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Community Housing Fund FAQ

In January 2019, the GLA (Greater London Authority) announced the £38m Community Housing Fund for London. Community groups who are looking to develop and manage their own homes can apply for revenue and capital funding

The FAQ below has been written following our Q&A session on Friday 15th February 2019, where we asked community groups, development partners and consultants working in the sector to put forward practical questions to the hub and the GLA. Before reading the FAQ, you can read the full prospectus here:

London Community Housing Fund Prospectus

What is State Aid?
"State aid is complicated but can occur whenever government resources are used to provide assistance that gives organisations an advantage over others and distorts competition. Aid is illegal unless it can be shown to be exempt under State Aid rules."

Is there a maximum amount of revenue grant that groups can apply for? Would this be per project or per organisation?

"There is no set limit to how much community groups / organisations can apply for any project. If an organisation is developing two projects, they can apply for funding for each project.

If your organisation is applying for a large amount of funding, you should refer to the assessment criteria and put forward a strong case for deliverability and value for money. This is especially true for larger projects which could potentially carry more risk.

The State Aid 'de minimis exemption' allows up to €200,000 per organisation over a three-year period without rigorous assessment of State Aid. Funding above this level can be considered, but the organisation would need to take legal advice on State Aid."

The prospectus states that up to £10m of the fund will be a revolving loan. Is all revenue funding repayable?

"We have made the revenue funding recoverable to ringfence funding for future CLH schemes, following calls from the community led housing groups to create a legacy for the sector.

The GLA will aim to recover all revenue grant, i.e. funding awarded to get your group to start on site. The expectation is that revenue costs will become recoverable when a scheme is completed. Repayment of the grant should be factored into your financial modelling. This is known as a 'contingent grant', and we will not seek repayment if your project does not make a start on site.

We will work with all applicants on a case by case basis and confirm the repayment of grant before starting on site. If your organisation is developing more than one project and the revenue grant will be recycled into other schemes, we may write off repayment of the grant."

Are there restrictions on what the revenue and capital funds can be used for?

"Revenue is flexible to the needs of your project. This can cover feasibility studies, surveys, legal fees, consultant costs, business planning and project management. A full list is in the prospectus.

Capital grant should directly fund viability gaps on the delivery of new affordable homes and be linked to a particular project. It cannot be used for marketing or organisational business costs."

How much of the development costs can be covered by the capital grant? Do the GLA expect a percentage of match funding?

"There is no fixed percentage of match funding the GLA are looking for. However, we will support schemes by 'filling the gap', where other funding is not available, rather than funding schemes in full.

The application form asks for information about other sources of funding. We are more likely to fund applications with, or seeking, funding from other sources, whether grant or loan, under the value for money and deliverability criteria.

It's useful to note that the fixed grant rate route requires less assessment and provides more certainty to the applicant and the GLA. If applying through the negotiated grant route, the percentage of other funding will be taken into greater consideration."

Many projects rely on volunteer and pro bono support. Will 'sweat equity' be recognised by the Hub when assessing applications for grants?

"Though it might be difficult to put a monetary value to 'sweat equity', volunteer time and pro-bono professional work can push your project along and help to bring development costs down. If this support means your project has a greater chance of success, it will score highly on deliverability and value for money."

What is the definition of non-low cost rented? Is it a particular tenure or threshold percentage of market rent? Does low-cost home ownership include shared ownership, shared equity and discounted market sale?

"The preference for this funding is the Mayor's own affordable products. These are:

- Low cost rent – social rent level or London Affordable Rent
- 'Intermediate' includes shared ownership or London Living Rent

However, the GLA does recognise there is a need for a variety of affordability products and communities are in the best position to define what is affordable in their local areas. The GLA will therefore consider shared equity, discounted market sale and other rental offers. It will however be essential that the community demonstrate why it is affordable and how it will be protected in perpetuity."

To apply for capital grant, groups and organisations will have to be an 'investment partner'. How can new organisations approach the qualifying questions around track record and risk?

"The GLA recognises that new organisations may struggle to meet investment partner requirements. This will not be used as an assessment criteria to award the funding.

New organisations should see this as an opportunity to undertake due diligence work in parallel to applying for grant and approach their plans in a different way.

If your organisation is only looking to develop one scheme, the GLA may consider awarding 'provisional' investment partner status."

CLH Organisations who are the landlord of low-cost rented homes will have to become a Registered Provider. How do you become an RP and what are the regulatory implications?

"Registered Provider status is to ensure landlords of low-cost rented homes are properly governed, financially viable and that tenants are protected. The status is secured through the Regulator of Social Housing.

CLH organisations should be registered by the time the homes are occupied. We recognise that the application process for RP status can be difficult for new organisations and the Community Led Homes alliance are talking to the Regulator to make the process easier.

Community Led Homes have recently announced funding of up to £10k for groups looking to become a registered provider, to support applications to the Regulator of Social Housing and getting the paperwork in place."

Does becoming a Registered Provider automatically mean having to provide Assured Tenancies open to the Right to Acquire?

"Community Land Trusts have been lobbying for exemption from Right to Buy and in March 2016, had verbal commitment from central government in March 2016.

Housing Co-operatives are exempt from the Right to Acquire as they issue contractual tenancies rather than Assured Tenancies."

If a CLH organisation enters a partnership with a registered provider, who would apply for capital funding?

"Each application will be considered on a case by case basis however, all applications should have the support of the community group. The advantage of a registered provider applying for the grant is that they may already be a GLA investment partner. The application should explain the relationship including any legal agreements in place and will need to clearly demonstrate how the proposals are genuinely community-led."

When becoming a registered provider, will community led housing organisations need to take nominations from the housing waiting list?

"The responsibility for determining an allocations policy lies with the community-led housing organisation, where or not a registered provider. Nominations policies can be agreed with local authorities. The Mayor's position is that the discretion to make this decision ultimately lies with the community group, however given the overwhelming need for affordable housing in London and the length of local authority waiting lists, his preference is that applicants to the Fund explore options with the relevant local authority wherever possible. There are examples of successful community-led schemes where nominations agreements from the waiting list have been agreed for a certain percentage of the homes on the scheme."

Homes for large families support multigenerational living and are more densely populated. Can we negotiate a higher grant rate than the £70k per affordable unit, to build larger family homes?

"Multigenerational living is exciting, and we are interested in supporting new types of housing. The group should be in dialogue with the local authority to identify the need for larger family homes at planning stage. It would be a good idea to look at local planning policy and housing strategy to see what size homes are needed in different areas.

If there is good evidence that a higher grant rate is needed to unlock the scheme, the organisation can use the negotiated grant route, where their viability assessments will be examined more closely.

There will still be value for money considerations and the need for London CHF to deliver outcomes across London."