



Development Strategy

2021 - 2026

Delivering on our promises

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1.0 Background

- 1.1 We are a Registered Provider (RP) and were formed in 1967 as a response to a chronic housing shortage in the London Borough of Croydon. We currently own and manage over 1500 homes in the London Boroughs of Bromley, Croydon, Merton, and Sutton. As well as managing our owned stock, 23 homes are managed for other housing providers.
- 1.2 We specialise in providing homes for those residents who require General Needs, Supported and Older Persons Independent Living. In addition to this we also provide access to home ownership through shared ownership and Help to Buy homes.
- 1.3 We had a development programme in place in line with the Mayor of London's Affordable homes programme 2016-21 (extended to 2023) Homes for Londoners. This has now been replaced with the Affordable Homes Programme 2021-26. This development strategy reflects the needs outlined in the Mayor of London's new affordable homes programme.

2.0 ccha2025 aspires to deliver our:

2.1 More affordable homes pledge

We will be resourceful and innovative to deliver an increased programme of genuinely affordable quality homes

We will aim to achieve the following:

- Secure at least 50-60 homes per year through traditional land and build procurement and through utilising land on sites already in our ownership
- Increase investment in market sales through ccha Developments Limited.
- Explore opportunities for management only partnerships non new build.
- Ensure that all our existing homes are financially viable through our active asset management system.

3.0 London housing context

- The Mayor of London has identified that 82,000 new affordable homes need to be delivered between 2021-26.

- Funding of £4bn has been secured by the GLA from central government to help to fund these new homes.
- Of new homes currently built in the capital, the government classifies just 38% of them as affordable. However, solving the London housing crisis will require 65% of new builds to be affordable.
- The latest figures show that work started on 1,634 homes subsidised by City Hall in the six months from April to September last year, just 1,201 were completed.
- Within Croydon, temporary accommodation rates indicate that 13.56 households in every 1000 are living in temporary accommodation (compared to 1.5 in every 1000 nationally).
- London is a highly competitive market. The largest (G15) RP's collectively own or manage over 600,000 homes. In addition to this, the g320 group of smaller RPs (with under 2500 homes) also operate in the southeast.
- ccha are a member of the L11 which are a medium sized group of community housing associations predominantly in and around London.

4.0 GLA Affordable Homes Programme Funding

- 4.1 The new £4bn affordable homes investment programme will focus on homes that are genuinely affordable: for Social Rent, London Living Rent and Shared Ownership.
- 4.2 Social Rent - Social Rents are calculated using the formula and data set out in the Ministry of Housing, Communities and Local Government's Policy Statement on Rents for Social Housing from 1 April 2020, and in the Regulator of Social Housing's Regulatory Framework for Social Housing (including the Rent Standard 2020) for local authorities and private Registered Providers.

Properties let as Social Rent homes will now include the right to shared ownership (with some exceptions that may apply to ccha such as specialist housing and housing developed in designated protected areas or rural exception sites) and must be let on lifetime tenancies (with a provision for probationary or introductory tenancies).

- 4.3 London Living Rent – London Living Rents are a sub-market rent product, based on one-third of the estimated median gross household income for the local borough, varied by up to 20 per cent in line with ward-level house prices.

These are capped to reflect the maximum amount a household eligible for London Living Rent could afford. The intention of the scheme is to provide residents with a pathway to home ownership through shared ownership after 3 years of the tenancy (up to 10 years). During this time, the resident will be supported to save for a deposit for their home. Eligibility rules will apply taking into account a maximum household income of £60,000 and the applicant must live or work in a London Borough.

4.4 Shared Ownership - Shared Ownership allows a buyer to purchase a share in a new home, and pay a rent on the remaining, unsold share. The key facts for the new shared ownership model are as follows:

- The initial purchase can be as low as 10% (replacing the 25% previously) and up to 75%.
- Rents for Shared Ownership properties can be no more than 2.75 per cent of the value of the unsold share.
- A new 1% gradual staircasing process has been introduced as well as a new valuation methodology.
- A new 10-year period during which the landlord will support the shared owner with the cost of repairs and maintenance in new build homes has been introduced.
- Shared owners will be able to claim up to a maximum of £500 in repairs and maintenance costs each year to support with the repair or replacement of (if faulty and not covered by warranty).

5.0 How many homes will we develop?

5.1 We have increased our stock levels by over 10% since 2015 and aim to deliver at least 40 affordable homes per year with up to 20 additional private sales to grow our portfolio.

These homes will be funded using a mixture of private finance and GLA grant funding.

5.2 We have managed to secure bank loan facilities totalling £30,000,000 to support our working capital to build new developments.

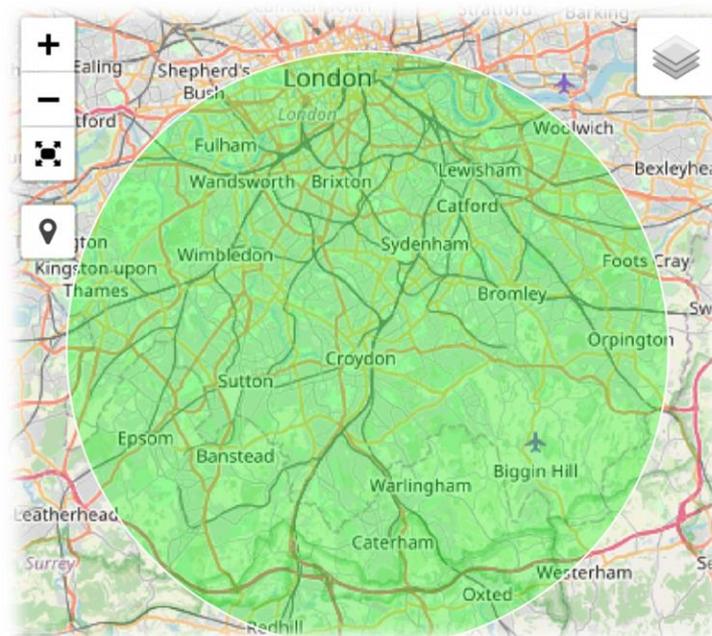
Our long-term financial modelling ensures these homes are developed in a sustainable way, provide a mix of Social Rents, London Living Rents and Shared Ownership products which includes First Tranche Sales and brings a return on this investment after 30 years. After the 30-year payback period, we will start seeing a profit which can be re-invested into the Association.

5.3 GLA grant funding – in order to ensure viability of schemes we have applied for funding via the GLA in addition to a limited amount of Recycled Capital Grant Fund (RCGF). The number of homes anticipated to be delivered as affordable and the funding granted is as follows:

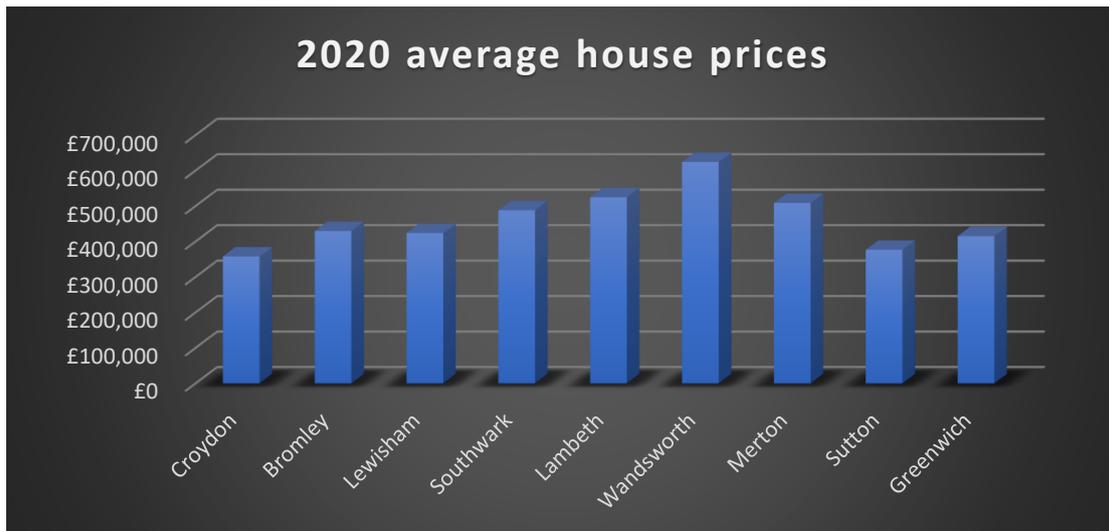
| Tenure type | Grant per home | RCGF (total) | No homes | Total grant and RCGF |
|--------------------|----------------|-----------------|------------|----------------------|
| Social Rent | £153,148 | £167,082 | 50 | £7,657,423 |
| London Living Rent | £79,994 | £55,821 | 32 | £2,559,821 |
| Shared Ownership | £59,992 | £49,716 | 38 | £2,279,716 |
| Total | | £272,619 | 120 | £12,496,960 |

6.0 Where will we develop new homes?

6.1 The vision for our development programme is to focus on delivering homes for the local community. In practical terms this will include opportunities within a 10-mile radius of the ccha offices.



6.2 The chart below details the average house prices per area. This shows that the directly neighbouring boroughs to Croydon can attract higher sales values, but this would also be reflected in land values. It is important that we understand the trend in values so that we do not get priced out of the market. Of the 9 boroughs in question, Croydon has the lowest average cost per home.



7.0 What homes do we want to develop?

7.1 Our aim is to develop homes that meet the needs of our diverse communities and to work with local authority partners to address specific housing needs.

When developing homes for shared ownership and outright sale, our priority will be to achieve a mix that will generate an appropriate return on investment whilst still providing homes that people will want to live in. This will include consideration to location, household types and size of home. We will work to develop homes in areas that are not the most sought after but enable affordability for residents who aspire to home ownership.

We will look to achieve Nationally Described Space standards and build properties that meet the Lifetime Homes Standard.

7.2 Scheme Approvals

In terms of approval for any scheme, we will ensure that key hurdles are met concerning financial viability, location, and quality. ccha appraisals will incorporate assumptions around income and expenditure.

Working closely with the finance team in relation to assumptions and the community investment team in relation to the private sales homes, these assumptions are continuously updated to reflect the current operating environment and an objective to achieve maximum value for money. Included in these assumptions are ongoing maintenance costs, void debts, and marketing costs.

7.3 Risk

Ccha will develop homes on a 'package deal' basis. This is where the scheme is delivered via a builder/property developer as a land and build package, with guaranteed, upfront costs at the start of the contract. All offers will be 'subject to' and will include full planning permission, contract etc., this form of development tends to be lower risk.

For these lower risk projects, we would accept the project if the cost to value is ideally around 75% but no higher than 90%.

In a minority of cases other types of opportunities will be presented, and in these instances, as well as the due diligence completed by ccha staff, the opportunity will be presented to the Development Committee for full scrutiny. These types of opportunities will generally hold a higher level of risk including (but not limited to), no planning permission, land only deals, joint ventures, contaminated sites, non-commuter areas, large schemes, or high-density schemes. Where these higher risk opportunities are identified, we would expect a lower cost to value ratio, to be decided at committee level, but in any instance, the baseline financial viability parameters must be met as a minimum.

With regards to Low-Cost Home Ownership (LCHO) sales, this risk is identified within the risk database. These risks are mitigated through continual scenario planning/stress testing. We ensure that there are prudent assumptions, ongoing marketing and communication with prospective buyers, frequent checks on sales valuation and weekly sales figures updates from external professionals working alongside ccha's community and customer investment team.

Historically, the Board have wanted to ensure that the number of supported homes in our total stock is maintained. However, the risks of owning and managing supported housing stock are getting greater and so there has been no allowance to develop more supported homes in the strategy. This excludes older persons independent living schemes.

This situation will continue to be reviewed accordingly so that future supported housing units can be considered should this environment improve.

7.4 Financial Viability

The following parameters are minimum hurdles for consideration of schemes and are to be considered in conjunction to the above risk scenarios.

For rental homes, we will only consider developments where a positive net present value (NPV) is achieved. We would only consider schemes where the internal rate of return (IRR) is more than 4%.

For private sale homes, we will only consider developments where a profit margin of at least 10% is achieved with an ideally 17% target.

7.5 Location

All homes developed will be within a 10 miles radius of our offices, and within a London Borough so that GLA funding can be accessed.

7.6 Quality

Prior to any schemes being presented to the Development Committee, the following areas will be fully considered to ensure that ccha can continue to develop properties to a high standard:

- **Safety – First priority**

ccha homes will be developed to be as safe as possible, using the golden thread of information approach throughout the building's lifecycle.

Using internal and external expertise we will aim to identify and mitigate risk from the outset with the design of our homes. In addition, we will base future developments on the lessons learnt from the Hackett report and emerging best practice followed (Fire Safety Act and Building Safety Bill).

- **Sustainability – Second priority**

Homes will be developed with the UK's 'Net Zero' aspirations at heart. We will work with developers to produce cost effective, sustainable housing fit for the future. We will look to design sustainability in to reduce future cost liabilities associated with retrofit solutions.

- **Value – Third priority**

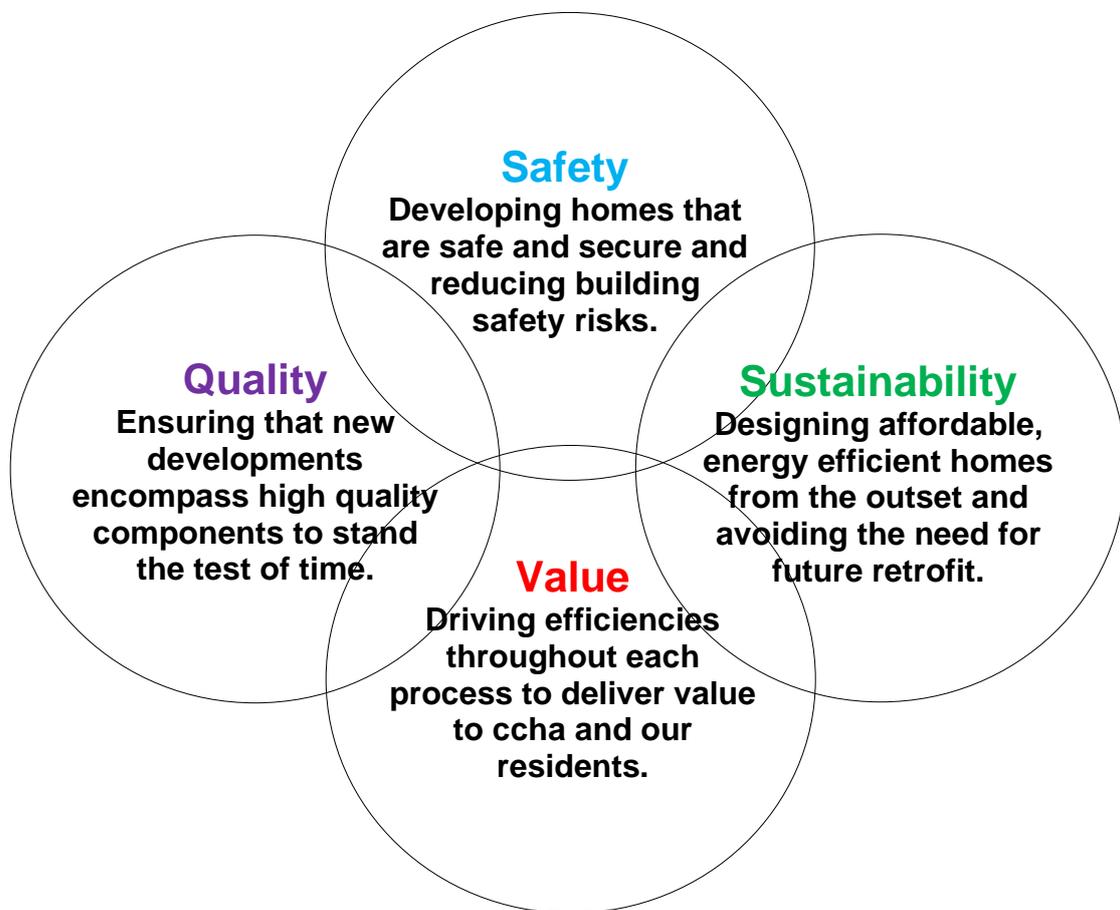
To enable a value for money approach and achieve the delivery of the number of homes we aspire to, we will aim to drive efficiencies throughout the development process using our development framework and close working relationships with developers and consultants.

Criteria – Procurement of services must be market tested for value and quality, ideally through a framework agreement.

- **Quality – Fourth priority**

Cross departmental work means that the emerging design brief will provide a robust document, detailing high quality materials and designs that will stand the test of time regardless of tenure and be an appreciable asset to ccha.

Criteria – Any development must conform with the ccha design brief.



8.0 Routes to development, capacity, and skills

- 8.1 We have worked to create our own development manager framework whereby we can call upon professional development consultancies to help deliver our future development projects.

8.2 We recognise that we do have areas already within our ownership where we can add further homes. These areas will be identified, and work will continue to ensure that we maximise these opportunities to run alongside the 'new' development programme.

8.3 Through our business plan we understand the capacity for development, but also appreciate that with restricted personnel resources on hand, limited resources can be dedicated to completing all stages of a development and that certain skills are required to undertake these tasks. Therefore, ccha will potentially look to work with third parties where required to undertake certain key functions within the process:

- Commercial skills – with a programme of shared ownership and the potential requirement for market sales, we need to scrutinise these opportunities on their commercial merits. We will use expertise and data to tailor our schemes to enable the best possible return which will enable us to increase future development capacity.
- New business skills – we have increased our reach in terms of experience of the property and land markets through engagement with key contacts and moving forward will continue to build and further develop these professional relationships.
- Partnership working - we will build strong relationships with both large and SME developers and site finders to increase the potential for future developments. We will also consider other arrangements for delivery of schemes such as the 'Build London Partnership' with L&Q.

9.0 Mechanism for applying for Grant funding

9.1 The application, administration and monitoring of grant through the GLA's Operational Plan System (OPS) is of primary importance and the delivery of affordable homes depends 100% on this area.

With the significance noted, we will use an outside organisation to carry out this process on our behalf.

10.0 Equality, Diversity & Inclusion (ED&I)

10.1 As per all ccha's activities, the Association's ED&I strategy will apply to ensure that we underpin our commitment to promote equality, diversity, and inclusion, and to meet the needs and expectations of all our employees and customers. Our goal is for our workforce to be truly representative of all sections of society, and for each employee and customer to feel respected and valued.

10.2 We are committed to not only ensuring that ED & I is embedded within the organisation but that all our suppliers and developers are aware of our commitment to ED & I and have a similar ethos. Assessment of this can be undertaken in various ways, for example at procurement stage, by examination of their equal opportunities or equality and diversity policies, their history of employing local labour or by looking at their staff composition and whether it reflects the local communities.

11.0 Corporate Social responsibility (CSR)

11.1 As a local housing provider, we are committed to helping the community by supporting local small to medium sized enterprises (SMEs) and will where possible include them in all development activities. We recognise that this is not always possible in development but where we have control over the construction, we will ensure that SMEs are not excluded.

11.2 We encourage contractors and suppliers to source local labour to reflect the community in which they are working including employing BME and vulnerable groups. We will only work with contractors who apply socially aware business practices and have awareness of or working towards responsible and sustainable ethical standards.