



Self-Build for Rent Model

written by José Ospina



***Choice, High Standards
& Affordability***

TAS
(Tenancy & Agency Services)
is part of





CHOICE, HIGH STANDARDS & AFFORDABILITY

There are now seven self-build for rent projects under way in the South east on the basis of the CHISEL self build for rent model. Greenwich Self Build Housing Co-op is developing three sites in Woolwich, Plumpstead and Thamesmead for a total of 25 homes. Fusions Jameen Housing Co-op is building a further 21 on three sites in Brockley, Downham and Lewisham. Brighton Diggers Housing Co-op is building a further 9 units in Brighton, Greenstreet Housing Co-op a further 10 units in Lewisham and Roxborough Housing Co-op a further 5 units for disabled persons in Colchester Essex (2 schemes have won the RIBA/DoE/NHBC "Housing Project Design award").

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 practice 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 get 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

This 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 mixed funded procedures. This will usually be done through an established Housing Association with the required promotion and development expertise.

As a result of a recent partnership agreement, the development section of CHISEL has merged with the Tenant and Agencies Services Section of the South London Family Housing Association. SLFHA TAS is therefore in an ideal position to promote and develop these schemes.

SLFHA 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 SLFHA agrees to pay the Co-op a notional contract sum. This sum is mutually agreed, and could be based on conventional building costs.

SLFHA takes full project management responsibility during the development 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). The properties are transferred to CHISEL who will issue "premium" assured tenancies to self-builders, with rents set below NFHA individual rents. This "premium" will be calculated as the difference between the notional contract sum and the actual cash expenditure on the scheme, divided fairly amongst the self builders. This premium will be index linked, and will be payable to tenants on surrender of tenancy, as long as this is after a minimum two year residency period. The properties will then be available for letting to other persons in housing need at affordable rent levels.

An up-to-date version of this self-build development agreement is available from SLFHA TAS.



PARTNERSHIP ARRANGEMENTS

CHISEL is a specialised secondary housing co-operative who developed this funding model, after lengthy consultation with the Housing Corporation, Inland Revenue and the D.S.S. As of August 1994, development for CHISEL will be carried out by the Tenant Agency Services Section (TAS) of SLFHA. However CHISEL is also developing schemes through partnership arrangements with other Housing Associations in different areas, such as London and Quadrant Housing Trust and Shaftesbury Housing Association. CHISEL is currently looking to expand these programmes, and would be 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 the 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, SLFHA will help set up the group, so that they become an able self-build co-op.

In other cases, existing 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 AND TRAINING

One of SLFHA'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 organisation 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 Corporation's Tenant Participation budget (section 87).

LAND

It is SLFHA'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 fair capital return for the Council. However, discounted land will make the proposal more attractive to the Corporation.

CONSULTANTS

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

Similarly, SLFHA 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/SLFHA self-build initiatives are being developed on the basis of the Walter Segal timber-frame system, which does not require a high level of skilling, 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 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 (or company), 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 Exemption 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, SLFHA 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, SLFHA 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 Isle of Dogs, with a floor area of 1017 sq. mtrs, could have a notional contract value of £613,348. This is based on a per sq. mtr. build cost of £603 per sq. mtr.

The finances of the scheme would be as follows:

Land (market value):	£227,612
Notional contract sum:	£613,348
Total scheme costs (land & works):	£840,960

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:	£124,644
Total actual costs:	£965,603

The actual cash costs for works during the construction period are estimated at £450,470. This means £167,877 constitute the premium for the scheme, which divided between 11 self-builders equals £14,807 per self builder. This, then, would be the value of the premium included in each assured tenancy issued on completion, subject to costs turning out as budgeted.



However, the Housing Corporation has established that the cost limit for properties like this is £1,189,400. The scheme is therefore 81% of TCI, which represents an exceptional saving for the Housing Corporation, considering the high standard of the 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 £802,726 (land, direct works costs and on costs). The grant made available to the scheme from Housing Association Grant will be £650,817, or 67.4% of the total scheme costs. This means that the borrowing requirement will only be £123,721, or £11,297 per property. The weekly repayment on this size of mortgage would therefore be in the region of £20.00 a week per property.

The rent per unit on this scheme could therefore be:

Management:	£ 6.76 per week
Maintenance:	7.50
Premium and Major Repair Reserve	9.61
Loan repayment	20.00
Voids	1.83
Total rent:	<u>£45.70 per week</u>

In effect, the labour contributed by the self-builders (and represented in the premium) 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 20% under the NFHA Indicator rents, and raise it to full SLFHA Policy 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 pay the required "premium".

From 1995/96 it is possible that the Housing Corporation will abandon Cash Programme procedures. If this should happen, we have agreed with the Corporation Self-Build for Rent Schemes will be treated as mixed funded schemes, which is likely to result in a 10% increase in rents from current levels.

PROJECT MANAGEMENT

SLFHA 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 AND HANDOVER

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

- Issue assured tenancies to individual self-builders
- Issue premium assured tenancies 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, SLFHA could ask for 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 tenancies.



POST DEVELOPMENT SERVICES

After completion and transfer, SLFHA 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 SLFHA, including housing management, rent accounting, maintenance, major repairs, or even ongoing training.

SLFHA 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/SLFHA network of organisations, where many other experienced co-ops and individuals would be on hand to give help, advice and support.

TIME SCALE

An 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 the following year.

There would then follow a contract period of 21 months, during which some units would be completed. On full completion the scheme would be transferred to CHISEL by way of lease or transfer of ownership and Self-Build Tenancies issued.

BIDS FOR FUTURE SCHEMES

CHISEL, having now pioneered the model and with a number of successful schemes underway, SLFHA incorporating CHISEL's expertise is looking for a substantial self-build allocation for the coming year, directly and in partnership with appropriate organisations.

We would therefore welcome any enquiries from Housing Agencies, 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 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 work community.

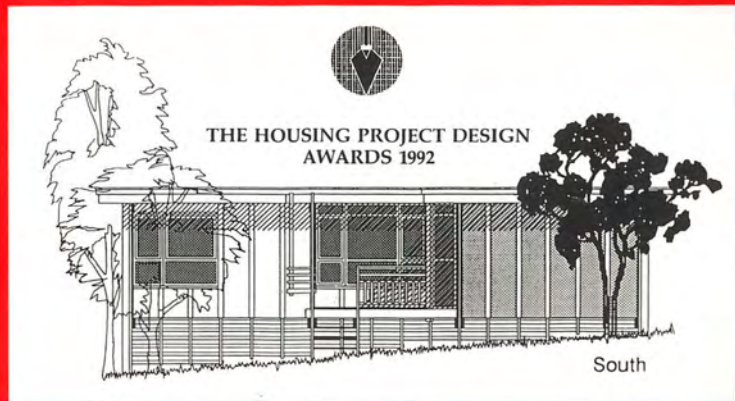


Fusions co-op, receiving the RIBA, DoE, NHBC housing design award.

WHAT IS TAS?

Tenant and Agency Services is the specialist section of South London Family Housing Association (SLFHA) which provides services to tenants groups, housing associations and housing co-operatives in the community.

Formerly the Co-ops Unit, TAS was formed by the merger of a local co-op service agency with SLFHA in 1988. Since then TAS has provided a wide range of services to many client groups. In August of 1994, the development Section of CHISEL was integrated with TAS, complementing the existing expertise of the organisation. In particular, TAS is able to provide experienced, specialised Self-Build promotion and development services.



Fusions Jameen Self-Build designed by Architype

Self-Build and New Initiatives
Tenant and Agency Services
Rochester House
2-10 Belvedere Road
London SE19 2HL

Telephone: 0181 768 0890
Fax: 0181 768 1996