



Funding and finance for Community-Led Housing

This guide, prepared by Communities Creating Homes, the Wales hub for Community-Led Housing (CLH) provides an overview of the potential funding and finance options for CLH schemes in Wales.

Introduction

CLH offers a unique opportunity to create affordable homes that you and your community want and need. It comes in many different shapes and sizes, and it's completely bespoke to each community. Usually, it is driven by the following four principles:

- i. The community lead or are an equal partner on the project.
- ii. The community own, manages and stewards the homes in the long term.
- iii. The homes created are affordable in perpetuity.
- iv. All surpluses are reinvested back into the community.

So where does the money come from? It's difficult enough trying to find the finances to purchase or rent a home as an individual or a family let alone as a collective so we hope this guide will help you understand the main routes to financing a CLH scheme. Whether you are a housing co-operative, Community Land Trust (CLT), cohousing scheme or a self-build scheme you it is likely will need an innovative mix of funding to get you onto a site to start creating any homes. To secure any significant funds, you will need a well-structured, well-run organisation, a sound business plan and a clear cash flow forecast as part of your financial model.

Debt finance

While CLH is not part of mainstream housing development there is a limited number of commercial lenders offering finance options to CLH schemes. Typically, a CLH scheme would secure a development loan to build the homes and refinance to a mortgage on completion. Similar to individual loans for purchasers, commercial lenders are unlikely to lend the entire cost of the scheme. Supportive lenders to speak to include:

- [Charity Bank](#)
- [Co-operative & Community Finance](#)
- [Ecology Building Society](#)
- [CAF Venturesome](#)
- [Resonance](#)

Grants and soft loans

You may be eligible for funding at no or significantly reduced interest from public funders, charitable trusts and ethical investors.

Start-up and/or group development costs

You'll need funding at the early stages of your scheme to progress with your plans from for example, consultations, group meetings, marketing to working with an architect and submitting planning permission. Some groups may be able to privately finance these things, but it is likely that you will need to secure a grant or loan to carry out these activities. Here are some options to explore:

- [National Lottery Community Fund Wales](#) (Awards for all, People and Places)

Grant funding for voluntary and community organisations through various programmes. They fund projects that seek to improve life for local people and their neighbourhoods. They are interested in helping people and communities to work together and use their strengths to make a positive impact on the things that matter to them the most.

- [Nationwide Building Society Community Grants Programme](#)

A chance for local organisations with great housing solutions to apply for a grant of up to £50,000. Applications are shortlisted and awarded by regional Community Boards that are made up of society members and staff.

Funders will have their own eligibility criteria that you'll need to comply with to be successful when applying for a grant.

You can also check with your local and regional funding bodies and voluntary councils. They will be aware of current and upcoming opportunities in the local area. You can also do your own funding search on the [Funding Wales](#) website where you can filter your search by area, type and amount.

Development costs

When you've secured a site including planning permission putting funding in place to develop the homes will be the next step. This will often come in the form of a loan. It will be important to consider tax implications and factor in professional fees for the development process.

- Welsh Government (Innovative Housing Programme, Houses into Homes)
The Welsh Government have various loan schemes for the delivery of affordable homes. Sometimes these are distributed via the local authorities so it is worth checking in with them.
- Development Bank Wales (Stalled Sites Fund, Wales Property Fund, Self-Build Wales)

Other sources of funding and finance

Private equity

This may come from members investing their own funds into ownership schemes for example, from selling another home, inheritance, and savings. Some schemes are developed when people with capital invest in a community scheme to facilitate affordable housing for people who do not have their own capital to contribute. Groups could choose to pay interest on these loans from members, and/or the money lent could be taken into account when buying or renting a home by doing so at a reduced rate.

Crowdfunding

This is a way for a community or group with a shared goal to raise finance. It is often used in the early stages when finance is needed to raise awareness of projects, schemes or even projects. Typically, it is secured online and can be further supported by fundraising events.

A great example of a crowdfunded project is the [Luchtsingel Bridge](#) in Rotterdam. It spans 400 metres connecting two neighbourhoods that historically were very inaccessible from each other. Initial funding came from a crowdfunding campaign where for every £17 donated supporters had their names inscribed onto one of the wooden boards lining the bridge. Over 8,000 people signed up to support the scheme leading to further support from the city council and other bodies.

Crowdfunding is a usually a donation but there can be some return given to those who donate. Often this involves the donor of a set amount of money receiving a free item when the company is operational and producing goods. There are many creative ways you could consider acknowledging donors after their donation has contributed to your end goal.

Community Shares

This works in a similar way to crowdfunding by raising money through the involvement of other people who share your vision. The difference is that a community share is considered '*an investment*' and there is some form of return agreed when a share is purchased. It can be used for both start-up and development costs.

The organisation raising community shares must be a social enterprise and each shareholder has the same amount of say in Annual General Meetings regardless of the amount they have invested. This allows for a truly democratic and fair voting system which ensures that community voices are heard.

Offering community shares is not a regulated activity and falls outside the scope of the Financial Services and Markets Act 2000. This does make it a flexible form of finance reducing 'red tape', but the capital is at risk with no compensation scheme should a project fail. Unless it is stated in the shareholder's original agreement shares can be withdrawn at any time. It can be a competitive way of re-financing schemes and the economic benefits stay local as opposed to benefitting large financial institutions. Good examples are [Leeds Community Homes](#) and [Gower Regeneration](#).

Loanstock

Loanstock is a form of peer-to-peer lending that is similar to community shares as a means of borrowing money from sympathetic individuals and organisations but without giving the investor any measure of control.

It must be issued for a set time with an agreed return set at the point of lending. Capital is at risk and there are no compensation schemes if a project fails. Investment materials need to be approved by the Financial Conduct Authority and there is a cost to this.

If you wish to raise finances through loanstock you need to develop a prospectus that sets out:

- The viability of the scheme demonstrating that you will be able to repay investors.
- The interest that will be offered to investors, the frequency and how it will be paid.
- Whether you will be giving the investors a vote in your scheme.

Cross subsidy

CLH schemes can also develop residential homes for sale, commercial and other non-residential development to subsidise the cost of other affordable residential developments.

Partnerships

There are many examples of CLH schemes from across the UK being developed with a partner organisation. A partnership with a housing association, local authority or private development can bring many benefits including access to resources, knowledge, experience and funding. Housing associations and local authorities can access government grants that you would not be eligible for if you work independently, including:

- Social Housing Grant – this is awarded by Welsh Government to registered social landlords to deliver affordable housing.
- Affordable Housing Grant – this is awarded to local authorities to build affordable housing.
- Prudential borrowing – local authorities can borrow for any purpose relevant to its function or for "the prudent management of its financial affairs" according to the Local Government Act 2003.

- Public Works Loan Board – these are loans to local authorities and other public bodies from the National Loans Fund.

A local authority may also be offer other support such as transferring land to a CLH scheme at a low or reduced price or by making plots available through Section 106 agreements (a type of planning agreement).