CCH
The Confederation of Co-operative Housing

CCH Case Study: Saffron Lane | Researcher: Nic Bliss | Date: July 2020

Saffron Lane
Developing a local income stream through community led housing

At a glance

- **Saffron Lane Neighbourhood Council (SLNC) was set up as a charity in 1970s to provide community services on the Saffron Lane estate**
- **Difficulties retaining grant funding following the global financial crisis in 2008 led SLNC to explore whether it could develop homes on the estate to generate a local asset locked income stream**
- **Original proposals to develop 50 straw bale eco-homes with a 13 acre food growing project led to Homes England allocating £2.5m to the scheme**
- **Homes England advised SLNC to work with a housing association partner and SLNC chose to work with emh homes (emh)**
- **emh's first proposal was for brick-built properties which was rejected by the Mayor because it was not innovative. However, a subsequent proposal for 68 Passivhaus homes assembled by the developer was supported**
- **The development was still done through emh and they suffered numerous problems throughout, with the scheme going £2.5m over budget before completion in 2017. The scheme provides a ground rent income to SLNC**
- **SLNC are now considering a Phase 2 of 35 homes on the estate and a Phase 3 of 65 homes on a nearby estate. SLNC are considering whether to establish a Registered Provider to develop the homes, but scheme viability is challenging. If not, they will work with a housing association again**

Photos

Overview

Saffron Lane Neighbourhood Council (SLNC) was established as a charity in the 1970s to provide a range of community services (youth work, debt advice, drugs counselling, sexual health work and other services).

It realised after the global financial crisis in 2008 that it would not be possible in the long term to rely on the grants and donations that had, up until then, resourced their operations. With that in mind, it set about exploring utilisation of a 22 acre site on the Council owned estate in a way that would both serve the social purpose of alleviating poverty and bring in a sustainable income stream.

This exploration coincided with the election of the new Leicester Mayor who agreed to gift the land to SLNC for an exemplar development. The principle was born of building 50 straw bale eco-homes for people in housing need alongside a 13-acre food growing project with volunteering opportunities. Interest was generated within Homes England who allocated £2.5m to the scheme, but negotiations with the Council resulted in initial valuations of the land at £2.5m, despite the land not having been used for 20 years. Homes England told SLNC that it needed to work with a housing association to ensure the expertise and experience to establish viability and to enable the scheme to go through a Registered Provider.

emh homes (emh) was chosen to work with the scheme because of its enthusiasm to work on straw bale technology – but the initial plans were for standard brick-built homes due to costs. This proposal was rejected by the Mayor because it was not an exemplar project, but Homes England were still keen to see the project progress. This resulted in SLNC approaching Westlea Developments (emh's proposed developer) directly to generate an exemplar Passivhaus 68 home project, which was supported by the Mayor.

The scheme was completed in 2017, but it was not without challenge. With development going through the association, SLNC was insulated from the risk, but it observed the scheme going £2.5m over budget. Passivhaus components did not work, resulting in a six-month delay. 30 thousand litres of fuel were stolen from the estate when left over a bank holiday weekend. Japanese Knotweed was discovered on site meaning that a contractor almost died. Three wells and a mains gas pipes were found that were not on any maps. An electricity sub-station was not ordered on time. Legal fees were substantially more than anticipated. This meant that the objectives that residents would face no energy costs through solar panels and thermal heating for water could not be delivered.

Nonetheless SLNC was pleased that it had delivered a scheme where it owns the freehold of the land (giving an £8m asset on the balance sheet – substantial for a small charity) and lease the homes on a 100 year lease to emh for an index linked ground rent that will provide subsidy to the charity. The scheme achieved its exemplar status through being the largest Passivhaus social housing development in Europe.

Whilst SLNC did not have to pay for any of the identified problems, it learnt that external consultants and others were not necessarily best placed to deliver schemes. It retained the option to use a part of the land for a future scheme and a Phase 2 of 35 homes is now planned for that site. SLNC has given consideration to development of the site themselves through a newly established Registered Provider Company Limited by Guarantee. However, they are struggling to develop viability for what would be a small community led housing organisation at the grant levels available from Homes England.

SLNC is also therefore exploring developing a Phase 3 of 65 homes on a nearby Council owned "Kingfisher" site – a former youth centre and playing field. Its use has been agreed by the Council's Chief Officer and the scheme has the support of the local councillor who is the housing portfolio holder, but with Leicester City Council wishing to develop homes for its own building company, there may be further negotiations.

If SLNC manages to develop Phase 2 itself, its current plans are that the £11m costs will be through 50% Homes England funding alongside loan funding from either a mainstream or an ethical bank. SLNC would work with a small developer (who is intending to apply for Homes England Investment Partner status) on a turnkey basis (with SLNC employing its own architect through revenue Community Housing Fund grant).

Whilst SLNC anticipates outsourcing ongoing maintenance work to a housing association anyway (potentially emh), SLNC also retains the option of asking emh to build out Phases 2 and 3 in the same way that it did Phase 1. As well providing social homes, it is a primary motivation for SLNC to establish a long-term income stream for charitable activities.

Quotes

"Initially we sold the Mayor the blue sky thinking in the project. Looking back, we should have sold something rubbish and achieve better rather than try to sell something amazing and end up with something not so good. The Mayor walked into the room and said no and walked out the room. We had an 18 storey lift journey down and no one said a word!"

"It was a massive learning curve for us, I got to sit on the shoulder of everybody and not have any of the stress or worries about it and watch lots of people who were supposed to be professionals flounder around. The contracts for building the power station had to be flown to Spain where I was on holiday because things were in such a dire mess. These are the professionals and they don't get it right."

"We would like to be able to develop ourselves as a Registered Provider. All of the local authority and housing association rental income leaves the estate at the moment and it's all managed remotely. This estate is one of the poorest in the country. It's in the top 0.5% of deprivation but it generates £10.5m in the local authority housing alone. We are scrabbling around for a grant of £49k to provide advice and support to the people on the estate so that they can pay the rent and none of that wealth remains in the community. For us, becoming a Registered Provider would be about asset locking the income into the estate and creating a local income stream in perpetuity."

"We wanted to produce thermally efficient homes that would reduce energy costs for people so that fuel poverty wouldn't be an issue. Hence Passivhaus. There are no radiators in the houses because Passivhaus produces an ambient temperature. In the summer you have to keep the windows and doors closed and let the system kick in, but people don't understand this and in the heat everyone has their windows open and the heat exchangers are sucking in as much air as they can do. So what we have done is the reverse to what was intended. Energy bills are bigger than anything else in the area. Passivhaus cost 30% extra and people are saving nothing. We also intended that solar panels would be installed to mean that there would not be a need for gas installations, and it would not have costed anything. But the housing association did not want to set a precedent that their homes should have solar panels, so they didn't get fitted".

Neil Hodgkin
Chief Executive - Saffron Lane Neighbourhood Council

Learning points

- **Ensuring local asset locked development may be able to enable long term rental income that can support local community organisations**
- **It is possible for existing community organisations to enable the development of new housing schemes**
- **However, it is not always easy to make schemes stack up even with Government grant funding**
- **It may be possible to work with a housing association enabling developments to go forward and potentially to receive ground rent income**
- **But not being in control of the development process may result in significant additional costs and delays**
- **It is important to consider end users in relation to the installation of Passivhaus technology**

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