Briefing paper
– A neighbourhood guide to viability
Introduction

Community Led Design and Development is a programme funded by the Department for Communities and Local Government’s Tenant Empowerment Programme and is designed to put the community at the heart of new housing design. This briefing paper forms part of a suite of documents to help tenants, residents, housing associations, local authorities and other housing professionals work together on the design and development of new housing.

This is the first of four papers. You may also be interested in:

- Briefing Paper 2: Residents guide to good design
- Briefing Paper 3: ‘Good housekeeping’ – working with partners and ensuring good governance
- Routemap: step-by-step guide to getting involved in housing projects

This short guide on viability is aimed at both community groups leading their own housing projects (Part A) and for landlords leading their tenants and residents in a housing project (Part B).

What is viability?
Viability is the ability of a project to be delivered and maintained appropriately to achieve its objectives for the budget and resources available. Viable housing projects are carefully planned, robustly financed and with mechanisms in place to be self-sustain over a long period of time; it’s about well-designed places where their value is considered in the long-term. The reason projects often fail to fulfil their ambitions is due to poor planning and weak financial foundations. With the right preparation and testing at the earliest stages of a project, combined with ongoing management and monitoring, there’s a significantly increased chance of a successful project that is completed on time and to budget.

Please note that this paper provides some initial advice on an approach to viability only. The context for every project is different, and it is strongly recommended that your group seeks professional advice early on to help you understand all issues and risks that will affect your project.
Part A: For the community-led housing project

The following information demonstrates the role that viability plays in shaping a development project. As a client, commissioning the project and being ultimately responsible for important decisions, this will provide the tools and documents required in the early stages of setup, including:

- VA1. Project feasibility
- VA2. Site selection
- VA3. Development appraisal
- VA4. Business plan
- VA5. Financing the project
- VA7. Working with a developer partner
- VA8. Development factors to look out for

VA1. Project feasibility

At the initial stages of project development, your group should consider ways to deliver the project aims, its potential costs and risks. This initial scoping activity is called a feasibility study. The purpose of the study is to identify whether the project is needed, can it be delivered and if it is capable of being maintained in the long run. The decision whether to proceed should be made based on the result of these findings. Therefore it is worth taking time and objectively testing possibilities to reduce the risks of having to scale down your project at a later stage. A well-prepared feasibility study will also be useful when seeking initial funding for the project as it demonstrates its credibility.

Feasibility study should include:

- Clear objectives of the project
- How the project fulfils local demand
- Project financing strategy throughout development stages
- Your group’s capacity to manage development projects and to raise funds
- Local knowledge and buy-in from communities and local authorities.

Running a design workshop can help to frame your group’s aspirations through plans and drawings. The exercise enables the group members to be specific about what is important to them and also helps identify differences. It will help set the initial parameters for your feasibility study. See design briefing paper on ‘design visioning’.

You will need funds to get started for the feasibility stage. Funding is available for feasibility and startup phases from a range of organisations, including the National Community Land Trust Network. They provide direct, expert support services and seedcorn funding to support community groups through the feasibility stage. It is also important to speak to local authorities as there may be small grants available to local community-based organisations.
VA2. Site selection

There are many different parameters to consider when looking at sites that could be suitable for your project. It is worth taking the time to get to know your area by walking around the site and talking to neighbours living in the area. Speak to council officers to help you find a site as there may be landowners willing to sell their land to a community group, or to local land agents or landowners. There are further tools and useful information available, including the ‘Need a Plot’ search tool managed by the Self Build Portal.

When assessing potential sites, it is worth considering the following questions:

**Location, size and shape**
- Is it located near public transport, schools, health facilities and employment opportunities for local people?
- Is the site big enough to accommodate housing?
- Is the site accessible?

**Planning parameters and other constraints:**
- Are there landscape and ecological features that will limit what you can build?
- Is it located in a conservation area?
- What planning policies are in place that set the strategy for your area e.g. the council’s local plan?
- Is there a neighbourhood plan for the area that could influence site selection?
- Is there likely to be an issue with contaminated land from previous industrial use?

The site selection process can be costly, however there are some funding options to facilitate the process such as Homes and Community Agency custom build serviced plots (programme runs to 2019/20), a short-term loan to support community groups to secure a site and to bring forward ‘shovel ready’ serviced plots ready for the development of custom-build housing. If your group intends to form a Community Land Trust, funding is available through the Community Land Trust social investment fund to enable your group to prepare plans, commission architects drawings and prepare a full planning submission.

VA3. Development appraisal

Once a provisional site is agreed, and building on your design visioning exercise, start scoping out key aspects of the design that could be delivered. This brief will ultimately be used by a professional design team (architect, landscape architect, transport and movement consultant, urban designer) to draw up a detailed design. The outcome will help you set comprehensive parameters to run a development appraisal. See the design briefing paper for further details on design briefs.

Preparing a development appraisal will help you understand how much funding you will need to raise, the construction and operational costs and whether the revenue your project will earn is enough to cover all these costs. All your project expenses will need to be factored in, including land costs, professional fees and financial costs. When making estimates, it is vital that you log the most accurate information as this can have a significant knock-on effect to the overall cost evaluation. It is advised that you consult your professional team for guidance.

The Homes and Communities Agency Development appraisal tool is a site specific, development viability spreadsheet to help analyse whether the level of planning obligations required is viable based on all costs and income generated.
The following table outlines those involved in the viability process and further details on their roles:

<table>
<thead>
<tr>
<th>Types of professional involved in housing viability</th>
<th>Role</th>
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<tbody>
<tr>
<td>Land surveyor</td>
<td>Assesses sites for their existing condition and constraints, such as existing buildings, contamination and access</td>
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<tr>
<td>Quantity surveyor</td>
<td>Estimates all the costs of building, and can help with procuring building contractors</td>
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<tr>
<td>Architect</td>
<td>Designs buildings, from concept drawings and layouts to final technical drawings. May also prepare masterplans (showing layout of streets and spaces) for larger sites</td>
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<tr>
<td>Solicitor or legal representative</td>
<td>Searches land titles, prepares contracts for buying and selling land and draws up agreements between partners working together</td>
</tr>
<tr>
<td>Planning consultant</td>
<td>Advises on planning issues and prepares planning application. Contributes to feasibility study, eg, testing the options for number and type of homes, and any other planning constraints to be aware of</td>
</tr>
<tr>
<td>Building contractor</td>
<td>Builds out the project on site. There are different ways a contractor can be appointed</td>
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<tr>
<td>Landscape designer</td>
<td>Assesses existing trees and planting on the site, and designs the hard (car parks, streets, squares and paths) and soft landscaping (green spaces and planting)</td>
</tr>
<tr>
<td>Transport or highway engineer</td>
<td>Has expertise on movement routes, assessing suitable access points, the design of roads and managing the impact of traffic</td>
</tr>
<tr>
<td>Ecologist</td>
<td>Assesses the site for any existing wildlife habitat on site and how these can be protected.</td>
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VA4. Business plan
A business plan is a single document that brings together all aspects of a scheme that need to be in place to make it a success. It helps to clarify the project idea, spot potential problems and measure progress for long-term viability. A comprehensive business plan can help you successfully secure investment, loans or grants. Further guidance and templates are available from organisations such as the Co-Housing Network and Community Land Trust Network. A business plan should be viewed as a long-term document to come back to and review regularly.

VA5. Financing the project
As you are developing your design and preparing your planning application, you will need to think about development finance: capital funding to buy the land and build the homes, and revenue funding to manage and maintain rented properties. Your project business plan will form a basis for capital funding.

Site acquisition is the first big step. There are various financing models to acquire the site but whatever options you take it is important that your group has a clear legal structure to protect itself from any potential risks or disputes within the group. It is worth considering possible risks further down the development process, such as the consequences if the planning application is refused when the group has already obtained a site and started paying for the mortgage. It is advised that you explore options to reduce this risk, either by acquiring the land as an ‘option’ and delaying the purchase, or by setting up a ‘conditional contract’ in which you pay the deposit on the basis that you get planning permission. It is recommended that you initially appoint a professional team of surveyors, solicitors and accountants to help you through the site purchasing process. See Governance briefing paper for more information on legal structures.

Banks do not provide all the financing for site purchase and development so you should carefully plan where the remainder of the money will come from. There are government funding programmes that help support these sorts of ventures, including the Community Land Trust social investment fund, affordable homes rental fund for Community Land Trusts and other local authority grants and loans. Some charitable organisations and banks are willing to support community projects including building affordable homes. You might also want to consider alternative sources of funding such as community share issues which are available to cooperative societies and community benefit societies.
VA6. Working with a developer partner

Working in partnership with a housing association or private developer can offer a number of benefits to your project, particularly in the early stages, such as:

**Expertise** – the developer partner will have financial, legal and development management expertise that a community group may find difficult to access. They will also have experience of working with a range of local authorities on a number of planning applications, which will bring credibility.

**Financial capacity** – a developer partner is more likely to have access to loans from banks and institutions and if a housing association has the status as a Registered Provider they will be able to receive funds from the Homes and Communities Agency for social housing.

**Time and resources** – if your group is made up of volunteers it may not have the time or people needed to take the project forward. A developer partner can help minimise the time it takes to secure the necessary initial stages, thereby limiting the effect on the viability of your project.

**Risk management** – a developer partner will have experience in managing the risks of development. The Brixton Green Case Study explains how Brixton Green community group has worked with its local authority and developer partner on the Somerleyton Road project in Brixton, London. By contrast the Bristol CLT Case Study explains how it became a Registered Provider itself in order to receive funds from the Homes and Communities Agency.

VA7. Development factors to look out for

During the development phase there are key factors to look out for that may significantly impact your project’s financial viability. Carefully plan and monitor these factors throughout development stages.

- Watch out for hidden costs: eg, Section 106 payments (contributions to, for example, community facilities to mitigate the negative impact of new housing) and overage payments (a share in any surplus funds made through the housing development)
- Consider conditions to loans and grants: carefully review the conditions attached to various loans and grants; some conditions may not be favourable to your project
- Look out for inflation rates: the things you have costed for may vary over years and even months. Always keep an eye on inflation which may have a significant effect on your overall budget
- Monitor cash flow: it’s vital to update your income and outgoings at each stage of the project as there are numerous parameters at play
- Factor in void and bad debt: it is also possible that there will be times where your leaseholders may not pay rent on time, so consider the impact on long-term viability and prepare for such scenarios in your business plan.
Part B: For the landlord-led housing project

VB1 Viability – the benefits for landlords in engaging with everyone
A common perception is that landlords and residents have different interests. However, research (as carried out by Design Council Cabe and other built environment experts) shows that the interests of landlords – whether it be housing associations, local authorities or developers – and residents are not necessarily in opposition. Residents who feel they have a stake in where they live, who have been listened to and involved in decision-making about the facilities and quality of the development will feel more motivated to ensure the wider resident body looks after their building and surroundings. As a result of this inclusion, the landlord may have reduced costs of management and maintenance. It is therefore in the landlord’s interest, and for the long-term viability of the new housing, to work with residents in any future plans for development and to create a place that responds to residents’ needs. If residents and all those involved understand early on what a project can realistically deliver it will ensure that the agreed priorities are a focus during the design stage.

Research by Design Council Cabe has found significant evidence to suggest benefits to landlords from tenant involvement:

- Pride and identity: places feel more loved; people have a greater sense of belonging
- Stability of population: people want to stay, neighbourhoods develop a good reputation
- Long-term maintenance: responding to tenant feedback can eliminate maintenance problems later
- Safety: tenants feel safer
- Local economy: the attractiveness of an area will influence potential investors e.g. in local shops or services.

Feedback from local authority and housing association landlords suggests that drawing on local knowledge of tenants and residents helps to make better and more informed decisions that result in more sustainable tenancies.

The design paper notes that a project is likely to be more successful if residents are involved at the outset in shaping the project’s vision; bringing local knowledge of the people and the place and encouraging long-term viability.
**VB2 Explain and discuss technical issues with residents**

Residents are sometimes presented with a lot of technical information and drawings that are hard for those outside the industry to understand. By involving residents early, there is time to provide training in viability and other skills such as reading plans, and talking through the issues in enough detail to allow time for people to digest information and ask questions. The Ealing Council case study describes how residents were involved in discussions on viability at the Green Man Lane estate, London.

At this stage in the process, there are some questions that both landlords and community groups should think about to ensure that everyone is engaged constructively. They are as follows:

- Are residents able to participate in influencing the vision for the proposal? (See design briefing paper for more information on agreeing a vision)
- Are there training opportunities in good design principles and viability for residents? Are there similar projects that have been built elsewhere that residents can visit, or groups that can share their experiences of being involved in a similar scheme?
- How are residents involved in understanding the viability of the scheme? Is it clear? What is feasible in terms of tenure mix, accommodation mix and shared amenities?
- How can residents participate in the selection of the design team? Are residents involved in design team interviews? Will there be a presentation of shortlisted schemes to a wider audience?
- Are residents involved in agreeing the shared amenities for the development? If not, how will resident knowledge of the local area be obtained to influence the project brief?
- Is it clear to all parties which decisions residents can influence and which they can’t?

**VB3 Identify future residents, whether already living in the area or from the housing waiting list**

Many housing associations and local authorities would like to involve future tenants and residents in the design process for new housing, but have found this difficult as the homes are not allocated until a few weeks before completion. However, there are ways round this; Pickering and Ferens Homes in Hull has invited some people on its waiting list to participate in workshops on the design of new housing (see the Pickering and Ferens case study). While not all of these people may end up living on this new scheme they can act as a good proxy in describing what matters to them on behalf of those who will eventually live there. It may be easier to involve future residents when they already live within the community and are known to the landlord.

Many community groups have reported to Design Council Cabe that they are concerned about the allocations policy for a scheme, and may only support a project if it is going to provide homes for those living locally. Leathermarket Joint Management Board has negotiated with Southwark Council, London, on the allocations policy for its new housing at Kipling Estate Garages (see the Leathermarket case study) to ensure homes go to local people. Different local authorities have different policies on allocation, and while it may not be possible (or desirable) for all homes to go to local people, there may be the option to agree a bespoke policy for a site that includes a percentage of homes that will be allocated locally.
Community-led Design and Development: Briefing paper

VB4 Discuss future management and maintenance arrangements

Research by Tenants Leading Change (formed of national tenants organisations Tpas Tenant Engagement Experts, National Federation of Tenant Management Organisations, Confederation of Cooperative Housing and Tenants and Residents Organisations of England) “An Investment not a Cost” (2015) has demonstrated that there are benefits and potential savings to be had from involving residents in the ongoing management and maintenance of their community. You can find out more from the websites of the organisations involved. See also, the paper on Good Housekeeping.