

Community Land Partnership - Example

A small development with seven properties in all. Two of the buildings will be converted into 3 units of 1 bed each while the other 5 properties will be converted into 5 x 1 bed flats on the ground floor with 5 x 2 bed flats on two floors above, utilising existing roof-space. In addition to this space it is planned that there will be common space and facilities at ground floor level.

This would be accomplished by restructuring the house interiors and extending into the roof-spaces. In addition ground-source heating would be installed along with whatever "thermal mass" and energy efficient windows/insulation is necessary and appropriate in terms of internal re-building. The outcome is energy-efficient accommodation for 20 or more individuals.

(a) Financial Model

We assume:

- (a) each plot of land is worth £100k;
- (b) current value of the buildings is 2 x £125k and 5x £100k;
- (c) £70k per building for rebuilding ie £500k.*

However we assume that the local council retains:

- (a) a 50% partnership interest in the Land (worth £350k) as a member of the "Community Land Partnership" which owns it;
- (b) a 20% partnership interest (worth £150k) in the buildings ie initial funding.

The total further finance to be raised would be £1.45m.

Further "Capital Partners" would then be invited to join the Council as investors. They would receive a revenue share (ie a proportional share of the rental revenues) after deducting an agreed revenue share paid to a "managing partner" for managing the properties. The rental could increase with inflation at an agreed rate, and therefore the proposition to investors would be a "real"/inflation-linked return backed by property.

If we assume a 3% return (and the Ethical Property Co Ltd offers a 3% return NOT inflation-linked albeit with some capital growth) then the rental income would need to raise £480k per year between 20 individuals, or £2.4k each (ie £47/week). The energy savings inherent in the ground-source scheme and other measures would reduce the total cost of ownership, however.

Any rental paid by a Member over and above that due would enable him/her to acquire "Equity Shares" in the property and in so doing to both reduce the rental due in future and build up savings. Any equity balance could be used to take rental holidays if either necessary or desired.

(b) Fair Shares and Land Rental Units

In addition to the building rental, residents would pay a "Land Rental" under the Community Land Partnership agreement member agreement. This Land Rental constitutes a pre-distributive mechanism internal to the CLP and utilising two separate parameters: Income and Land Use.