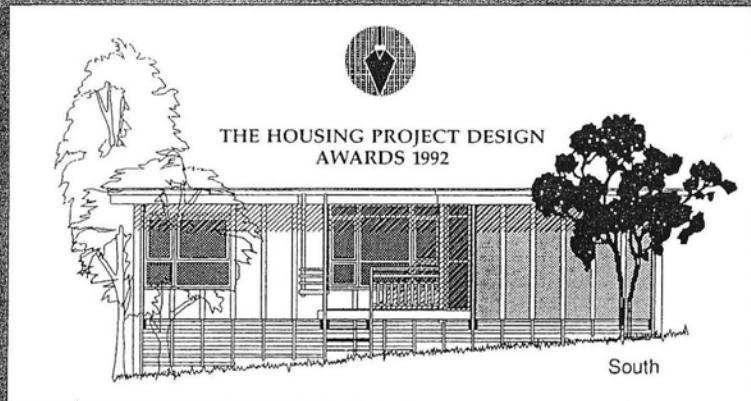


CHISEL is a small, specialist housing agency with extensive experience in developing self-build for rent schemes.

CHISEL works primarily in London and the South East of England, providing the following services:

- Self-build for rent initiatives
- Short-life and move-on accommodation
- Consortium arrangements with other housing organisations
- Permanent development with the Housing Corporation
- Promotion and management services
- Tenant participation services, in local authorities and housing associations

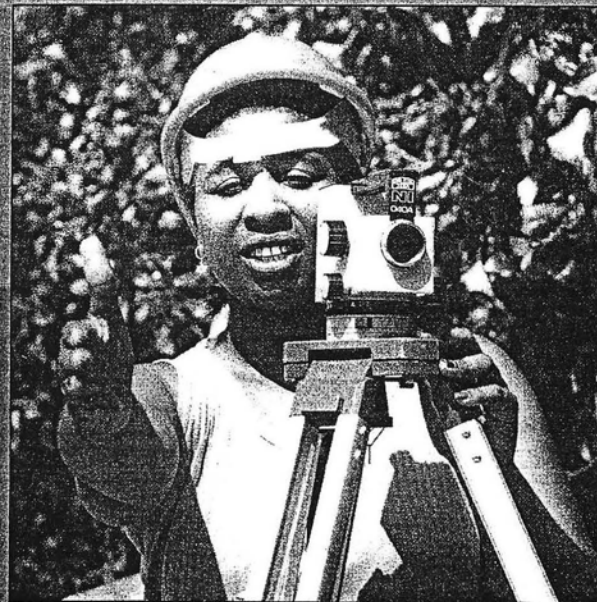


*Fusions Jameen Self-Build designed by Architype*

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designed by prol★kult 071-609 8647

# Self-Build for Rent



*Choice, High Standards  
& Affordability*

*written by  
José Ospina*

**CHISEL**



## *Choice, High Standards & Affordability*

There are now five self-build for rent projects underway in the South East on the basis of the CHISEL self build for rent model. Greenwich Self Build Housing Co-op is developing two sites in Woolich and Plumstead for a total of 13 homes. Fusions Jameen Housing Co-op is building a further 8 on two sites in Brockley, Lewisham. This scheme has recently won the prestigious RIBA/DoE/NHBC "Housing Project Design Award". Brighton Diggers Housing Co-op is building a further 9 units in Brighton, and Greenstreet Housing Co-op a further 11 units in Lewisham.

Self Build for Rent is no longer a pipe dream, but an exciting new model for the production of social housing. The aim of this publication is to explain what the model is, and how it can be put into practise elsewhere.

## Objectives

In developing this model, we tried to put together a package that:

- built communities, not just housing
- gave access to persons in housing need
- maximised user-participation in the whole process
- allowed for a wide range of choice in terms of sites and building technologies
- made the most of people's potential for self-help
- built housing that remained affordable by all
- ensured that properties remained well managed and maintained
- ensured that self-builders got a fair return for their labour
- ensured that the needy continued having access to it, after the original occupants had left.

We feel the current package fulfils all these expectations.

It has the added advantage of providing excellent "value for money". The scheme currently being built in Brighton, for instance, will build housing for 78% of the Housing Corporation's current cost limits for units of this type.



## *The CHISEL Self-Build for Rent Model*

The model is designed to be developed under current Housing Corporation procedures and with grant and loan funding currently available to Housing Associations. It does not therefore require special conditions which might be difficult to recreate.

It is also not principally reliant on private loan funding or on securing discounted land from local authorities. The main ingredients are: Housing Corporation Grant funding at current discounted levels, and the self-build input of future tenants.



In essence, an allocation of Housing Corporation (HAG) funding is secured to build an agreed number of units for rent under Cash Programme procedures. This will usually be done through an existing Cash Programme Association.

This Cash Programme Association then employs CHISEL as development agency for the scheme. This gives the Cash Programme association the benefit of our experience and expertise in developing the project. This relationship is enshrined in a Cash Programme Self Build Agreement.

CHISEL in turn enters into a Self Build Development Agreement with a fully-mutual Housing Co-operative which it has previously promoted. The Co-operative agrees to build the housing specified, and CHISEL agrees to pay the Co-op a notional contract sum. This sum is mutually agreed, and could be based on conventional building costs.

CHISEL takes full project management responsibility during the contract period, authorising payments on cash expenditure incurred by the Co-op. At the end of the contract period, and subject to successful handover of the properties, CHISEL will, on the one hand, issue Assured Tenancies to individual self-builders, with rents set below NFHA Indicator Rents. CHISEL will also issue Loan Stock to each self-builder for an agreed proportion of the difference between the original notional contract sum agreed and the actual cash expenditure. This Loan Stock will constitute repayment for the labour invested by the self-builders in the scheme. It is index-linked, and will be redeemed when self-builders decide to leave their tenancy. The properties will then be available for letting to other persons in housing need.

The model documents for this package are currently available from the Industrial Common Ownership Movement (ICOM) in Leeds, under the title 'Self Build Housing Co-operative - Rental' by Charlie Cattel.

## *Partnership arrangements*

CHISEL is a specialised secondary housing co-operative. We have no significant assets or reserves, but we have a wealth of enthusiasm and experience in the promotion of housing co-ops. After lengthy consultation with the Housing Corporation on the best way to develop this model, we agreed that it was more suited to the flexible funding arrangements of the Cash (previously Tariff) Programme.

Developing projects on this model therefore requires that we enter into partnership arrangements with Cash Programme Associations that operate in the area concerned. To date we have entered into two such agreements, with South London Family Housing Association and London and Quadrant Housing Trust. We are currently looking to expand these programmes, and we are happy to look at working arrangements with other Associations in other areas.

## *Client Groups*

Our approach so far has been to work very closely with local authority from the start, in order to identify the most appropriate client groups in the area. Different methods can be used to identify that initial group. Some Councils will wish to canvass their transfer or waiting lists for potential co-op members. Others might want to target particular groups, like ethnic minorities or homeless single people. In all these cases, CHISEL will help set up the group, so that they become an able self-build co-op.

In other cases, exististing groups have approached us as a way of taking their self-build plans a step further. These initiatives are also successful, as long as they are able to secure the necessary Local Authority support.

## *Promotion & Training*

One of CHISEL's responsibilities in getting these schemes off the ground is ensuring that prospective self-builders are encouraged and trained, not only in building, but also in site organization and co-operative management.

Once the scheme is approved by the Housing Corporation, the Co-op will be able to apply for revenue funding in its own right from the Tenant Participation budget.

## *Land*

It is CHISEL's responsibility to secure land for the project, but we will communicate closely with the group about all land possibilities, in order to establish their preference. We will also rely on them for direction in identifying possible sites. So far, all sites secured for current self-build schemes have been owned by Local Authorities, and have ranged from sloping 'hard to build' sites, to flat sites where terraced housing once stood.

As the model does not rely on discounted land to work, the land can be bought at market value from the authority. This ensures a fair capital return for the Council. However, discounted land will make the proposal more attractive to the Corporation.

## *Consultants*

CHISEL's approach is to offer client groups a range of consultants, and let them make the final decision. At present CHISEL works with two self-build consultants who have been chosen in this way. But we are always willing to put new consultants in touch with aspiring self-builders.

Similarly, CHISEL is not prescriptive with respect to building technology. We are, however, aware that self-builders will not want to burden themselves with building methods that demand a high level of skill. It is no coincidence therefore that all current CHISEL self-build initiatives are being developed on the basis of the Walter Segal timber-frame system, which does not require a high level of skill, is very flexible in terms of layout and design, and is tried and tested.

One of our first ports of call when developing a project is the local Planning office, as we know that unusual building technologies sometimes raise eyebrows there. But so far, planning restrictions have not been a problem.



## *Co-op as Contractor*

But the star players in this model are of course the self-builders themselves, and we ensure that they have every opportunity to operate as an effective builder, and later, as an effective housing management agency.

We require every Self-Build Co-op developing under our model to employ a skilled Contract Manager. We insist this person must have had both building and construction management experience. This person, as an employee of the Co-op, will ensure that the project runs professionally. So far, we have not been disappointed with the results of this requirement.

The self-build co-ops then register for VAT and secure a tax Exception certificate. This allows them to reclaim VAT and allows us to not have to pay without deducting tax. As the Co-op has no initial capital to start building, we make available a small float until the first valuation.

The Co-op must of course hold all necessary insurance cover. Long term defects liability cover, through HAPM or some other appropriate agency, will also be secured.

## Funding

The funding arrangements, however, are the key mechanism that makes the model work.

As we've explained, CHISEL contracts a self-build co-op to build the project, on the basis of design which has been developed with their full participation. To enter into this contract, CHISEL agrees with the Co-op a "notional contract sum". This sum is established by agreement, but is based on the current cost of new building being carried out for housing associations by commercial builders, calculated on the floor area of the project.

Thus, the scheme in Brighton, with a floor area 513 sq. mtrs, could have a notional contract value of £312,930. This is based on a per sq. mtr. build cost of £610 per sq. mtr.

The finances of the scheme would be as follows:

Land (market value):	£125,000
Notional contract sum:	£312,930
<b>Total scheme costs (land &amp; works)</b>	<b>£437,930</b>

In addition to this, the scheme will incur additional costs, made up of consultants fees, administration costs and other fees. This is known as 'on costs'.

On costs:	£87,911
<b>Total notional costs:</b>	<b>£525,841</b>

The actual cash costs for works during the construction period are estimated at £232,980. This means that £79,950 constitute the Loan Stock for the scheme, which divided between 9 self-builders equals £8,883.33 per self-builder. This, then, would be the value of the average loan stock issued on completion.

However, the Housing Corporation established cost limit for the properties produced would be £672,000. The scheme is therefore 78.25% of TCI, which represents an exceptional saving for the Housing Corporation, considering the high standard of properties produced.

It is also 'value for money' which is not achieved at the expense of high rents. As we have seen, the cash requirement during the development period is only £445,891 (land, direct works costs and on costs). The grant made available to the scheme from Housing Association Grant will be £387,760, or 58% of the TCI. This means that the borrowing requirement will only be £58,131, or £6,459 per property. The weekly repayment on this size of mortgage would therefore be in the region of £10.00 a week per property.

The rent per unit on this scheme could therefore be:

Management:	£4.21 per week
Maintenance:	5.42
Major repairs	12.96
Ongoing training	1.50
Loan repayment	10.31
Loan Stock reserve	3.60
<b>Total rent:</b>	<b>£38.00 per week.</b>

In effect, the labour contributed by the self-builders (and represented in the Loan Stock) replaces most of the private loan required. Rent for the project can therefore be set at genuinely affordable levels.

It also makes sense to keep rents at cost for the initial self-builders, say 30% under NFHA Indicator rents, and raise it to full NFHA Indicator Rent levels for subsequent tenants. This additional income will help to cover any additional borrowing that might have to be carried out in order to repay Loan Stock.

## *Project Management*

CHISEL would be responsible for project management during construction. The scheme architects would be responsible for ensuring the works were carried out to programme and specification, but a clerk of works would also be on hand to inspect work on a regular basis.

Apart from the initial float, payments to the Co-op would be made on the basis of monthly valuations carried out by the scheme architects.

We would expect some properties to be completed before others, and self-builders would be able to take possession of their properties as they complete.

## *Completion & handover*

On completion of the whole scheme, the ownership would be transferred to CHISEL, who would then:

- Issue assured tenancies to individual self-builders
- Issue Loan Stock to individual self-builders.
- Enter into a Tenant Management Agreement with the Co-operative, passing on the responsibility for management and maintenance to the Co-op as appropriate.

It is also possible, however, for the Co-operative to become Registered with the Housing Corporation in its own right. In this instance, CHISEL could ask for the ownership of the stock to be transferred directly to the Co-operative on completion, either through a freehold transfer or through a Lease.

In this case, the Co-operative itself would be responsible for issuing the Loan Stock.

## *Post Development Services*

After completion and transfer, CHISEL would still provide services to the Co-operative, to make sure it is effective in its management and maintenance of the property.

The range of management services may be contracted in by the Co-op from CHISEL, including housing management, rent accounting, maintenance, major repairs, or even ongoing training.

CHISEL also provides a 'mini performance audit' service to affiliated co-ops, where a check of their policies and systems can be carried out periodically.

The Co-op would also form part of the CHISEL network of organizations, where many other experienced co-ops and individuals would be on hand to give help, advice or support.

## *Time scale*

A ideal timescale for a self-build project would probably be:

August	–	Bid for project made.
February	–	Allocation confirmed/ Co-op promotion begins.
April	–	Site identified/ Design consultation begins.
June	–	Planning application made/ Training begins.
September	–	Planning permission secured/Site acquired.
November	–	Start on site.

However, given the many possible delays that can occur, it is likely that works would not start until spring of the following year.

There would then follow a contract period of 18 months, during which some units would be completed. On full completion the ownership of the scheme would be transferred and Loan Stock issued.

## Bids for future schemes

Having now pioneered the model and with a number of successful schemes underway, CHISEL is looking for a substantial self-build allocation for the coming year, in partnership with appropriate Cash Programme Associations.

We would therefore welcome any enquiries from Housing Associations, Local Authorities, or prospective self-build groups with respect to possible developments in their areas.

Apart from our own projected development programme, we would be happy to support development initiatives being carried out by other Associations. This could range from one-off advice sessions to full-blown development agency arrangements.

**Please contact us, and we will see how we can help.**

## Parting shot

The essence of the self-build for rent model is that a co-operative formed by low-income people should be able to loan their own labour towards a 'mixed funded' project, rather than to have to borrow privately to pay for having their housing built at commercial rates.



By doing so, they assure themselves more appropriate housing, built to high standards and at genuinely affordable rents, while at the same time consolidating a working community.

Fusions co-op receiving the RIBA, DoE, NHBC housing design award

## Useful contacts:

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*For advice on self-build for rent.*

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*For information on capital funding.*

Adrian Smith,  
Tenant Services Manager,  
**The Housing Corporation,**  
(as above)

*For information on revenue funding.*

Roland Ashley,  
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**National Federation of Housing Associations,**  
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*For networking with other self-builders.*

Mike Dalligan,  
**Walter Segal Trust,**  
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*For information on the Segal system.*

Anna McGettigan,  
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*For information on self-build generally.*

Charlie Cattel,  
**Industrial Common Ownership Movement,**  
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*For model self-build for rent documents*