Alternative Sources of Funding for CLH

Overview

- Low cost rented homes - difficult to make affordable without Capital Grant
- Alternative finance like community shares may help lower long term borrowing costs – therefore assist viability

Current gaps in CLH funding regime:

- Group stage start-up costs – circa £10,000
- Site Stage initial investigations – upwards of £20,000

Potential Alternative Sources

- Local Authority grant or loan
- Community Shares (community benefit societies)
- Loanstock (housing co-ops)
- Crowdfunding
- Angel Investors
- Individual Philanthropy

Local Authority grant or loan

- Some LAs received the first allocation of the CHF
- Before this many were willing to consider grants for from Section 106 receipts or other budgets.

- Prudential lending – LAs are able to borrow at preferential interest rates and if they wish can pass on this benefit by lending to community projects.

Community Shares

- Since 2009, almost a 120,000 people have invested over £100m to support 350 community businesses throughout the UK.
- Can be effective way to generate community support
- Need to be a **Community Benefit Society**
  - withdrawable, non-transferable share capital
- Members decision making power based on OMOV
- Money raised usually invested into **capital** costs
- Requires sound business plan
- Resources can be used to apply for other finance
- Consider financial capacity of local community, may need to extend publicity to wider community of interest

Community Shares Support

- Community Shares Unit 'standard mark' authentication method.
- Not required but benchmark for well considered share issues
- CSU provides numerous guidance resources, online step-by-step guide, and CS handbook
- Funding and time required for legal advice, offer document, associated documentation, and publicity
- Licensed practitioners can support develop of community share issues
- Amount you can raise isn't guaranteed – market research required
- Money raised typically to be invested into capital costs
- Power to Change booster scheme can provide additional equity investment into share issue

Community Shares Examples

Keswick Community Housing Trust – 1st scheme 11 homes

- £50,000 raised towards cost of land
- Initially pledges taken to avoid having to return shares if could not go ahead
- Cumberland BS development loan conditional on achieving £50k target
- CLT went on to do three more housing projects / 41 homes, each success breeds confidence for investors

Community Shares Examples

[Calder Valley CLT]

- 2 properties, community centre, preserving heritage building
- Recent CS issue for CLH, target achieved Jan 2021
- Interest payment start in 2023, 2% target return

Funding Source	Target	Status
Homes England	£110,000	In Process
Community Foundation for Calderdale	£100,000	Confirmed
BOOSTER Fund Community Shares	£50,000	Confirmed
CVCLT Share Offer	£170,000	In Process
Total	**£430,000**	

Crowdfunding

- Donation based community investment
- Often in exchange for rewards or perks – T shirt!
- Effective method for accessing early stage funding
- Important to produce robust business plan and a compelling story to attract investment

Crowdfunding

- Numerous resources available around effective strategy
- Recommended platforms:
  - Crowdfunder UK
  - Ethex
  - Spacehive
- Launching a crowdfunding drive can help map initial community interest in a CLH scheme
- Resources can be used to apply for other finance
- Consider financial capacity of local community, may need to extend publicity to wider community of interest

Angel Investors

What is a business angel?

- Provide early high risk capital
- May expect high rates of return
- May contribute own experience, network, and time

What do they look for?

- A strong business proposition
- A financial literate team
- Possible equity stake

Angel Investor Examples

Resonance

- Works with social enterprises and charities to raise capital from like minded investors
- Resonance Angel Investor Network (RAIN)

Resonance Affordable Homes Rental Fund

  - Broadhempston Community Land Trust (CLT)
  - 6 self build homes, Loan: £900,000
  - 8 year secured loan from the Resonance Affordable Homes Rental Fund

UnLtd

- Finds, funds and supports social entrepreneurs - enterprising people with solutions that change society for the better

Philanthropy

- Important to develop relationships with key personnel
- Articulate the broader benefits of a project
- Create a setting where individuals are more likely to consider contributing
- Money not necessarily provided as donation, may be long term loan with low/zero interest to be repaid when project achieves a surplus

Philanthropy Examples

Alms houses
Garden cities
Friendly societies

Glendale Gateway Trust

Local person provided £100,000 project loan

Closing Summary

- Community and individual finance can provide an excellent source of funding for CLH
- Proven record of CLH groups accessing this funding
- Gaps in current funding regime mean these sources of revenue need to be considered