

## CASE STUDY: NORTH ORMESBY COMMUNITY LAND TRUST, MIDDLESBROUGH



North Ormesby is a community of around 1700 households a mile to the east of Middlesbrough town centre. It is a community with a strong identity and history, with its own high street and twice weekly market, good community facilities and plenty of affordable, mainly older terraced housing. It is also a community with high levels of poverty and unemployment, significant crime and anti-social behaviour and a transient population.

In 2013, North Ormesby was awarded £1 million of Big Lottery funding, as one of 150 Big Local areas across England. The local community was given the opportunity to form a resident-led partnership and draw up plans for how it wished to spend this funding over the next ten years, to meet local needs and aspirations and help build a stronger and more resilient community.

Tackling the problems of private landlords, empty homes and a transient community were seen as the biggest issues by residents. It was a huge challenge and certainly not one that could be dealt with by the community alone or with just £1 million at their disposal. But they had to start somewhere and having a stake in the housing market seemed like a good idea.

North Ormesby Big Local was fortunate in having a community development trust on its doorstep, a voluntary-led charity, set up in 1998. North Ormesby Neighbourhood Development Trust (NONDeT) was appointed as the Partnership's Local Trusted Organisation, to handle the Big Lottery funds and employ staff.

NONDeT delivers a range of projects which include: a resource centre, a playgroup, charity shop, a community broadband service and management of the local market. But housing had not been on its radar until Big Local came along. That changed in 2015 when one of the

housing associations with homes in North Ormesby decided to dispose of some its street properties.

### **Bringing empty properties into community ownership and management**

Accent Housing, a large national association, was finding it increasingly difficult to market its 70 street properties in North Ormesby and had decided that continuing to manage six terraced properties in particular was proving particularly challenging. These homes were pepper-potted around the area and had been empty for more than six months so they had decided to dispose of them. But having put them up for sale at auction, they had failed to sell.

The Big Local Partnership saw an opportunity and, working with NONDeT, decided to support the establishment of a Community Land Trust to approach Accent and hopefully secure these six properties and bring them back into use under community ownership. Their aim was to make a clear statement that investing in North Ormesby's housing stock, especially if led by the local community, could start to stabilise the neighbourhood and make it a better place for everyone to live.

The Big Local Partnership made £150,000 of its Lottery funding available to set up the CLT, pay for some staff time, carry out an option appraisal and purchase the six properties. The CLT was subsequently established as a wholly owned subsidiary of the development trust and a company limited by guarantee.



Negotiating a purchase price for the six properties did take some time. Accent needed to ensure that there was no outstanding loan debt and had to seek permission from the Homes and Communities Agency (now Homes England) to dispose of the properties at below market value. Following a series of offers buy the CLT, a price of £78,000 was eventually settled on – or £13,000 a dwelling – approximately half their market value.

It soon became apparent that the cost of purchase and subsequent refurbishment would be significantly greater than the £150,000 made available by the Big Local Partnership. Initial indications were that £30,000 might be need to bring each of them up the Decent Homes Standard. So it was going to cost £78,000 to buy them and £180,000 to refurbish; £258,000 in total.

### **Putting an embryonic partnership in place**

The CLT had been talking to the largest Tees Valley-based housing association – Thirteen Group – during the purchase phase, with a view to striking a deal to secure their refurbishment and subsequent management. Thirteen was interested in supporting the project, not least because of the added value and social impact it was expected to deliver. A deal was struck to use the Homes and Communities Agency’s Empty Homes funding (Lease and Repair) to finance the refurbishment of the six properties.

Although it was not formalised as a legal, partnership agreement, the arrangement between the CLT and the housing association can be summarised as follows:

- The CLT would lease the properties to Thirteen Group for 5 years at a peppercorn rent
- Thirteen would then draw down the funding for refurbishment from the Homes and Communities Agency
- Thirteen would provide a Project Manager role, provided with its own funds
- Thirteen would tender the work for these six properties, plus four of their own
- A consortium of three local community and voluntary sector organisations – Hartlepool NDC Trust, Community Campus 87 and East Cleveland Youth Project – would be included on the tender list
- On completion of the refurbishment work, the properties would be leased back by Thirteen to the CLT for five years, which would then rent them out at no more than 80% of a market rent, retaining all the rental income and being responsible for management and maintenance
- At the end of the five-year lease, the properties would revert to the CLT as freeholder

## Delivering social impact

The consortium of three local community and voluntary sector organisations won the tender, adding significantly to the social impact that would be generated by the project. Each of the CLT's properties cost £30,000 to refurbish. £24,000 of this came from the Homes and Communities Agency and £6,000 from the original £150,000 offered by the Big Local Partnership. Work started in May 2017 and was successfully completed in January 2018.

The consortium employed 15 staff during the refurbishment work and provided a variety of training opportunities to 40 individuals from the Tees Valley region, 3 of them from North Ormesby itself. These included 8 apprenticeships and 28 other training opportunities – for example, through the Youth Employment Initiative. All of these individuals were unemployed when they started work on the North Ormesby project and some were recovering from mental health or addiction issues, whilst others were trying to turn their lives around after problems with crime and prison.



Members of the CLT and the community/voluntary sector consortium

## Formalising the partnership

Following the completion of this initial project, the CLT wanted to put a more formal agreement in place for any further refurbishment work with Thirteen Group. It knew that further funds from Big Local were unlikely and that it would need to borrow money from social lenders. A legal agreement between itself and Thirteen would be needed to secure

this lending and help the CLT minimise risks, at a time when its finances were not yet fully secure.

In January 2020, the following written agreement between the CLT and Thirteen was put in place for future projects, largely mirroring the arrangements for the first project:

- The CLT will acquire the freehold interest in properties at its own cost
- Thirteen will seek a grant allocation from Homes England of £26,000 per unit towards the refurbishment costs
- Thirteen will agree the works specification with the CLT and commission and manage the refurbishment works on site
- The CLT will pay Thirteen for any works costs in excess of the grant amount and cover the reasonable costs of administering the work
- Thirteen will be granted an Agreement to Lease for each property during the works period
- On completion of the works, the CLT will grant Thirteen a 21 year lease for each property at a nominal rent of £1
- At the same time, the CLT will be granted an under lease by Thirteen on the same terms and for the same period
- The under lease terms include:
  - Passing all the responsibilities for repair, lettings and management of the properties to the CLT
  - All rental income being retained by the CLT which will also cover any losses through voids
  - Ensuring that rents do not exceed 80% of a market rent
- On the expiry of the head lease, Thirteen will no longer hold any interest in the property

### **Extending the refurbishment project**

The CLT has worked in partnership with Middlesbrough Council to deliver its Refurb and Rent scheme, which provides 50:50 grant funding of up to £16,000 a property to owners. It is available for refurbishment work where properties have been standing empty for more than six months, but owners must enter into a lease with a management organisation for a five year period. North Ormesby CLT has eight properties which it manages on this basis, charging a management fee of 13% of the rental income.



The CLT is also working with the Council and two housing associations – Thirteen and North Star on a £1 million regeneration funding package which could fund between 30 and 60 purchases in North Ormesby over the next 3-5 years. Homes England will be asked to part-fund the refurbishment work post-April 2020, with the CLT drawing down loan finance to match it, possibly through Ecology Building Society.

Both these schemes are likely to generate significant change in North Ormesby. The neighbourhood has been a selective licence area for some time – a legal mechanism enabling a local authority to require all private landlords to meet a set of housing management and maintenance standards. Council tax on empty properties is also beginning to hit some owners hard; both mechanisms are gradually forcing more sales from reluctant to socially responsible landlords like the CLT.