

Factsheet

Legal formats for
Community-Led
Housing
Organisations

Legal formats for Community Led Housing

Community Led Housing types

The form of your Community Led Housing project may take on one, or a combination of more than one, of the following: -

- Housing co-operatives;
- Co-housing;
- Community Land Trusts;
- Community custom and self-build;
- Tenant Management Organisation;
- Community self-help housing.

Choosing a legal structure for your organisation will follow once you have determined what the purpose of your organisation is, how it will be funded and what its operational structure will be.

Legal structure considerations

You will need to consider whether your organisation will: -

- Have a democratic membership structure;
- Undertake charitable activities;
- Own assets for the benefit of the community;
- Access public funding/grants;
- Raise funds independently or through private institutions (e.g. share issues or bank loans);
- Receive an income (e.g. rent, property sales, letting of space/grounds);
- Employ staff or contractors.

Constitution

Prior to becoming a legally defined organisation, it may be necessary for your group to have a constitution, which all board members sign up to, in order to access funding. This will not be set in stone and can be modified once you are formalising your group structure.

Once you know what your aims and objectives are and what legal form to take, you will be ready to incorporate as a legal entity. Your group will formally adopt a constitution, or be subject to articles/rules. These will cover the following: -

- Your organisation's name;
- Your organisation's aims and objectives;
- How your organisation is governed;
- How your organisation is financed;
- How your assets will be protected and rules for disposal;
- Your organisation's legal powers in terms of procuring services and assets; and
- Your organisation's succession plan, in the event your organisation closes.

Models of Community Led Housing and appropriate legal formats

Housing Co-Ops, Co-Housing, Community Self-Build, Tenant Management Organisations

The purpose of a co-operative society is for the mutual benefit of its members. Therefore, it is an appropriate legal format for housing co-operatives and cohousing groups (where the homes will be owned by residents), community self-build groups and tenant management organisations. However, if the organisation's aims and objectives include community outreach activities, it may be more appropriate for them to take the Community Benefit Society structure.

Mutual Home Ownership Societies are generally co-operative societies and admit members that are interested and eligible for the housing it provides. A Mutual Home Ownership Society enables groups of people to spread the cost and workload of buying or building homes which they might not otherwise be able to afford; it enables those on a low or intermediate income to invest in residential property. This model also builds communities, it allows residents to have more control than if they were tenants and the homes remain affordable in perpetuity.

Co-housing

Co-housing groups most often take on the form of a Company Limited by Guarantee. This format can also be used by community land trusts, provided an asset lock is secured by also registering as a charity or as a community interest company. This format works for co-housing groups because of the flexibility permitted with respect to the weighting of voting rights (for example, a specific number of votes per household, rather than per member) and in the event the company is wound up, the assets of the may be distributed between the members.

Community Land Trusts, Tenant Management Organisations and Self-Help Housing

The most common legal format taken by Community Land Trusts is that of the Community Benefit Society. It allows whole community membership, governance by the community and protection of community assets. Being able to raise funds by way of a community share issue is also a beneficial function of the Community Benefit Society format. Often Self-Help Housing groups are legally incorporated as Community Benefit Societies.

A Community Interest Company is a legal format for groups interested in establishing social enterprises. This company structure is designed to safeguard assets and profits for the interests of the community. Community Interest Companies are not generally suitable for resident-owned schemes such as cohousing groups or housing co-operatives because they exist for the benefit of the community and contain a compulsory asset lock. However, some Community Land Trusts have taken the format of a Community Interest Company because it allows access to grant funding that would otherwise not be available.

Tenant Management Organisations can also take the form of Community Benefit Societies and Community Interest Companies.

Please get in touch with Homes of Our Own if you wish to find out more about a suitable legal format for your Community Led Housing project.



Homes of Our Own:

Enabling Community Led
Housing in Wiltshire & Swindon



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