

GREATER LONDON AUTHORITY

REQUEST FOR DIRECTOR DECISION – DD2473

Title: Community-led housing – London Citizens Community Land Trust

Executive Summary:

This Director Decision seeks approval for grant of up to £3,694,999 from the Mayor's Community Housing Fund Programme to the London Citizens' CLT Limited (LCCLT) to deliver up to 71 affordable community-led (Community Land Trust) homes across three schemes. Up to £1,600,000 of the grant would, subject to GLA approval and a detailed revenue expenditure plan, initially be provided as recoverable revenue grant for pre-development costs. Where a scheme receives recoverable revenue grant, once start on site is achieved, the revenue grant would become due for repayment and would be re-provided as capital grant towards the development costs of the scheme.

The LCCLT is a member-led Community Land Trust based in East London. It was developed by the community organisation Citizens UK in response to the need for genuinely affordable homes in the capital. It is a community benefit society registered with the Financial Conduct Authority.

Approval for the funding is sought through a Decision by the Executive Director, in line with Mayoral Decision (MD2372, which delegates authority to the Executive Director to approve funding allocations from the Community Housing Fund.

Decision:

That the Executive Director of Housing and Land approves:

Expenditure of up to £3,694,999 from the Community Housing Fund, to provide grant to London Citizens' CLT Limited to support the delivery of up to 71 affordable community-led (Community Land Trust) homes across three schemes. Up to £1,600,000 of this grant could initially be provided as recoverable revenue grant for pre-development costs and, subject to repayment of the revenue grant to ensure the £3,694,999 total grant is not exceeded, up to £3,694,999 could be provided as capital grant towards the development costs of the schemes.

AUTHORISING DIRECTOR

I have reviewed the request and am satisfied it is correct and consistent with the Mayor's plans and priorities.

It has my approval.

Name: Rickardo Hyatt

Position: Deputy Executive Director – Housing and Land

Signature:



Date:

17 March 2020

PART I - NON-CONFIDENTIAL FACTS AND ADVICE

Decision required – supporting report

1. Introduction and background

- 1.1. The Mayor is committed to increasing the supply of community-led housing (CLH), believing that Londoners should be able to play a leading role in building their own communities. The London Housing Strategy sets out a target to identify a pipeline of community-led schemes with capacity to deliver 1,000 homes by 2021.
- 1.2. To help achieve this, he is funding the London Community-Led Housing Hub to provide support to community groups that wish to develop homes. He has also secured £38m for London from the Government's Community Housing Fund (CHF) (approved through MD2372). The Fund, which launched in January 2019, is being allocated through a programme of continuous bidding. It will be used to facilitate the delivery of community-led homes started by April 2023. £30m of the CHF is capital and £8m is revenue. The £30m capital fund is administered by the GLA. £3.8m of the £8m revenue funding is enabling the Community Led Housing London Hub to support community groups at an early stage, with the GLA administering revenue grants for later stage pre-development costs.
- 1.3. London Citizens' CLT Limited (LCCLT) originated from the community organisation Citizens UK in response to the need for genuinely affordable homes in the capital. It offers affordable homes to people who find themselves in the gap between those who are prioritised for a council property and those who are able to purchase on the open market. It is an independent organisation that is governed by its own members. Anyone who lives in London can buy a share for £1 and become a member. The Board is duly elected by its members and is made up of one third each of future and existing residents, local people in the community and independents/experts to ensure it has the capacity to deliver on its core aims.
- 1.4. In June 2018, LCCLT was selected by Transport for London (TfL) to receive two sites (in Tower Hamlets and Lambeth), which are anticipated to deliver up to 60 CLT homes, brought forward by TfL as part of the Mayor's 'Small Sites, Small Builders' programme. The Agreement for Lease, Lease and Licence terms were subsequently agreed in principle. The sites are offered by TfL on 250-year leases subject to planning consent. The purchase price for each is payable to TfL on completion of the Agreement for Lease once planning consent and any individual site-related conditions are met. At this point, the development finance facility, which LCCLT is procuring from a commercial lender, should be in place and will provide the funding for the land payment.
- 1.5. In addition, LCCLT intends to develop 11 CLT homes on a site acquired from London Borough of Lewisham.
- 1.6. LCCLT is seeking a total of £3,694,999 grant from the Mayor's Community Housing Fund. Up to £1,600,000 of this grant may initially be provided as recoverable revenue grant funding. Where a scheme receives recoverable revenue grant, once start on site is achieved the revenue grant would become due for repayment and would be re-provided as capital grant towards the development costs of the scheme. The total grant provided will not exceed £3,694,999. For two of the three schemes, Tower Hamlets and Lambeth, LCCLT require both revenue and capital funding. The third scheme requires capital funding only.
- 1.7. The revenue funding required for the Tower Hamlets and Lambeth schemes is for pre-development costs to bring the projects to start on site stage. Subject to due diligence by the GLA, revenue funding may be paid in tranches in advance, linked to the achievement of specified milestones, as it is recognised that access to financial support for costs accrued early in the development process is crucial to the development of community-led housing and that without this funding the projects could not proceed. The Revenue Expenditure Plan for each project will stipulate the maximum amount of revenue grant to be provided to LCCLT with respect to any particular site. It is expected that at no point will the revenue grant exceed 50 per cent of the total grant amount for any site.

- 1.8. For the Tower Hamlets scheme, initially up to 50 per cent of the grant allocation for the scheme (£1,066,000) will be paid as revenue. This will enable LCCLT to appoint a project team and progress towards achieving planning approval.
- 1.9. Details of the revenue funding required for the Lambeth site will be available in due course and will be subject to due diligence by the GLA before approval. Again, it will not exceed 50 per cent of the capital grant amount.
- 1.10. The grant agreement will require any revenue funding to be repaid when the project reaches start on site (by which point LCCLT would have a legal interest in the site) and LCCLT has submitted a claim for capital grant. Until that point, any revenue funding paid will be at risk and not liable for repayment should the project not proceed. There will be detailed project monitoring by GLA officers and risk mitigation measures are outlined in section 4 below. The grant agreement will provide for the capital grant to be drawn down in two tranches, which may be 50 per cent at start on site and 50 per cent at practical completion unless otherwise agreed by the GLA. The procedure for claiming the first tranche of capital grant is bespoke, to reflect the mechanics of the conversion from revenue grant in the project to capital grant.
- 1.11. LCCLT need to be assured of GLA grant funding before entering into the Agreement for Lease with TfL for the TfL sites as the funding is essential for the projects to proceed.
- 1.12. GLA grant will bridge the gap between total scheme costs and funding secured by LLCLT via a development loan facility from a commercial lender. The total scheme costs are so far only known for the Lewisham site, as this scheme is at a more advanced stage than the other two.
- 1.13. There will be two types of grant agreement between the GLA and LCCLT, to take into account the different grant arrangements for different schemes. One will be an agreement for projects solely requiring capital and the other will be for those with the more complex revenue and capital funding arrangement. Both types of agreement will have scope for additional schemes to be added, by agreement with the GLA and approved via the relevant GLA decision-making processes.
- 1.14. Approval for the funding is sought through a Decision by the Executive Director, in line with MD2372, which delegates authority to the Executive Director to approve funding allocations from the Community Housing Fund.

2. Objectives and expected outcomes

- 2.1. The objective is to deliver up to 71 Community Land Trust homes, as follows:

Scheme	Number of homes	Total GLA grant funding	Grant per unit
Lewisham	11	£495,000	£45,000
Tower Hamlets	40	£2,133,333	£53,333
Lambeth	20	£1,066,666	£53,333
Total	71	£3,694,999	£52,042

- 2.2. The tenure is expected to be discounted market sale, with the sale price based on local earnings calculated according to the Annual Survey of Hours and Earnings, published annually by the Office of National Statistics. The lease agreement will require all residents to sell their home on the same basis on which it was bought, i.e. at a price in line with local earnings, ensuring these homes are affordable in perpetuity.

- 2.3. Londoners on modest incomes will be enabled to access genuinely affordable homes and contribute to the community they live in.
- 2.4. This funding will also enable the growth of a new housing provider, building on smaller sites, and a viable model for new homes that can be followed by others to accelerate the delivery of more affordable and, in particular, community-led housing.

3. Equality comments

- 3.1. Section 149(1) of the Equality Act 2010 provides that, in the exercise of their functions, public authorities must have due regard to the need to: eliminate discrimination, harassment, victimisation and any other conduct that is prohibited by or under the Equality Act 2010; advance equality of opportunity between persons who share a relevant protected characteristic and persons who do not share it; and foster good relations between persons who share a relevant protected characteristic and persons who do not share it.
- 3.2. There is a chronic shortage of affordable housing in London and those with protected characteristics are more likely to disproportionately suffer as a result of that shortage. A full equality impact assessment was conducted to inform the development of the Mayor's London Housing Strategy. Community-led housing generally produces decent affordable homes and is often designed to help particular groups of people and to meet community need.
- 3.3. By encouraging and facilitating community-led housing which meets local communities' needs, the GLA expects to create a positive impact in equalities terms and to advance equality of opportunity for those with protected characteristics who are currently disadvantaged by the housing situation in London.

4. Other considerations

Bid assessment, moderation and due diligence

- 4.1 LCCLT's bid has been assessed and moderated by officers and senior management in the Housing and Land Directorate, applying the methodology used to assess affordable housing bids to the GLA for grant funding, according to the criteria outlined in the CHF prospectus and in line with the decision-making processes in place for the Fund. Due diligence included an assessment of value for money, strategic fit with GLA priorities and review of deliverability.

Value for money

- 4.2 The value for money assessment considers the grant rate proposed for the project and compares this against the total project costs. LCCLT are providing 100 per cent affordable housing schemes. The projects are at too early a stage for a detailed value for money assessment. However, the grant agreement will contain bespoke clauses requiring that evidence is provided confirming the expenditure required prior to any grant payment. Based on the outline viability assessments provided to the Housing and Land Directorate, the justification of grant to fund the gap in viability is supported. Without the GLA grant, the projects would become stalled and the affordable housing not delivered to current project milestones.

Strategic fit

- 4.3 The rationale for funding the projects outlined in this Directors Decision is that it facilitates the initial delivery of up to 71 affordable homes by mitigating the viability gap. LCCLT anticipates that further units can be brought into its programme and the grant agreement provides the facility for further projects to be added. The projects support Mayoral priorities as outlined in paragraphs 4.11 – 4.12.

Deliverability

- 4.4 Tower Hamlets: The site is approx. 0.51 acres, covered in grass with areas of concrete hard standing and line of mature trees. Planning consent has not yet been sought. However, the site is not allocated for a specific use in the Local Plan and Tower Hamlets have indicated that the principle of residential use is likely to be acceptable subject to compliance with the relevant policies and standards. However, there are some uncertainties that could impact on deliverability. These include securing planning consent, project viability (in the absence of total scheme costs being known), and the ability of LCCLT to secure the loan and development finance to pay the purchase price of the site to TfL and construct the homes. The revenue funding will assist to develop a deliverable scheme.
- 4.5 Lewisham: planning consent has been granted to build 11 homes, and legal agreements have been agreed for land acquisition on a long lease from Lewisham Council. Start on site is expected in August 2020.
- 4.6 Lambeth: This project is at a very early stage and once there is greater certainty, LCCLT will quantify any revenue grant funding required from the GLA and work will proceed towards planning approval.

Conclusion

- 4.7 The assessments undertaken by officers in the Housing and Land Directorate concluded that the LCCLT projects meet GLA requirements in terms of value for money, strategic fit with GLA priorities and deliverability based on the information currently available and that there are sufficient safeguards within the agreement to ensure that early stage projects will only be funded once satisfactory evidence on viability and resources are provided. Officers therefore recommend that it is appropriate for the GLA to contractually commit grant of £3,694,999 to fund the projects.

Declarations of interest

- 4.8 The officers involved in the drafting or clearance of this form do not have an interest to declare in accordance with the GLA's policy on registering interests which might, or might be seen to, conflict with this Director's Decision.
- 4.9 The Know Your Customer due diligence process under the GLA's Anti-Money Laundering Policy has been completed against the counter-party, and any ultimate beneficial owners, and no areas of concern have been highlighted through that process.
- 4.10 LCCLT have GLA Investment Partner status for the Lewisham scheme, and have provisionally qualified as an Investment Partner limited to the wider delivery of this programme, and to be renewed annually. It is a condition precedent to the payment of funding that the organisation has qualified as an Investment Partner and retains that status.

Key risks

Risk description	Rating	Mitigating action
Pre-development revenue funding could be lost if projects do not progress to start on site – for example, if LCCLT do not secure planning consent or development finance, or have cash-flow issues that prevent them from acquiring the sites from TfL	Medium risk	The grant agreement will contain clauses to ensure that revenue funding is paid in tranches, of up to a maximum of £150,000, linked to agreed milestones, evidence-based outputs and a robust monitoring regime. Pre-development revenue is repayable in full once the project is progressed to a stage where the costs can be capitalised (i.e. from the start on site stage onwards). Once capitalised, failure to deliver the homes within the specified time frames will result in the GLA being able to reclaim the grant.

		<p>Together with this, sufficient evidence is required prior to grant being paid to enable GLA officers to be satisfied that the projects represent value for money. Sales value, cost and inflation assumptions will continue to be monitored throughout the development period.</p> <p>In line with the grant agreement, the GLA will monitor progress closely, including through attendance at LCCLT's project board meetings.</p>
Revenue payments are made in advance of the LCCLT incurring expenditure	Medium risk	Prior to revenue funding being approved, there will be a detailed revenue expenditure plan showing the individual items making up each payment tranche, together with evidence required to demonstrate the need. This will be subject to close monitoring by the GLA project manager and the next tranche will not be able to be claimed until evidence of spend for the previous tranche has been submitted
LCCLT has no track record on the development process	Medium risk	LCCLT expects to appoint professional project management, technical and architectural team to progress the scheme. This will be verified through LCCLT's Continuous Partner Qualification as part of their Investment Partner Status.
Lewisham scheme: GLA capital grant funding provided without the benefit of having any security may be at risk if the project becomes undeliverable /delayed due to a funding gap.	Medium risk	Planning consent for the development is secured, site ownership acquired from Lewisham and construction works tendered. GLA capital grant of 50 per cent is only paid when the development finance is in place and the start on site milestone is reached, as set out in the funding agreement, with default clauses safeguarding the GLA investment. The remaining 50 per cent of the capital grant is paid at practical completion.
Lambeth scheme: LCCLT may not secure planning consent, given the site's current identification as housing amenity land -local open space in the Lambeth Open Space Strategy. This scheme is at a very early stage so may not be developable within funding timescales	Medium risk	Revenue funding is subject to due diligence and is conditional on there being written pre-app advice or evidence of site allocation of residential use in the Local Plan or a letter confirming that the site is deliverable and viable for a residential development GLA officers will monitor progress and no grant will be paid until there is more certainty and due diligence has been completed on a revenue expenditure plan.

Links to Mayoral strategies and priorities

4.11 Policy 5.3a of the Mayor's London Housing Strategy includes the following proposals:

'Working with councils and others, the Mayor will support Londoners to be involved in planning and delivering new homes. This will include:

- i. setting a target to identify a pipeline of community-led housing schemes by 2021, with capacity to deliver at least 1,000 homes;*
- ii. supporting the expansion of community-led housing schemes through a new Community-Led Housing Hub for London; and*
- iii. investing in community-led housing schemes and lobbying Government for a share of the national Community Housing Fund.'*

4.12 Policies H2 and H12 of the Draft New London Plan include the following proposals:

Small sites should play a much greater role in housing delivery and boroughs should pro-actively support well-designed new homes on small sites through both planning decisions and plan-making in order to ... support those wishing to bring forward custom, self-build and community-led housing.

To determine the appropriate mix of unit sizes in relation to the number of bedrooms for a scheme, applicants and decision-makers should have regard to ... the potential for custom-build and community-led housing schemes.

Impact assessments and consultations

4.13 LCCLT have confirmed it has engaged with the relevant boroughs in relation to the proposals which are the subject of this report.

5. Financial comments

5.1 This decision requests approval for expenditure of up to £3,694,999 to London Citizen's CLT Limited to support the delivery of up to 71 affordable community-led homes across three schemes.

5.2 Up to £1,600,000 of this grant could initially be provided as recoverable revenue grant for pre-development costs and, subject to repayment of the revenue grant once start on site is achieved, up to £3,694,999 would be provided as capital grant towards the development costs of the schemes.

5.3 The expenditure will be funded from the Community Housing Fund as approved by MD2372.

6. Legal comments

6.1. The provision of financial assistance (including grant funding) to facilitate community-led housing is permissible under sections 30(1) and 34 of the Greater London Authority Act 1999 (the GLA Act), if the GLA considers that doing this will further one or more of the GLA's principal purposes of: promoting economic and social development in Greater London and improving the environment in Greater London. The foregoing sections of this report indicate that it is open to the Director to take the view that the provision of this grant to LCCLT will promote economic and social development in Greater London.

6.2. In determining whether or how to exercise the power conferred by section 30(1) of the GLA Act, the GLA must:

- (i) have regard to the effect that these decisions will have on the health of persons in Greater London, health inequalities between persons living in Greater London, the achievement of sustainable development in the United Kingdom and climate change and its consequences (sections 30(3-5) of the GLA Act);

- (ii) pay due regard to the principle that there should be equality of opportunity for all people (section 33 of the GLA Act); and
- (iii) have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity between persons who share a relevant protected characteristic (race, disability, gender, age, sexual orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it and foster good relations between persons who share a relevant protected characteristic and persons who do not share it (section 149 of the Equality Act 2010).

6.3. In this respect regard should be had to section 3 above.

6.4. Officers must ensure that all necessary and appropriate steps are taken, and suitable funding agreements entered into with LCCLT to formalise the provision of the grant funding, including requirements regarding state aid compliance, before committing to the same.

7. Planned delivery approach and next steps

Activity	Timeline
Director's approval secured	March 2020
Grant agreement signed	March 2020
First tranche revenue funding drawdown (Tower Hamlets site)	April 2020
Start on site – Tower Hamlets (indicative)	September 2021
Start on site – Lewisham (indicative)	August 2020
Start on site – Lambeth Delivery End Date	TBA
Completion – Tower Hamlets (indicative)	October 2022
Completion – Lewisham (indicative)	August 2021
Completion – Lambeth	TBA

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FoIA) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after it has been approved or on the defer date.

Part 1 - Deferral

Is the publication of Part 1 of this approval to be deferred? NO

If YES, for what reason:

Until what date: (a date is required if deferring)

Part 2 - Sensitive information

Only the facts or advice that would be exempt from disclosure under FoIA should be included in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form - NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to confirm the following (✓)

Drafting officer:

Darshan Chatha and Heather Stoner have drafted this report in accordance with GLA procedures and confirms the following: ✓

Assistant Director/Head of Service:

Debra Levison has reviewed the documentation and is satisfied for it to be referred to the Sponsoring Director for approval. ✓

Financial and Legal advice:

The Finance and Legal teams have commented on this proposal, and this decision reflects their comments. ✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 16 March 2020.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. D. Elle

Date

16.3.20

