affordable housing to get planning consent for the whole development. Planning conditions, the requirements of SHGs and the involvement of housing associations (as landlords or shared-owners) are all mechanisms that retain the housing as affordable into the future.

Rural Exception sites are sites in communities of less than 3,000 people that often lie outside the 'development envelope' and can only be developed as affordable housing for local people. Usually there is no market-rate housing associated with these developments, but there are requirements to establish local housing need and the eligibility of local households. Affordability is achieved because the land's value (determined by its Exception site status) is lower than a similar site with planning permission for market-rate housing. The associated planning agreements, the use of SHGs and the involvement of non-profit housing associations retain affordability.

In high price housing markets, the SHG may not be sufficient to deliver affordable rental housing even for non-profit housing associations. The government is encouraging shared-ownership. If a portion of any scheme is in shared-ownership the housing association will receive some money immediately on purchase, whereas rental income may take years to cover the development costs. And some new

models for funding are being utilised that either involve partnerships with private sector and community organisations or provide cross-subsidisation within the development.

With cross-subsidisation, some of the surpluses from the market-based part of the development (be it housing or commercial use) provide a subsidy towards the affordable housing component. The models are based on the ability to get planning permission for a mix of uses and / or a mix of residential tenures including market-rate housing, low-cost owner-occupied housing, shared-ownership housing, and affordable rental housing.

For the most part, housing associations are non-profit organisations, but they are big business in the UK, where they employ 70,000 staff and have over £60bn on their balance sheets. In urban areas, large housing associations deliver and manage housing for low-income communities, and some are becoming increasingly involved as community or social investors, actively involved in urban regeneration and neighbourhood renewal, not just in housing delivery. (Slater, 2001)

In addition, there are over 150 Community Development Trusts in England and Wales (with many more in Scotland and Northern Ireland) with the first appearing in the 1970s. They are very diverse community based organisations or 'enterprises with social objectives', responding to local needs and returning benefits to the community. Development trusts have expertise in asset development, such as renovating buildings or constructing new premises for the provision of community facilities and services; the provision of economic development facilities, such as workspaces for start-up businesses; and the provision of affordable housing. The activities of two development trusts are reported in the case studies following.

For further information:

www.dta.org.uk

In rural areas, a critical aspect in the development of partnerships for providing affordable housing is the role of the Rural Housing Enabler (RHE). RHEs are funded by local councils, housing associations and the Department for Environment, Food and Rural Affairs (Defra). They act independently and work with local communities, councils, lenders and housing associations to identify local housing needs and develop solutions.

For further information:

www.defra.gov.uk

England: Case Studies

The first three case studies are of partnerships that rely solely on private sector finance, without a Social Housing Grant. In the first case study at **Kirkby Lonsdale** a private sector partner finances the affordable housing in return for an income stream and shared-ownership of a long-term asset. At **Tivetshall St Mary**, the partnership, between a not-for-profit housing association, local councils and the developer, make use of cross-subsidisation between market-rate housing and affordable shared-ownership and rental housing. In both cases, land values were low because of Exception site planning status. At **Lingham Court** in Lambeth, the Council provided the site at a discount, the entire scheme was funded by the developer and cross-subsidisation enabled the desired community benefits of supported affordable housing for elderly people.

Kirkby Lonsdale, South Lakeland District, Cumbria, England.

Kirkby Lonsdale lies between the Lake District and the Yorkshire Dales. The local population of 1,800 is facing high housing costs and the South Lakeland District Council has assessed a need for affordable housing.

Northern Affordable Homes (a private sector Housing Association) purchased a 0.2 ha site from the Parish Council and applied for planning permission for 14 affordable homes for local families. Planning consent for one large market-rate house had been refused. The site is on the edge of the settlement outside the development boundary and is a rural Exception site. The developer paid the market value for the site but the land costs was low because of the difficulty of getting planning permission.

Planning permission was given for the proposal with the condition that the housing must remain affordable in perpetuity. The 14 houses were completed in 2005, and were made available to local families in housing need. The South Lakeland Council has the right to nominate and approve the first and subsequent occupants, with eligibility linked to a minimum 5 year residency in the parish or neighbouring parishes, local employment, or employment as a key worker or returnee

The development consists of 14 houses – 10 x 2 bedroom and 4 x 3-bedroom in two terraces. The terrace design not only greatly increased the density on the site but also was in keeping with local traditional buildings. The simple and functional design also contributed to lower construction costs, with the use of a low roof (hipped ceilings), no internal hallway, stone lintels and traditional wooden windows. The simple designs and high standard of building contribute to low overheads.

The buyers purchase a 999-years shared-ownership interest in the house for 60% of the open market value. This approximates to about 3 – 4 times average local household incomes. Purchase price covers build and land costs. A £20 per week ground rent is paid on the remaining share of the dwelling. This rent cannot increase faster than the CPI or equivalent. There is no ability to staircase (i.e. purchase a greater interest share in the property) to ensure that the houses remain affordable into the future.

Northern Affordable Homes Ltd is not eligible to receive a SHG as it is not a non-profit organization. In this and its other affordable housing developments it forgoes any immediate profit and gets its return from the income stream (i.e. the ground rents) and the shared-ownership (a long term asset).

For further information:

www.northernaffordablehomes.co.uk/casestudy.asp

BITC, 2006 “Creating a Sense of Place: A Design Guide”

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

In the following case study, private sector financing, cross-subsidisation within the overall development and a rural Exceptions site combined to not only provide 10 affordable dwellings but also community facilities.

Tivetshall St Mary, Norfolk, England

Tivetshall St Mary is a village of about 600 residents with a primary school with 35 pupils. The local council (South Norfolk District) had undertaken a Housing Needs Assessment in 2002 and found that at least 26 local families needed affordable housing if they were to stay in the area. Hastoe Housing Association (a not-for-profit organisation) was given planning approval for a residential development on a rural Exception site in Tivetshall.

As a result of a partnership between Hastoe, the Parish Council, the District Council and the developer (Danny Ward) the 16 houses were built without any SHG (or direct

public subsidy): 6 were market-rate houses that provided a cross-subsidy for 6 shared-ownership and 4 affordable-rental properties. In addition a new village green and a village pond were created next to the existing village hall and close to the primary school.

Hastoe Housing Association identifies itself as a “social business” with an emphasis on rural communities. It is registered with the Housing Corporation and its projects are eligible for SHG funding, if needed. Hastoe has established a Rural Resource Unit. It is concerned with design that reflects and supports the local character; with efficiency along the supply chain of contractors, consultants and suppliers; and with the potential for partnerships with other Housing Associations to work collaboratively with rural communities. It has developed a model using a 1+1+1 format that is 1 rental, 1 shared-ownership and 1 market-rate dwelling, to create affordable housing without direct public subsidy.

Its dwellings have increasingly good green performance. **Sustainable Homes** has been based at Hastoe Housing Association since 1997. Sustainable Homes provides research and training for housing associations in the UK to improve sustainability performance; it publishes advice and guidance on achieving Eco-homes very good standard for new build and refurbishment.

For further information:

BITC, 2006, “Creating a Sense of Place: A Design Guide”

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

www.hastoe.com

www.sustainablehomes.co.uk

Additional public funding or public subsidy may be available for social investment in community benefits and service provision or for local economic development associated with the housing development. By increasing the potential value of the asset, these additional public funds can enable increased private sector funds for the project and / or enhance the development provided.

Lingham Court, Lambeth, London, England

Lambeth Council owned the site adjacent to a tube station and required that any construction on the site had to meet weight limits imposed by building over the Tube tunnels. The Council wanted a complex of 30 flats for the frail and elderly but this had to be financed by profits from the rest of the site.

The Council agreed to provide the site at a discounted (below market) rate, because of the anticipated community benefits. MHP (the private sector developer) and the Council’s Housing and Social Services Departments worked together on the details of the project. The entire scheme was funded by MHP, at no risk to the Council. No SHG was used.

46 apartments (1, 2 and 3 bedroom) for sale at market rates generated a cross-subsidy sufficient to pay for the construction of the 31 purpose-built flats to be let at affordable rents to vulnerable households, nominated by the Council.

The external appearance of the apartments is identical. A ground floor retail unit, fronting onto busy Clapham Road, provides an income stream.

The development is of interest because of: the degree of cross-subsidisation; the construction methods used because of the constraints of the site; and the design of the apartments for wheelchair and disabled access.

The Sheltered Housing Scheme is run by MHP’s provider StepForward, and the facilities on site are also offered for use to the local retired population, local

community groups etc. A day centre and a luncheon club are open to local elderly residents in the community.

For further information:

www.lambeth.gov.uk

www.mhp-online.co.uk

and “Development Capital” Group 15

www.g15.org.uk/pdf/dev_capital_05.pdf

The following **North Curry** case study has some similarities with **Lingham Court**, although in this case a SHG was used. Additional funding from the District Council and from a neighbouring private sector developer supported the community benefit outcomes, including the renovation of derelict buildings, and the creation of small offices and workshops for start-up local businesses and recreational space.

North Curry, Somerset, England

In 2003, Falcon Rural Housing completed an affordable housing scheme at Town Farm, North Curry, Somerset on a rural Exceptions site. The site contained two derelict barns and some farm buildings. Falcon worked with local people to develop the site, re-using materials so as to provide a new build scheme that was a reproduction of one of the original barns. Where re-use was not possible, sustainable materials were used to ensure that the housing was both environmentally sound and economic to run.

Working with West of England Developments, which was developing an adjacent private housing scheme, and the Parish Council, a joint scheme was developed that provides seven affordable rental homes for local people - 3 three-bedroom houses and 2 one-bedroom flats in one barn and 2 two-bedroom bungalows converted from a former milking parlour on the same site. Falcon Rural Housing Association retains the housing for rent to local people to meet local housing need.

North Curry Parish Council has gained the second barn renovated to provide small offices and workshops for local businesses; a small car park for the public when shopping in the village, and some recreational open space.

Funding was provided by the Falcon Rural Housing (including a Social Housing Grant from the Housing Corporation), Taunton Deane District Council and from the private developer of the adjacent site (West of England Developments) using some of the profits from the market-rate development.

For further Information:

BITC, 2006, “Creating a Sense of Place: A Design Guide”

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

Sites - Land and Property: The first case study, **Bells Bakery in Lazonby**, involves a partnership between an employer and landowner, a non-profit housing association and the local council, to provide housing for local workers. In **Schools Court, Kidford**, a community planning exercise resulted in agreement that a surplus school site should be used for affordable housing, in a mix of rental and shared ownership tenures, with no SHG. Identifying opportunities for affordable housing in the empty spaces above many retail outlets in England is the key factor in the **Thirsk Co-op** and **Holsworthy** case studies.

Bells Bakery: Lazonby, Cumbria, England

The Bakery was established in 1946. A number of its employees are unable to afford to live locally, and as the bakery operates 24 hours a day, it provides company

transport for staff living at some distance. A decision was made to sell land owned by the bakery to Eden Housing Association, at a below market price. The Housing Association (partly funded by a Housing Corporation SHG) developed 5 houses on the land for shared-ownership, with no staircasing allowed past 80% - i.e. the properties cannot be purchased outright by their occupant households. All the houses have been sold into shared-ownership to local people, including employees of Bells Bakery.

Benefits to the bakery include income from the sale of the land, increased standing in the local community, increased employee commitment, and reduced transportation costs for the staff.

For further information:

BITC, 2003, "An Opportunity for Business"

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

School Court, Kirdford, West Sussex, England

In 2001 Kirdford village school was closed. Led by the Parish Council, a Kirdford Action Plan Group was established to determine what should be done with the site. Whilst the group included West Sussex County Council, Chichester District Council, Action in Rural Sussex, and Hastoe Housing Association, the intent was to have extensive community input. A community planning initiative was launched including a Village Drop-In Weekend at the village hall and numerous meetings. The Rural Housing Enabler undertook a Housing Needs Study and a Feasibility Study.

The outcome was agreement that the site of the school buildings should be developed for affordable housing – a total of 16 units, 10 for rent, and 6 shared-ownership, for local people. The District Council gave planning permission for the housing scheme in 2005. The District Council gifted the school playing fields to the Parish Council for open space.

The final design comprised two 2-bedroom bungalows, five 1-bedroom flats, four 2-bedroom flats (all rental) and five 2-bedroom houses. The external design is traditional and is in keeping with the village. The dwellings have been built using timber-frame construction (lower costs) and to high energy- and water-efficiency standards and all have solar hot-water heating. Sustainable Homes is based at Hastoe Housing Association.

For further Information:

www.hastoe.com

www.defra.gov.uk/rural/arh/index.htm

Making use of empty property above shops: In England this empty space is potentially a significant resource for affordable housing developments. Whilst there are some obvious social and economic benefits, issues to consider include the likely costs of renovation or conversion; access for the residents; expected revenue; impacts on property values; and the need for agreements between a number of owners with leasehold properties. The affordable housing provided at **Thirsk Co-op** is rental, and in the **Holsworthy** case is in a form of shared ownership.

Thirsk Co-op: North Yorkshire, England

The space above the co-op supermarket store in Thirsk had been empty since the mid-1950s. It provided no financial income to the owner and cost the owner to maintain, insure and keep secure. The owner leased the space (30 year lease) to a Housing Association, which converted it to 3 one-bedroom flats for a cost of

£100,000. No subsidy or Social Housing Grant was needed. The low market rents (at £300 per month) cover the borrowing costs, management and maintenance costs and provides the owner with an income. The capital value of the property increased as a result of these improvements, (as this is calculated as a multiple of the income generated) as did the council rates.

There are social and economic benefits for the residents in the flats and to the local businesses and improved security, as the flats overlook a main shopping street.

In the UK technical and financial support is available from the Living Over The Shop (LOTS) scheme.

For further information:

BITC, 2003, "An Opportunity for Business"

BITC, 2005, "Making Use of Empty Space for Affordable Rural Housing"

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

www.livingovertheshop.org

Holsworthy Community Property Trust, Torridge, Devon, England

Following community consultation on housing affordability and a housing needs assessment for Holsworthy and surrounding villages in North Devon, the findings were published in 2004 in the Holsworthy Community Strategic Plan. The Holsworthy Community Property Trust was established in 2005 as a non-profit organisation, to provide affordable housing for the local community. It is particularly concerned with the housing needs of young local people. The Trust undertook a renovation scheme, providing 5 affordable flats above retail premises in Holsworthy. The Trust purchased the flats from the developer (Reed Developments) for 2/3rds of the market value as the developer was subject to a Section 106 planning requirement to provide affordable housing. The planning consents required the flats to be made available at less than 80% of the market rate.

Devon County Council and Torridge District Council provided a grant to the Trust for establishment costs and initial development costs to refurbish the flats. Loans from the Charity Bank and Venturesome (both ethical financial institutions) were obtained to purchase the flats. These loans were repaid when the 5 flats were purchased by households, through a leasehold arrangement. The initial grant has been recycled for subsequent projects, within a local partnership - the Holsworthy Market and Coastal Town Initiative.

The Trust in partnership with Torridge District Council controls eligibility for the flats, which are intended for local people who are unable to afford to purchase a dwelling on the open market but are able to afford the outgoings for this scheme. The Trust sells the flats for 70% of the market value, and retains 30% of the property in perpetuity. A small ground lease (based on a 125 year lease) is also paid to the Trust. When the resident wishes to sell their interest in the flat, it is either to a purchaser nominated by the Trust or directly to the Trust. The Trust holds the equity as an asset.

For further information, see the case studies section on the web site

www.communitylandtrust.org.uk

Community Land Trusts: The following case studies of affordable housing partnerships using a Community Land Trust (CLT) model demonstrate that its strengths lie in residents creating and controlling affordable housing and other community assets.

The Stonesfield Community Trust, Oxfordshire, England

Stonesfield Community Trust is an example of a small and effective CLT started over 20 years ago in a village. It has developed 12 affordable houses for local families and a number of community facilities, including school buildings, a local PO and local workplaces.

The Community Trust started with initial donations of a 0.1 ha site (valued at £3,500) and £3,000 cash. The donation paid for the setting up of a CLT, legal fees and a planning application for 4 houses on the site. When planning permission was granted, the value of the site rose to £150,000. This asset was used as security to raise a bank loan to build the first four houses, which have now become 6 dwellings with modifications and additions. The houses were sold to local families, but the ownership of the land remains with the Community Trust. With a CLT, the land is taken out of the marketplace and enables housing and other development on that land to be kept affordable in perpetuity.

A second small site was bought with a loan from West Oxfordshire District Council. Five houses were built, with a high level of insulation and oriented for solar gain, using loans from the Triodos Bank, the Ecology Building Society, and various Quaker donations. The houses are all let to local people with low to moderate incomes and managed by a local letting agency initially for free and now for a small fee.

A house, a flat, a commercial space used the village Post Office and shop, and a commercial space occupied by the village pre-school group are also in Trust ownership. Rental incomes from the 2 commercial properties have been used to pay off initial loans from the Rural Development Commission. Once the loans are cleared any surplus income (anticipated to be about £40,000 p.a.) will be used to support better Home Help for the elderly and on projects for young people in the village.

Unlike partnerships with an external housing association, this Trust is very much based in the local community. The Trust Management Committee is reliant on the time and expertise of its members and on the many donations from local people. One of the strengths of this model is the opportunities it provides for social capacity building. The assets, including the land, the affordable housing and the various commercial and community facilities, all belong to the community.

For further information:

www.stonesfieldcommunitytrust.org.uk

www.communitylandtrust.org.uk for more on the CLT model and for additional CLT case studies.

See APPENDIX A for more information on CLTs.

In the following CLT case study, a commercial mortgage lender has become a partner in financing this project, enabled by the public provision of a revolving loan fund and low-cost building techniques. A Rural Housing Enabler brought the partnership together.

Buckland Newtown, Dorset, England

Buckland Newton Community Land Trust is developing 10 affordable houses for rent and shared ownership. Following a housing needs survey by the District Council, a rural Exception site was identified. The landowner agreed to sell the land to the local community trust for affordable housing use, at a price recognising its Exception site status.

Key features of the proposed scheme include:

Sustainable low cost building techniques using wooden frames and straw bales.

Most construction is taking place off site, which reduces construction time.
Low drainage construction costs due to the use of a sustainable urban drainage scheme.
Construction costs are 64% cheaper than conventional construction – with almost all materials sourced locally.
The architect has agreed to defer some fee payments until after completion.

A revolving loan fund from the West Dorset District Council covers preliminary costs, legal and conveyancing costs, architecture and planning fees - to be repaid through rental income and sales of shared-ownership dwellings.
Defra's Rural Social and Community Fund has provided a small grant towards development costs. The development is being built without a SHG. Commercial mortgage lenders are providing some of the finance. The possibility of additional financing from the Ecology Building Society is also being investigated, given the low energy design.

The Dorset Rural Housing Enabler helped bring this project together. Tudor Trust is funding legal and financial expertise for the Trust. This development is being seen as a pilot for CLTs in the UK, so it is an opportunity to set up a generic trust legal model, business plan, project management etc.

The houses will only be available to local people, to rent or purchase at approximately half the market value of a similar property. The Trust's ownership of the land will allow the owners to sell them on, but only to local people and at a sales price linked to local wage levels.

For further information:

Commission for Rural Communities, n.d. "Making It Happen: Working, Learning and Building Together – Timber Frame, Straw Bale Housing Project, Buckland Newton, Dorset."

www.ruralcommunities.gov.uk/files/Making%20it%20happen%20Buckland%20Newton.pdf

See also: **High Bickington Community Property Trust** and the Parish Council (in Devon) are proposing a community-led plan, which is one of the most ambitious of the current CLT proposals in England. The plan includes affordable housing, community and economic development (including workspaces, a school and recreational facilities) and ecological conservation and restoration (community woodland).

www.highbickington.org

Community Development Trusts are also community-based organizations primarily involved in capacity building, asset development and economic development activities. The following two case studies are of community development trusts that are now providing affordable housing, as one of their core functions. They are characterised by the ability to cross-subsidise between the various activities.

Environment Trust Green Home Affordable Housing, London, England

The Environment Trust is a Community Development Trust that was set up in Tower Hamlets in the East End of London in 1979. Over the years the Trust has enabled hundreds of environmental improvements and supported, through its workspaces, a range of community enterprises with an environmental focus. It has expertise in renewable energy, (a Trust-owned company is Welsh Biofuels), biodiversity and community asset development. The Trust is a charitable company that has significant assets that it has developed itself (primarily workspaces and housing equity) and income from its subsidiary trading companies. Any profits are reinvested

in community development initiatives. In addition, the Trust has a constitutional objective: to build housing that is environmentally friendly to those in need.

The Environment Trust has developed three Green Home affordable housing schemes in London: Bethnal Green, in Tower Hamlets - 42 homes developed in partnership with a housing association; Lambeth – 17 houses with the site transferred at nil value from the Council; and Greenwich – 6 three-bedroom houses with a free land transfer from the Council; and has just completed a development of 47 units (Norfolk Park Green Homes) in Sheffield.

The initial housing development in Bethnal Green was a partnership between the Trust and a non-profit housing association. The 1 ha site at Bethnal Green (a bomb site from World War 2) belonged to the council, and was sold at a discount market price for the development. In return, the Council retained nomination rights for the dwellings. The Trust sold part of the site to Circle 33 Housing Association, which developed 13 houses for rent for its clients. The Trust financed the construction of its own 29 green homes - 22 flats and 7 houses. One contractor built all 42 dwellings. Code 33 Housing Association undertook extensive landscaping of the whole site (incorporating a garden and nature area) and provided a children's play area.

The Trust's dwellings were all built to Green Homes specifications. Woolwich Building Society financed the development without the security of other assets, other than the scheme itself. The Trust sold its dwellings at 70% of the market price to Council-nominated households, and retained ownership of the remaining 30% of each dwelling.

In legal terms, the Trust is the site freeholder for its green homes, which the homebuyers have on a long lease. The Trust has the 'second charge' on these properties. This goes onto the Trust's balance sheet as an outstanding loan – which theoretically could be sold. Because of this, the Trust's asset base is increased by a further £1 million. It has pledged its assets to support loans from Unity Trust Bank to finance subsequent green homes schemes.

The Bethnal Green development made a profit for the Trust, despite interest rates rising to over 11% during the construction and development stages of the project.

With the second affordable housing development, Lambeth Council transferred the land at nil value to the Trust for the Green Homes project. The site and the Trust's other assets acted as security for a £2.5 million loan from Unity Trust Bank. This loan was used to pay for the construction of 17 houses. As at Bethnal Green, the houses were sold to local people (70%) with the Trust retaining a charge on the properties (of 30%). The profit from the development covered the cost of borrowing and is also used to fund other social enterprise activities of the Trust. A similar approach was used for the development of 6 dwellings in Greenwich.

The Trust's most recent green homes development is 47 dwellings (a mix of 1 and 2 bedroom flats and 3 bedroom houses) in Norfolk Park in partnership with Sheffield City Council. The Council was interested in a flagship development as part of a neighbourhood regeneration strategy and transferred the land at no charge to the Trust. Using its asset base (and track record) the Environment Trust raised a loan of £6 million from the Unity Trust Bank to finance the development. The Environment Trust then mentored a local (South Yorkshire) housing trust through the stages of development of the site.

Green features of the dwellings include solar water heating, super-insulation, photovoltaic panels for lighting, electric-car charging points, water-efficient devices, and sustainable urban drainage. Initially the Trust committed to using Sheffield Rebuild – a local community business providing training and employment for local unemployed people in the construction industry – for elements of the construction. However, Sheffield Rebuild went into receivership, due to management difficulties.

The dwellings are being sold at 75% of their market value, as in the previous schemes. On completion of the development the remaining 25% will be transferred to the local South Yorkshire Housing Trust, to give it an asset base, with which to undertake future developments.

For further information:

www.envirotrust.org

“Better to borrow? How some development trusts use loan finance to achieve community goals”, 2006, Development Trust Association

www.dta.org.uk

www.renewal.net/Documents/RNET/Case%20Study/Environmenttrust.DOC

For an affordable housing partnership that has been successful in employing local unemployed people in construction, see:

Raploch Urban Regeneration Company (Stirling, Scotland). This is a public-private partnership committed to affordable housing renewal. The RUR Company insists that contractors employ local people, including young unemployed and older jobless people, by using legally binding ‘community benefit’ clauses in its contracts with developers. The 10% of jobs for local people has resulted in 5 new apprenticeships, 10 jobs for semi-skilled operatives and 10 training places each year of the 10-year project.

For further information:

“On-site Success” P. Hetherington, 19/03/2008, Guardian: Society Guardian pp 1-2.

Cook, M. and McFarland, R., 2002, “Achieving Community Benefit Through Contracts” Policy Press, Bristol.

Coin Street Community Builders has provided affordable housing using partnership arrangements, with some cross-subsidies from its commercial income.

Coin Street Community Builders, London, England

Following a lengthy campaign in the 1970s against a proposed major commercial and office development (including a 14 storey office block) on a derelict 5.26 ha site on the South Bank of the Thames, the Greater London Council acquired the site in 1984. The land was transferred - in exchange for £1million, loaned by the GLC and the Greater London Enterprise Board - to a development trust established by local residents, called the Coin Street Community Builders (CSBC). CSBC demolished derelict buildings; generated income from a series of car parks to start paying off the loan; initiated two affordable housing schemes; and renovated the Oxo Tower.

“CSBC puts together ‘cocktails’ of funding for many of its projects. Bank borrowing is financed from commercial income which is also used to cross-subsidise social housing, management of the Coin Street estate (including the riverside walk and Bernie Spain Gardens) and a growing community and enterprise support programme.”

www.dta.org.uk

Oxo Tower was a £20 million refurbishment project. The Trust found raising capital difficult as it did not want to do a joint venture – to retain its social objectives. Eventually CSBC borrowed £2m from a merchant bank to secure the overall asset base, and then undertook major structural repairs. The top floor of Oxo Tower is let to a Michelin-star restaurant, which is required to maintain a public viewing area and generates significant income for the Trust. 78 affordable apartments are on floors 3 - 7. And the lower floors accommodate 30 retail design studios at below market rents, a gallery, a restaurant and a coffee shop.

CSBC now has 4 affordable housing developments (220 dwelling units) housing around 1,300 people. The Stamford Street Neighbourhood Centre (including childcare, youth and family support services) has been completed. Currently CSBC is developing a proposal for Doon St, which include a swimming pool and recreation centre, a HQ for the Rambert Dance Company, further residential accommodation and commercial space (to cross-subsidise the overall venture). This proposal is subject to a planning inquiry because of the height of the accommodation and commercial tower.

CSBC is a company limited by guarantee – that is a form of legal incorporation used by many non-profit organizations – it is not eligible for charitable status. A separate housing association, Coin Street Secondary Housing Cooperative (CSSHC), is registered with the Housing Corporation (enabling receipt of the SHG) and undertakes the various housing developments and then leases them to the four individual primary (fully mutual) housing co-operatives. The primary co-operatives are responsible for managing the houses. Tenants have to undertake training sessions when joining the co-operative on communication and group working skills. Tenants do not have a right to buy, but they are expected to take an active part in running the co-operative.

The most recent affordable housing development (the Iroko) opened in 2001 and is a new development of 59 dwellings (houses, maisonettes and small apartments) with car parking and a communal garden. CSSHC received a SHG of £5.5 Million from the Housing Corporation and borrowed £2.6 million from the Nationwide Building Society; CSBC subsidised the remainder of the development costs.

For further information:

www.socialenterprise.org.uk

www.coinstreet.org

“Community Enterprise” 2006

www.communities.gov.uk

Development Trust Association

www.dta.org.uk

Financial institutions providing funds (grants and loans) for affordable housing partnerships. Where housing developments can demonstrate wider social and community benefits, finance can be made available from Community Trusts, Building Societies and ethical financial institutions in the form of a grant or loan on favourable terms. The following three case studies illustrate different aspects of this. Partnerships for affordable housing can also encourage businesses to provide goods and services (at no or reduced cost), as in the **CRASH** case study.

Nationwide Building Society, England

Nationwide Building Society in addition to lending to non-profit housing associations for the housing component, also provides additional finance for investment in community and environmental infrastructure and services – such as for community centres and tree planting. The community benefits from the social and environmental improvements provided by the additional funds. The Building Society believes that the affordable housing will be more successful and this will lower the lending risk for the development.

For further information:

www.nationwide.co.uk

BITC, 2, 2003, “An Opportunity for Business”

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

Triodos Bank, England

Triodos Bank is an ethical financial institution that lends to housing co-operatives, and to housing developments with a specific community or environmental focus. The loans are from £25,000 to £10 million. The ability to borrow smaller sums makes Triodos attractive to some smaller housing associations that are looking for loans less than £1 million, which is the starting point for many conventional financial institutions.

Triodos recognises that there is a market for customers who are ethical savers. It has developed a partnership arrangement with a number of religious trusts and social foundations. For these organisations, Triodos provides a return that is 0.25% less than the commercial financial rate of return. But the difference can be converted into a direct payment to a project that is identified by the partner, such as an affordable housing scheme.

Triodos makes limited but sustainable returns: 3% pa financially plus social returns.

For further information:

www.triodos.co.uk

BITC, 2003, "An Opportunity for Business"

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

Wessex Reinvestment Trust, England

Wessex Reinvestment Trust (WRT) is a not-for-profit community development financial initiative (supported in a partnership with the Countryside Agency, the Housing Corporation and Lloyds TSB). Lloyds Bank contributes financial and human resources as well as legal and financial expertise, including seconded employees.

WRT provides funding for rural small enterprises, loan financing for households to tackle disrepair (home improvement loans to bring dwellings up to a decent standard), and access to property and workspaces. WRT provides advice to local communities about owning land and developing it for the benefit of the local community, such as Community Land Trust / Community Property Trust models.

WRT has recently undertaken research on financial mechanisms to increase the flow of investment for community initiatives and social ventures. The Financial Mechanisms Project Report can be found on its website. A financial mechanism was developed for Ecos Homes (a private sector developer) to enable the company to access investment finance to fund its sustainable house building programme. Ecos Homes is building sustainable housing in Wessex, and runs sustainable building training sessions particularly aimed at supporting housing associations. The Ecos Fund mechanism provides opportunities to invest in Ecos Homes Projects. Whilst Ecos Homes first sustainable housing development was not affordable (it was 12 market priced dwellings at Bow Wharf, Somerset) some of the profits from the sale of the 12 dwellings are being used (with funds from various public economic development agencies) to renovate and restore a derelict warehouse on the wharf and convert it to small-business start-up spaces (offices and workshops) and a restaurant, as part of a revitalisation plan for the local community.

For further information:

www.lloydstsb.co.uk

www.wessexrt.co.uk

www.ecostrust.org.uk

Other opportunities for businesses to become partners in the provision of affordable housing include providing professional services and building and construction materials.

CRASH, England

CRASH is a non-profit organisation supported by companies in the construction and property sectors. CRASH provides materials, professional help and small amounts of money to community organisations helping homeless people, to reduce their building and refurbishment costs. For example, CRASH supported Amber to refurbish an old school in Chawleigh, Devon, to provide a residential training centre for young people. Renovation of the school provided accommodation for the young people whilst on training courses. Some of the training courses were on building and property maintenance and CRASH supplied building tools and materials for the programmes.

For further information:

www.crash.org.uk

www.amberweb.org

BITC, 2003, "An Opportunity for Business"

www.bitc.org.uk/take_action/in_the_community/rural_action/affordable_rural.html

Australia: The Context for Affordable Housing Partnerships

The Commonwealth Rent Assistance Programme and the Commonwealth State Housing Agreement are the two major housing assistance programmes in Australia for low-income renters. However, funding under the latter programme is declining, at the same time as the rent assistance is unable to keep up with increasing rents in urban areas. To date, Australia has relatively few examples of public-private partnerships for providing affordable housing. Initiatives in Brisbane, such as the Brisbane Housing Company (established and funded by Brisbane City Council and Queensland State Government to address housing affordability problems in Brisbane) and Kelvin Grove Village (a partnership between Queensland University of Technology and the Queensland State Government for a master-planned community – including a mix of tenures and incomes) are perhaps the best well known in New Zealand.

For further information:

www.brisbanehousingcompany.co.au

www.kgurbanvillage.com.au

In addition to the Departments of Housing at State level, there is a network of non-profit Community Housing organizations across Australian urban communities (Community Housing Federation of Australia). The larger Community Housing organisations are beginning to seek public-private partnerships in development projects, to gain more affordable housing units.

For further information:

www.chfa.com.au

The private sector is involved in larger scale projects such as the redevelopment of public housing for mixed income residential. (eg Macquarie Bank, the Becton Group). For the most part the institutional investors require projects in the order of AU\$50 – 100Million. There does not appear to be any provision of affordable housing by community development organisations corresponding to the UK Community Development Trusts or the USA Community Development Corporations. The **City Edge** development described below is the only example identified of a public-private joint venture with affordable units created at no cost to the public, from the development value created.

Inclusionary zoning (the requirement to provide affordable housing with a development) has been part of the NSW planning legislation for some years, and has been used in CityWest (Ultimo-Pyrmont) and Green Square precincts in Sydney. A form of inclusionary zoning has recently been introduced in South Australia. And in Western Australia, the East Perth Redevelopment Authority has adopted an inclusionary zoning approach for redevelopment sites in inner Perth.

Australia: Case Studies

The following three case studies illustrate different approaches to affordable housing partnerships. In the **Victoria Harbour** case study, the developer's offer of an affordable housing contribution was enabled by planning gain (a density bonus) and pre-sales of the units. The affordable housing organisation has management expertise, non-profit status to maximize tax exemptions, and agreed financial arrangements of debt against anticipated income streams. For the **Inkerman Oasis** case study, the Council provided the site and added value (remediation of site and necessary site planning) enabling the private sector developers to raise sufficient finance for the scheme. The affordable housing is integrated throughout the development and of energy-efficient design, and is managed by the local housing association. The **City Edge** was a joint venture between the non-profit housing organization and a private sector developer, on an ACT Housing owned site, using cross-subsidisation from the profits of sales of the market rate units and deferred payments on the purchase of the land.

Victoria Harbour: Melbourne Affordable Housing, Australia

Lend Lease Corporation has included an affordable housing component in a demonstration project as part of a retail, commercial and residential precinct redevelopment at the Victoria Harbour docklands, in Melbourne. The Victoria Harbour project started in 2001 and comprises a 30 ha site between the CBD and the riverfront, with 2.5 km of water-frontage. Due to its location, the land value of the site is high.

Whilst there was no legal requirement to provide affordable housing, the developer Lend Lease has gained a density bonus; pre-sales of the units (thereby reducing risks); and support for the service industries in the development. The target group of tenant households are to be low-income workers linked to the Docklands labour market programme. It is proposed that the rents will be set at 35% of the market value of the units.

This project is a partnership between VicUrban (discount on the land and a contributions towards infrastructure costs); Lend Lease Development (a development contribution); National Australian Bank (debt financing arranged at a reduced cost); The Office of Housing and the Victoria Property Fund (both providing financial assistance); and Melbourne Affordable Housing.

Melbourne Affordable Housing was established in 2001 by the City of Melbourne with \$1 million start-up capital. It has strong relationships with local councils, church organisations and the Office of Housing. It has a successful record of developing, purchasing and managing its own housing stock, some 55 dwellings in 2007, and with a further 160 + under development. Melbourne Affordable Housing brings to the partnership the appropriate tax status to minimize GST and Stamp Duty, amounting to a \$1.7 million tax exemption; and access to cash (from its own assets) and debt financing.

In this partnership, Melbourne Affordable Housing raises private debt against the anticipated net income streams. The government partners provide a capital subsidy. And the private lender (National Australian Bank) is a full partner, involved in assessing borrowing capacity and assessing and managing risk.

Initially Lend Lease proposed a 10% affordable housing contribution with the first 55 units in a demonstration project in a mixed-use building with 100 market-rate apartments. The current proposal (construction commencing in 2008) is for 67 affordable rental dwellings: 35 one-bedroom, 16 two-bedroom and 16 three-bedroom units.

For further information:

www.melbourneaffordablehousing.com.au

Bisset, H. 2004, "Affordable Housing at Victoria Harbour" Swinburne Institute for Social Research.

www.sisr.net/events/docs/04Bissett1.pdf

In the following case study, the City Council contributed the site and added value in the form of site remediation and planning, and in return received affordable housing units.

Inkerman Oasis, Port Phillip, Victoria, Australia

Inkerman Oasis is a partnership between the City of Port Phillip Council and Inkerman Developments Pt Ltd, with the Council contributing land and master planning. The 1.223 ha site (in a high density mixed-use part of St Kilda) was the former City of St Kilda Municipal Depot Site, which became redundant for Council use in the mid-1990s.

The development resulted in 210 market rate dwellings and three retail tenancies. The developer gave 28 units of affordable housing to the Council in exchange for the land etc, and sold a further 4 affordable units to the State Housing Authority. The affordable housing units are mixed within the private housing, and include 1, 2, 3, and 4 bedroom units. They are externally (and largely internally) indistinguishable from the private units. The internal differences are due to the provision of disability accessible bathrooms in the community housing. The Port Phillips Housing Association is managing the affordable housing rental units.

The Council's contribution included the land – estimated book value of AU\$5.2 million – and added value as follows:

A masterplan design and associated cost estimates

A facilitated planning process

Community consultation

Soil contamination and remediation reports

Site remediation (cost AU\$1.7 m)

Title conversion

Rezoning to mixed-use

These actions took the value of the site to an estimated AU\$7.5 million, enabling project viability for the private sector developer.

The development is of a high quality and includes the recycling of the architecturally significant Destructor Building.

Inkerman Oasis has a number of environmental design features including roof gardens over the 240 spaces underground car park; solar hot-water heating and all solar communal lighting, high energy ratings; natural ventilation; and water-sensitive

design. Environment Australia provided a grant towards the greywater recycling system.

For further information:
www.portphillip.vic.gov.au
and the Sustainable Cities Report
www.aph.gov.au

Redevelopment of a public housing site

City Edge, Canberra, Australia

City Edge was created in a partnership between Community Housing Canberra (a not-for profit organisation), ACT Housing (the public housing agency) and a development consortium, Canberra Investment Corporation (CIC).

The former ACT Housing site was in poor condition. If the site had been sold “as is” it would have sold for AU\$1.6 million, enabling ACT Housing to afford 8 new units. The City Edge joint venture achieved 30 new affordable housing units.

The development consists of 86 apartments, 12 terrace houses, 25 town houses and one commercial suite. Four of the ground floor apartments are designed for people with disabilities. It is located in an inner north Canberra suburb, adjacent to shops, cafes and restaurants.

A landscaped wetland was constructed on the existing stormwater channel adjacent to the site. Solar-powered street lighting is included. Heat-pump heating and cooling and solar boosted hot-water systems are part of the development

Community Housing Canberra was able to defer payment on the land and through using profits from the sale of the market-rate properties was able to buy 15 community housing units. Through the sale of the land, ACT Housing was able to buy 15 properties for public rental housing.

For further information:
www.communityhousingcanberra.com.au
www.ciclimited.com.au

USA: The Context for Affordable Housing Partnerships

The USA has had a longer period of experience with public-private partnerships to provide units of affordable housing. Community Development Corporations have been active in many cities for 30 or more years, and have been able to access federal, state and city funding, such as Community Development Block Grants (CDBG), combined with funds from philanthropic trusts and financial organisations, Low Income Housing Tax Credits (LIHTC) and Section 8 (rent subsidy) vouchers, to develop and manage affordable housing. A combination of need (eg budget cutting by the Reagan administration in the early 1980s) and legislative circumstances (i.e. legislation encouraging lenders to develop alliances with the community-based sector to provide affordable housing) has resulted in considerable diversity of creative partnerships. Most of the measures and mechanisms involve low or no-cost public financial support that reduces debt costs: “Affordability is pursued by minimizing debt service costs so that the break-even rent is relatively affordable and the project is viable without the need for ongoing government subsidy assistance to reduce rents to affordable levels.” (CMHC, 1999)

Many Regions, Counties, Cities and local municipalities have affordable housing strategies. Dedicated sources of funding and resources from local development activity and property sales are combined in Housing Trust Funds (HTFs) at the Regional and Local level. Funding sources include inclusionary zoning dwellings and cash-in-lieu contributions (residential developments required to contribute towards affordable housing); linkage zoning (commercial developments required to make contributions for affordable housing); Tax Incremental Funds (TIF); and Real Estate Transfer Tax (RETT). These funds can be augmented by a variety of federal and state funding programmes, such as CDBG, LIHTC and Section 8 housing vouchers. The public body can raise additional funds on a project-by-project basis (eg using bonds) and can use its asset base to leverage private and non-profit investment.

This has resulted in considerable expertise in packaging funding streams in not-for-profit affordable housing developments, focused on low-income households. The LIHTC equity (a roundabout source of federal funding) is often a significant component, providing essentially no-cost capital to the development project. Any one project is likely to be heavily funded by grants, low interest, or deferred loans, resulting in low debt costs and break-even affordable rents.

USA: Case Studies

The following case studies are only a very small selection from the very many partnership arrangements in use in the USA. In **Broadway Crossing**, a partnership between a non-profit housing association, the site owner and developer, and a retail chain has resulted in affordable housing over retail and commercial space in a new development, that enables creative use of the site and some mixed-use cross-subsidisation. The City donated the site for the development at **Trolley Square**, which has been developed by a non-profit housing organisation as a mix of commercial and retail space and mixed-income affordable housing, with additional public funds supporting the community development aspects of the site. Both **Broadway Crossing** and **Trolley Square** are highly energy and water efficient developments, resulting in low utility costs for the residents. The case study of **Ashwood Court** has been included because it gives a small insight into the complexity of funding partnerships for affordable housing in the USA.

Broadway Crossing, Seattle, Washington State, USA

Walgreens (a national chain of drugstores) initially proposed a one-storey retail drugstore and an on-site surface parking lot for a corner site in Seattle's historic Capital Hill neighbourhood, occupied by an old gas station. Following community consultation, a denser mixed-use project providing affordable housing for local residents was proposed. A collaboration between Walgreens, non-profit Capitol Hill Housing (with experience developing affordable housing in the Seattle neighbourhood since 1976) and the owners of the site S. E. Grainger Development Group has resulted in a 5 storey mixed-use and mixed-income development, including 44 affordable housing units.

Finance for the development came from the following sources:

City of Seattle,

Washington State Housing Trust Fund,

Low Income Housing Tax Credits (from Enterprise – a provider of development capital for affordable housing))

Seattle Housing Authority,

Section 8 (rent subsidy) housing vouchers,

KeyBank Construction loan,
Washington Community Reinvestment Loan
And from a grant from the Belinda and Bill Gates Foundation's Sound Families Initiative to support families transitioning from homelessness.

The design supports a more sustainable community as it is a highly efficient use of land and resources. The mixed-use development is in a neighbourhood close to public transport (bus routes and a new light-rail station) and walking distances to many local facilities and services, including parks, schools, shops etc. The Walgreens store is at street level and opens to the street with pedestrian oriented facilities, seating etc.

The building itself features more than 50 sustainable features, including energy star appliances and low flow water features etc (supported by a Green Communities grant from Enterprise), and is designed to be highly energy efficient, achieving LEED silver status from the US Green Building Council.

The 44 apartments are rented to households with a mix of incomes:
9 apartments to households transitioning from homelessness; 22 households with incomes up to 30% of King County's median household incomes; 11 households with incomes up to 40%; and 11 with incomes up to 60%.
9 of the apartments are designed for people with disabilities.

There is a south-facing courtyard for the residents that is designed into three areas: a seating area to enjoy the views to downtown Seattle; a children's play area; and an outdoor dining area.

Cross subsidisation of the building operating costs come from the 2 levels of underground car-parking, and the 1110 +sq metres of Walgreens store on the ground floor.

For further information:
www.chhip.org
www.greencommunitiesonline.org

The following case study is of an urban infill development using cross-subsidisation from mixed-income housing and mixed-use development.

Trolley Square, Cambridge, MA, USA

Trolley Square was developed by a non-profit Homeowners Rehab Inc. The small site (less than 0.4 ha) formerly a trolley turn-around space, now provides 32 affordable rental units and 8 townhouse units for first-time buyers.

The site is located close to public transport and adjacent to an extensive cycle and pedestrian network. The city donated the site for \$1. The site was seen as critical in terms of local economic development and community vitality. On a neighbouring site, the city council is building a pocket park to form a resting place on the cycle network and to enhance local amenity. The rental units are intended for households with incomes less than 60% of the area median income (AMI), with some having incomes as low as 30%. Similarly the eight townhouses will be sold (with covenants on titles retaining affordability) to five households with incomes less than 80% of the AMI and three with incomes less than 90% of the AMI.

The first two floors consist of 250 sq m of retail and commercial space for lease. This income stream will provide a cross-subsidy for the rental accommodation. There is also a community room for neighbourhood groups and the residents. And there is a one-storey underground carpark (for residents and commercial use) - its at-grade

roof top-surface is a plaza forming a semi-private outdoor space for the residents of the affordable housing on the plaza's sides.

A Sustainability Charter and a series of green charrettes and community consultations guided the architects. The design of the development includes a number of 'green' features and received an award from the American Institute of Architects in 2007 as one of the 8 winning projects in the 'affordable and green housing' category.

Green features include:

Stormwater retention tanks for irrigating plaza plants and courtyard gardens

Dual flush toilets

Highly insulated buildings

High performance windows

Energy-efficient appliances and lighting

Friendly environmental products and materials

Photovoltaic Solar Panels to offset the energy costs of the garage

90% of all construction waste was recycled.

Enterprise Community Partners provided a grant for the 'green' building elements. Additional funding, in the form of grants and rebates, came from a number of organizations that support green initiatives. These additional funds covered the extra costs of including the green features in the development and served to keep the residents outgoings on utility bills at a low level.

The balance of the funds (in the form of grants, deferred loans and loans) came from:

Citizens Bank

City of Cambridge

Cambridge Affordable Housing Trust

Department of Housing and Community Development

Massachusetts Development Corporation

Neighborhood Works America

Cambridge Neighborhood Apartment Housing Services

Commonwealth of Massachusetts Affordable Housing Trust Fund

Community Economic Development Assistance Corporation

Cambridge Housing Authority

US Department of Housing and Urban Development

For further information:

www.cambridgema.gov/cdd/cp/zng/trolley

www.designadvisor.org/green/trolley_square.htm

In the following case study, a private sector developer acts as guarantor for release of HTF funds for the development.

Ashwood Court, Bellevue, Washington State, USA

Ashwood Court is a newly constructed development of 51 units of affordable housing for older people, located in an inflated real estate market in downtown Bellevue.

Shelter Resources is a private for-profit developer that has built a relationship with a King County based regional Housing Trust Fund known as ARCH (A Regional Coalition for Housing). Shelter Resources acts as a financial guarantor in a joint venture development with non-profit housing providers. ARCH provides Shelter Resources with below-market-interest rate loans for its housing projects. This reduces the risk for the developer and enables the joint venture to proceed.

The land for Ashwood Court cost US\$850,000. ARCH secured the funding of the purchase of the land from the City of Bellevue. LIHTCs provided additional finance.

For further information:

www.policylink.org/EDTK/HTF/action.html

www.archhousing.org

Affordable Workforce Housing: In the last ten years, housing affordability has become an issue for moderate income households in higher cost housing markets, and the public-private development model is now being used to develop workforce housing. Below are two examples from the USA of public-private partnerships for housing for working families. These are large developments – 40 affordable units and 98 affordable units respectively – and serve to illustrate innovative funding packages.

Casa del Maestro, Santa Clara, California, USA

Santa Clara is part of California's Silicon Valley and has some of the highest housing costs in the USA. Attracting and retaining skilled teachers became a critical issue for the City and County of Santa Clara's Santa Clara Unified School District (SCUSD). The aim of the scheme is to provide 40 below market-rate garden-style rental apartments – with all residents employed as teachers by the SCUSDs. The SCUSD contributed a surplus site adjacent to one of its schools. The developer, Thompson Residential (Sausalito, California), traded a lower return for the public acknowledgement of providing a community service.

The 0.87 ha site adjacent to an existing school was surplus to the SCUSD requirements. The surrounding neighbourhood is a mix of low-density suburban 1950s development and 2-storey apartment complexes – the latter served as a design guide for the development of a 2-storey apartment complex of 40 units. The developer (Thompson Residential) was more familiar with upscale apartment and condominium development, had a long-term involvement with the local area, and would be undertaking for-profit development in the future. The developer sought reimbursement for development and construction costs and project management – but no additional fees or profit.

SCUSD argued that housing for teachers was as critical as any other capital infrastructure school projects (such as classrooms, or athletics facilities) and was able to obtain COP – Certificate of Participation – financing from the California School Board Association. COP financing has smaller down-payments and reduced interest rates compared with the private sector. COP financing still has to be repaid – i.e. it is a loan, not a grant.

A non-profit foundation administers and manages Casa del Maestro – thus enabling SCUSD to be at arms length from the tenants – who are also its employees. Tenants have to be employed by SCUSD (can be teachers, administrators, and other employees), and the rental contract is limited term (i.e. maximum 5 years) with advice on savings schemes and home ownership available.

Rents are set at the minimum amount that covers actual operating costs, debt service on the loan, and a small contingency fund. Rents are about half the regional average rate. The scheme has been hugely successful – according to evaluations of tenants, and retention of staff - and is financially sound.

The development is a high quality development from an experienced developer, and came in within budget, in an 18 months timeframe.

For further information:

www.thompsondorfman.com

University Glen at Southern California State University (UGSCSU)– Channel Islands, Camarillo, California, USA

UGSCSU is the most recent University campus of SCSU and had to undertake extensive recruiting as it established itself in Southern California. Land prices are very high in Southern California and in this location, as the campus is situated 15 minutes from the Pacific Ocean on the site of a former mental hospital. The developer - UniDev – is a for-profit development company that specializes in university and affordable housing.

A total of 414 housing units were developed, of which 98 are affordable for-sale houses (mix of single houses and town houses) and 316 are market-rate rental units, 58 of which are constructed over commercial space. The market rate rental housing and the rents from the retail fund the affordable housing units.

The land belongs to the University of Southern California, and is part of a larger complex of housing and retail development. The Spanish colonial style of the former mental hospital sets the design theme for the campus and the housing and commercial development, with a mix of 2-storey town houses and single-family homes.

Initial funding for the development came in the form of Tax-exempt bonds and a 100% loan from Fannie Mae and Citibank.

A non-profit corporation – the University Glen Corporation – was established to manage the residential community and ensure continuing affordability of the home-owner units – which are only available for purchase by staff of the University. The retention mechanism used is a form of land trust – i.e. the land is leased to the homeowners, ensuring a small continuous income stream but also ensuring affordability retention using the terms of the lease. The land remains in the ownership of the California State University CIS Authority. Houses are sold for approximately 65% of the market rate. Annual price appreciation is capped at the CPI.

This is a large development, built in phases to stagger the completion dates, and to provide a cash flow to assist in funding the affordable units. The market-rate apartments have been fully leased since completion of the development and range from one-bedroom, one-bathroom apartments through to 3 bedrooms, 2.5 bathrooms houses with 2-car garage. This income stream plus that from nearly 2,800 sq m of retail space is more than is needed to fund the affordable housing units, the surplus is funding campus construction projects.

For further information:
www.universityglenhomes.com

Canada: The Context for Affordable Housing Partnerships

The contraction of federal and provincial programmes, supporting the provision of affordable housing in Canada in the 1990s, has led to the development of a range of affordable housing partnerships between the private, non-profit and public sectors, over the last 15 or so years. The Canadian Mortgage and Housing Corporation (CMHC) established a Partnership Centre in 1991 to assist in the development of these partnerships. Now known as the CMHC Affordable Housing Centre, it has facilitated more than 40,00 affordable housing units. The Centre currently provides:

- housing information (eg housing market need studies),
- expertise (eg preparation of business plans)
- advice (eg an on-line project viability assessment tool),

- some seed finding,
- interest-free loans and
- mortgage loan insurance.

The emphasis is on producing affordable housing without ongoing government subsidy. There is support both for new construction and for renovation projects to improve the quality of existing affordable housing. Numerous affordable housing case studies are available on the CMHC web site, and on the web sites of the Provincial Governments.

For further information:

www.cmhc-schl.gc.ca/en/inpr/afhoce/

A partnership between the Federation of Canadian Municipalities, the Canadian Homebuilders Association and the CMHC, known as Affordability and Choice Today provides grants to municipalities, builders, and developers to demonstrate innovative approaches to the provision of affordable housing. The results of these grants, in the form of Case Studies are disseminated widely in Canada and are available on the Affordability and Choice Today website, providing models, ideas and learning opportunities to support further initiatives.

For further information:

www.actprogram.com

There are major differences between the Canadian and the USA models, with far greater sources of public and corporate financing available in the USA, including tax measures; a larger number and diversity of partners involved in more formal partnerships in the USA; and a much greater emphasis on reducing the amount and cost of debt financing in the USA. The Canadian approach has been to attain affordability primarily by reducing development costs. Without major public (central or provincial government) financial assistance, the outcomes have been housing affordable to households on the margin of owner occupation.

Canada: Case Studies

The following case studies serve to illustrate some of the diversity of the Canadian public-private partnerships. In **Housing Opportunities Partnership** (Winnipeg), the project targeted an excess of lower-cost existing housing in need of rehabilitation, and used this opportunity as a catalyst to lever private financing. A similar approach is being piloted in the **Home At Last** scheme in London, Ontario. In neither of these models is the housing retained as affordable into the future. In **Kamloops Canadian Legion**, the concessionary arrangements on the city-owned land have served to minimise costs. The **Blue Heron Co-op** includes reduced construction costs and a mix of grants and financial incentives from the City of Ottawa that reduce development costs. In addition a range of sustainability features reduce the dwellings' operating costs for the residents. **Clarence Gate** (with cross-subsidisation from market-price units) is the first example in Canada of the use of a guaranteed equity model that retains the housing as affordable when it is sold, but gives the seller some capital gain.

Housing Opportunities Partnership: Winnipeg, Manitoba, Canada

Housing Opportunities Partnership (HOP) is a partnership between the real estate business community (Winnipeg Realtors Association) and all three levels of government in Winnipeg, formed in 1997.

The private businesses supporting HOP are primarily real estate interests that are seeking to generate new opportunities for house purchase for those low to moderate-income households who might otherwise not be able to achieve ownership whilst, at the same time, revitalising an area of the inner city.

HOP is established as a non-profit organization and has access to a dedicated Trust Fund (from the Manitoba Securities Commission) based on the interest earned on real estate broker trust accounts (purchaser deposits) and funds from the Winnipeg Development Agreement (between city, provincial and central governments). HOP purchases properties that are for sale in the inner city (the West End) on the private market and is also able to purchase properties seized by the City for unpaid taxes. As part of a strategy of inner city revitalisation, HOP renovates the houses and runs home-buying seminars and educational programmes for the community.

Renovated dwellings are sold to qualifying low and moderate-income households that have not recently owned a house. If needed 10% deposit assistance is provided by HOP and by the CMHC and Manitoba Affordable Housing Initiative. Capital contributions from the Affordable Housing Initiative cover the difference between the cost of buying and renovating the houses and the selling price. In addition, a range of revitalisation efforts are undertaken, including a programme to assist potential home-purchasers by paying them to participate in the renovation of the building - this participation can be used to help build equity in the property.

The result has been 55 Dwellings renovated and now in owner occupation over the period 1997 to mid-2007. In addition, house prices in the West End have risen threefold over the 10-year period.

For further information:

www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/Housing-Opp-Partner_E.pdf

Home at Last: London, Ontario

Home at Last (HAL) is a pilot partnership, started in 2006, between the London Home Builders' Association, the London and St. Thomas Association of REALTORS®, CMHC, the London Affordable Housing Foundation, the City of London, the London Middlesex Housing Corporation and the Thames Valley District School Board.

Lower-income families, who were tenants of the London and Middlesex Housing Corporation (i.e. living in assisted housing), were invited to apply for the scheme. A family was selected, based on need, ability to secure a mortgage and eligibility for CMHC's Residential Rehabilitation Program (RRP). The selected family, with the support of a Realtor, purchased a home that was affordable because it needed renovations and applied for RRP funding.

Members of the London Home Builders' Association then supervised all the renovation work, which was undertaken by both qualified trades-people and construction students from the Thames Valley District School.

The renovations included: constructing new kitchen and bathrooms; installing new windows, new exterior doors, a high-efficiency furnace and water heater; bringing the plumbing and electrical systems up to building code standards; and insulating the basement, exterior walls and ceilings.

London and St. Thomas Association of REALTORS® provided all administrative services, absorbed all administrative costs, and was responsible for reporting to the City on the progress of the project. The London Home Builders' Association supervised the renovations and provided labour and quality assurance.

In addition to RRP funding, CMHC provided mortgage loan insurance.

The City of London provided a grant of \$10,000 to cover carrying costs (such as mortgage payments, utility bills and insurance) during the renovations. Many local organizations and individuals donated goods and services and made in-kind contributions.

For further information:

<http://homeatlast.info/About.asp>

www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/Home-at-last_E.pdf

Kamloops Legion Senior Housing Project

A partnership of the local Canadian Legion, a private property developer and the City of Kamloops was formed to provide affordable housing for older people in the centre of Kamloops. The City played an important role as facilitator of the partnership. A 48-unit condominium, a mix of 41 ownership and 7 rental units, was developed.

The developer was responsible for securing finance (CAN\$3.3 million mortgage) and undertaking construction. CMHC provided mortgage insurance with a modest relaxation of underwriting guidelines, based on the track record of the Canadian Legion, in lieu of a covenant.

The Legion was responsible for marketing and management and securing sufficient pre-sales on the 41 ownership units to make the project viable. With direct sales to Legion members, real estate commissions were eliminated.

The City of Kamloops' policy is to use land leases when releasing City-owned land for affordable housing. Land leases allow the City to help in producing more affordable housing without direct expenditure. With land leases the City requires that a certain proportion of the units are made available at below-market rents

The City owns the site and offered the land (valued at CAN\$421,000) on a long-term (99 year) lease. Payment of CAN\$100,000 was due at signing with the balance (CAN\$321,000) due in 25 years. Whilst the deferred land lease payment is an implicit subsidy by the City, it does get a return from the project. 15% of the profits from any resale of the owned units is payable to the City for funding future affordable housing projects. In addition seven rental units are retained for the City's affordable housing for seniors pool, and are available to rent at break-even cost (about \$200 below the market rent). Because the City's land lease arrangement reduced the front-end costs, the mortgage underwriting and the lack of real estate commissions, the ownership units were sold at 10% below market prices.

For further information:

www.cmhc-schl.gc.ca/en/inpr/afhoce/tore/afhoid/fite/lale/lale_006.cfm#impact

Blue Heron Co-op: Ottawa, Ontario

Blue Heron Co-op, which is close to schools and community services in western Ottawa, opened in 2006. The newly constructed co-op consists of 58 apartments and 25 townhouses for low and moderate-income families with children and single people. The mix of incomes is reflected in the housing charges that are either geared to income (21 of the dwellings), 70 per cent of the average market rent, or average market rent.

The Co-op incorporates a range of sustainable building features for saving energy and water. Designed by Christopher Simmonds (a leading green architect in Ottawa) all the apartments receive direct sunlight for some part of the day. Features include a leading-edge energy-efficient computerized heating and cooling system, good quality windows, an energy conserving envelope, eco-light bulbs and motion-sensing lights

in common spaces. Heat pumps in each dwelling also reduce energy consumption. The shared laundry room has water- and energy-saving washers and dryers. Water-conserving toilets and plumbing fixtures are fitted in all dwellings.

Operating costs are low as the building consumes 35 per cent less energy than mandated by the National Energy Code. The Ottawa-Carleton Homebuilders Association awarded the building first prize in the sustainable/green building category, in 2006.

Capital costs for Blue Heron Co-op were \$10.9 million. Using a light gauge load bearing steel stud structure and cement board siding reduced construction costs. A CMHC Seed Funding grant covered the costs of developing a feasibility plan. The Anglican Parish of March provided a long-term lease on the site, as surplus land. About \$2.4 million was received from CMHC and the province of Ontario through the Affordable Housing Initiative.

The City of Ottawa provided \$3.2 million in financial incentives and a loan guarantee to assist with pre-development costs. The financial incentives were drawn from a mix of actions available to the Council (under its Action Ottawa program) including relief from development charges, parks contributions, planning consent processing and building permit fees and reduced property taxes.

For further information:

www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/Blue-Heron-Co-op_E.pdf

Clarence Gate: Ottawa, Ontario

The Centretown Affordable Housing Development Corporation (CAHDCO) is a non-profit community-based development organization in Ottawa that develops affordable housing and provides consulting services for other groups interested in building affordable housing. CAHDCO found that some households (with lower and moderate incomes) who live in subsidized housing could afford to buy their own homes, and this would free up space for other families.

Clarence Gate condominium (constructed by CAHDCO) opened in 2003, with 30 one, two and three-bedroom units, all with patios or balconies, offering affordable ownership options. Located in Ottawa's Byward Market area, residents have easy access to public transit, shopping, parks and other amenities.

To help cover construction costs, CAHDCO sold 11 units at market prices. The other 19 units were sold at prices affordable to homebuyers with low to moderate household incomes. There is an income test to qualify for an affordable unit. Households that qualify for a rent subsidy in City of Ottawa social housing have priority for an affordable unit. Qualifying homebuyers must have a five per cent deposit, be eligible for a bank mortgage and not spend more than 32 per cent of their income on housing costs.

When units are sold or leased, the guaranteed equity model limits the price increase for resale to the Consumer Price Index, not market rates, and CAHDCO is involved in decisions regarding future homebuyers and the leasing of any units.

CAHDCO worked with several groups to maximize the affordability of the \$4 million project. The City of Ottawa, which owned the site, agreed to land sale terms that allowed CAHDCO to delay full payment of the land for eight months. The City also waived development fees and permits for new residential construction, reducing the cost of each unit by \$7,000. Centretown Citizens Ottawa Corporation (a private non-profit housing organization) provided a \$590,000 start-up loan, security for the construction loan and letters of credit for the Ontario New Home Warranty Program.

Human Resources and Social Development Canada provided job creation funding that allowed CAHDCO to hire staff to do web page administration and marketing work.

Operating costs are also reduced by giving parking space rental revenue to the condominium corporation and allowing owners to do common area maintenance.

For further information:

<http://www.cahdco.ca>

www.cmhc-schl.gc.ca/en/inpr/afhoce/prpr/upload/Clarence-Gate_E.pdf

Partnership Case Studies and the Key Components for Affordable Housing

The case studies demonstrate that a wide variety of different partnership models for increasing the provision of good quality affordable housing are possible. A full assessment is made of the case studies against the key components in Appendix B. All of the case studies draw on a number of the eleven key components identified. All of the case study partnerships make use of one or more of the first three key components:

- either land (or property) being available at below market rates, or deferred payments or leasehold
- and / or finance being available in the form of grants, loans at below market rates or deferred interest on loans
- and / or the incorporation of debt finance based on net income stream.

Where only one of these key components is used, the schemes tend to rely on some form of cross-subsidisation or provide affordable housing for shared-ownership for moderate-income households. Whilst a number of the partner housing associations have adopted *not-for-profit* status resulting in reduced development costs, the adoption of *non-profit charitable* status may be a critical component for some partnerships, especially if targeting low-income households, in order to access finance on favourable terms and tax exemptions.

Whilst energy- and water-efficient design costs more to develop, it also appears to draw in a range of finance from organisations interested in sustainable development. This increases the value of the development and may make it easier to access private sector financing.

Retention as affordable is an important component of almost all of the case studies. This recognises that many of the partners are supportive of the wider community interest (that is the provision of affordable housing for social investment, community and economic development reasons) and not necessarily for individual households to achieve a capital gain. Retention is explicitly excluded in two Canadian cases (HOP and Home At Last) that are part of wider urban revitalisation programmes, aimed at encouraging owner occupation, physical renovation and an increase in property values.

In addition, a number of the case studies have not only provided affordable housing but have also achieved some wider community benefit: from the provision of community facilities and small start-up workspaces, to less tangible social benefits such as social capacity building, a safer urban realm, and training and employment opportunities. The clearest examples from the case studies are the two UK Community Development Trusts, both of which operate cross-subsidisation between

the affordable housing and their social enterprise activities. Community capacity building is a central focus for both trusts: see the Environment Trust's mentoring of, and transferring of assets to, the South Yorkshire Housing Trust, and the Coin Street cooperatives requiring residents to attend training sessions and participate in the co-operatives' operation and management.

Part 3. Opportunities for Affordable Housing Partnerships in New Zealand

What can these international case studies of partnership models for affordable housing tell us about the way forward in New Zealand? What is the status of the key components in New Zealand? Which of the components can be used as building blocks for affordable housing partnerships and which have limitations? Whilst international cases cannot be directly replicated in New Zealand because of differences in policy context, housing markets and the like, they can start us looking for opportunities to increase the provision of affordable housing.

Key Components	Assessment of these key components in New Zealand
<p>Access to land or property at reduced cost – including discounted market price, leasehold, deferred payments and the effect of planning policy</p>	<p>Little recent experience for affordable housing. Enacting the Affordable Housing Bill (or similar legislation) could result in the provision of land and/or dwellings at reduced cost. Opportunities may exist for iwi for papakainga housing. See also the City Mission project where a central city site is critical to the proposal.</p>
<p>Access to finance such as grants, deferred loans or loans at below market interest rates</p>	<p>HNZC's Housing Innovation Fund (total \$80m.) is currently the main source of such funds. Whilst local councils do not have equivalent HIFs, they could assist due to their abilities to borrow funds and to act as guarantors, resulting in lower-cost finance.</p>
<p>The incorporation of debt finance based on a net income stream</p>	<p>This occurs with eg HIF loans, with repayments from net income streams derived from tenants' rents. See also Auckland City's Affordable Housing Initiative funding debt from a targeted rate, and NZHF debt finance based on shared-ownership sales.</p>
<p>Management expertise: particularly the capacity to manage development risk and ongoing-management risk</p>	<p>Whilst the private sector has some capacity to manage development risk, there is limited experience with affordable housing partnerships of the types considered in the case studies.</p>
<p>Non-profit, charitable or community trust status of housing organisations: enabling profits to be foregone; accessing finance on more-favourable terms; and maximizing tax exempt status</p>	<p>Many of the existing community housing organisations with non-profit status focus on special needs housing. Housing organisations concerned with moderate-income households are few in number (eg Nelson Tasman Housing Trust and the Queenstown Lakes Community Housing Trust) and are developing capacity.</p>

<p>A broader range of household incomes for the household group being targeted, including moderate-income households.</p>	<p>HNZC is primarily concerned with low-income households. Auckland City's Affordable Housing for Working Families Initiative recognised the value of considering the housing needs of moderate-income households. The QLCHT is focusing its housing on key workers and is piloting a shared-ownership schemes with the government.</p>
<p>Opportunities for cross-subsidisation within and between development(s)</p>	<p>The Jacks Point development was the first in Queenstown to use cross-subsidisation to supply sites for affordable housing. The form of any proposed Affordable Housing legislation will be critical. The City Mission is planning on using revenue from the carpark to support construction costs. So Yes opportunities exist, but need other key components to work.</p>
<p>Good quality design that is highly energy and water efficient to minimize residents' outgoings.</p>	<p>Financial support for environmental features is limited in comparison to the case studies. Examples include EECA's grants for insulating older rental and owner-occupied dwellings; Waitakere City's development contributions remission for sustainable development; and Prometheus' finance for eco-homes.</p>
<p>Local Council support through the planning process and/or through contributions to the partnership of resources and/or implicit subsidies.</p>	<p>If the Affordable Housing Bill (or similar legislation) is enacted, Council planning processes may become a key component. Currently councils can review and change District Plans to encourage affordable housing provision. Councils can directly contribute to partnerships (eg with expertise, land and property, or with funds from rates or from borrowing). Councils can also contribute (less directly) through reduced resource consent fees, reduced development contributions etc. See: Queenstown Lakes District Council's HOPE Strategy, Auckland Region Affordable Housing Strategy, and Auckland City Council's affordable housing initiative.</p>
<p>The support of the local community</p>	<p>Likely to be less NIMBYISM than for HNZC developments. Eg: there is community support for the high quality housing for key workers in Queenstown Lakes. Issues of eligibility and equity may act as a barrier to community support until sufficient affordable housing is developed by partnerships.</p>

<p>Mechanisms that retain the housing as affordable into the future.</p>	<p>Unlike the case studies, there is limited ability to retain long-term affordability using consent conditions. Shared-ownership and capped ownership (covenants on titles) provide some retention. Community Land Trust leasehold models are unknown in New Zealand.</p>
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The above analysis suggests that whilst almost all of these key components exist in some form in New Zealand, there are some quite severe limitations, particularly in terms of availability of funds and land at reduced costs, management expertise, responsibilities of local councils, and retention mechanisms. Significantly, there are no equivalent positions to those of the English (Rural) Housing Enablers whose remit is to find solutions to affordable housing needs, using the resources of a diversity of organisations, and negotiating agreements.¹ The Housing Innovation Fund is currently the primary source of funds at reduced cost and is limited in size, making the need to draw in more private sector and non-profit partners even more crucial in New Zealand than in some of the case study countries. There are no easy solutions for addressing these limitations, short of a major expansion of the Housing Innovation Fund, and the allocation of new powers and responsibilities and new resources to local councils, or other organisations.

Ways Forward in the Short-term

There are three inter-related steps that have to be taken: establishment of objectives and targets; identification of potential partners and resources; and selection of the appropriate model for each scheme. These are not sequential – finding suitable partners may require revision of objectives, resources may not be available to reach target households, the preferred model may require additional partners etc. Appendix C provides a guide for assessing proposed partnerships that can assist in identifying gaps and misalignments.

Establishment of objectives and targets: There has to be clear agreement on the objectives to be achieved and the target groups for the affordable housing. These could be very diverse. And agreement is needed from all of the partners and all partners must be able to identify benefit from being involved. Just three examples of possible objectives and target households illustrate this diversity:

- To increase the supply of affordable housing for key worker households that are critical to the local economy and support the local community;
- To improve the quality and environmental sustainability of existing affordable housing and support tenures that will enable lower-income households to gain security;
- To assist older people facing unsustainable housing outgoings (be it high rents, rates or maintenance costs) into affordable shared-ownership opportunities integrated into existing suburbs.

Establishing objectives and target households depends on an understanding of housing needs in the community; the likely incomes and assets of the target households, and the potential costs of different forms of tenure and housing design that the target households would be able to sustain.

¹ The exception may be the few housing affordability co-ordinators appointed in response to recommendations in CHRANZ's regionally specific research.

Identification of Potential Partners and Resources: What resources can all of the partners bring to the partnership to meet the objectives? Are there gaps that need to be filled? The areas to consider are likely to include land and property, finance, production and development, and professional expertise. These four areas are interdependent. For example, accessing finance is not separate from accessing land: land or property can be used as an asset for securing loan finance, but the value of that asset will be reduced if its use is restricted to affordable housing.

<p>1. Access to Land and Property at reduced cost</p>
<p>Identify potential landowners and businesses that are:</p> <ul style="list-style-type: none"> • aware of housing need and opportunities, • or have a strong social or community ethos, • or have adopted a community investment approach that recognises the value of a strong local community, • or are employers concerned about staff appointment and retention, • or are considering development of a site that could also include some affordable housing units.
<p>Land and Property: Actions and contributions</p>
<p>With the owners:</p> <ul style="list-style-type: none"> • Identify potential sites or properties (surplus to requirements) that could be made available, at a reduced cost. • Explore possibilities for land swaps, to consolidate into parcels suitable for development – that could lead to a better market opportunity and a site suitable for affordable housing. • Explore possibilities for alternative designs for a development proposal on the site that could include some affordable housing in such a way as to increase the overall value of the investment. • Investigate options for conversion and or renovation of an existing property using quality design and construction, high energy and water-efficient components etc, to provide affordable housing. • Explore financial and management options for the most effective way of achieving affordable housing on the site. For example, this might involve transfer of the property to a non-profit community organisation, with access to favourable funding from HIF and tax exempt status. <p>Consider:</p> <ul style="list-style-type: none"> • Possible contribution of land or property at a discount sales price or as a donation. • Possible contribution of land or property as leasehold. <p>For the Council:</p> <ul style="list-style-type: none"> • to review the District Plan to identify if any changes are needed that could facilitate landowners putting forward sites for development for affordable housing. For example: the facilitation of planning and design issues relating to mixed use developments such as affordable housing above commercial or retail uses. • if legislation for affordable housing contributions is enacted at some time in the future, to be prepared to change the District Plan, and to consider how best to manage any affordable housing, sites or cash in lieu contributions, in partnership with others.
<p>Benefit to owner of contributing land or property at reduced cost</p>
<p>The benefits are clear if the motivation for the contribution is based on altruism and/or an ethos of corporate social responsibility. In addition, the contribution could enhance the community profile of the landowner.</p>

A covenant on the title can ensure that the landowner's interest is taken forward. This could include design and construction requirements, or requirements on household eligibility. Similarly a landowner that is an employer could retain nomination rights for some of the affordable housing.

If the contribution is leasehold, the landowner retains the freehold. This may be significant in making sites available for affordable housing that would not otherwise be available for freehold sale. The landowner gains a premium and a ground rent – a secure long-term investment. At some time in the future, the homes revert back to the landowner who benefits from the revisionary interest.

If the proposal involves conversion or renovation of an existing building, the owner may benefit from removal of any costs associated with the existing building, in addition to leasehold purchase funds, an income gained from leasehold of the new development, and potentially an increase in the value of an asset.

If a community housing trust manages the dwellings, the investment is secure, with any management risks borne by the community organisation.

2. Access to finance at reduced cost

Identify potential financial institutions

- HNZC, HIF: grants and loans on favourable terms
- Local Council: a potential source of grants and loans, and indirect subsidies. Also potential opportunities for affordable housing to be linked to existing social or economic development strategies, social capacity building, community revitalisation projects etc.
- Community Trusts: identify Trusts that may be willing to invest in a demonstration project to meet social investment objectives, to support social capacity building or to address a clearly identified community need.
- Private Financial Institutions – for corporate finance and debt funding – that have a recognized social or community ethos and understand the importance of investment in the community.
- Ethical investment companies – such as Prometheus – for finance for the additional energy-efficiency costs of new development.
- EECA for finance towards energy-efficiency.
- Private sector development companies – with an interest in the development - that could be encouraged to provide some financial support towards the affordable housing element.

Finance: Actions and contributions

With the financial institutions:

- Investigate the options for using land or property assets to secure any loan finance, on favourable terms.
- Consider the use of deferred interest payments that could reduce costs until income or capital is available.
- Explore the potential for debt based financing against a future net income stream
- Explore the potential for private sector partners to carry costs until units are sold into shared-ownership etc.
- Consider whether advance payments on pre-sold units (shared-ownership or some market-rate units for cross-subsidisation) could produce residents' equity contributions
- Explore financial options if the development is for mixed-income and/ or mixed use in order to achieve some cross-subsidisation of the affordable housing component.
- Investigate financial options if one of the partners is a non-profit community

- organisation, with access to favourable funding from HIF and other organisations (such as Community Trusts) and tax-exempt status.
- Investigate the possibility of providing staff, with legal and financial expertise, on secondment to the community housing trust, and corporate charitable donations and other fundraising activities, to support its development.
 - Explore the potential role for a public organization (HNZC or the local council) to act as loan guarantor.
 - Explore possible contributions from the council in the form of direct financing (through rates based debt and / or rates relief etc) and indirect subsidies (such as development contributions' remissions)
 - If the proposal involves renovation and/or conversion of existing buildings, explore the possibility with EECA of funding the energy-efficiency improvements.

Benefit to financial institution of contributing finance at a favourable rate.

The benefits are clear if the contribution meets the objectives of the organisation and / or if the contribution is based on corporate social responsibility.

Association with a successful scheme can have benefits in terms of marketing, public relations and the like.

With a mixed-use or mixed-income development, ensuring sufficient finance for the affordable housing element could result in higher quality design and construction, reducing any possible negative impacts on the remainder of the development that the institution is financing.

The involvement of a community housing organisation that is in tune with local housing needs could result in reduced marketing and management costs for finding shared-owner households, and finding tenants and managing the dwellings, thereby minimising risks.

If HNZC or a local Council is acting as a guarantor, the lower return may be balanced by less risk than for some other loans.

3. Production and Development

Identify Development Companies that are interested in the challenges and opportunities that affordable housing developments might bring.

Development companies have expertise that is unlikely to be found in the community organisations or the local council. This expertise is likely to include:

- knowledge of private sector financing tools and resources;
- expertise in various aspects of property, such as legal and financial, land development and construction, and marketing;
- and competitive prices for the services required for the project.

Production and Development: Actions and Contributions

Particular challenges that need to be addressed in the production and development of affordable housing, and need to be investigated when seeking a development company for a partnership, include:

- Options for increasing the density of a development proposal (thereby reducing land costs per unit).
- Options for mixed-income housing and mixed-use development to enable cross-subsidisation.
- Options for high quality construction methods that are efficient and keep construction costs low – such as construction off-site.
- High quality design to ease planning processes.
- Sustainable design with high energy-efficiency and water-efficiency performance.

- Contributions to structuring financing so that it is on the most favourable terms.
- Risk management systems in place, to ensure delivering is on time and within budget.

In addition, if the partners are concerned with leveraging community development outcomes from the affordable housing:

- Investigate training and employment opportunities for local people.
- Explore options for using local suppliers to keep costs down and dollars circulating within the local economy.

Production and Development: Benefits

There are positive impacts for development companies and for professionals in the delivery of demonstration projects of high quality, sustainable, affordable housing. They can enhance the company's reputation, and provide further opportunities in the marketplace, and in future affordable housing partnerships.

Partnership in these projects can also match a company's ethos.

Where a development company is already involved with a market-based component of a development project, ensuring that the affordable component is of the highest quality can protect the market-based investment.

Involvement can provide benefits in terms of attraction and retention of staff – given the challenging nature of the projects. Staff can gain new skills, and enhanced reputation for involvement in a successful project, whilst achieving their own company's objectives.

4. Access to Expertise

It is likely that all of the partners will bring different types and levels of expertise. For example:

- The community organisation may have excellent understanding of the housing needs of particular household groups, but less experience of legal and financial matters, or development and production associated with a scheme for moderate-income households, involving complicated cross-subsidisation and / or new forms of tenure.
- The local council's experience of housing provision may be limited to the management of pensioner housing, originally developed using low-interest central government loans.
- The private sector partners may have little experience in providing housing that has quality design and sustainability requirements, within tight budget constraints to meet the desired household income range.

Expertise: Actions and contributions

Investigate options for sharing expertise, particularly to increase the capacity of non-profit community organisations to take on an expanded role in the future - a critical component of these forms of partnerships.

Contributions built round up-skilling the capacity of the community organisations should be sought from central government departments, local councils and a range of appropriate private sector organisations, not otherwise involved in the partnership.

Expertise: Benefits

The community sector organisations benefit from increased skills enabling them to play an expanded role in the future. This is critical, particularly when initial projects are structured to provide an asset base, for use as security for private sector finance of future projects.

The public and private organisations that provide staff resources and expertise may meet a corporate responsibility ethos. The staff concerned benefit from challenging experiences, giving them an opportunity to extend themselves and learn new skills.

Encouraging organisations not otherwise involved in the current project may expand the pool of potential partners in the future.

Selection of models: Some broad themes can be identified from the case studies that illustrate different approaches for achieving affordability. Somewhat simplistically, they may be characterised as follows:

- Low site costs, mixed-income, mixed-use and cross-subsidies (England)
- Maximise debt finance based on future income stream and/or creatively finance using the publicly-owned site (Australia)
- Reduce project costs by accessing a high proportion of zero or low-cost financing (USA)
- Minimise debt cost (Canada)

In New Zealand, the current Planning system does not result in sites becoming available at low or no cost; there is such little experience with affordable housing partnerships and non-profit community trusts that debt financing from private financial institutions might be restricted, unless a public body such as a local council acts as guarantor in some way; and the supplies of zero or low-cost financing are limited. When a financial institution assesses whether to provide loan finance (against future sales into shared-ownership or against future rental income) whilst a key factor in securing the loan is the value of any asset (such as the site), it is equally important to consider the organisation's track-record and the quality of the board of trustees and / or quality of the partnership.

This suggests that in the short term, unless one of the partners is willing to contribute assets or income to secure debt financing, the starting point is with small schemes, relying predominantly on what can be generated from existing resources and expertise of the partners, and on grants and loans that are either available on favourable terms (for example, from HNZC:HIF or Community Trusts) or are predominantly short-term bridging loans. These small-scale relatively simple projects can provide opportunities for the board of trustees and / or the other partners to develop; to gain expertise, the beginnings of an asset base, and a greater capacity to manage risks; before moving onto schemes based more strongly around debt financing.

Following elements of the English and the Canadian approaches, appropriate small schemes should be based on the existing resources of willing partners; making extensive use of the favourable financial status of non-profit organisations; aimed at low cost production of high quality, sustainable, affordable housing; and with a significant proportion of the dwellings affordable to moderate-income households in some form of ownership tenure. Whilst the large number of case studies in Part 2 are intended to stimulate thinking about opportunities in New Zealand, the following proposals might make good starting points for initiating conversations with potential partners.

A. Improving existing dwellings: A scheme based on improving, renovating and upgrading for energy and water-efficiency, existing affordable housing, and introducing increased security of tenure. Possibilities to explore, include:

- Access to EECA funding and / or the Healthy Homes project
- Housing Innovation Fund finance and / or creative use of Welcome Home loans
- Shared-ownership or CLT tenure
- Establishment and use of a revolving loan fund
- Opportunities for corporate sponsorship
- Donations of building supplies
- Opportunities for secondment of staff with legal and financial expertise
- Training programmes for young people alongside building contractors
- Spin-off business opportunities

B. Looking for affordable housing opportunities when developing community facilities: A scheme based round the availability of land or property at reduced cost could be considered, when community facilities are being developed or renovated across the city. Possibilities to explore include:

- Opportunities for affordable housing above or adjacent to the community facility that can provide benefits, such as increased security after hours;
- Community facilities that are council owned and those belonging to community organisations – such as religious, educational, cultural, sporting or other groups;
- High quality design and environmental performance to act as a demonstration project.

C. Affordable housing in a mixed-use development: Intensification around transport nodes and town centres could provide an opportunity to collaborate with a private sector partner to develop affordable housing above or adjacent to retail or commercial premises. One of the critical issues for redevelopment and intensification is the consolidation of sites to achieve a desired development. Possibilities to explore include:

- Opportunities for assistance with site consolidation, in return for consideration of some affordable housing units;
- Design that caters for the mix of uses;
- Financial structures to minimise risks;
- Opportunities for cross-subsidisation.

D. Community-based affordable housing and community development:

Supporting a community organisation to create affordable housing using a Community Trust model, drawing on case studies such as Stonesfield and the Environment Trust. Possibilities to explore include:

- Options for retaining the affordability of the housing into the future;
- Development of an asset base or an income stream, to secure financing for additional affordable housing and/ or to support community services, social and economic capacity building;
- Design that incorporates energy and water-efficiency

Investigating opportunities of these kinds may result in a shift in target households or a search for additional partners, before implementation. Some of these ideas offer great potential, if they can be realised in New Zealand. But at the end of the day, adding up all the effort and contributions, the public-private model selected needs to make sense, not only for all of the contributing partners, but also by its ability to effectively address some of the affordable housing needs identified in the community.

Appendix A. Shared Ownership Schemes

Shared ownership schemes, in which the household purchases a portion of the dwelling and the developer, community housing organisation or public body (such as a local council or a public housing agency) owns the remaining portion of the property, take a number of different forms. New Zealand does have some experience with shared ownership schemes, such as the shared-ownership pensioner housing schemes operated by Auckland City and North Shore City Councils. The government indicated its intention to introduce shared ownership schemes in the 2005 New Zealand Housing Strategy and more recently has announced pilot projects (eg with the housing trust in Queenstown) and a rollout of a national programme.

The New Zealand Housing Foundation currently offers two schemes of assisted ownership. With 'Home Equity', residents have a 5-year occupation agreement, with weekly payments set at the market rent for the dwelling. If the residents choose to purchase, 75% of the difference between the current market value of the property and its cost when they first moved in is considered as an equity deposit. The purchase price is established as the current market value less that equity deposit. With 'Shared Ownership', residents purchase between 60 and 80% of the property, with NZHF retaining ownership of the remaining portion. No interest or rent is charged to the residents on NZHF's share of the property. Residents are responsible for any mortgage repayments, rates, insurance, maintenance etc. On sale, the household sells its proportionate share back to NZHF or on the open market, based on an independent property valuation. Any capital gain is shared according to the proportion of the property owned.

For further information:

www.housingfoundation.co.nz

Shared-ownership is very flexible and can be suitable for a range of households and housing markets. In its favour are that low to moderate-income households (if they are able to find the initial financing) are able to gain security, develop an asset base, and have an opportunity to achieve some equity gain, assuming that the value of the house rises. There is an element of risk especially for those households on the margin: if interest rates rise significantly then the household may default on the mortgage; and, if house prices fall significantly, the household may find itself in negative equity. The community housing organisation can use its share of the property as part of its assets when seeking funding for further projects. The risk for the community organisation occurs if it has established its financial commitments on the assumptions of a stream of rental income or ongoing gain in equity, and this is not realised.

Issues to consider when implementing shared equity schemes include:

- Is the initial percentage share determined by calculations of the target households' ability to pay or is the percentage determined by comparing the development costs of production with the market value on completion?
- Is the household paying rent on the non-owned share of the property, or is this portion rent-free?
- Is the initial percentage share fixed, or can it be increased or decreased by the household?

- If the share can be increased, can the householder 'staircase' up to 100% equity and become a freehold owner or is there a restriction, such as 80%?
- Are purchases of increased percentage share calculated on the market value of the property at the time of each additional purchase? If so, are any profits to be used by the housing organisation to support the provision of more affordable housing?
- If the dwelling was originally created using a subsidy (be it a public sector grant or a private sector development contribution etc) then how is this subsidy treated when the property becomes freehold, or market rate housing? Is it ring-fenced at a constant level or increased in line with market prices? What mechanism is in place to ensure that it available for providing more affordable housing?
- When a household sells its share of the dwelling, should a fee be paid to cover administrative costs, to ensure that the incoming household meets any eligibility requirements?

Whilst there are no obviously right or wrong answers to these questions, in New Zealand, at this initial stage of developing partnerships, it would seem appropriate to structure a shared-ownership scheme so as to protect not only the rights of the households but also those of the community housing organisation (shared-owner) or investor that has provided finance for the development of affordable housing.

1. Any scheme needs to ensure that the household purchases a share of the value of the property that is at least equal to the development costs. The alternative is for the purchase to be for less equity than the development costs, and the household to pay rent to cover outstanding loan charges and management costs. This might place the community organisation (the shared-owner) at a higher level of risk, which in turn could deter others from investing in similar schemes.
2. Staircasing (if allowed at all) should be limited to a maximum of 80%. This restriction serves as an incentive to encourage households to move out once household incomes have increased sufficiently to purchase in the open market and achieve full capital gain, and so provides an opportunity for another household seeking affordable shared-ownership housing

If staircasing to 100% occurs in locations in both urban and rural areas where limited land is available for a replacement affordable dwelling, it is unlikely that replacement will take place in that area. Whilst the individual household may have gained a freehold dwelling, the community benefit that may have prompted the original partnership to provide opportunities for affordable housing in that location will be lost.

If staircasing to 100% is allowed, landowners might be deterred from putting forward sites for shared-ownership affordable housing, unless they can be assured that the land will be used for affordable housing in perpetuity. Whilst one response is to require that the dwelling be offered first for sale to the community housing organisation that originally held the property, this will only take place when the occupant decides to sell, and may be at a price that is not affordable to the organisation, at that time.

3. There are likely to be legal difficulties in New Zealand in restricting access to the freehold of the property, when using shared-ownership or covenants on titles. A Community Land Trust model is an alternative approach for ensuring affordability in perpetuity.

A discussion of these issues in the UK context can be found in:
Rachel Kallis “Forever Affordable: Rural Shared Ownership Models that Work”
www.dorcom.org.uk

The English Government is considering legislative change to limit staircasing to a maximum of 80% because of concerns similar to those raised above. Consultation on proposed changes took place in the latter half of 2007.
<http://www.communities.gov.uk/publications/housing/sharedownership>

Community Land Trusts (CLT) provide a different form of shared-ownership. In a CLT the community organisation owns and manages the land, while the residents own the housing units on the land. Alternatively non-profit housing organisations own the dwellings and rent them to tenants. Long-term ground leases control occupancy and ensure that the housing remains affordable in perpetuity. Dwelling owners are able to access some equity gain on their investment and on any improvements that they might have made to the property, but it is likely to be somewhat less than the market gain and may be tied to the CPI or similar measure.

Burlington and Lake Champlain Housing Trust, Vermont, USA

In 2006, Burlington Community Land Trust merged with the Champlain Housing Development Corporation to form the largest Community Land Trust organisation in North America. It is responsible for the provision of more than 2,000 affordable housing units in the state of Vermont. Its affordable housing activities have been supported by grants and loans on a project-by-project basis, from the State of Vermont and from the private financial sector. Its expertise includes finance, development and construction, and housing management and maintenance.

CLTs are managed by boards that typically consist of CLT residents, other local homeowners, and stakeholders from public agencies or foundations that have supported the CLT. This is the case in Vermont. In general, the Community Land Trust programme has a number of advantages over more traditional affordable housing provision. Households are able to afford home “ownership” (affordable because only the dwelling is being purchased and not the land) and gain security. The Trust retains ownership of the land and is able to control occupancy and retain affordability through its ground leases. The equity in the land can also be used as an asset to finance additional affordable housing developments.

Households are able to benefit from some gain in equity on the initial purchase plus on the value of any improvements that they make to the dwelling, albeit at a slower rate than the market. By limiting the equity gain to individual owners, the CLT is able to recapture the initial subsidies from the earlier projects and use them to contribute to future developments. Limited equity gain also serves to encourage households to move on into the private market if and when their financial circumstances permit this. In the Vermont model, dwelling owners can be individual households or community organizations providing affordable rental housing. In addition the Champlain Housing Trust provides low-cost loans for dwelling repairs, technical support community organizations; property management and resident services.

Further Information:
www.champlainhousingtrust.org

For information on CLTs in the USA see www.lincolninst.edu
And for information in the UK see: www.communitylandtrust.org.uk

Appendix B: Overseas Case Studies Assessed Against Key Components

England: Case Studies	Land and property at reduced cost	Access to finance at reduced cost	Debt financing based on income stream	Management expertise	Non-profit status	Broader range of household incomes	Opportunities for cross-subsidisation	Design	Council planning and partner	Support of the community	Retention
Kirkby Lonsdale	X			X		X		X	X		X
Tivetshall St Mary	X		X	X	X	X	X	X	X	X	X
Lingham Court	X		X	X			X			X	X
North Curry	X	X	X	X	X		X		X	X	X
Bells Bakery	X	X		X	X	X				X	X
Kirdford Schools Court	X	X		X	X	X		X	X	X	X
Thirsk Co-op	X		X	X	X						X
Holsworthy CPT	X	X		X		X			X	X	X
Stonesfield CLT	X	X	X	X		X	X	X	X	X	X
Buckland Newton CLT	X	X				X		X	X	X	X
Environment Trust	X			X		X		X	X	X	X
Coin St Community Builders	X	X	X	X	X		X		X	X	X

Australia: Case Studies	Land and property at reduced cost	Access to finance at reduced cost	Debt financing based on income stream	Management expertise	Non-profit status	Broader range of household incomes	Opportunities for cross-subsidisation	Design	Council planning and partner	Support of the community	Retention
Victoria Harbour	X	X	X	X	X				X		X
Inkerman Oasis	X		X	X	X			X	X		X
City Edge	X		X	X	X			X			X

USA: Case Studies	Land and property at reduced cost	Access to finance at reduced cost	Debt financing based on income stream	Manage- ment expertise	Non- profit status	Broader range of household incomes	Opportunities for cross- subsidisation	Design	Council: planning and partner	Support of the community	Retention
Broadway Crossing		X	X	X	X	X	X	X	X	X	X
Trolley Square	X	X	X	X	X	X	X	X	X	X	X
Ashwood Court		X	X		X						
Casa del Maestro	X	X	X	X	X	X					X
UGSC	X	X	X	X	X	X	X				X

Canada: Case Studies	Land and property at reduced cost	Access to finance at reduced cost	Debt financing based on income stream	Manage- ment expertise	Non- profit status	Broader range of household incomes	Opportunities for cross- subsidisation	Design	Council Planning and partner	Support of the community	Retention
HOP		X		X	X	X			X		
Home At Last		X		X		X			X		
Kamloops	X	X	X	X		X			X	X	X
Blue Heron Co- op	X	X	X	X	X	X		X	X	X	X
Clarence Gate	X	X		X	X	X	X		X		X

Appendix C: Assessing Proposed Partnerships

This appendix sets out a series of questions that could be used by all potential partners to assess partnership proposals.

Benefits

- What benefits will the proposal produce – both direct and indirect?

Costs

- What are the direct costs to the organisations involved, including financial and resource costs; professional staff time; and below market costs for land or buildings etc?

Efficiency

- Will the proposal be value for money: that is efficient in its use of resources, with minimum waste during implementation?
- What is the ability of the proposal to leverage public, private and non-profit funds or resources?
- What is the anticipated length of time from agreement to provision of affordable housing? Does the timescale of the proposal meet desired outcomes?

Effectiveness

- Will the proposal be effective in achieving desired outcomes relating to:
 - Target households
 - Location of affordable housing
 - Number of affordable dwellings provided
 - Mix of tenures and units
 - Quality of dwellings

Risks: Development risk, Construction risk, Capital risk, Management risk and Political risk

- What are the chances of the proposal failing in any of these areas?
- What are the possible impacts if things go wrong?
- Are additional safeguards needed to manage risks in some or all of these areas?

Equity

- Is the proposal targeted to a particular location?
- What criteria are being suggested to identify 'eligible' households who will benefit from the proposal?
- How will these criteria be applied in the first instance and in the future?

Partnership Issues

- Is the proposal based on consultation, advice, liaison etc or a more formal written agreement or contract?
- If a formal agreement, is it joint venture, build-operate-transfer, contracting – out, or some other structure?
- If a formal contract is there evidence of:
 - Shared agreement about desired outcomes?
 - Shared understanding and commitment of stakeholder partners?
 - Shared understanding of the wider environment?
- Does the proposal address the balance between the benefits of involving a range of stakeholders and the costs of managing partnerships?
- Are mechanisms in place for dispute resolution between partners?

Strategic Fit

- How does the proposal relate to wider strategies of the partner organisations?
- Is the proposal complementary with existing market provision and social housing (ie fills a gap) or does it overlap with or duplicate existing efforts?

Acceptability

- Is the proposal acceptable to all key stakeholders in the partnership and the local community?

Ease of Implementation

- Do the partner organisations have the capacity and skills to undertake the proposal?
- Does the proposal rely on co-operation and/or partnership with other organisations that may be difficult to establish or maintain?
- If additional resources are needed for the proposal, such as finance or skilled people, will they be difficult to find?
- Are there likely to be legal impediments that may be difficult to overcome?
- Does the proposal meet the District Plan requirements for any proposed site?
- Will it be difficult to find households for the affordable housing provided?

Management

- Does the proposal require ongoing management of the affordable housing? If so:
 - Are partners' responsibilities clear?
 - Do the responsible partners have appropriate capabilities?
 - How will any management costs be distributed?

Retention and Future Options

- Does the proposal ensure that the affordable housing will be available and affordable for future households? If so, which of the partners will be involved in ongoing retention?
- Are some of the contributions or assets ring-fenced, so that
 - either they can be extracted and used for their original purpose if these dwellings are no longer affordable
 - or they can be used as an asset to finance additional affordable housing

Community Issues

- Does the proposal include initiatives to support community / neighbours buy-in?
- Does the proposal directly contribute to community capacity building and social investment, such as training or employment opportunities, or provision of community facilities?

Design

- Does the proposal include sustainable design for energy and water efficiency?
- Does the proposal address inclusive design, by recognising the special needs of some people with disabilities and over the lifecycle of a household?

Monitoring and Evaluation

- Are opportunities for monitoring and evaluation built in:
 - To check that the proposal is proceeding as planned and to identify any need for change during implementation?
 - To develop best practice and to guide any future partnership investments?

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