Wales Centre for Public Policy
Canolfan Polisi Cyhoeddus Cymru

What Works in Tackling Rural Poverty:

An Evidence Review of Interventions Focused on Housing

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Summary

- A lack of affordable housing is a major contributor to rural poverty. Some communities in rural Wales have longstanding unmet housing needs, and housing is one of the five cross-departmental priorities set out in the Welsh Government's national strategy.
- This report examines the effectiveness of thirteen initiatives that provide rural housing in a range of OECD countries. They include both the provision of national government financial support and tax incentives and small-scale community-based schemes.
- The New Markets Tax Credit Program and Low-income Housing Tax Credit schemes in the USA show that it is possible for governments to encourage significant levels of private sector investment in affordable housing.
- Interventions in Scotland and Kentucky show that where government support is available, and the legislative framework is favourable, Community Land Trusts can be effective in meeting local needs.
- The Welsh Government cannot provide financial incentives of the kind seen in the USA, but the framework it establishes matters. It needs to create the conditions in which community-based initiatives can succeed and provide the stability which private sector house builders require in order to make long-term investment decisions.
- Affordable housing solutions require support in terms of planning, design and building, and financial management, and they depend on effective partnership working across a range of organisations and levels of government.
- The most successful community level rural housing organisations have an element of government support that assists with getting started, pulling together financing from a range of sources, and delivering a range of integrated housing services.
- The evidence from this review shows that no single

Introduction

The Welsh Government has supported a wide range of programmes to address rural poverty and yet recent estimates suggest that almost a quarter of the rural population of Wales is living in poverty. The causes of rural poverty are complex and multi-faceted, but a lack of access to affordable housing is known to be an important contributory factor.

The lack of affordable housing has been identified as a problem in many communities in Wales for a long time (see Joseph Rowntree Foundation, 2008). The limited availability of rental stock is compounded by demand for second homes, rising property prices that are already often above the UK average (Williams and Doyle, 2016), and extensive take-up of right-to-buy schemes, making it harder for low income households to access homes for rent or purchase.

Housing was named as one of the five cross-government priorities in the Welsh Government's national strategy, published in September 2017, and the lack of a decent home is known to have adverse impacts on health, employment prospects and educational attainment. However, continuing pressure on the Welsh Government's budget, combined with the potential loss of EU funding for rural programmes, means that it is imperative that in future resources are targeted on the most cost-effective approaches to providing affordable rural housing.

This report provides an overview of interventions that have attempted to reduce rural poverty by addressing housing needs in a range of OECD countries. The evidence is drawn from a wide-ranging search of the academic literature, government documents, annual reports, and organisational websites. It focuses on studies published from 2000 onwards that provide some form of evaluation or impact assessment of relevant interventions.

Description of interventions

The study identified a total of thirteen interventions about which there is sufficient evidence to be able to draw at least tentative conclusions about their effectiveness. Most of these interventions involved either national government support through tax policies and grant support programmes or small-scale bottom-up community level schemes such as community land trusts (CLT) and community property trusts (CPT).

National level interventions are strongly influenced by cultural and social attitudes to home ownership, and in some parts of the world (for example Scotland and some US states) government policies have been instrumental in supporting affordable rural housing through self-help and community build programmes (Local Government Association, 2014). Tax incentive schemes in the USA have been an essential element in supporting large-scale affordable rural housing, although when such schemes are closed down as a result of policy change, the implications for rural housing can be severe.

There are examples of CLTs and CPTs throughout the UK including Wales (Paterson and Dayson, 2011). They tend to be small scale organisations established to deal with local issues. Similar approaches can be found in many parts of the USA, where self-build is a more popular option in many rural areas (due to easier accessibility of land and lower costs of building materials).

A Community Property Trust (CPT) is a not-for-profit organisation that can be established by local people. A CPT holds the freehold and equity in land and/or property in trust for the community and must ensure that:

> "(the) land and property it controls continues to be used to meet housing, employment and community needs, on terms the community can afford. It derives income from the land it controls, usually from rents, which it uses either to repay loans taken out to build homes, workshops and community facilities, or to make provision for new amenities or meet identified needs" (High Bickington Community Property Trust, 2017).

Community land ownership has been supported in Scotland over the past two decades by a number of legislative changes, and CLTs can manage large areas of land and resources (Skerrat, 2013). The 2003 Land Reform Act gave local communities a right to buy, supported by government grant funding (up to £1 million per application), and a Scottish Land Fund was re-instated in 2012 to provide further support to communities to become more resilient.

Table 1 provides a short summary of interventions in relation to rural housing, and more detail can be found in Appendix 1 of this report. Some, such as High Bickington Community Property Trust, work in partnership with local government or other organisations, while others operate independently. Rural Edge in Vermont, for example, operates in a similar fashion to community property trusts in the UK. Few of the schemes described here have been subject to rigorous external evaluation, but there is enough evidence about their effectiveness and the factors that contribute to their success to draw lessons that may be useful to policy makers in Wales.

Table 1: Summary Overview of Rural Housing Interventions

Subject: Rural Housing

Intervention	Location	Characteristics	Description of intervention	Evaluation
Community Land Trust (CLT): Bishops Castle and District	Bishops Castle, Shropshire England	Affordable housing is in short supply; Average of 30 bids for every social rented property that became available (2010-11) Operating 2007-present	A group of local volunteers came together in 2007 to deliver a range of assets for the community, particularly housing. The group formed a Community Land Trust - intend to own the assets and let them out, rather than selling them. Scheme highlights: multi-phase development; publicity and community engagement; financial planning.	Completed 2 affordable homes in June 2011, and is now mid-project for a larger housing scheme, using a creative funding mix and building on earlier experience.
Glendale Gateway CLT	Wooler, Northumberland, England	Lack of affordable housing Operating 1996 - present	The Trust own and manage property worth £2.5M including a Community Resource Centre, a Youth Hostel, High Street shops and 9 housing units. In 2003 the Trust bought empty High Street shops and converted spaces into flats; these are managed with allocation geared towards young people.	In 2011 Trust became a registered provider of social housing. Ability to secure HCA funding enabled doubling of housing stock held by the Trust over 18-month period.
High Bickington Community Property Trust (CPT)	Devon, England	Lack of affordable housing Operating: Project completed 2012	New approach by County Council. Devon County Council entered into an agreement with the High Bickington Community Property Trust (HBCPT) to redevelop one third of a smallholding.	Total of 16 affordable homes and 23 open market homes; 6 workspace units; woodchip fuelled district heating; a new community building and primary school; open space; playing field, allotments; community woodland. Total cost £10.564 million.
HRH the Prince of Wales affordable Housing initiative	England	Engage private sector in delivery of affordable rural housing Operated: 2003 - 2009	Delivered through Business in the Community (BITC) in partnership with: the Countryside Agency, the Housing Corporation, Country Land and Business Association, Hastoe Housing Association, The Duchy of Cornwall, and the Prince's Foundation for the Built environment. Focused on identifying areas where business could help in provision of more affordable housing, (e.g. through access to finance, land, better use of property, professional support).	Aim was to raise awareness in business sector and those involved in delivery of affordable rural housing, and identification of barriers. Produced four guides – but not clear what was achieved. Significant policy change and loss of some organisations (such as the Countryside Agency) undermined the initiative.

Subject: Rural Housing

Intervention	Location	Characteristics	Description of intervention	Evaluation
Vermont Rural Ventures and Housing Vermont	Vermont, USA	To provide affordable housing in low income areas (both rural and urban). VRV Operating: 2000 to the present	The approach is underpinned by a change in Federal tax credits in 2000. The U.S. Treasury's set up the 'New Markets Tax Credit program' (NMTC) in 2000 to spur economic development activity in economically disadvantaged communities with no access to capital. The NMTC addresses this capital gap by providing the incentive of a Federal tax credit to individuals or corporations that invest in a Community Development Entity (CDE).	Housing Vermont, a non-profit company founded in 1988, creates permanently affordable rental housing and enables investments in economic and community development. Vermont Rural Ventures (VRV) is a qualified CDE operated by Housing Vermont.
Low income Housing Tax Credit (LIHTC)	USA	Federal government programme to develop and preserve low income housing in in rural areas. Operated 1986 - present	LIHTC - largest source of federal housing funding - a principal tool used by rural communities to overcome barriers to affordable rental housing. LIHTC is allocated to states based on population. Housing developers compete for tax credits awarded by each state though housing finance agencies. The tax credits are sold to investors in exchange for an equity interest in the rental housing property. Developers can raise the capital needed to build or preserve affordable rental housing. Investors are able to claim the credit in order to offset their federal tax liability.	Since inception in 1986 developed and preserved over 7,600 rental housing projects (made up of over 270,000 rental units) in rural USA. Recent study of National Rural Housing Coalition members and other non-profit housing developers shows 50% of all financing came to develop/preserve affordable rental housing came from LIHTC.
Rural Homes for Rent Pilot Scheme	Scotland	Support to build affordable houses for rent Operated: 2008 -13	Scheme allows rural landowners across Scotland to apply for housing grant to build new affordable homes for rent on their land. The scheme allows landowners to develop homes which will be privately rented at below market rate for at least 30 years. The Rural Homes for Rent grant is aimed at assisting those who are identified in the local authority's local housing strategy as being in housing need to access affordable housing for rent in rural communities.	£5 million funding offered over 3 years from February 2008 to help rural landowners including community buy-out groups build new affordable homes. Between 2008-09 and 2012-13 a total of 31 homes completed with spend of £2.465 million. No specific evaluation. Following consultation and in the context of poor take-up and budget reductions 2011-12 onwards, this scheme was not included in the forward strategy set out in Homes Fit for the 21st Century, 2011.

Subject: Rural Housing

Intervention	Location	Characteristics	Description of intervention	Evaluation
Highland Self Build Loan Fund	Scotland	Funded by the Scottish Government, and Administered by The Highlands Small Communities Housing Trust. Operating: Started June 2016	Up to £175,000 provided to self-builders to cover the period between starting and completion (i.e. before a mortgage would be granted). Project costs are assessed and compared to the applicant's contribution. Any shortfall in cash flow to reach completion becomes the basis of how the loan amount is calculated. The duration of the loan made available to each applicant depend on the build schedule. The loan offered to the applicant can be drawn down over the course of the project build. An annual interest rate of 5.5% is applied which can be paid monthly or as part of the full loan repayment once the project is complete.	New scheme, no evaluation report available. Scheme is relatively small – fund is only £4 million and only stablished for two years.
Highlands Small Communities Housing Trust (HSCHT)	Scotland	HSCHT - a registered charity to help rural communities secure long term solutions to local housing needs. Operating 1998 - present	Focus on provision of affordable rural homes across the Highlands. Represents a wide range of interests including communities, local government, landowners, crofters and housing associations. Receives funding from: Scottish Government; charitable trusts and foundations; income from housing development work and fee-earning business activities.	Operates a number of affordable home schemes across rural Scotland, often in partnership with other organisations.
Rural Edge	Vermont USA	Provision of low cost housing in three rural counties Operating:	Rural Edge is a rural regional housing non-profit organization, providing quality housing and community development, property management, financial services, and education in order to attain economic, social and environmental sustainability. Assists home buyers to purchase local properties, and provide funds for local contractors to rehabilitate and repair neighbourhood homes.	

Subject: Rural Housing

Intervention	Location	Characteristics	Description of intervention	Evaluation
Housing Innovation Fund	New Zealand	Provision of social housing for low and moderate income households with specialised requirements, e.g. ethnic minorities, people, elderly, those with mental illness and disabilities. Operating: 2003-07	Projects that received Housing Innovation Funds were selected to test approaches to the development of a sustainable non-government social housing sector, and to gauge the interest of local government in retaining and expanding their social housing investment.	Projects to a value of $73.9 million achieved, with government funding of $49.7 million. Community-based organisations contributed 30%, and local authorities 38% of total costs. Total of 729 units approved. Evaluation: indicated the Fund laid down a good foundation for the development of a non-government social housing sector; suggested community-based housing is not yet sustainable; prevented local authorities from opting out of social housing provision.
Frontier Housing	Kentucky, USA	Affordable rural housing in 8 counties of rural Kentucky. Operating: Started 1974	A small-scale community based, non-profit organisation that addresses the housing needs. Now largest provider of affordable housing in north-eastern Kentucky. Engages in building homes, and working with local builders; providing financing, pre- and post-homeownership counselling.	Since inception: assisted over 1500 families with homeownership; added $87 million to the local tax rolls to help support local communities; provides over 120 'housing solutions' each year; operates a revolving loan portfolio of $9 million. Operates a one-stop shop approach to help those looking for affordable homes.
Wessex CLT	South-west region, England	Supports local people to address the needs of their own communities through the establishment of CLTs. Operating: 2010 - present	Originally commissioned by Carnegie UK Trust but now financially self-sustaining. Wessex CLT found that communities wanted to develop affordable housing through setting up CLTs, but not to take the risks involved. The outcome has been the development of partnerships with a small number of housing associations whereby the CLT becomes the freeholder and enters into a long-term lease with the association.	

Effectiveness of interventions

The effectiveness of housing interventions can be judged according to the following criteria:

- The extent to which the target population was reached
- The numbers housed for a given amount of funding (value for money)
- The durability of the schemes
- Any indirect benefits generated (for example, to the local economy, community facilities, social capital)
- The effectiveness of partnership and collaborative activities
- The scale of the scheme in relation to housing shortage in the community

Community land and property trusts

The evidence shows that CLTs and CPTs in the UK have the capacity to provide long-term affordable housing, although financial viability usually depends on provision and sale of houses or other infrastructure on the open market, and some initial external support (loan or grant, or provision of land at a reasonable price). They also depend on community support (for planning purposes as well as finance), although rural communities are often willing and able to support provision of community assets through setting-up not-for-profit companies and selling equity shares.

Although community trusts often only provide small numbers of units the process of establishing a CLT/CPT and obtaining planning permission is often slow, especially if the proposed development is regarded in some way as 'innovative' or outside the current local development plan.

The evidence suggests that where government support is available, and the legislative framework favourable, such as in Scotland, CLT/CPTs can be successful. Some of the Scottish government schemes, designed in conjunction with HSCHT, illustrate what can be achieved through creating the required policy context and financial underpinning for the private sector to step in and support affordable rural housing developments. However, government support underpinning rural housing provision is often short-lived.

The two most successful small-scale initiatives identified were the HSCHT in Scotland, and Frontier Housing in Kentucky. Both are not-for-profit organisations that have operated for a considerable length of time building up skills, expertise and extensive relationships with partner organisations and officials at different government levels from local to national. In addition, both organisations deliver a comprehensive range of services.

For HSCHT this includes:

- land-banking;
- housing needs surveys;
- self-build;
- deferred plot payment;
- key worker and special needs housing;
- a rent-to-buy scheme;
- an empty homes scheme; and
- renovations and training projects.

For Frontier Housing it includes:

- a one stop shop approach for potential clients
- educational and counselling services;
- design and building;
- creative financial packaging; and
- a land portfolio and a revolving loan portfolio.

In both cases the wider range of services enables a more comprehensive system of support to potential clients, greater flexibility in meeting local needs, and a wider range of funding sources that can be tapped.

Success also relies on the ability to access public funding to kick-start and underpin house construction activity. Frontier Housing has been able to access state level support through the Kentucky Housing Corporation, which enables the organisation to leverage funds from other sources while HSCHT has benefitted from close collaboration with the Scottish Government, which has provided access to loan funding that supports activity.

Significance of the policy context

The importance of the policy context can be seen in the USA, where there has been a strong reliance on federal government programmatic funding, which has led to large-scale affordable housing development in some states. The government-supported approach usually requires a mix of affordable dwellings in conjunction with additional infrastructure that can be sold on the open market to make the projects financially viable. The legal and financial structures can be complex, requiring significant input from experts, and high levels of partnership working.

At the national level, the USA has been successful in the use of tax incentives to stimulate private sector investment in affordable rural housing. The New Markets Tax Credit (NMTC) and Low Income Housing Tax Credit (LIHTC) programmes illustrate the potential effectiveness of government support in creating a more favourable environment that encourages development of affordable housing, and generates multiple benefits (Abravanel, et al., 2013). The creation of community development organisations to support economic development in economically disadvantaged communities has been stimulated since 2000 by the NMTC. Housing developers are able to benefit through financial mechanisms that encourage investment in places where commercial banks are not prepared to lend money.

More important for rural areas is the LIHTC, which is the largest single source of finance for affordable rural housing in the USA. Its aim is to support the provision of low-income housing in rural areas through tax incentives to encourage equity share investment in affordable housing projects. Both the NMTC and LIHTC illustrate that significant levels of private sector investment funding can be unlocked through creating favourable financial incentives.

These schemes also demonstrate the fragility of reliance on national government action that can change rapidly, undermining institutional structures and leaving a large void in the targeted provision of housing. The loss of the ‘Rural Renting Housing Loans’ Scheme (Section 515) in the USA, for example, has had a detrimental effect on the ability to fund affordable housing schemes. In a similar fashion in England, the Prince of Wales’ affordable housing initiative suffered from changes in policy that closed down partner organisations, and undermined the attempts to improve the level of activity on affordable housing.

There are also concerns that policies included in the UK Government’s housing White Paper may reduce opportunities for sourcing land for small scale developments (Hetherington, 2016) such as those carried out by CLTs/CPTs, and have a significant impact on the ability of local authorities to develop affordable housing in rural areas.

Policy Implications

The interventions described in Table 1 provide examples of strategies for addressing rural housing issues. They highlight a number of implications for policy:

- Successful schemes require effective partnership across a range of organisations and levels of government. Affordable housing solutions require support in terms of planning, design and building, and financial management.
- The most successful community level organisations have an element of government support that assist with the following:
    - to get started;
    - to pull together financing from a range of sources in creative packages; and,
    - to deliver a range of integrated housing services.
- National policy context is important. National governments create the context in which local initiatives operate. It is not simply a matter of direct funding, but also of providing conditions that encourage investment, particularly private sector involvement.
- No single scheme will solve the rural housing problem. A mix of approaches is needed, and interventions have to be tailored to local needs.
- Provision of affordable housing can have indirect benefits to the local economy including the provision of employment and skills development, reductions in youth unemployment and a boost to the local economy through the use of local suppliers and materials. It can also play a key role in increasing the sustainability of rural communities and meeting emissions targets (through the construction of energy efficient buildings).

  Small-scale affordable housing developments through CLT/CPTs are not unknown in Wales, though there are relatively few compared to Scotland and England. The majority of CLT/CPTs are small scale and cannot deliver the scale of affordable housing required to fully address needs, but they do have the potential to play a critical role in delivering targeted and flexible small-scale housing projects in many communities that commercial developers would not consider. CLT/CPTs require a favourable environment in which to operate successfully and to be sustainable in the long-term. This includes:

    - Access to small scale grant and loan funding, which can be used to kick-start projects, and leveraging private sector and other public sector funding, or to help create revolving loan funds;
    - Support in land acquisition and purchase (preferably at below market rates), in particular, a means of building up a portfolio of land for future use (i.e. land banking); and,
    - A means of guaranteeing the future affordability of homes that are constructed and/or renovated (e.g. requiring restrictions over future sale and use of

houses that are built - similar to the Rural Housing Burden operated by HSCHT in Scotland).

CLT/CPTs would also benefit from incentives (e.g. through access to higher funding levels) to encourage larger scale organisational development covering a number of communities that may cut across local authority boundaries and/or target defined areas. Larger scale organisations would reap economies of scale benefits as well as having greater capacity to deliver a wider range of services, and/or engage in more extensive community development activities.

There are limits on what the Welsh Government do in terms of tax incentives and it is unlikely the level of financial incentives that exist in the USA can be replicated in Wales, but the national policy framework still matters. Experience elsewhere shows the importance of a stable policy framework to encourage long-term private sector investment. The Rural Homes for Rent Pilot Scheme in Scotland, for example, was closed down after only two years and it takes much longer that this for landowners to become aware of them, and take them up. This does not mean initiatives cannot be flexible and capable of improvement and adaptation to new conditions, but it does suggest the need for extensive initial consultation to develop supported long-term strategies.

A Joseph Rowntree Foundation report on affordable housing (Gibb et al., 2013) noted a similar range of themes in relation to affordable housing across the UK and internationally including:

- A desire to use more state-backed guarantees and encourage alternative sources of provider income;
- Opportunities exist to 'blend' different subsidies creatively and encourage solidarity-based co-operation among providers;
- The need, in the long-term, to address fundamental market failures such as in the land and credit markets; and
- The need for a clear, overarching policy vision identifying the overall mix of policies, which includes how they are to be delivered and by whom.
- The report also cautions against hasty adoption of ideas from outside the UK, or a reliance on state-backed guarantees, as they can be viewed as unfair competition in the EU and distort markets. The report is encouraging, however, in suggesting that the evidence indicates,

> "…that subsidy can be distributed from the centre (national tax authorities or federal programmes) to lower tiers of government, which have more local freedom to augment subsidy (with land, for instance) for locally tailored, affordable solutions. Such arrangements are possible in the UK. Subsidies from different tiers of government and agencies in federal/devolved systems could be combined, as a more discretionary and flexible use of subsidy. Again, this can promote experimental, tailored solutions" (Gibb et al., 2013: 4).

A useful first step might be to update earlier work to identify the nature and extent of rural housing issues in Wales (Joseph Rowntree Foundation, 2008) and explore with key stakeholders the scope for incentivising pilot sector involvement.

Successful examples of development could encourage a wider range of stakeholder and community involvement. A study on financing rural housing schemes (Williamson, 2007), for example, suggested several alternative funding models for increasing the level of rural housing, including a rural housing bond, sales of nomination rights to rental housing, accessing local funds, equity schemes, and community land trusts. Some of these may only have limited impact in terms of the level of affordable housing supplied, but all could be explored on a small scale to understand how they might be combined and applied under different conditions across Wales.

Provision of small scale grant and loan funding over a 5-10 year period may provide sufficient incentives to stimulate community level actions (in a similar way that the Rural Community Energy Fund utilising small feasibility grants and a revolving loan fund has stimulated communities to explore investment in renewable energy assets). Such activity is likely to require the following:

- A change in attitude among local authorities and community leaders to regard affordable housing as investment that can produce long-term returns, rather than a burden;
- Capacity building support to encourage the creation of community led organisations capable of delivering affordable rural housing;
- A national programme of training in conjunction with existing organisations that have relevant experience and knowledge (examples include Hastoe Housing Association, the National Community Land Trust Network); and
- Creative financial management to help unlock land resources and access to commercial mortgage funding.

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Appendix 1 – Additional Information Regarding Housing Interventions

Community land and housing trusts

High Bickington Community Property Trust (CPT)

A lack of affordable housing in Devon led to a new approach by the County Council where it entered into an agreement with the High Bickington Community Property Trust (HBCPT) to redevelop part of a smallholding to provide a mix of houses and community facilities. This included: 16 affordable houses; 23 open market houses; 6 workspace units; a woodchip fueled district heating system to serve the whole development; a new community building and replacement primary school; open space, including a playing field, allotments and community woodland, and a potential site for a new health centre. The main obstacles faced were achieving planning permission and finance (during a period of economic downturn). The initial idea for developing the site was put forward in 2000 but the first planning application (in 2003) was turned down following an inquiry as the project was deemed a "major departure from the Local Development Plan". In 2004, a community land trust was created to buy and hold land for community benefit, with around one quarter of local residents buying shares. Legally the Trust is registered as an Industrial and Provident Society. The project was driven by local residents and the county council planning permission was granted to a smaller project in 2008. Total costs of the scheme were £10.564 million, the majority of which (80%) came from school infrastructure contributions, housing sales and workshop site sales); the remaining 20% was made up of a loan and long term loans for rental housing and workshops. There is considerable risk involved as the project took more than 8 years to complete and financial success depends on sale of the 23 houses on the open market.

Allocation to the housing was agreed with the local district council, which provides the criteria for considering applicants. Houses are made available in two ways: equity purchase where the person buys the freehold of the property at a below market value price (somewhere between 40%-80% of full market value); or, under 'tenancy plus' where the applicant will be granted a tenancy and pay monthly rent for as long as they occupy the property. When they leave, the Trust may assist in providing financial support to buy a house based on the amount of rent paid. (Paterson and Dayson, 2011)
http://usir.salford.ac.uk/19312/2/Proof_of_Concept_Final.pdf

Glendale Gateway community Land Trust (CLT)

Established in Northumberland in 1996 to address a local lack of affordable housing. The Trust own and manage property worth £2.5M including a Community Resource Centre, a Youth Hostel, High Street shops and 9 housing units. In 2003 the Trust bought empty High Street shops and converted spaces above the shops into flats. The Trust has managed these with allocations geared towards young people. In 2011 the Trust became a registered provider of social housing with ability to secure HCA funding, which enabled a doubling of the housing stock held by the Trust over an 18-month period.

Highlands Small Communities Housing Trust (HSCHT)

The HSCHT has been operational since 1998 and undertakes a wide range of activities including:

- Housing Needs Surveys
- Self-build
- Deferred Plot Payment
- Key Worker and Special Needs Housing.
- Long Lease Pilot.
- Rent to Buy Scheme.
- Housing Association Joint Projects.
- Greener Homes Scheme.
- Empty Homes Scheme and Renovations.
- Training Projects.

HSCHT is a charitable company with a membership that includes the Highland Council, the Scottish Crofters Federation, Scottish Land and Estates, locally based housing associations, and around 60 community based organisations. HSCHT has developed a number of initiatives and mechanisms to address rural housing issues. These are applied separately and in combination to address the range of issues found in different community contexts. A selection of these initiatives is described below:

Rural Housing Burden

The Rural Housing Burden is a Title Condition applied to all plots or homes that HSCHT sells. Made up of two parts: (i) An equity share protects the discount given to the initial purchaser by supressing the selling price in the event of a resale. (ii) A right of pre-emption means HSCHT has the first right to buy back the property when offered for sale, with the aim of securing another local purchaser. The Rural Housing Burden stays with the title of the property even if it is sold to a third part. This is viewed by the Trust as an essential condition for the development of rural affordable housing as it ensures the house is sold below market value providing assurance that the housing will continue to be affordable into the future.

Land-banking

Building up a portfolio of options and carried out over a long time period; assists in identification of problems, improves negotiating capacity and delivery of viable projects.

Housing Needs Surveys

HSCHT has developed a standardised approach to support communities develop written evidence of housing need. This approach increases confidence in the evidence base and HSCHT uses the survey approach to strengthen economic and social benefits of proposed projects.

Self-build

Provides support mechanisms in partnership with the Scottish Government (e.g. The Highland Self Build Loan Fund) and helps self-builders to obtain finance of up to £150,000 per build from a revolving £4 million fund. This pilot project is anticipated to operate for 2 years initially - up to 2018.

Deferred Plot Payment

Enables payment for major items such as land to be deferred until project completion. Makes it easier for self-build projects to deal with financial aspects.

Key Worker and Special Needs Housing.

Manages a stock of housing as private landlords. Provides insight and experience into housing needs and supports advisory services.

Rent-to-Buy Scheme (RTBS)

HSCHT obtained £9 million in loan finance provided from the Scottish Government to build 62 houses. The loan will be fully repaid making the scheme cost neutral to the public sector.

The RTBS allows people to rent a new home for 5 years whilst saving up for a deposit. The aim is to help those with ‘modest incomes’ become home owners in rural communities by returning a cash-back “loyalty” sum to the tenant at the end of their 5-year rental period if they purchase the property. This sum is used for the deposit required to secure a traditional mortgage. House price is set at the start of the rental period and does not change over the 5 years.

Greener Homes Scheme.

Supported application for 15 units across the Highlands. The scheme has allowed comparisons to be made to standard build housing.

Empty Homes Scheme and Renovations.

Obtained loan/grant mix of £120,000 from Nationwide Foundation to renovate houses in community ownership.

Training Projects.

Training project for young unemployed people in the Cairngorms National Park Authority area operated since 2009. Provides 14 people per year with opportunity to gain skills.

Frontier Housing, Kentucky, USA

The organisation was set up in the early 1970s as a small-scale community based, non-profit group for improving rural housing in North-eastern Kentucky, a deprived rural part of the Appalachians. It has since grown to become the largest provider of affordable housing in north-eastern Kentucky providing a ‘one-stop shop’ approach to help those looking for affordable homes. The organisation engages in all aspects of home provision and ownership including education and training in financial management, creative development of financing packages, and design and building homes. Since 1974 the organisation has accomplished the following:

- assisted over 1500 families with homeownership; added $87 million to the local tax rolls to help support local communities; (**http://www.frontierky.org**)
- currently provides over 120 ‘housing solutions’ each year. It now operates a revolving loan portfolio of $9 million.(Stacy, 2014)

The organisation recognizes the significance of the operational context and notes that the approach taken by the state government in creating and financing the Kentucky housing Corporation has been essential to the success of Frontier Housing.

A note on the Department of Housing and Urban Development website (Rural Housing and Economic Development Gateway, 2003) dating from 2003 (approximately) refers to the benefits identified by employees of Frontier Housing from engaging in a project to build 35 affordable homes. These include:

> how to serve their clients better and how to assess their constituents before developing counseling sessions or training; skills in using focus groups to find out what people know; not to underestimate capacity of clients; and the value of maintaining a portfolio of land, which makes them more successful.

Wessex CLT Project

The Wessex CLT Project aims to support community establishment of CLTs, provide support to CLTs to develop projects, and to enable local communities to handle the risks involved in operating a CLT.

The Project undertook a consultation exercise and found that communities wanted to take the lead in developing affordable housing through setting up a CLT, but did not want the risks involved. The result has been development of a series of partnerships between the CLT and a number of receptive housing associations, whereby the CLT becomes the freeholder and enters into a long-term lease with the association. The landlord-tenant relationship has enabled the CLT to commission projects, sign-up to the local lettings agreements, and to receive an income, all without lower levels of risk. The approach attracted some funding support at the start (e.g. £4.5 million grant from the Homes and Communities Agency). The initial aim of the Project was to deliver 100 homes on community-owned land by March 2015.

A report (Ward, 2014) noted both social and financial benefits for a Housing Association, entering into a partnership with a CLT, including:

- The empowerment of communities and provision of opportunities for people to learn and be involved; Housing Associations are keen to facilitate as it makes tenancies more sustainable
- CLTs undertake the work of advocating the provision of affordable homes within the local community, which is more difficult for a Housing Association negotiating with a community from the 'outside'. The advocacy frees the staff of the Housing Association from much of the initial, resource intensive work of community liaison.
- CLTs have a sense of ownership because local people have driven the process and achieved something tangible. This results in lower on-going management and maintenance costs for a Housing Association.
- If a CLT were to take on full ownership of the housing scheme, this would have financial benefits for the Housing Association as it can then re-invest the receipt into the provision of more homes. Housing Associations are used to the disposal of assets and re-investment through Right to Buy, shared ownership staircasing and active asset

management strategies, so transferring ownership to a CLT is viewed no differently, particularly as CLTs represent only a small part of the stock of any Housing Association.

The research (Ward, 2014) was based on in-depth survey, interviews and a focus group with a very small sample of CLTs in the South-west region, which may limit the validity of the study. The research also explored why so few CLTs had raised finance through issuing community shares. Key findings suggested the following barriers:

- CLTs do not feel confident to issue community shares for their housing project for three reasons:
    - a lack of information available on CLTs issuing community shares;
    - low levels of awareness of the professional support available,
    - low understanding of the social benefits of CLT housing (compared to other assets such as renewable energy generation).
- The scale of a housing project makes it daunting for a community group to consider how to raise finance independently – even small projects involve considerable sums of money.
- Housing attracts investment from other sources, so it is possible to raise finance from elsewhere – volunteer led CLTs who are focused on delivering a housing project are attracted to the simplest method of financing a project.
- CLTs would like to issue community shares but cannot see how community shares can work in practice for a housing project.
- The role of issuing community shares in developing a committed membership is not well understood by CLTs.

Government Schemes

Rural Homes for Rent Pilot Scheme, Scotland

A pilot scheme operated in rural Scotland for five years (2008-13), which provided grants for rural landowners (and community buy-out groups) build new affordable homes for rent on their own land. The aim of the scheme was to enable landowners to develop homes for rent at below market rates for at least 30 years, targeting those identified by local authorities as being in housing need. The properties are let to those on local waiting lists. The scheme is based on a financial model that enables tenants to rent a property through the scheme with the option to buy it after five years. If they take up the option they get a cash-back sum to help them with their mortgage deposit. The selling price is fixed, based on its value at the beginning of the five-year term which provides a level of certainty for tenants even if the market value rises. Interest on the original loan is repaid on the sale of the home and rent levels were set so they could be covered by state benefits if the household has a low income, providing a safety net in case of unemployment or income loss.

The ‘affordability’ aspect was protected using a legal mechanism (called the Rural Housing Burden) that gave the landowner (or the community group such as HSCHT) the first right of purchase if the owner decided at some future date to sell it. The aim was to protect the future affordability of the property and enable a community group (such as HSCHT) to maintain the same equity share and allocate the house to another family who fit the affordability criteria.

The scheme was relatively small with only £5 million funding made available over the period. The aim of using loan finance was to allow the funds to be recycled but take-up was low and only 31 homes were completed under this scheme with a spend of £2.465 million. No specific evaluation was undertaken but following consultation and in the context of poor take-up and budget reductions from 2011-12 onwards, the scheme was not included in the forward strategy set out in Homes Fit for the 21st Century, 2011 and was closed down.
No clear rationale was presented for the poor take-up but the scheme appears to have been developed in conjunction with HSCHT, and the experience of the Trust suggests that this kind of development approach often requires considerable time periods, and partnership work with local authorities and other organisations to accomplish new development of affordable homes. A number of other barriers to the scheme were identified by HSCHT, including the following:

- the need to buy land at below market value (which limited the scheme to places where either public land can be transferred or where there are legal obligations, or where a local landowner is prepared to sell land at a greatly reduced price);
- the scheme relied on low interest rates on the loan capital – which was provided by the Scottish Government through making £5 million available;
- the scheme relied on mortgages being affordable for families taking part in the scheme; low interest rates across the UK benefitted the scheme though not all mortgage lenders would lend on properties with the Rural Housing Burden, narrowing the range of options available.

Highland Self Build Loan Fund

Another recent Scheme operated by HSCHT (although funding only appears to be available for two years) aims to provide funding for self-builders, to cover the period before they can gain access to a mortgage. The £4 million fund provides up to £175,000 to self-builders who need access financial assistance to reach build completion, at which point they can access a traditional mortgage – which can then be used to repay the loan.

Vermont Rural Ventures and Housing Vermont

On a much larger scale are the activities of Housing Vermont, a development company in the state of Vermont, USA. The company established Vermont Rural Ventures (VRV), a

Community Development Entity (CDE) to take advantage of changes in Federal tax credits in 2000. The U.S. Treasury set up the 'New Markets Tax Credit program' (NMTC) to support economic development in "economically disadvantaged communities with no access to capital". The NMTC essentially provides Federal tax credit to individuals or corporations that invest in a Community Development Entity (CDE). The projects supported must lie within certain designated low income areas, have a minimum size of $3 million (up to a maximum of $50 million) and ensure that a minimum of 20% of the income stream will come from non-residential (i.e. commercial) use. The NMTC funds can be used to finance community developments in town and village centres and in other community actions that "demonstrate positive impacts on Vermont's economic, health care, energy and food systems". VRV focuses investment on rural areas of Vermont.

Housing developers are able to benefit through NMTC via financing that addresses the gap between the appraisal, bank lending limits and the costs of new construction. Properties developed through NMTC receive more favourable financing terms and conditions than those the market typically offers. Examples include:

- Below market interest rates
- A longer than standard period of interest only loan payments
- Higher than standard loan to value ratio
- A longer than standard amortization period
- More flexible borrower credit standards
- Non-traditional forms of collateral
- Lower than standard debt service coverage ratio

http://vermontruralventures.com/financing-investing/real-estate-loans/

Low income Housing Tax Credit (LIHTC)

The Low income Housing Tax Credit (LIHTC) is the largest single source of funding for affordable rural housing in the USA. One recent estimate suggests that almost 50% of financing to develop and/or preserve affordable rural housing came from LIHTC. The aim of the credit is to support provision of low income housing in rural areas. This is accomplished through providing tax incentives to encourage equity share investment in affordable housing projects. The tax credit system creates a form of public-private partnership that encourages private sector equity investment that would not otherwise attract finance.

An estimate of benefits by the National Association of Home Builders (NAHB), suggests that every 100 rental housing units financed by LIHTC leads to the creation of 122 jobs and $7.9

million in local income in year one, and 30 jobs, $2.4 million in local income, and $441,000 in local tax revenue, in each subsequent year of existence. These estimates are based on multiplier effects of construction activity, and the impact from new residents who pay taxes and buy locally produced goods and services. Overall it is estimated that the 270,000 units of rental housing in rural America part-financed by LIHTC have created 1.15 million jobs, generating $86.9 billion in local income, $67.8 billion in state and local tax revenue. These figures cannot be confirmed as it is unclear how the analysis generating the values was conducted (e.g. it seems to assume that all new apartments are filled with new tenants who were not previously resident in the community/state).

LIHTC has largely replaced an earlier programme entitled 'Section 515 Rural Renting Housing Loans' (which came out of the USDA budget) as the budget for the Section 515 programme has been cut by 97% since the early 1980s. The loss of Section 515 funding is making it more difficult to find funding for affordable rural housing and for communities to access LIHTC. Reports suggest LIHTC needs to be paired with other public funding sources in order to serve poorer and more remote communities, and on its' own is not sufficient to provide adequate subsidies to finance housing in many rural communities. (National Rural Housing Coalition (2014) Rural America's Rental Housing Crisis. **http://ruralhousingcoalition.org/wp-content/uploads/2014/07/NRHC-Rural-America-Rental-Housing-Crisis_FINALV3.compressed.pdf**)

Housing innovation fund, New Zealand

Various countries have applied a variation on innovation funds to stimulate the social housing market. A pilot mechanism in New Zealand over the period 2003-07 provided funding to build affordable housing through partnerships with local authorities and community organisations. The evaluation reported that although the community- based housing was too small to be sustainable the fund did prevent local authorities from opting out of social housing provision and persuaded some to decide to invest in future provision of affordable housing.

Mortgage support for first-time home-buyers, USA

Mortgage support to help people get onto the property ladder is not a new concept and a wide range of approaches have been taken in different states, although many have the same basic criteria and offer fixed interest loans requiring a smaller down payment than commercial lenders. In Massachusetts the One Mortgage programme has been operating of rover 25 years and supports first-time home buyers in a number of ways:

- 30-year, fixed-rate mortgages that are held in portfolio by a Massachusetts bank or credit union
- 3% minimum down payment (5% for three-family properties)
- 0.3% interest rate discount provided by the lender for the life of the loan

- Reduced monthly payments for qualified borrowers during the early years of homeownership through a state-funded interest rate buy-down
- No limit on home appreciation, with a portion of any net gains recaptured to repay the interest rate buy-down (if any) when borrowers sell or refinance out of the program
- No cost for private mortgage insurance because participating lenders retain credit risk and the program includes a cash-funded loan loss reserve

The programme estimates it has supported over 20,000 low- and moderate-income families to buy their first home over its 25-year history. The program was developed by the Massachusetts Housing Partnership in collaboration with the Massachusetts Bankers Association, the Massachusetts Affordable Housing Alliance, and state government in response to a study by the Federal Reserve Bank in 1989 which identified racial discrimination in mortgage lending in Boston. The programme removes barriers to home ownership such as: poor consumer knowledge, high interest rates and fees, excessive down payment requirements, compulsory mortgage insurance, and a bias against 2- and 3-family properties.

http://www.mhp.net/one-mortgage/program-impact

New York State

The State of New York Mortgage Agency (SONYMA) has a range of five different programmes to support first-time homebuyers, all of which are financed through the sale of tax exempt bonds. The key features of the loans are:

- Competitive fixed interest rate loans;
- Financing of up to 97% of the value of the property for qualified borrowers and homes
- A low minimum borrower cash contribution requirement of 1% of the value of the property (3% for three and four family dwellings & for cooperative apartments).
- 120 day interest rate locks for existing housing and completed new construction (short term lock in);
- Term of 30 years only;
- No prepayment penalties;
- Down Payment Assistance of $3,000 or 3% of the home purchase price (not to exceed $15,000)

Source:
http://www.nyshcr.org/Topics/Home/Buyers/SONYMA/SONYMAProductsforFirstTimeHomebuyers.htm

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