

Where do we get the money from?



Ecology BS - Who we are

- Established 1981 – most recent building society created
- Initial focus – low-impact living
- Assets: £138 million
- Mortgage book value: £145 million+
- Mutual – owned by the 9,500 members of the Society
- Specialists - only building society that lends exclusively for environmental and community projects



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Building Society

About our mortgages

- We fund eco new builds (including self-build), conversions, renovations and energy efficiency improvements
- We support housing cooperatives, small housing associations, CLTs, Cohousing, community ownership, MHOS, Rural Housing Burden homes
- Our C-Change mortgage discounts reward buyers of energy efficient properties and sustainable home improvements
- We offer long-term value through low fees, transparent pricing and knowledgeable CLH customer service direct from our HQ and from David Cousland in Scotland
- Current Standard Variable Rate is between 3.75% to 5.75% for CLH development finance

Phases of a project (1)



- Initial feasibility and pre-development costs
 - community engagement work
 - site identification process
 - feasibility and local demand studies
 - planning bids and appeals
 - design costs (ecological appraisal requirements?)
 - legal fees
 - asset transfer / site vendor negotiations / S106 agreements?
 - fundraising, website, marketing

Phases of a project (2)



- Post-planning, site purchase
 - possible site remediation
 - tender process
 - QS costs
 - detailed designs to meet planning restrictions
 - surveys and valuations
 - legal fees for lease / shared ownership / resale covenant documentation, allocations policies
 - Registered Provider application to access Homes England support?

Pre-development revenue funding and advice



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- Unsecured, no collateral, unable to access mortgage finance / traditional debt funding until land available with outline planning consent
- Support available from:
- GLA / Homes England Community Housing Fund revenue grants
- NCLTN Start up Fund
- Power to Change Community led Housing Programme
- Some Local Authorities offer grants
- Right to Build Taskforce – community self and custom build
- CAF Venturesome – CLT Social Investment Fund – up to £100k pre planning
- Consider crowd funding / community shares / private investors

Phases of a project (3)



- Development phase
 - site preparation, access, groundworks & services
 - build phase contracts and procurement
 - phasing of scheme required?
 - CASHFLOW!
 - interim valuations and site management
 - communal facilities? landscaping
 - member / buyer engagement and communications with stakeholders including funders

Capital Funding – development phase

- GLA / Homes England Community Housing Fund capital investment
- GLA / Homes England Shared Ownership and Affordable Homes Programme for RP / IPs
- Power to Change Community led Housing Programme – capital grants between £50k and £300k
- Local Authorities capital grants and loans via Right to Buy receipts and S106 commuted sums
- Big Issue Invest London Housing Fund
- Crowd funding / community shares / private investors
- Member deposits / sale of existing assets
- Sweat Equity
- Open market sales – cross subsidy

Capital Funding – development phase



- Social lenders such as Charity Bank, Triodos, CAF Bank, Unity Trust Bank, Handelsbanken, various max loan limits / LTVs / social impact policies
- CAF Venturesome CLT Social Investment Fund – capital loans of up to £400k for CLTs in England and Wales
- Big Society Capital £15m community-led housing loan facility allocated to various sources – e.g. Social and Sustainable Capital
- Resonance Affordable Homes Rental Fund – up to 100% of capital costs to create affordable homes

Phases of a project (4)



Completion!

- longer term debt funding? refinancing? – supported by rental income / service charges / shared ownership
- ongoing costs - site maintenance, voids, repairs and renewals, variable rate of finance costs
- sales to buyers? – finding mortgage lenders (more than 1?) who will support your criteria and documentation

Longer term funding



- Numerous mainstream lenders in theory
- Costs tend to be lower as no construction risk
- Some lenders won't like restrictive resale covenants
- Some lenders won't take shared ownership units on as security
- Terms of up to 40 years / LTV of up to 80%

Mortgages for Buyers



- A key issue before development as may be main exit route for development funders
- Numerous lenders will provide shared ownership mortgages, especially under standard Homes England lease model although some will cap staircasing limit
- Discounted market values, resales linked to wages etc. are more bespoke and many “volume” lenders will not support
- Most lenders will insist on recourse to open market sales within lease documentation mortgagee in possession clauses

Community Led Housing Lending @ Ecology



- Development finance for groups available (up to £2m and a maximum LTV of 80% at any phase)
- Stage payments available benchmarked against the increasing value of the plot / site
- Longer term mortgages supported by rental income over up to 40 years
- “Affinity” residential mortgages available to cohousing lease buyers, including shared ownership (up to 95% of share) and restrictive price covenants (e.g. up to 90% of restricted sale value)

A few tips

- Know your budget and requirements as a group and as individuals and be realistic
- Stress test your assumptions (plot, labour, materials and professionals costs, interest rates, time, cash flow)
- Select appropriate designers and contractors
- Design in Passivhaus / air tightness specifications from the start
- Consider your rules and terms of leases. Are they practical and “fundable”?
- Talk to a few lenders and RICS approved valuers
- Ask if there is a valuation panel policy at lenders

A few tips

- Check Loan to Value ratios and how draw downs are signed off
- Have a robust project cash flow model including contingencies
- If a mortgage is required for your own residence, be aware of affordability checks and do not assume any projected income will be included by your lender
- Be aware that project spend and sweat equity does not equate to increases in interim values on the project
- Above all, choose partners that understand what you are trying to achieve and don't look at you like you have three heads!

What does the future hold?

- Affordable Housing need increasing all the time - sustainable communities (rural and urban)
- Lender appetite for the “unusual” is still frustratingly low
- Working with our partners in the finance sector will be key on larger projects
- Working with the Networks to encourage other lenders (BSA members) is an ongoing process
- Lobbying government on CLT exemptions on right to buy. leasehold reform and SDLT impact on housing co-ops etc.
- Case studies and successes need shouting about
- We see a bright future with many more projects and supporting funds and advisors out there than 10 or even 3 years ago

Thanks for listening!

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- Recommended reading –
- clhtoolkit.org/finance
- communityshares.org.uk/sites/default/files/resources/community_share_issues_and_communitylandtrusts_final_report.pdf
- <http://www.communitylandtrusts.org.uk/funding-and-resources/funding>