

Who We Are and How You Can Get Involved

SOA is a collective with the simple goal of improving the quality of living environments in Ireland by making new forms of housing available.

Our members and supporters represent a growing diversity of skills and expertise, and we are always open to new contributions and ideas.

If you would like to get involved, either to contribute time or expertise, or to join a group of people planning to create their own homes, please get in touch, or pop along to one of our workshops, Cohousing Cafes, or other public events.



Land Ownership & Development

The Economics of Land

In recent years the problem of accessing affordable land for housing seems to have become more difficult than ever, but what are the reasons for this situation?

The value of land increases in a different way to the value of other commodities. Each piece of land is one of a kind and cannot be easily substituted, unlike other economic goods which are subject to competition from alternatives. A particular plot in a particular place cannot be replicated. As towns and cities develop, the value of the land there also increases due to its location, and this happens without the need for any investment on the part of the landowner. In fact, the value of public investment in infrastructure and amenities is actually captured by the landowner in the form of increased land value or rent chargeable.

In more recent decades land values have also been pushed upwards by what is known as increasing financialisation. Since the 1980s a relaxation of lending rules has meant more mortgage finance for the general public, allowing them to pay higher prices for land. And at the corporate level land has become a sort of currency and wealth deposit for international investment.

Governments and local authorities often implement strategies such as land taxes and development charges to try to claw back some of the increased land value for the public, but these strategies may even push land prices higher. Even the system of commercial development of housing, described overleaf, has an impact on the availability and affordability of land.

This pamphlet looks at some potential solutions to this problem

How Does Commercial Development Work and How Does it Affect Land Prices?

Speculative developers purchase land, attain planning permission for homes, pay for their design and construction, and sell them at the highest achievable price. This business model requires a high level of investment in land, design and construction over years before any homes can be sold. It is also a risky business model, as planning permission and final sale prices cannot be guaranteed so far in advance. For these reasons, developers may target a profit margin of anything between 15% and 30%.

This model pushes land and house prices upwards: When attractive development land is available developers bid against each other for it, and the developer who believes they can make the most money from the land (i.e. demand the highest house prices) will win the bidding war. This developer may then sit on that land until house prices are as high as possible before developing, or until a period of financial uncertainty has passed. Developers may also hoard land, perhaps waiting to buy more, to undermine a competitor or to ensure they don't run out of development land at any point, and without any financial penalty, this practice makes perfect business sense. This business model also drives development towards higher density, smaller units with the cheapest possible construction cost. Also, because the developer does not retain any long-term interest in a building, and because the typical house buyer does not have expertise in house construction, there is little reason to prioritise quality.

For more detail on the flaws of this model see the recent report by the National Economic and Social Council: NESC Report 145: Urban Development Land, Housing and Infrastructure: Fixing Ireland's Broken System.

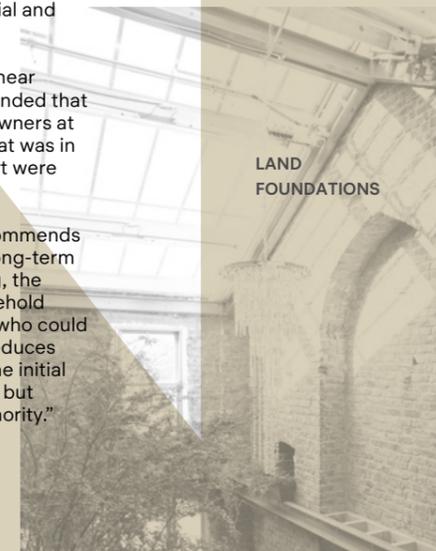


Improving the System of Development in Ireland

The system described above is deeply ingrained, and community-led housing initiatives aim to provide high quality, affordable housing outside this development system. At the same time, cohousing projects may raise the general level of awareness about the flaws in the current system, which have been identified on many occasions. NESC Report 145 recommends more active land management by local authorities and looks at models in other countries where local authorities agree on a masterplan for new parts of the city and encourage or compel landowners to develop land in accordance with it. It also examines strategies used to capture some of the increased value of the land to pay for new infrastructure and social and civic facilities.

These ideas are not new to Ireland, and you will often hear reference to the Kenny Report of 1974 which recommended that public bodies be enabled to purchase land from landowners at a controlled price in order to allow for development that was in the public interest. The recommendations of the report were never implemented.

It is especially worth noting that NESC Report 145 recommends that one way to make land available for housing "...is long-term leasing of publicly-owned land. With long-term leasing, the local authority or other public body would own the freehold interest in the long term, and lease the land to others who could develop and own buildings on it. Leasing of the land reduces the capital initially required by developers as well as the initial purchase price. The occupier would own the dwelling, but ownership of the land would remain with the local authority."



Ways of Accessing Land

Despite the current housing crisis there seem to be a lot of empty space in and around Dublin and other cities and towns. There are online resources which catalogue empty sites (see overleaf), but depending on its ownership that land may still be difficult to access for a cohousing project. So, how can small housing projects gain access to land? Below are some examples and possible routes to accessing land

COMMUNITY LAND TRUST (CLT)

A viable option for bringing large areas of land into permanent affordability, CLTs are dealt with in detail overleaf. No CLTs currently existing in Ireland, so suitable land would still have to be provided, most likely from one of the sources listed below:

LOCAL AUTHORITY LAND

Local authorities in the Dublin area (for example) own large areas of land which are designated to be used for housing. Local authorities are currently under pressure to retain all available land for future social housing, so small experimental projects will have to prove their worth. Should a local authority wish to try something close to a CLT but retain more control themselves they could be encouraged to follow the model of Brussels city council, which has set up a land trust to allow for the provision of leasehold sites at low cost to housing projects.

STATE BODIES

State bodies such as the Dept of Health, the Dept of Transport and the OPW may own peripheral sites which are not useful for their normal purposes. They could follow the example of Transport for London in facilitating the formation of land trusts and affordable housing projects on such sites.

INSTITUTIONAL LAND

Religious and cultural institutions may have land which is not useful for them that they would be willing to put into a trust to achieve social good, such as providing permanently affordable housing.

TOWN AND VILLAGE CORES

A sustainable solution may be to locate a new project in a disused space or existing building in an existing town or village. A project which is interested in providing a cultural contribution to the local community there may be eligible for specific funding to realise those aims.

LONG TERM PURCHASE OF COMMERCIAL LAND

There are examples of housing groups using leaseholds as a way to make the purchase of land from the open market more affordable. The Lausitzer Strasse project in Berlin attained a site by agreeing to pay 4% of the site value to the owner on an annual basis (using a perpetual lease) in order to reduce the upfront cost. The project also has the option to eventually purchase the site outright at a future time.

LAND FOUNDATIONS

These are private organisations operating in Europe (notably in Germany and Switzerland) whose aim is to make housing more affordable by purchasing land on the open market and then offering leaseholds to suitable housing projects. These foundations, know as Stiftungs, must be financially sound in themselves, but are not operated for profit. Two examples are Stiftung Edith Maryon in Switzerland and Stiftung Trias in Germany.

The impetus for these moves was partially a belief that a nation of landowners would create a stable society. As such renting was traditionally seen as at best a temporary situation, and renters here have never achieved the security of tenancy or quality of accommodation available in rented accommodation elsewhere. There is also the added complexity that homeownership has become a defacto pension plan for much of the population, making unaffordable rent a particularly daunting prospect in retirement.

Historically based on a tuth system of land-based communities with complex traditions around land use, by the beginning of the 19th century land in Ireland was primarily owned by landlords who were granted their leased landholdings and commons grazing rights to small tenants. Tenants worked the land, and the landowner was expected to carry out certain oversight duties. This system began to weaken in the mid-1800s amid financial weakness, the Land Wars and the famine. From that time various Land Acts improved tenant rights and initiated the transfer of land ownership from large landlords to small tenants. This was carried out through the compulsory purchase and redistribution of land by the Land Commission. By 1914 about 80% of tenants had purchased their holdings, and over time new laws were enacted to bring more people into property ownership. In 1920 rural cottage tenants gained the "right to buy", and tenants in urban led council houses gained this right in the 1970s, follows by tenants in council flats in 2012.

Land Ownership in Ireland

Ireland has a particular historical relationship with land ownership which is also worth considering.

A Brief Introduction to Community Land Trusts

A **Community Land Trust**, or CLT, is a trust which owns the freehold on a piece of land and ensures that this land is used for the benefit of the local community. Under the CLT model, the ownership of land is separate from the ownership of the structures or buildings that are placed on the land. Using housing as an example, an individual may own the title to a house built on CLT land but does not own the freehold of that land, but rather a perpetual leasehold. Since it is increasing land value (rather than building value) which drives property price inflation, the CLT structure shelters residents from spiralling land prices.

How this works: Imagine a CLT owns an area of land and would like to make this land available for housing. The CLT can sell the leasehold of a plot of land to a home builder, who builds their home and owns the building outright. Their lease will be for an agreed period, say 99 years, with a right of renewal. The leaseholder also agrees to pay the CLT a regular, affordable ground rent to cover running costs.

So how is this leasehold any cheaper than an equivalent freehold on the open market? Essentially the CLT subsidises the first leasehold purchaser by providing a relatively low cost leasehold. The clever part comes afterwards: In the lease agreement with the homeowner, the CLT can put a limit on the resale value of the home. For instance, there may be a rule which states that the price of a home may not increase faster than the average local wage. In this way, no matter how many times that home changes hands, it will always be equally affordable to new buyers.

Background & Structure

The original idea for the CLT came from the **civil rights movement in the USA**, and the idea gained significant momentum in the 80s and 90s when it spread to Europe. After years of work, cities are starting to trust the CLT structure, and even private companies are supporting CLTs in areas where unaffordable housing has made it difficult for them to find employees. At the moment there are approximately **240 CLTs in the UK** alone, and more across Europe.

The American model of CLT (which could be replicated here) has developed in a way which puts **communities at the centre of decision making**. The trust which owns the land is registered as a charity and has a board of directors. These directors are elected by, and equally represent, three different groups: **Homeowners, local community and local government**.

In Ireland, CLTs are currently not defined by law, but it would be relatively simple to copy the recent British legal definition, which defines a CLT as an entity which must:

1. **Manage and develop land** to provide a benefit to the local community
2. **Use any profits** for the development of the community
3. **Allow anyone living** or working in the local area to become a member
4. **Be controlled** by its members

UK legislation does not define a specific legal form so it is up to the CLT itself to choose the appropriate one, such as a Community Interest Company (in the UK) or a Company Limited by Guarantee.

Community Ownership of Land Through CLT



A simple example of the development of a cohousing project on CLT land:

1. **A CLT is set up as a legal entity** with a board of directors representing the local council, local housing bodies, and people living in the local area.
2. **Land is transferred into the ownership of the CLT.** This land may be provided by a local council or other national agency, and may be provided free of charge, or paid for by the CLT over a long period.
3. **The CLT works out a masterplan** for the development of the land under its control and agrees its overall aims with the local planning department.
4. **A cohousing group makes an agreement** with the CLT to develop housing on a particular plot within the CLT land. The cohousing group applies for planning permission for their project, knowing that the risk of refusal is low given the masterplan worked out between the CLT and the local council.
5. **When planning permission is granted** the cohousing group buys a leasehold on the relevant site from the CLT. The leasehold cost is much lower than the freehold cost of similar land on the open market.

6. **The cohousing group secures funding** and hires a builder to carry out the construction project.
7. **Cohousing residents occupy their new homes** and the co-op transfers the leaseholds into the names of the new residents. These leaseholds are secure and perpetual.
8. **Each resident pays a fair ground rent** which is reviewed every **5 years**. The ground rent is designed to be affordable even when the resident is also repaying a mortgage on their home. The ground rent pays for land management and running costs. (Higher ground rents may be charged to commercial enterprises on CLT land).
9. **Should a resident decide to move on**, the eventual sale price of their leasehold will be controlled. The new sale value should be roughly equivalent to the original purchase cost (plus the value of any improvement work), keeping homes in the CLT affordable in perpetuity, and preventing speculative property purchasing. This also means that unlike with rental, and similar to traditional homeownership, the CLT resident of this type of project gains a valuable asset while paying their mortgage.

What Next?

In order to increase the viability of CLTs in Ireland there are a number of useful steps that could be taken:

1. **The recognition of CLTs in Irish law**
2. **New leaseholds:** The CLT solution has based the stewardship of the land as a common resource, and the creation of leasehold ownership for residents. However, in Ireland, it is not legally possible to create new leaseholds on houses (although it is possible with apartments). It would be very useful if new legislation allowed for new leaseholds to be created by certain approved bodies, such as community land trusts and state bodies.
3. **Mortgages on leaseholds:** Banks may be wary of giving a mortgage for the purchase of a leasehold property. In the USA banks have been convinced by the much lower levels of default by CLT homeowners, and the fact the CLT has the right of the first purchase of defaulters home, meaning less involvement in the process for the lender. It would, however, be useful for the Central Bank to clarify that mortgage lending for the purchase of leasehold properties is acceptable.
4. **A CLT Network for Ireland:** Modeled on the UK CLT Network, an Irish CLT Network would support, educate and advocate for CLTs in Ireland. Plenty of research and advocacy has happened in recent years, but there is plenty more to do for anyone who would like to participate.

Further Information

If you're interested in finding out more, the following websites, organisations and books are worth a look:

WEBSITES	communitylandtrusts.org.uk burlingtonassociates.com nesc.ie granby4streetsclt.co.uk cohousing.org.uk neweconomics.org spaceengagers.org rebuildingireland.ie londonclt.org cooperativecity.org eutropian.org id22.net psh.urbamonde.org landforthemany.uk
SUGGESTED READING FREE TO DOWNLOAD	NESC Report 145 (NESC) Common Ground - For Mutual Home Ownership New Economics Foundation (NEF and CDS Cooperatives)
BOOKS	Funding the Cooperative City Patti & Polyak (Cooperative City Books) Rethinking the Economics of Land and Housing Ryan-Collins, Lloyd, Macfarlane (ZED Books)