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FINANCIAL GUIDE

Tools to Boost CLT and OFS Financing in Europe

February 2020



With the support of

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INTRODUCTION

The regional cooperation programme **SHICC** (Sustainable Housing for Inclusive and Cohesive Cities), implemented from 2017 to 2020, seeks to promote the model of the Community Land Trust (CLT) and of the *Organisme de Foncier Solidaire* (OFS)¹ in Europe. As part of this project, Fonds Mondial pour le Développement des Villes (FMDV) is in charge of analysing and supporting sustainable financial models with a view to their dissemination. FMDV has received support in its efforts from the following programme partners: the **CLT of Ghent, London and Brussels**; the **National CLT Network** (England and Wales); and the **City of Lille**.

This *Financial Guide* has been designed to act as a **practical tool**. It is based on a **mapping of funding sources** mobilised by CLT and OFS in Europe, which highlighted the barriers and funding gaps that must be overcome to help spread the model.

In addition, a **collection of case studies** were prepared to allow practitioners to gain an in-depth understanding of the financial models implemented by European CLTs and OFSs. This work highlights **innovative and inspiring practices**, including a **high level of social added value**, which have proven to be **effective** in supporting and developing the model in North-West Europe.

The purpose of this *Financial Guide* is to highlight certain **financing mechanisms** and **instruments** in order to **promote practices** relating to both the financing tools themselves and their underlying partnerships which have made those practices possible. Another objective is to act as an **information tool** to enable replication of these tools in different contexts.

METHOD

5 PHASES: A METHODOLOGICAL FRAMEWORK FOR THINKING ABOUT FUNDING

The various instruments in this guide have been selected based on an analysis of the **development phases of CLT/OFS**². The issues that these instruments deal with are situated at the crossroads between those of financing for affordable collaborative housing on the one hand and the social and inclusive economy on the other.

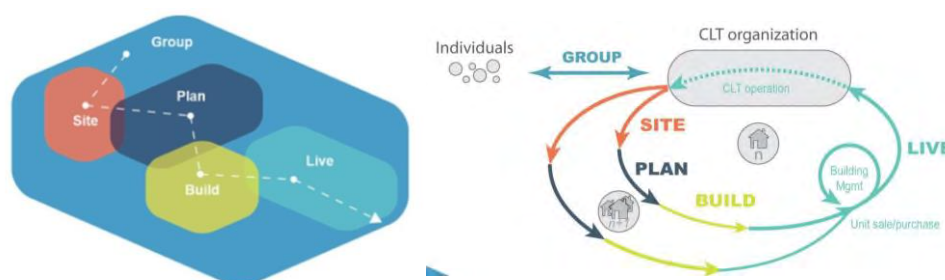


Fig.1 The Five Steps of Collaborative Housing Development (Sources: Power to Change, 2016 - left, FMDV, 2019 - right).

¹ French version of the Community Land Trust (CLT).

² The British collaborative housing movement 'Community Led Homes' has highlighted five development phases specific to the model: creation of the CLT/OFS ('GROUP'); land access ('SITE'); planning ('PLAN'); building ('BUILD'); and CLT/OFS operations such as access to loans, management, etc. ('LIVE'). (Archer, Kear & Harrington, 2016). These phases have been adopted by the SHICC programme partners. It should be noted that they may sometimes overlap.

The *Financial Guide* is divided into **sections**, whose respective introductions each present the **challenges** and **needs** related to a specific **financial constraint** (see table below).

Each instrument is then presented in the form of a **'tool sheet'** (see details in Annex). The tool sheet describes **how the instrument is implemented**: its background, objectives, mobilisation phase, scope, beneficiaries, and source of funds. It also provides **feedback** and a brief **analysis** of the tool's potential for replicability and social impact. Finally, the sheet is rounded out by **references** to similar tools or complementary approaches as well as a 'Resources' tab. It concludes with an analysis of the instrument's **added value**, its **limits**, its influence on governance, the expertise required for implementation, its risks, and points to be paid attention to or to be careful of.

| Phase | Financial barrier identified | Instrument presented |
|----------------------------------|---|--------------------------|
| GROUP Creation | Lack of readily available financial support | Start-up fund |
| | Lack of technical and professional assistance | Local hubs |
| SITE Access to land | Land not available | Call for projects |
| | High initial land cost | Long-term land loans |
| PLAN Planning | High costs associated with a risky planning phase | Municipal funds |
| | | Repayable loans |
| BUILD Construction | Difficulty in accessing affordable financing for construction | Real estate crowdlending |
| | Challenge to ensure the quality and energy efficiency of the building | Energy cooperatives |
| LIVE Access to housing | Low household creditworthiness | State-subsidised loans |
| | | Affordability allowances |
| LIVE Operation | Lack of structural income for CLT/OFS operation | Capital raising |
| | | Ground rent |
| | | Sharing capital gain |
| ALL Cross-cutting | Lack of cross-cutting programmes covering the entire financing chain | National programmes |
| | Difficulty in ensuring funding sustainability | Revolving funds |

Table 1: Summary of the instruments analysed in this *Financial Guide* (FMDV, 2019)

Occasionally, the chapters are accompanied by **boxes** that enlarge discussion to other issues and expand the study's geographical scope to the rest of the world.

Boxes

- Housing developers partnering with CLT/OFS in the building phase
- Use of non-monetary alternatives to reduce construction costs
- Going beyond homeownership
- Impact of the legal form on the mobilisation of financing
- Developing non-residential components
- Funding opportunities at the European Union level

POINT OF ATTENTION: THE IMPACT OF NATIONAL CONTEXTS ON FINANCING MODELS

The CLT/OFS model emerged in Europe in the midst of an **unprecedented housing crisis** with the **objective of improving access to a home** for modest to vulnerable populations. The process, however, of **circulation** and **transposition** of the model in different European countries (United Kingdom, Belgium, France, etc.) has led to varied **typological definitions** that echo **different country specific contexts and needs**.

In this sense, whenever considering the model at the European level, it is necessary to take into account certain characteristic dissimilarities that potentially **impact the broad functioning of these organisations**, namely:

- The **nature of the project leader**: municipalities, promoters, groups of inhabitants, associations;
- The **nature of the population target**: from the poorest to the middle classes;
- The **objective pursued** by the organisation: production of affordable and/or collaborative housing, non-residential components, land regularisation, etc.;
- The **role** of the organisation in the development process: land rental, project management, support to households, etc.;
- The **level of maturity of the legal environment**, which may (or not) allow certain potential barriers to be removed: creation of the structure, facilitation of construction (access to building permits, regulatory obligations, etc.);
- The **policy environment** in place: which defines the level of support provided by the public sector at the national/regional and local levels, especially in the preliminary phases (GROUP/SITE/PLAN) and also impacts the level of commitment of the private sector;
- The **access to land**: if it is based on borrowing, facilitated by discounts on land from local authorities, etc.;
- The **access to housing** for households: whether it is based on home ownership or also allows renting or even "partial ownership" (United Kingdom), among others;
- The **scale** of the CLT/OFS: which defines its development strategy.

Each of these characteristics has a significant impact on the CLT/OFS economic model. It is therefore important, when reading the proposals made in this document, to keep this reading grid in mind. Depending on the context, since the **problems encountered** and the **responses provided** may vary, FMDV has chosen to focus its work on the **common guidelines** rather than on the differences between models.

STRENGTHENING CAPACITY FOR ACTION

The creation of a CLT or an OFS involves a complex phase that can be long and costly. But this phase is crucial, as **forming as a group** makes it possible to determine and maintain a long-term **strategic vision**, secure good **partnerships** and enable access to funding at later phases. This phase is essential in order to **demonstrate the model at a later stage**. This structuring often requires grant support to empower project leaders.


This phase can take between **1 to 3 years** on average. It is frequently preceded by a **citizen-mobilisation, advocacy or communication campaign** (e.g. 2004-2007 for London CLT, 2009-2012 for CLT Brussels) and/or a **legislative transposition of the model** (4 years between 2014-2018 for the French OFS).

The costs associated with the creation of a CLT/OFS are far from negligible: up to €10,000 for the first activities, to be coupled with another €60,000-€150,000 if a preliminary **feasibility study** is required. On top of this, **personnel costs**, although rare at this stage, may also be incurred (1 to 2 Full-Time Equivalent, FTE), estimated at between €60,000 and €75,000 per FTE per year (all charges included). In the case of a volunteer-led organisations, **support and training of the group** must also be taken into account as an expense. For example, London CLT dedicates £50,000 per year to their partner (Citizens UK) to carry out this task.

| GROUP: Creation of the CLT/OFS | | | |
|--|--|---|--|
| Phase content <i>May vary depending on the model and country</i> | Needs | Barriers identified | Opportunities for response |
| <ul style="list-style-type: none"> - Forming the group: determining common values, its mission, etc. - Legal incorporation: status, determining governance, membership, etc. - Feasibility study to identify: the current status of the local market and existing needs, a viable economic model (target population, type of product, allocation, drafting of leases, price and form of resale, etc.), projections and budget. - Training: local context, advocacy and community commitment, development, self-building, access to housing. - Development of partnerships: public authorities, funders, associations, developers, etc. | <ul style="list-style-type: none"> - Gratuitous initial funding for the feasibility study, legal incorporation and personnel costs | <ul style="list-style-type: none"> - Lack of suitable funding (fragmented) - Initial research for financing time-consuming | <ul style="list-style-type: none"> - Public or private grants (via call for applications) - Start-Up Fund and 'early stage support' programmes - Crowdfunding |
| | <ul style="list-style-type: none"> Access to technical and professional assistance: <ul style="list-style-type: none"> -technical (public policy, planning, development) -legal (determining of articles of association, leases, notaries, lawyers) -economic and financial (economic model, project development) → <i>often provided by the Board of Directors</i> | <ul style="list-style-type: none"> Lack of experts with local knowledge of the field, specialised expertise on the subject and the ability to guide groups | <ul style="list-style-type: none"> - Local technical assistance hubs - Network support - Platforms and online resources - Direct assistance by public authorities |
| | <ul style="list-style-type: none"> - Training of groups - Social support | <ul style="list-style-type: none"> Not taken into account much. Lack of suitable funding. | <ul style="list-style-type: none"> - Partnership with the not-for-profit sector [△] |

[△]: Gap identified

START-UP FUND

| | | |
|---|---|--|
| Description | Allows groups to provide up to ten days of expert support (valued at €650-€700 per day). | |
| Objective | Help groups to put their initial ideas into concrete form, clarify certain technical points and develop a realistic action plan (business plan, formal incorporation of groups, etc.). | |
| Phase | Creation of the CLT/OFS. | |
| Scope | Regional, national or even European: <i>however, increasing the scope of action makes implementation more complex.</i> | |
| Beneficiaries | Groups in training that have expressed a clear goal of setting up a CLT/OFS that meets the eligibility criteria (see: 'Resources'). | |
| Source of funds | Via public funds (regional, national, European) and/or charities . | |
| Implementation | <p>Steps:</p> <ul style="list-style-type: none"> - Groups submit a request detailing the main characteristics of the project. - Applications are processed by a committee which assigns a certified local expert to the group, according to the needs expressed. - The group is invited to an initial one-day meeting with the expert to assess whether setting up a CLT/OFS is relevant. - Following this initial meeting, the number of additional support days is adjusted (limited to 10 days). - Groups pay advisers with vouchers, which can be exchanged for payment by the fund manager. <p>The costs of implementing a start-up fund are almost entirely administrative - interviewing and setting up approved adviser list, running the grant administration itself (supporting groups through their applications, hosting committee meetings, sending out decisions, handling the invoices and payments), relationship management with advisers and groups and so on. As an illustration, the National CLT Network (England and Wales) allocated between 2 and 4 days a week of one team member to run such a programme.</p> | |
| Feedback | | |
| National CLT Network pioneer programme (England and Wales) | Start-Up Support programme by Community Led Homes (England and Wales) | The start-up fund for the SHICC project in North-West Europe |
| Funded by The Tudor Trust, Esmée Fairbairn and The Nationwide Foundation, the first start-up fund has benefited more than 300 projects over 10 years (2008- 2018). With the advent of the Community Led Homes programme and Enabling Hubs (see below), early stage support for groups has been renewed. | Funded by in the Ministry of Housing, Communities and Local Government (MHCLG) this programme makes available £4,000-£6,000 to cover volunteer expenses, the costs of legal incorporation, business plan preparation, technical costs of site studies or architectural designs and community involvement. | In 2018, the mechanism was extended to North-West Europe as part of the European SHICC programme, with the aim of helping to create 33 new CLTs or OFSs in the region. This phase of the programme will end in June 2020. It offers up to €6,500 to finance up to 10 days of expertise. |
| Reproducibility *  | Developing a start-up fund requires implementation of a complex technical infrastructure (determining local needs, identifying and accrediting experts). In addition, it requires sustainable funding for its operations | |

| | |
|----------------------|---|
| | (paying the experts) and for its fund management (processing applications, etc.). |
| Social impact | - Building local capacity and capability - Favouring sustainability and rooting in the community |
| Going further | Along the same lines, Grounded Solution (network of CLT in the US) and Citibank’s Community Development department have developed the CLT Accelerator . With an annual budget of \$1 million, it offers technical assistance and \$500,000 in investment to two CLT. In addition, the Cohesive Communities Fund (CCF), backed by M&G Investments and Power to Change seeks to unlock local capacity by providing financial and technical support through grants and training. Successful are awarded a grant of up to £15,000 as well as ten days of support from an expert in the field. |
| Resources | Polly Adams-Felton: Grants and Events Coordinator, National CLT Network: polly@communitylandtrusts.org.uk, +44 20 3096 7793 See: Application Guide , Application Form |



Analysis

The start-up fund gives a boost to the **structuring of groups** and the **formalisation of their housing project** by putting them into **connection with suitable professional expertise**. This model also makes it possible to **give structure to an expertise sector** at the regional/national level. It makes it possible to **move away from the voluntary system** or, on the contrary, the use of an external consultancy without local roots.


For this tool, project leaders must have **strong organisational capacity** (for submission of applications, project set-up, etc.). In addition, its 10-day format has **limited impact**. When used alone, it does **not allow for the operational implementation** of a CLT/OFS and benefits only the personnel and/or the first project group. Moreover, this type of tool is highly **dependent on public funds**. The end of the grant often leads to the termination of the programme.

Analysis of this instrument raises questions of **very different needs depending on the context**, on the **nature of the experts** (who must combine different types of expertise), on the **scale** of implementation, as well as on the **manager** of the fund.

*see appendix for details

LOCAL TECHNICAL ASSISTANCE HUBS

| | |
|--------------------|---|
| Description | Network of organisations providing technical support for collaborative housing projects. They exist only in the UK in the present form ('Enabling Hubs'). In some countries, other modes of organisation exist (e.g. networks) which can act as technical and legal relays. |
| Objective | To act as single points of contact carrying out the multiple tasks of: information; technical assistance; training (in governance, management and citizen involvement); advice on financing and housing development; partnership building with local authorities and other key stakeholders. |
| Phase | Provide continuous support for all phases of development. <i>(More specifically, their skills are crucial in the planning, financing and construction aspects of development.)</i> |
| Scope | Considerable variations between the scales covered by the local hubs; however, most of them are sub-regional (covering > 1 municipality). They must be rooted in the community , but they must also be sufficiently |

| | |
|---|--|
| | sizeable to generate income . It is possible to design this network of hubs on different scales. |
| Beneficiaries | Groups formed during the implementation phase of a project and that suffer from lack of expertise . |
| Source of funds | Successful hubs rely on blended financing methods: Initial grant funding (public and private) up to four years after their creation in order to be sustainable. They must then be able to generate income (charging fees for their advice for example, and/or space rental). |
| Implementation | Some hubs are housed by a host organisation but operate as a separate activity . |
| Feedback | Such hubs have been operating since 2006, however, the geographical coverage remained partial . Since 2018, the Ministry for Housing, through the Community Housing Fund has made available grants (to £50,000-£150,000, see: Enabler Hub Grant Programme) in order to establish new hubs supporting Collaborative Housing in a broader sense (including cohousing, cooperatives etc). |
| Reproducibility  | The development of local technical assistance hubs requires implementation of complex infrastructure as well as sustainable funding to set up and operate them. |
| Social impact | <ul style="list-style-type: none"> - Building local capacity and capability - Rooted in the community and local housing markets - Financial sustainable model for support infrastructure. |
| Going further | In other European countries there are networks of technical experts that support the development of collaborative housing. In this idea, Urbamonde is experimenting with 'Atelier Habitant' an incubator idea to promote the creation of groups (via public meetings, on-site visits and aid in responding to calls for projects). |
| Resources | <ul style="list-style-type: none"> - Delivering a CLH enabling hub service: experience and lessons from existing practices (Duncan & Lavis, 2018) - Setting up a support hub for community-led housing (CLH Toolkit) - London CLH Support Hub (CLH Toolkit) |
|  Analysis | <p>Local technical assistance hubs increase the chances of success of the project through efficient (i.e. fast and flexible) use of resources. Their role of mediation and making connections among public authorities, financial backers and professionals helps mitigate risks and facilitates access to land and financing. However, the quality of services depends very much on the availability of funding. Most of the existing hubs (in the UK) are financially fragile, thereby jeopardising the sustainability of services. Because of this, the role of public authorities is crucial in order to further the creation of viable hubs and a solid network.</p> <p>In addition to financing, one of the main obstacles to setting up such a system is the difficulty of providing appropriate support. Currently, there are inadequacies in terms of being able to identify and mobilise experts who have both specific and diversified skills. This is especially the case in places where the situation is little developed (in France, for example).</p> |

FACILITATING ACCESS TO LAND

CLT/OFS face not only the challenge of becoming structured and operational: they must also acquire land. Land represents **one of the greatest expenditure items**. It can amount from **20-30% and up to 60%** of the total operation cost in areas under land pressure.

Access to land, which can take up to a year or more, requires a range of **technical skills** to identify and then purchase a site. The purchase will require **long-term financing, guarantees**, as well as funds to cover the transaction costs. As **CLTs are not competitive** on the **free market**, this phase often requires **support and strong commitment** from **landowners, philanthropic funders and/or public authorities**.

| SITE: Access to land | | | |
|---|--|--|--|
| Phase content <i>May vary</i> | Needs | Barriers identified | Opportunities for response |
| <ul style="list-style-type: none"> - Site identification - Site/building assessment - Pre-planning and architectural designs - Site studies - Feasibility and financial viability - Risk assessment - Launch of the purchase process or study of other options (long-term rental, etc.) - Search for appropriate financing - Transaction | <ul style="list-style-type: none"> - Funding for technical assistance: site identification, architectural and financial feasibility and site acquisition - Suitable financing tools to access land (long-term loans, guarantees) - Support from public authorities | <ul style="list-style-type: none"> High initial land costs in areas under land pressure Lack of competitiveness in the private market | <ul style="list-style-type: none"> - Allow the OFS/CLT to benefit from the advantages of accredited organisations (discounts, reduced VAT) - Reduce the initial cost of land through subsidies - Promote tax incentives for donations - Advantageous tax rate on transactions |
| | | <ul style="list-style-type: none"> Lack of support from local authorities in accessing land | <ul style="list-style-type: none"> Through local public policies, promote: <ul style="list-style-type: none"> - the implementation of calls for specific projects, - use of regulatory tools (planning obligations, reservation policies, etc.), - taking OFS/CLT into account in urban renewal projects, - the implementation of accessibility mechanisms: donations, discounts, bridging subsidies, guarantees. |
| | | <ul style="list-style-type: none"> Unsuitable debt-financing instruments: <ul style="list-style-type: none"> - short-term products - high interest rates | <ul style="list-style-type: none"> - Loans from national public banks (long-term land loan from the <i>Caisse des Dépôts et Consignations</i> (CDC) in France) or municipalities (revolving loan, London) - Commercial loans/bonds and ethical finance [△] - Mobilisation of solidarity savings - Setting up solidarity principles between CLT/OFS - Mobilisation of ground rent |
| | | <ul style="list-style-type: none"> Default in guarantees | <ul style="list-style-type: none"> Municipal guarantees on long-term property loans in France |

△: Gap identified


CALL FOR PROJECTS

| | |
|--|---|
| Description & Beneficiaries | Allows for land to be made available to leaders of 'alternative' projects ³ , including collaborative housing . |
| Objective | Most calls for projects concern complex sites (in terms of location, size, etc.), often sold to the highest bidders . The objective is to support innovative approaches (social mix, sustainability, etc.). Project initiators, who are not competitive on the open market, can thus better develop these sites through an offer adapted to local needs (in terms of density, price, neighbourhood life, etc.). |
| Phase | Access to land. |
| Scope | Municipal or metropolitan: <i>they can be considered as part of urban development or regeneration programmes.</i> |
| Source of the land | The land is often of public origin: Municipalities, State, public or para-public agencies ⁴ . |
| Implementation | <ul style="list-style-type: none"> - Vote on making land available and on an additional budget internally, or support for owners to unblock their sites - Management of the tendering process: preliminary studies, communication, follow-up of applications, awarding, contract management, transaction - Putting into action a technical assistance team for landowners and/or candidates - Development of an online platform (communication, resources) - Sometimes, financing of some of the costs related to the project management (architect) and assistance to the project owner. |
| Feedback | |
| UK - Greater London Authority (GLA) | France - City of Paris |
| In 2018, the GLA set up the 'Small Sites, Small Builders programme' which, thanks to support from public authorities , has made 19 sites available throughout the city. The call includes funding for site identification, preliminary studies, and grants for building site preparations. The process of formalising contracts is standardised. The GLA links with project initiators via a website listing sites and other available resources . The pilot phase unblocked 10 'Transport for London' sites, two of which were won by London CLT ⁵ . These sites were put out to tender restricting bids to CLTs and 100% affordable offers. This allowed London CLT to make a competitive offer when these constraints were taken into account. The second phase will run until April 2021 with a budget of £14,700,000. | The City of Paris set up a similar pilot programme in 2014, allocating three sites for participatory housing projects (228 to 289 m ² between €615,000 and €1,340,000). The city authorities conducted the technical and financial feasibility studies beforehand. The programme was carried out in three phases: expression of interest (7 months), architectural and financial feasibility (selection of architect and assistant, 11 months) and technical feasibility (1 year). Paris also provided the groups with a communication and information platform, a team dedicated to supervision and training, as well as financial assistance (€17,000 max. for Phase 2, and €27,500 for Phase 3). Implementation of the winning projects has been ongoing since 2016. |

³ Alternative urban production is characterised by projects that: *'are not designed from a top-down perspective, [...] do not make market mechanisms their main organisational vehicle, [...] do not aim to rebuild the city for the wealthiest social groups'*. (Beal and Rousseau, *Alterpolitics!*, 2014).

⁴ The question arises as to whether it would be appropriate to include private land.

⁵ Cable street, Tower of Hamlets and Christchurch Road in Shadwell, 75 housing units planned.

| | |
|---|--|
| Reproducibility  | <p>This type of approach is adaptable to various legislative contexts but requires strong political will linked to recognition of the added value of alternative housing production models (including CLT/OFS). It also requires mobilisation of capacities whose nature may be financial (identification of available land, building site preparations, etc.) or technical (setting up and monitoring complex projects). For the candidates, it also requires the setting up of a multidisciplinary team in order to propose a competitive offer.</p> |
| Social impact | <ul style="list-style-type: none"> - Controlling land and developing housing - Builds local capacities - Increasing diversity and equity - Challenging the status quo - Favouring sustainability and rooting in the community |
| Going further | <p>A similar process can be observed in Brussels, where the <u>Sustainable Neighbourhood Contracts</u> system has enabled <u>CLT Brussels</u> to access the land of about half of their projects. In Annemasse, France, near Geneva, the city authorities took advantage of a Concerted Development Zone (<i>ZAC Étoile</i>) project to launch a <u>call for cooperative housing projects</u> on the land of an OFS (EPF Haute Savoie).</p> |



Analysis

Calls for specific projects help to integrate **alternative projects into public policies**, but these remain **marginal**. They help free up land for innovative projects on sensitive sites. **Technical and financial support** makes it possible to **secure the next planning phase** (see next chapter). However, their implementation requires **determination** and **mobilisation of considerable capacities by municipalities** (see: 'Reproducibility'). Finally, this approach tends to **favour existing groups** that have more resources for project development.

It is thus important to pay attention to the **link to be established between this tool and the tools presented above**.

Similarly, it is important to **ensure** that the **quality of the site** made available does not have a **negative impact on** the group's housing project (in terms of public transportation access, noise, pollution, etc.). Indeed, it can be observed that, according to the type of the site, the groups may have to innovate to cope with noise and air pollution or small size. In addition, because the size of the land is small, so is the number of houses developed. Scale-up will be possible only when this call-for-projects system is strengthened.

LONG-TERM LAND LOANS

| | |
|--------------------|--|
| Description | <p>Long-term land loans (>40 years) are a range of loans dedicated to financing the purchase of land and building-site preparations for the development of projects (demolition, decontamination, grid connection). They are often used with a social purpose.</p> |
| Objective | <p>The purpose of the long payback period is to spread out the initial purchase cost over the life of the building. Indeed, in the case of CLT/OFS, these loans help reduce the initial cost of housing.</p> |
| Phase | <p>Access to land</p> |

| | |
|--|--|
| Source of funds & Scope | Private banks (often mutual or cooperative banks) or a national public bank ⁶ |
| Beneficiaries | Dedicated to institutional operators (social landlords, local public companies, local authorities, etc.). They are also available for certain not-for profit organisations such as OFS. |
| Implementation & feedback | <p><u>Long-term Gaïa loans</u>, originally intended to finance social housing, are a French exception due to their size and repayment period (18 to 80 years, in areas under land pressure). They are issued by the CDC at advantageous rates, although variable (<i>Livret A</i> +0.6bp, or 1.75% in 2018).</p> <p>These rates are financed through the mobilisation of solidarity savings, the '<i>Livret A</i>', which is an interest-bearing savings account whose interest is tax-free.</p> <p>However, the conditions of access to Gaïa loans are highly regulated: they must be co-financed by equity and guaranteed by local authorities. In addition, they are only available for accredited institutions (see 'Beneficiaries').</p> <p>In France, the CDC has undertaken to support the purchase of land by OFS via Gaïa loans, but the absence of past cases from the system means that management is case-by-case and would benefit from standardisation.</p> |
| Reproducibility  | Requires the existence of quite cumbersome financial engineering and an environment with specific organisations or tools (e.g. CDC, savings account, etc.). A culture of long-term and patient financing and an expressed determination to finance land purchase are also needed. |
| Social impact | <ul style="list-style-type: none"> - Land control and housing development - Increasing diversity and equity |
| Going further | In addition, there are other mechanisms to finance the costs related to the purchase of land: the utilisation of revolving funds , the issue of real estate bonds modelled after German bank <i>Pfandbriefs</i> , the application of solidarity principles between organisations (on the issue of guarantees in the Netherlands, or the utilisation of surpluses in Denmark) or the setting up of land cooperatives (such as the CLT Brussels (CLTB) initiative). |



Analysis

Long-term land loans facilitate **CLT/OFS operations in areas under land pressure**, where the price of land is very high (up to 1/3 of the cost of the operation). However, for borrowing to **regulate/control the cost of land**, these instruments must be **combined with a local land policy**. Without the latter, there is the risk that the **cost of the land is transferred to households**. Indeed, the cost of land is not **deducted** from the cost of housing, **but spread over time**. It is therefore reflected in monthly households' ground rent (between €1 to €3 per m² in France). This aspect has an impact especially on the target population (those in the intermediate middle class leaving council housing).

On a different note, use of these tools faces obstacles, the two largest of which are the **eligibility conditions** (which raise the question of access to the tools by **citizens' initiative groups**) and the **need for a guarantee** from the public authorities (which are increasingly reluctant to grant them in view of the current drop in their allocation budget).

⁶ A public financial institution such as the CDC in France that provides a service of public interest and economic development on behalf of State and local authorities.

+ Foundations, trusts and ethical developers: actors with complementary activities

In Europe, there are some operators which, without having adopted the CLT/OFS model, pursue complementary activities concerning access to land. Their legal forms may vary, but they all adhere to an anti-speculative philosophy. A non-exhaustive list is provided here.

| Organisation | Affiliation | Model |
|---|---|---|
| <u>Stiftung Edith Maryon</u> (Switzerland, 1990) | Mixed | - Foundation: land purchase and emphyteutic leases (<i>Erbbaurecht</i> , 99 years) - €131.6m in assets, <u>123 projects</u> |
| <u>Stiftung Trias</u> (Germany, 2002) | Mixed | - Foundation: land purchase and building law (99 years) - €10.1m in assets, <u>35 projects</u> |
| <u>Mietshäuser Syndikat</u> Network (Germany, 1989) | Mixed | - Funding arrangements: for each project, a limited liability company (GmbH ⁷) is created, whose two partners are the residents' association and the <i>Mietshäuser Syndikat</i> network. - The network has a solidarity fund to support projects (€220,000 in 2015). <u>144 projects</u> completed. - Equivalents: <u>CLIP</u> (France), <u>Vrijkoop</u> (Netherlands) |
| <u>Stad in de Maak</u> (Netherlands, 2014) | Mixed | - Not-for-profit association, - Partnership with developers in difficulty, solidarity fund - <u>5 projects</u> |
| <u>Habitat et Partage</u> (France, 2015) | Participatory housing | - <u>Cooperative company</u> (SCIC SA ⁸) based on the model of Swiss cooperatives: - Open ended: €18,500, 46 members, 3 projects |
| <u>Foncière d'Habitat et Humanisme</u> (France, 1986) | Housing for the most disadvantaged people | - Real estate company: investment company (SCA ⁹). - Funding set-up: 40% equity, 25% grants, 35% loans - €197.4m in capital, 7,564 shareholders, 3,763 housing units. (2017) |
| <u>Solifap</u> , (France, 2014) | Housing for the most disadvantaged | - <i>Société d'investissements solidaires</i> (SCA) - €27.8m in capital, 160 shareholders, 120 projects |
| <u>Villages Vivants</u> (France, 2016) | Recognised as a solidarity economy organisation | - Cooperative management (SCIC SARL ⁸)+SCA: fundraising - Funding arrangements: creation of an SCI ¹⁰ per project or territory. - Financing: 60% SCIC equity, 40% mortgage loans - Capital: €100,600, 26 members, <u>8 projects</u> |
| <u>Ethical Property</u> | Recognised as a solidarity economy organisation | - <u>GB</u> (1998): 1,350 shareholders, £22m, <u>21 projects</u> , 9 cities - <u>Belgium</u> (2008): 61 shareholders, €1.7m, 5 projects - <u>Etic France</u> (2010): 140 shareholders, €4.8m, 10 projects |
| <u>Terre de Lien</u> (France) | Agriculture | - Not-for-profit association: coordination, management - Real estate company: investment co. (SCA, capital €73m) - Foundation: buys back land, manages donations (10,878 donors, €1.4m in donations). - Belgian versions: <u>Terre-en-vue</u> and <u>Landgenoten</u> |

⁷ GmbH: *Gesellschaft mit beschränkter Haftung*

⁸ SCIC (*Société Coopérative d'intérêt Collectif* - cooperative company of collective interest): may have various forms, such as SA (public limited company) or SARL (private limited liability company).

⁹ SCA: *Société Commandite par Action* (limited partnership with a share capital)

¹⁰ SCI: *Société Civile Immobilière* (real estate investment trust)

GETTING TO PLANNING

The planning phase (6 months to 1 year) is often carried out at the **same time** as the above phases (group formation and access to land). It includes the **co-design** of the project with the future residents, preparation of the **building permit** application, updating of the **financial viability** of the project, as well as the negotiation and **securing of financing** for development and **procurement procedures** with companies.

This is one of the **riskiest** phases, when most projects fail. Indeed, bringing a collaborative housing project into fruition is generally a very long process (>5 years). Most delays can be seen to occur before the building permit is obtained (problems related to the poor quality of the land, complex negotiations with the authorities, lack of in-house skills).

In addition, it is **difficult for CLT/OFS to raise funds before obtaining the building permit**. This phase can therefore be very costly for **self-development** groups.


It requires financing for external expertise or internal staff, as well as funds to cover the costs related to the building permit (approx. €150,000 according to CLT Brussels).

| PLAN: Planning | | | |
|---|--|---|---|
| Phase content <i>May vary depending on the model and country</i> | Needs | Barriers identified | Opportunities for response |
| <ul style="list-style-type: none"> -Co-design of the project - Assessment of planning and infrastructure requirements -Technical feasibility -Evaluation of building options and costs - Update on the financial viability of the project - Preparation for the building permit - Negotiation and securing of financing for development, - Procurement procedures with companies for building - Obtention of building permit | <ul style="list-style-type: none"> -Professional technical assistance in architecture, engineering, construction economics, and project preparation and management → <i>Critical advice to mitigate exposure to risks related to increased project costs and timelines during the building phase.</i> -Other costs to be covered: building permit, and, if necessary, additional feasibility studies (e.g. site) | Lack of knowledge about existing risks and opportunities | - Advice from technical assistance hubs |
| | | <ul style="list-style-type: none"> - Very costly financing, linked to risks - Lack of risk-mitigation mechanism | <ul style="list-style-type: none"> - Repayable loans - Municipal Funds - Mobilisation of the internal expertise of public authorities (e.g. architects from the Flanders Region) |
| | | Timing of obtention of building permit | <ul style="list-style-type: none"> - Facilitate access to building permit - Reduce the period between obtaining the building permit and the building phase [△] |

[△]: Gap identified


MUNICIPAL FUNDS

| | | |
|------------------------|---|--|
| Description | Municipal funds allow a local public entity to provide financial support in the form of loans and/or grants to groups carrying out collaborative housing projects. | |
| Objective | This type of fund seeks to increase the number of housing units available by facilitating and accelerating the start-up phase of projects. They also provide a solid base of expertise to ensure the sustainability of this type of housing at the local level. | |
| Phase | Planning and building. | |
| Scope | Municipal or metropolitan: <i>However, funds of the same type may be supplied by regional or national governments or even the European Union.</i> | |
| Beneficiaries | This type of instrument mainly targets three types of beneficiaries: groups in the start-up phase , those wishing to increase their housing supply and certain institutions (local authorities, landowners, housing associations, etc.). | |
| Source of funds | This tool is financed from the municipal budget, sometimes in association with third parties (e.g. banks). | |
| Implementation | Funds are allocated through a request for applications . Two types of funds can be granted: - Grants for project development for housing (feasibility, architects' fees, legal fees, project management). - Financing contributing to the development of new projects (purchase and/or refurbishment of buildings, land, etc.) | |
| Feedback | | |
| | <u><i>London Community Housing Fund</i></u> | <u><i>New York Community Land Trusts Capacity Building Initiative</i></u> |
| | The National Government's Community Housing Fund included £38m for Community Led housing in London. With this money the Mayor of London launched in 2019 a fund with the objective of developing 500 housing units by 2023. This fund includes: - Grants for project preparation and gap funding (between £31,000 and £42,000 per unit, e.g. the RUSS CLT with nearly £1m for 33 housing units). - A revolving fund of £10m providing loans to make the fund sustainable. - Financial support for the Community-Led Housing London Hub (£250,000) to check the eligibility of groups, help with preparing applications, etc. | The State of New York , with the support of the Royal Bank of Scotland and UBS, has created a fund for local authorities to support groups already formed in that state. This cross-cutting fund, endowed with \$8m in grant form seeks to support capacity building , the purchase and/or refurbishment of underutilised buildings or land, as well as the operational support for CLT. Each local government may apply for a maximum of \$2.5m over a 24-month period. |
| Reproducibility | The implementation of such a fund requires the municipality and its partners to set up a solid team with financial engineering skills in order to provide the expertise needed for both the fund managers and the groups that are formed , as well as strong political will and sustainable financing for the operation of the fund. | |
| Social impact | - Land control and housing development - Increasing diversity and equity | |

| | |
|--|---|
| | - Favouring sustainability and rooting in the community |
| Going further | It should be noted that the London Community Housing Fund is funded through the National Government's Community Housing Fund . With funds of £163m, this programme runs until 2020. The London Fund runs until March 2023. |
|  Analysis | <p>A municipal fund dedicated to collaborative housing projects not only helps to address the difficulty of finding and securing funding, but also contributes to local capacity building (expertise, autonomy and citizen initiative). The municipal fund also offers more flexibility than a traditional call for projects. However, such an instrument must be part of a broader public housing policy and be backed both by a network of local stakeholders and by the different neighbourhoods and/or districts of the city. This type of instrument is highly dependent on the political context and requires project leaders to diversify their sources of funding. In addition, such an instrument must be adapted to State aid regulations. Finally, it should be noted that the existing municipal fund support, as of today, only elements related to the residential aspect of housing and therefore excludes applications to support mixed-use projects. A flexible approach and grant framework are therefore needed to adapt to the multiple realities of affordable housing and local needs.</p> |

REPAYABLE LOANS

| | |
|---------------------------|--|
| Description | Type of loan - often unsecured - that offers the possibility of debt cancellation in the event of failure of the project at an early stage (e.g. building permit refusal). |
| Objective | Their objective is to speed up the process of obtaining the building permit (e.g. to call on external expertise or to hire internally, to help obtain additional financing and thus, to reduce the risks borne by CLT/OFS in a phase in which the project has not yet materialised). |
| Phase | Planning. |
| Scope | The scope depends on the existing institutional environment at the regional or national level. |
| Beneficiaries | Suitable for self-development CLT/OFS which have identified a site. It would seem that this tool is not needed by CLT/OFS working in partnership with developers or housing associations . |
| Source of funds | Funds provided by private operators from solidarity-finance circuits (banks or ethical lenders), or philanthropic operators (foundations). |
| Implementation & feedback | This tool was set up in England and Wales by the <i>Charity Aid Foundation</i> (CAF) and its financial arm CAF Venturesome as part of its wider Community Land Trust Fund programme. This fund has two components: loans for planning and building. From its first phase (2008-2013), we can see that the £2.1m fund made it possible to raise an additional £7.4m from other partners and led to the building of 231 housing units. For the 'planning' component, the fund offers loans of £20,000-£100,000 . A loan application also qualifies for a grant from Power to Change representing 20-50% of the total amount of the initial application. The interest rates are assessed on a case-by-case basis, but can be very high (up to 15% for Bristol CLT). |


| | |
|--|---|
| | In the first phase of the fund, CAF issued 32 loans worth £931,000 (averaging £30k each). An amount equivalent to £83,000 (8.9%) was cancelled due to project failure prior to the building permit phase. The remaining 90% was repaid; mostly corresponding to building loans after the building permit was granted. |
| Reproducibility <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> | Setting up such loans depends greatly on the environment of local stakeholders and the existence of ethical lenders . |
| Social impact | <ul style="list-style-type: none"> - Controlling land and developing houses - Favours sustainability and rooting in the community |
| Going further | These bridging loans usually supplement a grant allocation . They illustrate the use of blended finance , or the strategic use of funding from philanthropic funds to mobilise private capital flows. |
| Resources | See the Community Land Trust Fund page on the CAF website. |
| <div style="display: flex; align-items: flex-start;">  <div> <p>Analysis</p> <p>The offer of repayable loans has the dual benefit of reducing the risks related to the planning phase and helping to attract other funders for the building phase. However, due to its high level of risk, it requires additional sources of funding (e.g. cross-subsidies). In addition, the offer is currently very limited: indeed, there are few lenders working with pre-development loans. This aspect helps explain why they are very expensive. The limited nature is also due to the very long repayment period (sometimes >2 years) when CLT/OFS face unforeseen difficulties. This in turn raises management issues.</p> </div> </div> | |

PRODUCING QUALITY PROJECTS AT LOWER COST

The building phase, which generally lasts between 18-24 months, does not seem to be the most difficult for CLT/OFS in principle. However, the challenge is to **produce affordable housing, adapted to the target population of CLT/OFS** (middle to lower class), **without compromising on quality** (housing surface area, energy efficiency, etc.).

The success of this stage depends greatly on the quality of the preparation in the planning phase.

In the event of self-development, needs are expressed in terms of **site supervision**: financial management, quality control and contract management. In terms of financing, this phase requires **short-term loans, long-term refinancing, bridging loans**, as well as **grants** to reduce the cost of the operation and make it affordable.

| BUILD: Construction | | | |
|--|--|---|--|
| Content of the phase <i>May vary according to the context</i> | Needs | Barriers identified | Opportunities for response |
| - Building of housing and infrastructure Site supervision: - Cost control - Quality control - Contract management - Budgetary control | - Technical assistance in terms of site supervision (construction economics, project manager, etc.) - Financing through low-interest loans, bridging loans and accessibility grants | Access to affordable financing for building | - Increasing supply of commercial loans and social financing - Revolving loans from municipalities (e.g. London) - Real estate crowdlending |
| | | Lack of bridging financing | - Financing by public authorities - <i>Redevance Foncière Opérateur</i> ¹¹ (France) - VEFA system (France) ¹² |
| | | Ensures housing affordability | - Labour contribution ¹³ - Affordability grant (e.g. Brussels Capital Region) - VAT rebate (5.5-6%) |
| | | Finances energy efficiency in housing | - Partnership with energy cooperatives - Public environmental agencies and energy management - Bullet loans (e.g. CLT Ghent) |
| | | Financing non-residential components | - Requires the development of partnerships with various municipal departments for pilot projects  |


 : Gap identified

¹¹ Fee paid by the developer over the duration of the building phase (purchaser BRS and operator BRS).

¹² Sale before completion (*Vente en l'Etat de Futur Achèvement*, VEFA)

¹³ Also known as 'sweat equity'. Corresponds to a capital equivalent provided by the household through the performance of specific tasks (e.g. finishings, site management, etc.).

REAL ESTATE CROWDLENDING

| | |
|---|--|
| Description | <u>Real estate crowdlending</u> is a form of participatory financing dedicated to housing projects. It enables funds to be raised from private investors on online platforms . |
| Objective | Makes it possible to finance housing projects collectively and with traceability , in the short term and without going through a bank . |
| Phase | Construction |
| Scope | This type of instrument depends on online platforms and in principle presents no restrictions regarding the scope of intervention. |
| Beneficiaries | The tool seems more suitable for CLT/OFS with a proven development process and for the least risky projects . |
| Source of funds | The funds come from private sources: companies, civil society, institutions (banks or mutual societies, etc.). |
| Implementation | The group presents its project on the platform, with details on the various criteria (repayment ability, value, etc.). The platform studies the eligibility of the project and the funding request. Often, the projects selected are the least risky and the most solvent (financing period of less than 7 years). A group can raise up to €2.5m . The equity investment amounts can be chosen freely (they average a few thousand euros), and the interest rates range from 3 to 10% depending on the platform. In the context of OFS/CLT, debt could, for example, be contracted in the form of non-interest-bearing loans, mini-vouchers, bond issuances , etc. |
| Feedback | Lymo , created in February 2013, is the French pioneer in real estate crowdlending. What is special about this platform is that it gives priority to small projects and is accessible to individuals . The financial contribution starts at 1,000 euros , and the funds are reimbursed between 12 and 18 months depending on the project. 50 projects have already been financed, representing investments of €18m . |
| Reproducibility  | This type of instrument is based on the digital economy and is easily reproducible . |
| Social impact | - Housing development |
| Going further | As an alternative to crowdlending, real estate certificates , based on the Belgian model, offer investors with relatively limited resources access to the professional real estate market. The real estate certificate (often listed on the stock exchange) acts as debt security for the issuer owning a property and gives the certificate holder the right to receive part or all of the rent or sale price of a property. |



Analysis

Real estate crowdlending is an **easy, flexible** and **fast** method of raising funds that allows for more **bank independence** and does not **require collateral**, unlike a traditional bridging loan. Borrowers obtain the requested **funds quickly**, and the applications are very **easy to prepare**. In addition, the **administrative formalities** are **managed by the platform**.

The project examination is faster than going through a bank institution, and the **financing focuses more on the project than on the project initiator**. Real estate crowdlending can also be a good way to **communicate** the CLT model to a wider range of potential investors.

However, the tool does not seem very suitable for CLT/OFS with limited visibility. Investors mostly expect **rather fast returns on investment**. In addition, it is important to ensure the certification and

quality of the services offered by the platform (e.g. whether there is participatory investment advisor) in order to best protect investors. Finally, real estate crowdlending is an innovative financing tool but does not, as such, ensure the quality of the home produced.

⊕ Housing developers partnering with CLT/OFS for construction

Few CLT/OFS choose the self-development option for carrying out their project internally. Most of them create partnerships with **Affordable Housing Developers** or solidarity-based housing developers that are often already involved in collaborative housing. These include the following, for example:


- **Quebec:** the ethical developer Viva Cité, which has set up a ‘**shared capitalisation**’ model fairly similar to the way a CLT works;
- **UK:** Igloo, the leading responsible real estate business in Great Britain;
- **France:** Habitat et Partage and lcéo, which are committed to the promotion and citizen management of participatory housing.

Another option, which promotes social diversity, is to rely on a **housing association**, as is sometimes the case for Belgian CLT (Fonds du Logement and WoninGent) or French OFS (e.g. OFSML, rue Renan).

ENERGY COOPERATIVES

| | |
|------------------------|--|
| Description | Energy cooperatives are a particular type of cooperative ¹⁴ whose purpose is the production of renewable energy . |
| Objective | The objective of this entity is to reduce the energy costs of housing and contribute to the energy transition through local acquisition of new business expertise . |
| Phase | Construction |
| Scope | This tool depends on strong local synergies and can therefore only be considered at a local or regional level. |
| Beneficiaries | The beneficiaries may be companies , local authorities or individuals . |
| Source of funds | Promotes the combination of different sources of financing from private or public bodies: citizen investment, public funds and bank loans. |
| Implementation | The economic model is based mainly on the installation and operation of facilities to produce electricity or heat from renewable energy sources (cogeneration plants, purchase and operation of electricity networks, implementation of energy efficiency measures, etc.). A portion of the profits is generally reinvested in electric power generation or other local initiative projects. |
| Feedback | In order to reduce the cost of housing while improving the quality of the building , <u>CLT Ghent</u> has been negotiating a partnership with <u>ResCoop</u> . In principle, the energy cooperative should participate in the design of the building and the choice of building materials . <u>ResCoop</u> would pre-finance the cost difference between the use of ordinary and energy-efficient |

¹⁴ Cooperatives are people-centred enterprises owned and controlled by their members to meet their common economic, social and cultural needs and aspirations.

| | |
|---|---|
| | <p>materials. The cooperative would then be reimbursed based on what households would save on their energy bills each month. With regard to the installation of equipment, households could either rent or buy it in cash. The financial gain per month and per household is still under study (approx. €150). The financial viability depends on the architectural' final plans and related choice of energy source.</p> |
| <p>Reproducibility</p>  | <p>Putting into action partnerships between CLT/OFS and energy cooperatives requires the existence of this type of operator in the area and the presence of nearby facilities producing renewable energy. This tool also needs to be rooted in the community and to have governance in which the members are simultaneously partners, customers and producers.</p> |
| <p>Social impact</p> | <ul style="list-style-type: none"> - Building local capacity and capability - Controlling land and developing houses - Increasing diversity and equity - Favouring sustainability and rooting in the community |
| <p>Going further</p> | <p><u>Enercoop</u> is a French cooperative which has developed an expertise and support service for local authorities and citizens collectives, in order to determine the energy model adapted to their project, democratically.</p> |



Analysis

One of the major difficulties for energy cooperatives remains **access to capital**, particularly in the **start-up phase**. The **purchase of renewable energy sources** entails heavy costs and favours large energy companies. Above all, the major limitation to the development of this model is the **lack of knowledge among citizens and local authorities** about the contractual conditions, advantages and offers available on the energy cooperative market. These different points explain why **renewable energy cooperatives** are currently **not very developed in Europe**.

However, the main advantage of energy cooperatives is that they enable the **development of strategic partnerships** between **local authorities, project initiators** and local **energy suppliers** to produce local and clean renewable energy, improve the quality of buildings, and provide technical expertise and services.



Use of non-monetary alternatives to reduce construction costs

In addition to access to land and affordable financing, the use of non-monetary alternatives also reduces the exit costs of projects.

CLT Bristol reduces its costs by valuing 'sweat equity' (representing from £0 to £5,000 per housing unit). Residents undertake the finishing phase of their housing themselves (painting, installing kitchens and flooring, tiling, outdoor work). This phase represents approximately 12 to 16 weeks of work for each household at a rate of 15 hours per week.

The RUSS CLT in London, pushes **self-building** to the point of having its members take charge of all the finishing work on its project in Ladywell.

Stad in de Maak, is not a CLT, but in a similar approach uses **upcycling** (reuse of materials) and **increases building density** as a source of energy savings.

ENSURING HOUSEHOLD ACCESSIBILITY TO HOUSING

One of the challenges for CLT, at the same time as the building phase, is to **ensure the marketing** and/or **allocation of housing** to households and to **guide them in this process** until they move in. Doing so avoids possible **vacancy costs** for the CLT/OFS after completion of the work (if it carries out the project management).

Upstream, the CLT must **finalise the building's operating procedures** so that the occupants can anticipate the ongoing charges they have to cover. Indeed, the occupants must know about management methods (managing agent or residents' association), sinking funds, monthly charges and property taxes. The next step is for the organisation to take care of allocating the housing.

In the event of home ownership, the CLT can **facilitate access to home loans**. As the market is still underdeveloped, the loan offer, often non-standardised, is still low. In the case of social rental housing, CLT often partner with municipalities.

The allocation phase requires: establishing **social support** and the **development of partnerships** with banks and/or local authorities. This phase is underestimated and often requires much commitment from staff.

| LIVE: Access to housing | | | |
|--|--|---|--|
| Phase content <i>May vary</i> | Needs | Barriers identified | Opportunities for response |
| - Finalise the building's operating procedures : management method, sinking fund, monthly charges, property taxes - Housing allocation If access to property: - Guidance in accessing mortgage loans If social rental: - Partnership with local authorities - Signing of contracts, transaction/sale | - Expertise in property management , and in guidance for households - Brokerage service , intermediation with banks - Partnership with municipalities on the allocation of social housing | Lack of long-term loans to refinance rental projects | Need to expand the offer [△] |
| | | Low household creditworthiness (difficulty in providing a down payment and in covering notary fees, taxes, and occasional additional costs) | - Subsidised loans or social loans (public) - Loans from commercial or ethical banks [△] - Group savings collective - Micro-savings - Affordability allowance - Exemption from taxes |
| | | Immaturity of the banking sector: - lack of knowledge of the sector, difficulty in assessing risks → <i>High interest rates, additional administrative costs</i> → <i>Reduced solvency</i> | - Heighten awareness, demonstrate household creditworthiness [△] - Provide guarantees to lenders (repurchase, relocation, etc.). |
| | | No long-term social support | Partnership with associations [△] |

[△]: Gap identified

LOANS WITH STATE-SUBSIDISED INTEREST RATES

| | | | |
|--------------------------------------|---|---|--|
| Description | These subsidised loans target a social category that the State seeks to support by paying for some of the interest on their property loan (subsidised interest rates). | | |
| Objective | The purpose of these loans is to improve household creditworthiness . They facilitate access to credit by making it possible to borrow at a lower cost , and thus reduce monthly payments . | | |
| Phase | Access to housing | | |
| Scope | The terms and conditions of these loans are governed at the national or regional level depending on the country. | | |
| Beneficiaries | The beneficiaries are often first-time buyers under income ceilings , but in a position to take out a loan (lower middle class). | | |
| Source of funds | This tool is based on household savings and public support in the form of subsidies. | | |
| Implementation & feedback | | | |
| | France | Belgium | UK |
| | - In France, the <u>Zero Percent Loan (Prêt à Taux Zéro - PTZ)</u> is a supplementary loan making it possible to finance up to 40% of the cost of purchasing/building one's main residence ¹⁵ . They are subsidised by the State and granted by authorised banks . They can be combined with other types of loans, in particular the <u>Social Access Loan (Prêt d'Accession Sociale)</u> , which can finance the entire purchase of the property (fixed or variable rates of 2.75-3.20%, 5-30 years). | In Belgium, social mortgage loans were opened up to first-time-buyer residents of CLT depending on their income ¹⁶ . They are granted by social housing companies (e.g. <u>Housing Fund, VMSW</u>), and are funded and supervised by regional governments . The standard terms are 20-30-year loans at variable rates of 1 to 3%. They can cover up to 100% of the costs (including VAT in Flanders) for a maximum of around €200,000-€300,000. | In the UK, the <u>Help to Buy Equity Loan</u> programme enables the government to lend up to 20% of the cost of a main residence (40% in London). The household needs only to make a down payment of 5% and take out a mortgage for the remaining 75% . These loans are interest-free for the first 5 years and then at 1.75%, indexed annually (price index + 1%). This system is open to all purchasers, up to a maximum of £600,000. |
| Reproducibility ● ● ● | These types of loans are quite common in North-West Europe. They are part of national policies for a social approach to home ownership and are not specific to CLT/OFS residents . However, their conditions are strict, and collaborative housing operators have little influence on them at the local level. | | |
| Social impact | - Increasing diversity and equity | | |
| Going further | In the UK, the national <u>Help to Buy: ISA</u> programme is a complementary tool with a similar objective via savings plans . These plans are available from various banks, building companies and credit unions. Household savings are supplemented by a 25% government bonus, up to a maximum of £3,000. This system can be found in other countries (e.g. <u>Prêt Épargne Logement</u> in France). | | |

¹⁵ For a maximum amount of €100,000-150,000 for a single person earning €24,000–€37,000, depending on the region (2019)

¹⁶ Max. €38,146–€48,678 for a single person, depending on the region (2019).



Analysis


Mortgage loans that are subsidised or whose interest is subsidised by public authorities **improve household creditworthiness** and thus **open up the field for potential buyers**. However, they are based on the **model of a social approach to home ownership**, which in fact **excludes households without access to** (i.e. that are ineligible for) **bank loans**.

At the same time, there is a **need to better sensitize commercial banks** and ethical banks about **CLT/OFS** so that these loans can be **combined with traditional mortgage loans** and thus **diversify the credit offer**. For the time being, **lack of knowledge** about the model and the risks involved leads to **significant administrative costs** and **uncompetitive rates**¹⁷.

AFFORDABILITY ALLOWANCES

| | |
|------------------------|---|
| Description | Affordability allowances, or ‘bullet loans’, are financial contributions brought by third parties that enable low-income households an easier access to a home (i.e. contribution to the down payment) or the possibility to renovate their house. Under that scheme, the principal is repaid in a single instalment at maturity (home sale). |
| Objective | Helps increase the solvency of households by providing them initial capital to access the loan, pay the down payment (traditionally 10% of the cost of the housing unit), and to pay notary fees , or any taxes . They can also be used to carry out work on the housing unit and thus ensure its added value . |
| Phase | Access to housing |
| Scope | An initiative of this type has been developed at the municipal level in Ghent, Belgium (see ‘Feedback’), but it could be considered at a regional, national or even European level. |
| Beneficiaries | Households without access to (ineligible for) the traditional banking system, spending a large amount of their income on housing (about 40%). |
| Source of funds | Public funds (municipal and European Union (ERDF) for its initial experimentation). Regional and national funds as well as citizen and charitable funds may also be used. |
| Feedback | CLT Ghent (Flanders, Belgium) is considering setting up a CLT fund that would contribute to the purchasing costs by allocating affordability allowances to certain households. The idea of this fund is based on experimentation with the Dampoort renovation project . In 2015, ten households received an allowance of up to €30,000 (increments of €5,000-€10,000) in order to renovate their home. Depending on the income of the beneficiary, the costs have been covered to up to 80%. The local Social Action Centre (OCMW) was in charge of managing the funds and making payments on behalf of the households. This programme will be extended to 100 housing units thanks to European funding (Urban Innovative Action programme, UAI), through which the City of Ghent finances the ICCARus project. |

¹⁷ For example, for the pilot project of London CLT (St Clements, London), only two lenders came forward: Nationwide Foundation (up to 95% of the value of the property, initial fixed rate of 2.74% over 60 months, then 4.24% for the rest of the mortgage) and Ecology (up to 90% of the value of the property, variable interest rates 3.50–5.50%).

| | |
|---|---|
| | Regarding the future of the CLT housing purchase fund , these allowances will target households spending more than 40% of their income on housing (6 of the 34 households in the Meulestede pilot project). How this fund will be capitalised is currently under discussion. CLT Ghent is negotiating with several parties (municipal and regional authorities) and is at the same time assessing how the organisation could strengthen its financial autonomy in order to finance the instrument itself. Participatory financing and charitable donors are also being considered in order to provide equity. |
| Reproducibility  | The Belgian experiment is a pioneer in this field and will make it possible to draw the first lessons from the use of this tool. How it can be transposed to other contexts must still be studied. Indeed, strong human and technical resources are needed to structure, capitalise and manage the fund. |
| Social impact | - Increasing diversity and equity - Favouring sustainability |
| Going further | - The solidarity funds set up in cooperative housing follow a similar approach of strengthening social mix. In this model, it is the residents who capitalise the fund by paying a portion of their rent into it each month . This allows for a modulation of fees and a balancing out. - Collective Savings Groups are also a tool to improve the solvency of low-income households. They enable pooling of individual savings . Savings can be withdrawn to pre-finance loan advances, notary fees or rent guarantees. |



Analysis

Affordability allowances **open up home ownership to a segment of people who have traditionally been excluded**. It is a **sustainable tool** because, after repayment, the allowance can be allocated to another household in need (based on the revolving fund model).

The instrument does have a possible **risk: possible depreciation of the property value**, which would lead households to no longer being able to repay the initial amount (€30,000 in the case of CLT Ghent). Moreover, by **relying on the increase in the value** of the property for repayment, the allocations could lead to a **speculative approach being adopted**, in direct conflict with CLT's fundamental values. But, on the other hand, this type of mechanism, in the form of **solidarity funds**, may be **extended to an offer broader than just home ownership**, for example to cooperatives (lowering of fees) or rentals (security deposit, rent adjustment).



Going beyond homeownership

In North-West Europe, the CLT/OFS model is often based on home ownership. However, the original CLT model goes beyond this issue and can indeed be of a hybrid nature that includes:

- A **cooperative**, whose members contribute only part of the value of their housing, according to their financial ability. They then pay a monthly rent.
- **Rental housing**, social or not, in partnership with social landlords or the municipality. Some CLT are experimenting with flat-sharing (RUSS) or emergency housing (CLT Ghent).
- Alternative systems such as **shared ownership** in the UK, where the household owns part of the housing and pays rent on the rest.

These different models show that the CLT/OFS can be a **tool for social mixing**, in that it excludes neither households with few resources nor those that exceed income ceilings.

GENERATING INCOME TO ENSURE OPERATIONS

One of the key components to ensure sustainable development of CLT/OFS is **generation of structural income**. This aspect is crucial to finance **support activities** (administration, communication, accounting, etc.), **repay outstanding loans** (interest and principal), **support residents' involvement** in the organisation, **reduce risks** and **enable development of new projects**.

The **gestation period** of a CLT project is generally quite **long** (5-10 years)¹⁸, and **cash inflows** are mainly observed when an **operation is delivered** or when housing is **resold** (limited capturing of capital gains). There is therefore a real challenge to **spread out cash flows** in order to ensure the long-term operating costs of CLT/OFS (staff costs and other fixed costs).

Today, most CLT/OFS are still often highly dependent on operating grants and only a few have fixed operating budgets (e.g. CLT Brussels).

Generating structural income, by using a larger share of equity capital, would help CLT become more solidly rooted in their communities and thereby enable them to **develop a substantial portfolio**, **gain in credibility** and **open up to a broader range of people**.

| LIVE: CLT/OFS operation | | | |
|---|--|---|---|
| Phase content <i>May vary</i> | Needs | Barriers identified | Opportunities for response |
| <ul style="list-style-type: none"> - Portfolio management (allocation, sale, lease management) - Involvement of residents in operating and organising - Identifying and developing new projects | Generate structural revenues to: <ul style="list-style-type: none"> - to cover the operating costs of the CLT/OFS - develop related activities - repay outstanding loans | Dependence on grants | <ul style="list-style-type: none"> - Mobilisation of ground rent - Sharing capital gains: capturing the added value - Capital raising: through shares, bonds, crowdfunding... |
| | | Uneven cash flows | <ul style="list-style-type: none"> - Develop commercial activities - Develop a rental offer |
| | | Difficulties in financing support functions | <ul style="list-style-type: none"> - Better consideration in calls for projects [△] |

[△]: Gap identified

¹⁸ The OFS model allows for faster development (cf. case studies, OFSML, Coopérative Foncière Francilienne - CFF).

CAPITAL RAISING

| | | |
|-------------------------------|---|--|
| Description | Act by which a CLT/OFS is financed from entities other than credit institutions . | |
| Objective | This makes it possible to increase equity capital and thus ensure a cash flow , finance current expenditures or investments and also release other financing ¹⁹ and guarantees . | |
| Phase | CLT/OFS operation. | |
| Scope | The management of these funds depends on national legislation , but progress in terms of harmonisation is being made at the EU level . | |
| Beneficiaries | Depending on the sums raised, is suitable for launching an CLT/OFS activity (start-up, <€200,000), or a new project (development, >€500 000). | |
| Source of funds | There can be three kinds of investors: - individual supporters of the project (participatory financing), - philanthropic operator (foundation, etc.), - ethical lenders or banks (e.g.: Triodos (NL), GLS (DE), Coop57 (ES), Banca Etica (IT), etc.). | |
| Implementation | The raising of funds requires a significant preparation phase : review of the business plan and investment strategy, communication tools (project presentation and pitch, etc.), targeting of investors, etc. To do this, the CLT/OFS can rely on existing networks dedicated to the Social and Solidarity Economy (SSE) which are responsible for providing guidance for the organisation on technical aspects (valuation, risk analysis, agreements, etc.). In addition, online platforms (Lita , Tudigo , etc.) now make fundraising much easier and even offer support services. | |
| Feedback ²⁰ | | |
| | Community shares | Community bonds |
| | <p>Traditional shares are titles of ownership (capital) that can be withdrawn and resold. The shareholder becomes the owner of part of the body. The share is often directly related to the decision-making power they have in the governance structure. Community shares are similar to traditional shares, but with some important differences. Similarly, liquidity is not ensured, the shareholder shares the risks with CLT/OFS in the exchange of dividends. However, unlike traditional shares, community shares often cannot be resold to someone else and operate on a 'one member one vote' basis. Someone investing £1 has the same decision-making power as someone investing £100,000. For example, in 2018, London CLT raised £488,960 as part of its Community Share Offer. The success of this raising of funds, set up in partnership with Ethex and Resonance helped fund the predevelopment costs of an 11-homes site, while also helping the organisation manage its cashflow.</p> | <p>The bonds act as debt securities. The risks are in this case borne by the CLT/OFS, which must repay the lenders with interest on a fixed date. The French subsidiary of the real estate company ETIC, in partnership with the LITA.CO platform, regularly raises funds (every 2 or 3 years) to finance the development of new projects. In 2019, its objective was to raise €1.8m in capital from investors, but also €200,000 in bonds from private individuals to finance the purchase, building or renovation of three new locations (Grenoble, Lille and Paris).</p> |

¹⁹ It is estimated that initiators of alternative projects must provide about 20% of the total funds needed to guarantee their creditworthiness in order to release other sources of financing (see Basel Accords on banking regulations).

²⁰ For more information see pp. 45-50 of the report '[Community Land Trust Financial Case Studies](#)' (FMDV, 2019)

| | |
|---|---|
| Reproducibility  | <p>As solidarity and participatory finance become more democratic, the environment for this type of process is becoming increasingly favourable in North-West Europe (via support, platforms, etc.). However, for this the CLT/OFS requires in-house capacity.</p> |
| Social impact | <ul style="list-style-type: none"> - Controlling land and developing houses - Increasing diversity and equity - Challenging the status quo - Favours sustainability and rooting in the community (if local savings are mobilised) |
| Going further | <p>The two examples presented here are complementary with more traditional options for increasing an organisation's equity capital, such as: use of sponsorship, investment grants, interest-free loans, crowdfunding, pooling of funds (see <i>Mietshäuser Syndikat</i>, or loans between cooperatives), social impact bonds, etc.</p> <p>There are also more specific instruments such as real estate certificates in Belgium.</p> |



Analysis

Fundraising is being met with increasing success but may require **tedious** and **energy-intensive** work to be effective. For **rigorous preparation of applications, considerable engineering** is needed in terms of **analysing financial needs, markets, potential investors**, etc.). Precise calibration is required, especially in terms of **timing, communication and risk management** (e.g. early repayment of interest, or withdrawal of investors, for example).

In addition, investors (especially individual investors) often expect the body to have **proven itself** and be solid. But fundraising of this kind is a **good first step in participatory and ethical finance**, and is **complementary to the traditional banking sector**.

Note that the **status** of the CLT/OFS can **facilitate** or, on the contrary, **interfere with fundraising**, especially for the execution of an operation (see below).



Impact of the legal form on the mobilisation of financing

CLT/OFS are generally quite free to choose their legal form, insofar as their status is not-for-profit. However, their choice may affect their ability to raise funds. For example:

- The **cooperative model** allows cooperative members to invest through the purchase of 'social shares' (e.g. Community Benefit Societies in the UK, or *Coop HLM* in France).
- The choice of a **foundation** status facilitates donations and secures long-term investments.
- Other forms of **companies** facilitate financing dedicated to the Social and Solidarity Economy (SSE).
- A **joint venture** makes it possible to bring together existing players around a common project.
- Finally, an **association** status remains the simplest form to set up, with the most flexibility and allowing dues to be collected.

The choice of legal form must also be weighed against the organisation's vision/mission (governance, scope, etc.) and a risk analysis (Who bears the risks?).



GROUND RENT

N.B.: The basic principle of the CLT/OFS model is the shared ownership of land and buildings, as well as the collective ownership of the land. The resident - whether owner of their housing or not - is bound to the CLT/OFS (acting as landowner) by a specific lease (approx. 10 to 99 years, including a novation clause). The CLT/OFS governs eligibility clauses, ground rent and resale formula, thereby ensuring that the housing always remains affordable.

| | | | | | | |
|--------------------------------|---|--|---|---|----------------------|-----------------------------|
| Description | One of the founding principles of the model is that the cost of land is initially borne by the OFS/CLT . This allows the household to access housing at a lower cost . In exchange, the household must pay a land fee to the CLT/OFS - in addition to its traditional charges. This fee acts as income for the CLT/OFS. | | | | | |
| Objective | According to the economic model adopted by the organisation, the collection of this ground rent allows the CLT/OFS to either cover its operating costs (lease management, resales, etc.) or repay the possible loan that enabled purchase of the land . | | | | | |
| Phase | CLT/OFS operation | | | | | |
| Scope | The nature of the lease and its associated monthly/annual fee amount is determined by each individual CLT according to their target residents and business model . | | | | | |
| Source of funds | These fees are paid by households from their own equity . | | | | | |
| Implementation | The land fee is included in the lease between the resident and the CLT/OFS. To determine its amount, good knowledge of the CLT/OFS economic model and its impact on the target residents is required. | | | | | |
| Feedback²¹ | | | | | | |
| Country | Belgium | | France | | UK | |
| Name | CLT Brussels | CLT Ghent | OFSML | CFF ²² | London CLT | Bristol CLT |
| Type | Association | Association | Institutional | Affordable Housing Developer | Citizens' initiative | Citizens' initiative |
| Access to land | Regional grants | Under discussion | Land subsidisation | Long-term land loan | Miscellaneous | Land subsidisation |
| Access to housing | Individual ownership | Individual ownership | Individual ownership | Individual property | Individual property | Shared ownership and rental |
| Target population | Low income | Low to intermediate incomes | Leaving council or private rental housing | First time buyer | Intermediate income | Low to intermediate income |
| Price per m² | €1,650 (av.) (25-50% of market price) | €1,300-€1,600 (50% of market price) | <€2,400 (54% of market price) | €3,273-€4,100 (15-25% of market price) | 30% of market price | 35% of market price |

²¹ For more information see pp. 64-65 of the report [Community Land Trust Financial Case Studies](#) (FMDV, 2019).

²² Coopérative Foncière Francilienne.

| | | | | | | |
|---|--|--|--|--|--------------------------------|---------------------------------|
| Ground rent | €10 per housing unit per month | To be defined: €1.30/m ² or €17-€29 per month | Developer ²³ : ≤€1/m ² per month Household ²⁴ : ≤€1/m ² per month | Developer: €25,000 +/- over 2 years Household: €1.78-€3.30/m ² per month | £50 per housing unit per month | £200 per housing unit per month |
| Reproducibility  | While the nature of the land lease differs according to the laws of the country (building lease in Belgium, (sub)leasehold in the UK, <i>Bail Réel Solidaire</i> in France), the collection of a land fee is a mechanism common to all CLT/OFS in Europe and throughout the world - as long as the CLT/OFS is the owner of the land. | | | | | |
| Social impact | <ul style="list-style-type: none"> - Controlling land and developing houses - Favouring sustainability - Challenging the status quo | | | | | |
| Going further | Here, the issue of urban land commons (see here for information in French) can be mentioned. Indeed, there are models of collective ownership or use that are complementary to CLT/OFS , following the same anti-speculative approach . These include emphyteusis, usufruct (Europe), land sharing (Southeast Asia), collective ownership (English-speaking Africa), collective usucaption (Brazil) or neo-customary sectors (West Africa). | | | | | |
|  Analysis | <p>The collection of ground rent strengthens the resilience of the organisation, by increasing its revenues on a regular basis (monthly or annually). However, this cost represents an additional burden for households which already have to pay service charges, loan repayments, or even rent (in the case of 'shared ownership'). It is therefore important to monitor the total burden borne by households on a rather low income. It is indeed crucial to anticipate this aspect so that households are always able to maintain their property and to thereby avoid any risk of degraded property.</p> <p>In addition, the CLT/OFS business model (in particular whether or not it uses the loan for access to land) has been observed to affect the amount of this fee and thus the target population. Indeed, the fee can range from a few euro cents to several euros per square metre depending on whether the land was acquired free of charge or via a loan (see table above).</p> | | | | | |

SHARING CAPITAL GAIN

N.B.: The basic principle of the CLT/OFS model is the shared ownership of land and buildings, as well as the collective ownership of the land. The resident - whether owner of their housing or not - is bound to the CLT/OFS (acting as landowner) by a specific lease (approx. 10 to 99 years, including a novation clause). The CLT/OFS governs eligibility clauses, ground rent and resale formula, thereby ensuring that the housing always remains affordable.

| | |
|--------------------|--|
| Description | The land lease , signed between the CLT/OFS and the household, defines a resale system that provides for sharing the capital gain from reselling the land , thereby controlling the increase in housing prices over time . |
| Objective | This system ensures that the efforts made by the CLT/OFS, public authorities and households to ensure that housing is affordable when it is |

²³ Paid by the developer during the building phase (right to support, fixed or monthly fees).

²⁴ Paid by households after moving in.

| | |
|------------------------|--|
| | built are sustainable over time and benefit several households in the long term. |
| Phase | CLT/OFS operation |
| Scope | These resale systems are determined individually or nationally , as is the case in France. |
| Source of funds | The capital gain is paid by the buyer , and part of it benefits the household and/or the CLT/OFS . |
| Implementation | Like the land fee (see previous sheet), the resale system is determined upstream , in the lease . It requires good knowledge of the real estate market as well as a clear understanding of the target population and the level of risk they can bear. |

Feedback: resale systems

| Indexing | Sharing of capital gains | Linked to market | Linked to a median income |
|--|--|---|---|
| <p>The resale price is linked to an index. Easy to implement, but requires careful consideration when signing the lease.</p> <p>→ In France, OFS base their prices on the Rent Revision Index (<i>Indice de Révision des Loyers - IRL</i>) or the Building Cost Index (<i>Indice du Cout de la Construction - ICC</i>).</p> <p>→ CLT Ghent has decided to base the resale price on an inflation-linked index.</p> | <p>The added value is shared between the reseller and the CLT/OFS. If the price of the housing does indeed rise, it will do so at less than the market. This system encourages the buyer to take good care of their home.</p> <p>→ In the case of CLT Brussels, the seller receives 25% of the capital gain, CLT Brussels receives 6% (or €3,000), and the next buyer pays the initial price + 30% of the capital gain.</p> | <p>If the property is purchased at half the market price, it can be resold at half the market price. This discount is easy to implement and proportional, and the owner has interest in seeing their property gain in value. However, this system does not protect against significant increase or decrease in the resale price in the event of a fall in the market.</p> | <p>London CLT has chosen to implement an innovative system based on the median income in the borough). The price of housing is determined in relation to the average monthly payments for households. This system ensures that local residents will always be able to buy in their neighbourhood, but does not guarantee against the exclusion of the most disadvantaged people in the event of gentrification of the neighbourhood.</p> |

Reproducibility



As in the case of the land fee, the resale system is a basic mechanism of the model, shared by all CLT/OFS. However, the applicability of one method or another depends on the laws in practice. For example, in the UK, indexation is not allowed.

Social impact

- Controlling land and developing houses
- Increasing diversity and equity
- Challenging the status quo
- Favouring sustainability and rooting in the community

Going further

While the resale system is a mechanism unique to CLT, there are other tools available to **share land value capital gains** in more traditional projects. However, these tools are often **used by public authorities**, in the form of **land-based finance** (e.g. recurring land value or building value tax, capital gains tax, betterment levy, land transfer with charge, sale of development rights, transfer taxes, etc.).



Analysis

The resale system is an instrument that allows the CLT/OFS to **control resale price** of the housing and thus to **fight speculation**. Thanks to this tool, **the housing can be considered only as a home and not as an investment, because the added value is limited**. However, it should be noted that this

income for the organisation is only occasional (resale on average every 5-7 years). It represents a **few thousand euros per housing unit** (3,000-6,000 euros). Ultimately, this aspect also makes it possible to **guarantee the target population of the CLT/OFS** by maintaining constant housing affordability²⁵.

Each of the systems has its **own advantages and disadvantages** (see above). The biggest **risks** concern the fact that the **CLT/OFS has no way to accurately forecast the future of the market** (especially in areas without land pressure) and the **potential household risks** in the event of a fall in the market. However, it is observed that **most of the systems encourage keeping the property in good state** (e.g. taking into account repair/renovation, etc.).

+ Developing non-residential components

The CLT/OFS model is by no means limited to producing housing!

Developing non-residential components in a project can help the organisation generate income and create an integrated living space that could include:

- A **cooperative bakery**: Homebaked is located in Liverpool. It is the result of a local struggle for the preservation of a neighbourhood bakery that was doomed to disappear as part of an urban renewal plan.

- A **community centre**: London CLT is currently working on the development of a community centre as part of its St Clements (Towers of Hamlet) project. It will consist of a café, a co-working area and a community room.

- **Locales for associations and/or work** (third places): The CLT Brussels projects often host locales for associations (women's groups, Brussels Department of the Environment, etc.). Bristol CLT is planning a mixed project along the same lines, including the locale for an association helping refugees. These spaces are either sold or rented.

The difficulty lies in the complex set-up of operations that often require non-residential components to operate as stand-alone projects. They often require discussions with several departments at local authority level and working with patient and committed partners (project duration approx. 5 years).

²⁵ Note that there are also additional eligibility criteria to meet this objective.


CROSS-CUTTING INSTRUMENTS

The phase-by-phase analysis in this report obscures two major issues addressed by this final chapter.


The first concerns the **fragmentation of funding sources**, which means that CLT/OFS must carry out multiple and very time-consuming fundraising activities. There is a real **need for cross-cutting programmes** that **cover the entire funding chain**. Along these lines, the English **Community Housing Fund** shows how national programmes are helping to develop appropriate tools to fill this gap.

A second point related to this fragmentation is the **lack of sustainability of funding**. Private funds (especially from charitable donors) are often time-bound and constrained by the call-for-application schedule, while public funds are highly dependent on the political context. If we analyse the **revolving fund** mechanism, we can see how collective effort can be capitalised and generate income, echoing the previous section.

NATIONAL PROGRAMMES

| | |
|---|---|
| Description & objective | National funds made available to collaborative housing operators to support the development of alternative housing production . |
| Phase | All |
| Beneficiaries | There are two types of beneficiaries: - groups consisting of CLT/OFS or others, - and local authorities representing groups in their jurisdiction. |
| Scope | National or regional: <i>in the British case, this applies to England</i> |
| Source of funds | Public authorities |
| Implementation & feedback | The Community Housing Fund (England and Wales), is unique in terms of scale and is one of the few examples of a national programme specifically dedicated to collaborative housing . The programme, which was introduced nationally in 2016 with funds of £163m , will run until 2020 . It consists of several components: - revenue grants to enable groups to get established as well as to get to planning; - revenue grants for the establishment and development of more local hubs in order to achieve national coverage; - the establishment of a national advice centre providing a single point of access to information and resources on collaborative housing (<u>Community Led Homes</u>). - capital grants for the development of affordable housing (i.e. for the building of housing). |
| Reproducibility  | The reproducibility of this instrument requires taking into account the diversity of national contexts (needs, practices, instruments, stakeholders present). While exact replication seems difficult , the reproducibility approach can be seen to be valid. |
| Social impact | - Controlling land and developing houses - Building local capacity and capability - Increasing diversity and equity - Challenging the status quo - Favouring sustainability |

Going further The National CLT Network are currently lobbying for it to **continue beyond March 2020**.

 **Analysis**
Implementation of the Community Housing Fund in England is the result of a long **lobbying process**: from **legislative recognition** of the CLT model in the UK in 2008, to the **creation of the National CLT Network** and up to the **present day**. It reflects the **political weight** and **legitimacy** of the model in the country as well as a certain **maturity of the sector** compared to continental Europe. It highlights **how CLT can be supported at all stages of their development according to the needs expressed**, from their creation up to the delivery of the project. However, the national programme is due to come to an end in March 2020. The National CLT Network (England and Wales) is currently lobbying for it to be extended. In contrast, the London part of the programme will continue to March 2023.

REVOLVING FUNDS

| | |
|----------------------------------|--|
| Description | Revolving or renewable funds are a 'cash reserve' that helps support borrowing. These funds are replenished as the borrower's repayments are made so that the full amount is again available for other loans. This instrument ensures the sustainability of the funds . |
| Objective | Used to receive donations and other capital , it provides CLT/OFS with security with regard to available cash, and it enables them to start up their activities quickly. |
| Phase & beneficiaries | This type of fund can be used for all phases of the life of a CLT/OFS, but is best suited for significant short-term financial needs (e.g., purchase, renovation, etc.). Its use is recommended for solid CLT/OFS whose business model allows them to repay their loans. |
| Scope | This instrument can be considered at any scale , depending on the framing. |
| Source of funds | Both public authorities and the not-for-profit sector can find it worthwhile to set up revolving funds. - Public authorities: EU, national, regional, municipal - Private actors: institutional operators and civil society |

Implementation & feedback

| Revolving Fund of the <u>London Community Housing Fund</u> | Revolving Fund of the <u>Los Angeles Eco Village</u> |
|---|---|
| As part of its London Community Housing Fund programme (£38m), the Greater London Authority (GLA) has set up a £10m revolving fund to provide sustainable access to finance project development. The loans are structured in such a way that groups do not start repaying until their project reaches a specific point of development . | Los Angeles Eco Village has developed its own revolving fund, which it uses specifically for the purchase and renovation of properties in the neighbourhood, or to grant loans to companies operating on the site . The fund is capitalised by the members of the Eco Village . It has made it possible to grant nearly \$2m over the last 30 years . It provides for loans from \$5,000 to \$100,000 at a rate of 1.5% (2017) for terms of 18 months to 10 years. Generally, interest on loans is paid quarterly. The principal is repaid at the end of the loan period. Between 2016 and 2018, the fund has helped finance pre-development |

| | |
|--------------------------------|--|
| | work related to the refurbishment of a garage and a café, the setting up of a childcare service, installation of solar panels, and other projects. |
| Reproducibility ●○○○ | This type of fund is quite complex to implement and manage . It requires rather cumbersome financial engineering . |
| Social impact | - Controlling land and developing houses - Favouring sustainability |
| Going further | Other types of funds provide financing for collaborative housing, for example: - the Solidaire de l'Arban endowment fund which is working to strengthen economic vitality in the Plateau des Millevaches region (Limousin, France) - Fonds pour l'Habitat Solidaire (Solidarity Habitat Fund- FHAS, Urbamonde), which helps develop housing projects in the countries of the South. - Local ethical funds emanating from the Investment Fund for Housing (FIA) in Italy with the aim of developing housing adapted to the needs of Italian citizens. |

+ Funding opportunities at the European Union level

Against a backdrop of declining domestic investment in the housing sector (**0.6% of GDP in 2016**), the **investment deficit** is estimated at **€57bn/year** across the EU. The next investment period aims to fill this gap (see [InvestEU, social infrastructure, 2021-2027](#)). But funding is now available at the European level according to needs:

- **Pilot programmes:** [Horizon 2020](#), [UIA](#), [Structural Funds](#) (energy efficiency, infrastructure)
- **Scale-up:** [Structural Funds](#), [EIB loans](#), [EFSI](#), [ESF](#) (social), etc.
- **Technical assistance:** [Structural Funds](#), [ELENA](#), [Urbis](#), [CEB grants](#)

→ The difficulty lies in the complexity of these funds, the lack of information, in-house capacity, and the size or profitability of the projects carried out by the CLT/OFS.

→ To channel these funds, the [MOBA](#) network intends, for example, to create a financial intermediary in the form of a [European Cooperative Society](#). This instrument will be combined with an Eastern European Revolving Fund.

→ The **Working Group on Collaborative Housing Finance**, initiated by the FMDV, is currently working on these topics.

For more information: click [here](#), or [here](#) (see EU tab).

CONCLUSIONS AND PROSPECTS

This *Financial Guide* has identified the **major hurdles** at **each stage of development** of a CLT/OFS in North-West Europe, and it has shed light on various **financial instruments** which can be inspiring and point the way to new prospects for development. Much more than mere financial tools, they contribute to **capacity building**, facilitate **access to land**, reduce **planning-related risks**, **enable the implementation of quality projects** at lower cost, promote **access to housing for modest households**, and finally, **generate stable income** to ensure the functioning of the OFS/CLT.

As the Interreg SHICC project (2017-2020) enters its final year, this work above all raises the question of **possibilities for future actions** that can perpetuate a resolutely **democratic**, collaborative and **anti-speculative** model of production of affordable housing on a European scale. With regard to the tools analysed, this Guide brings up the following questions:

- How can **viable infrastructure** be maintained that allows **accredited experts** to support the **emergence of** new experiments while guaranteeing the **involvement of citizens** in the projects? This point in particular brings up questions of development of:
 - o **start-up funds**,
 - o **technical assistance hub networks**, and
 - o making **sponsorship activities** and peer-to-peer **exchanges** sustainable.
- What mechanisms and instruments could be set up to **effectively capture and mobilise EU and other diversified funding to facilitate scale-up**? And more specifically ask:
 - o How to channel **EU funds** (structural, investment and sectoral programmes) as well as institutional and citizen-based funds, notably through the creation of a financial intermediary, a project aggregator or an investment platform. Indeed, there is a growing need to facilitate **transnational investments** and to release short and long-term **loans and guarantees**.
 - o The relevance of developing a **solidarity/revolving fund for CLT/OFS** that would include components such as **guarantees** as well as **grants to facilitate access to land**, cover **planning risks** and lower **project-exit prices**.
- How can **dialogue** at various **levels** be **strengthened and sustained**?
 - o **EU**: on the issue of access to financing and regulatory frameworks, particularly in relation to social infrastructure issues.
 - o **National**: in order to ensure that the public interest of the model is recognised and that European Regulations are adopted. The challenge would be to go beyond the exceptional frameworks governing CLT/OFS today by providing them with real legislative statuses with tax advantages.
 - o **Municipal**: in order to ensure that the model is included in local urban policies (specific budgets, provision of land), the use of regulatory tools (easements for social mix and usage, facilitating obtention of building permits, etc.), support for experimentation for mixed and complex pilot projects in their start-up phase.
 - o **With ethical banks and lenders**: to develop and standardise the loan offer for CLT/OFS and their beneficiary households. Another issue that arises is social-value reporting as set out in the programme's Social Impact Measurement Framework.

The question of framing remains crucial, both in terms of the scope of intervention (NWE or EU) and of targeted models (CLT/collaborative housing).

In order to move forward on these issues, the **SHICC working group on financing CLT and collaborative housing**, which was initiated by the FMDV, is working on a **pre-figuration study** on how best to channel national and EU funds to promote scale-up. The results of this study would pave the way for a second, more operational phase of the financial component of the SHICC programme.

ANNEXES

ESTIMATING THE FINANCIAL NEEDS OF A TYPICAL CLT/OFS²⁶

| Phase | Duration | Need | Estimated costs |
|-------------------------------|--------------------|--|--|
| GROUP Creation | 1 - 3 years | Formation of group, hiring | €6,500 - €10,000 |
| | | Feasibility study | €60,000 - €150,000 |
| | | Legal constitution and determining governance | 0 - €5,000 |
| | | Personnel costs | €60,000 - €75,000 (per FTE/year, all included) |
| | | Other fixed costs for the first few years (supplies, provision of services etc.) | +/- €10,000 |
| | | Social support and training of the project group | estimated at 2 FTEs for the entire support package |
| SITE Access to land | 6 months - 3 years | Looking for/identifying the site | <i>See 'GROUP/Personnel costs'</i> |
| | | Site studies | <i>n/a</i> |
| | | Pre-feasibility / Architectural design (co-construction) | <i>See 'PLAN/Project design'</i> |
| | | Financial feasibility | <i>n/a</i> |
| | | Costs related to the purchase of the land (notary fees, registration fees etc.) | €50,000 - €60,000 |
| | | Cost of land | 10-30% of the total cost of the operation (approx. €350,000-€450,000) |
| | | Connection, decontamination, servicing | 10% of the total cost of the operation (approx. €300,000-€350,000) |
| PLAN Planning | 6 months - 1 year | Project design (architect) | 5-10% of the cost of the work (approx. €100,000 - €150,000) |
| | | Other studies (technical and economic feasibility) | +/- €100,000 |
| | | Preparation of the building permit application ²⁷ | <i>See 'GROUP/Personnel costs'</i> |


²⁶ Estimated for a CLT of 1–2 FTE for a project of about ten housing units in an urban area under land pressure.

²⁷ e.g. CLT Brussels estimates the cost of the project management to finance an in-house project manager for a 14-unit housing project at €53,340 (Total cost of the operation: €2.9m). For them, this cost is included in the architectural design.

| | | | |
|----------------------------------|--|--|--|
| | | Updating the financial viability of the project, negotiating and securing development funding | <i>See 'GROUP/Personnel costs'</i> |
| | | Procurement procedures with building companies | <i>See 'GROUP/Personnel costs'</i> |
| BUILD Construction | 1 - 2 years | Construction | Approximately 2/3 of the total operation cost |
| | | Site supervision: control of costs, quality, contracts, budget, etc. | +/- €50,000 |
| | | Taxation | VAT of between 5% and 20% (on fees and construction; depending on existing deductions) |
| LIVE Access to housing | At the same time as the building process | Home ownership: support for households (brokerage services, intermediation with banks) | <i>See 'GROUP/Personnel costs'</i> |
| | | Where appropriate, accessibility allowance for low-income households | €180,000 ²⁸ |
| | | Renting: partnership with municipalities on the allocation of social housing | <i>See 'GROUP/Personnel costs'</i> |
| | | Transaction fees | <i>n/a</i> |
| | | Buy-back guarantee | <i>n/a</i> |
| LIVE Operating costs | x | Personnel costs: -Management of the portfolio (allocation, sale, lease management) -Identifying and developing new projects -Involvement of residents in the organisation -Support functions (communication, administration, etc.) | €30,000 (0.5 FTE) - €150,000 (2 FTE) |
| | | Repayment of loans | Depends on the nature of the loan |
| | | Provisioning | <i>n/a</i> |

²⁸ e.g. CLT Ghent provides an affordability allowance of €30,000 for 6 of the 34 households in its *Meulestedeproject*.

TOOL TEMPLATE

| | |
|---|--|
| Description | <ul style="list-style-type: none"> - Name - Type of instrument - Qualification and quantification |
| Objective | <ul style="list-style-type: none"> -What were the issues encountered? -What are the objectives? |
| Phase Inspired by the methodology developed by the Community-Led Homes Movement (see here) | <ul style="list-style-type: none"> - Creation of CLT/OFS (GROUP) - Access to land (SITE) - Planning (PLAN) - Construction (BUILD) - Access to homes (LIVE) - CLT/OFS operation (LIVE) |
| Scope | European, National, Regional, Municipal, Local |
| Beneficiaries | - Who is it recommended or intended for? |
| Source of funds | <ul style="list-style-type: none"> - Public: at what level? - Private: traditional operators or ethical lenders? - Citizen: civil society |
| Implementation | <ul style="list-style-type: none"> - Specific conditions of use - Process for allocating funds |
| Feedback | <ul style="list-style-type: none"> -Example of use by a CLT/OFS -Feedback |
| Reproducibility Based on a methodology developed by the FMDV in partnership with the other SHICC project partners | Conditions: legal and regulatory framework, financial engineering, environment of local stakeholders, awareness and information <input type="radio"/> <input type="radio"/> <input type="radio"/> Not reproducible: the conditions are not met <input checked="" type="radio"/> <input type="radio"/> <input type="radio"/> Not very reproducible: many conditions missing <input checked="" type="radio"/> <input checked="" type="radio"/> <input type="radio"/> Potential to be explored: some challenges to be overcome <input checked="" type="radio"/> <input checked="" type="radio"/> <input checked="" type="radio"/> Reproducible: the conditions are met → associated with a comment |
| Social impact Based on the social impact measurement tool developed by Ti as part of the SHICC project | This tool (impact themes): <ul style="list-style-type: none"> - Controlling land and developing houses - Building local capacity and capability - Increasing diversity and equity - Allows challenge to a status quo - Favouring sustainability |
| Going further | References to similar tools or complementary approaches in Europe and around the world |
| Resources | Contact, documentation, etc. |
|  Analysis <ul style="list-style-type: none"> - Advantages: what does the tool allow? What added value? - Disadvantages: what are the limits, risks, points of attention and vigilance? - What influence on governance and programming? - Analysis of the target population (question of fragile and disadvantaged populations) - Expertise required for implementation? etc. | |

What is a CLT/OFS?

Community Land Trusts (CLT) and *Organismes de Foncier Solidaire (OFS)* can be defined as **local not-for-profit organisations which develop and manage affordable housing and urban facilities in perpetuity**. In practice, the OFS/CLT **withdraw land from speculative markets, keeping it in a trust**. In this way, they help **control property prices** and **preserve access to housing** for low-income households. They have thus been internationally recognised as legitimate participatory and anti-speculative models that strengthen **social cohesion**.

What is the SHICC programme?

The SHICC (Sustainable Housing for Inclusive and Cohesive Cities) project aims to **develop, support and disseminate the CLT and OFS model in Europe**. The SHICC programme is structured around **three main themes**: Firstly, **recognition of the legitimacy of the model**, the establishment of a **financial and legislative environment conducive** to the establishment and expansion of CLT/OFS, and **capacity building** for existing and emerging CLT/OFS.

This is a €3m **European Interreg programme**, carried out over a **three-year period (2017-2020)** by the **City of Lille (France)**; the **National CLT Network (UK)**; the **CLT of London, Brussels and Ghent**; and **FMDV (France)**.

Go to the SHICC project website:

[Sustainable Housing for Inclusive and Cohesive Cities](#)

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