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# Development of new cohousing: Lessons from a London scheme for the over-50s

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## **Abstract**

There is increased interest in the UK in cohousing as a desirable alternative for older people. The economics of developing cohousing differ from the normal model for residential development; in particular the participatory nature of the process increases the time required and there are higher risks for both resident/purchaser and developer. We examine the nature of supply and risk using the case of a new senior cohousing community in south London. Given its evident benefits, senior cohousing may eventually become more widespread, and perceived risks will fall. However the nature of the residential development process means that cohousing will always be at a disadvantage when competing for land in high-demand areas like London, and the time required for participatory processes increases costs. To increase the currently small number of cohousing communities in the UK and ensure affordability, targeted measures may be necessary to enable groups to access land and mitigate the higher costs associated with longer-term collaborative processes.

**Keywords:** cohousing, residential development, older people, risk, London

## **Introduction**

In recent years UK policy-makers have become increasingly interested in the benefits of cohousing, seen to be a socially and environmentally friendly residential model. For older people in particular it can provide supportive communities for those who would otherwise be living alone, or far from support networks. But despite its acknowledged benefits, very few such communities have been created in the UK—the market does not seem to provide. Why not? This paper examines the supply of cohousing in relation to the economic barriers to its provision. We investigate the role of the developer and the relationship between the developer and the residents as well as the factors which affect the cost of new cohousing and the risks and uncertainties specific to the tenure. We discuss the importance of price as a determinant of individuals' access to cohousing, and show the difficulty of establishing price at an early development stage—something that can seriously affect individuals' possibility of remaining in the group despite commitment to it. The empirical material in this paper is drawn from a case study of a mixed-tenure senior cohousing development in a south London neighbourhood.

*What is cohousing and why does it appeal to policy makers?*

According to the UK Cohousing Network website (2012),

‘Cohousing communities are intentional communities. They are created and run by their residents. Each household has a self-contained, personal and private home but residents come together to manage their community, share activities, eat together. Cohousing is a way of combating the alienation and isolation many experience today, recreating the neighbourly support of a village or city quarter in the past.’

Cohousing first emerged in Scandinavia in the late 1960s and 1970s as the Danish *bofælleskab* and the Swedish *kollektivhus* (Vestbro 1992). There are now hundreds of cohousing communities in Denmark, Sweden, Germany and the Netherlands and it is increasingly popular in the USA, especially for older people. Cohousing communities have several characteristics that distinguish them from standard residential developments on the one hand and from communes on the other.

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Each household has its own self-contained dwelling, and the community shares common facilities. There is normally a shared kitchen and dining area, and depending on the interests and resources of the group there can be a range of other facilities (artists' studios, workshops, etc.) Residents (at least the first tranche) are active participants in designing—and often in building—their homes, and the communities are planned so as to foster interaction between members. Those who live in cohousing accept and embrace the idea of living in a neighbourly way (Sargisson 2000). They manage their communities themselves, often taking decisions on a consensus basis. Incomes are not pooled, as in a commune, but each household is self-supporting and neighbours engage in joint cost-reducing measures like car-pooling, self-management of maintenance or shared facilities/services like laundry. Finally, many cohousing groups espouse strong ecological principles; the LILAC community in Leeds, for example, has designed its built form and processes so as to minimise carbon emissions (Chatterton 2013).

Some advocate cohousing as offering an affordable alternative to standard housing (Widener 2010), and many cohousing groups explicitly aim to provide affordable housing and/or cater for a range of income groups (Chatterton 2013). Cohousing communities may cater for all ages or be targeted at one demographic group. In the UK there is a growing interest in senior (50+) cohousing from active members of the baby-boom generation, who seek an alternative to living alone but reject conventional forms of housing for older people as paternalistic and institutional. Traditionally in the UK most dedicated housing for older people was provided by local authorities or charities. Private-sector developments for older people (usually known as retirement or 'sheltered' housing) emerged in the 1970s and 80s (Williams 1990), later than in for example the USA. Purchase is limited to those meeting age requirements (normally a minimum age of 55 or 60 for all members of the household). Several specialist developers serve this market; McCarthy & Stone is the largest, with a 60% market share (Ball 2011).

In the UK there is increasing policy interest in cohousing for older people, as reflected in the recommendations made in the 2009 report of the government-sponsored HAPPI panel ('Housing our Ageing Population: Panel for Innovation'). This report suggested that living in a supportive community environment might reduce or delay the need for residential care (and the consequent cost to the public purse) (DCLG et al 2009). The self-help and reciprocal-aid model of senior cohousing fosters mutuality and helps participants avoid the social, health and financial costs of isolation in old age. It addresses the growing demand from older people for autonomy and positive housing choices in later life.

The autonomous structure of cohousing groups resonates with the current government policy of localism, or decentralisation of state power, which encourages individuals, communities and councils to take more control over local democracy and governance. The current pressure on the housing market, especially in London and southern England, has given rise to concern about 'over-occupation' of large family homes (many occupied by older couples or single people whose children have left home), while other households are forced into overcrowded and unsuitable accommodation (Demos 2013). Senior cohousing—along with other, more conventional retirement housing—is seen as potentially offering older downsizers a compelling alternative to remaining in their existing homes (Wood 2013). There are many authors, however, who question whether encouraging older people to move would actually free up significant amounts of housing. More fundamentally, they ask whether encouraging them to move to much smaller units is sustainable or positive, given that a third of older people who move choose dwellings with at least three bedrooms, and among owner-occupiers this is 50% (Pannell et al 2012).

Despite the evident benefits of cohousing for both residents and the wider society, there are only about twelve existing communities in the UK.<sup>2</sup> It seems that market mechanisms are not operating to produce cohousing at a more mainstream level. This paper is an attempt to understand why this is so. Our research question is: *how does new supply of cohousing differ from traditional models of housing provision, and what risks does it entail?*

A growing UK literature on cohousing is addressing issues such as economies of scale and sharing (of transport, food and energy, for instance); costs of development in different cohousing models and legal arrangements; maintenance and group expenditures; the conditions of leases and re-sales, particularly of affordable units; funding mechanisms and municipal subsidies (see for example the *Built Environment* ‘Special Issue on Cohousing’ 2012), but these themes are dealt with as part of wider descriptions of the housing sites, their historical trajectories, or discussions of perceived success. Our interest is on a comparatively under-researched area: the economic decisions of cohousing actors, and how financial arrangements are created and contested during the initial development stages of a cohousing community.

This article is based on nearly three years of participant observation of the development of a new cohousing group for over-50s in south London, as well as desk research, and interviews with members of other UK cohousing groups. During this time, the authors have attended monthly group meetings where they act as official minute-takers and have carried out a programme of semi-structured interviews with individual group members and other actors including housing association officials and architects.

### **The economics of cohousing development**

There is relatively little written about the economics of creating cohousing. What literature there is generally situates cohousing in a communitarian paradigm. This rejects traditional neo-liberal assumptions about individual agency, the advantages of competitive markets and the goal of economic growth, stressing instead the formation of strong communities as an economic and social objective. Cohousing thus is seen to exemplify co-operative rather than competitive interaction, and to be compatible with the purposeful shrinking of the overall economy (Lietaert 2010). One writer, talking about the LILAC community in Leeds, says it must ‘challenge an unsustainable housing model and develop an alternative based on economic equality among residents, permanent affordability, demarketization, nonspeculation and mutual coownership’ (Chatterton 2013, 1662).

These analyses address behaviours and attitudes within cohousing communities or groups and generally look at the post-occupancy stage. Our focus, by contrast, is on the mechanisms of the senior cohousing development process before any construction takes place—and by development we mean the sequence of events and combination of key actors that lead to the production of physical dwellings, starting with land search and acquisition through design and securing of planning permission and ultimately construction (not dealt with in this paper). We are not concerned in this article with the group’s development in a social sense<sup>3</sup>, but rather with the economic dynamics, elements and stakeholders within the initial formation period of this senior cohousing project. The language of traditional market-oriented housing we employ here is not intended as a prescriptive or reflective account of cohousing’s social ethos but as a suitable expression of the dominant economic context and parameters within which the housing market, including cohousing, currently operates in London. It also reflects the language and paradigms employed by our own case study group.

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<sup>2</sup> See [www.cohousing.org.uk](http://www.cohousing.org.uk)

<sup>3</sup> For a discussion about this group’s development in relation to their collaborative design process, see Fernández and Scanlon (2015 forthcoming).

## *The nature of the developer and the development process*

The construction or renovation of new cohousing dwellings requires the involvement of a developer to acquire land, finance construction and engage builders. Developers can help with project finances and time projections and the partnerships between developers and groups, if properly cultivated, ‘are especially valuable for core groups who wish to create their community in urban areas where few developable sites remain, and where land as well as pre-development costs are exorbitant’ (Durrett 2009, p.90). The developer function may be performed by the group itself or by an outside organisation or firm. The literature identifies three possible models (Durrett 2009). In the first, a separate developer works with the group and builds dwellings to their specification. The developer funds land acquisition and construction and on completion sells the units to group members. In the second, cohousing members themselves finance land-acquisition and construction costs out of their own pockets and/or with a mortgage. This model is found in Denmark, where cohousing has deep roots, and was followed at Springhill, the UK’s first new-build cohousing scheme. It gives group members total control over the development process, design, costs and timing—but they also bear all the risk, and must make a substantial financial commitment well in advance of moving into the new dwellings. In the third model, common in the USA (see Glass 2012), a developer creates a project *without* the input of any future residents or group members, then sells the units to anyone who wants to buy them. The residents then manage the development and decide how to use the common facilities. This frees residents from development risk, although the elimination of the participatory design phase means that the group cannot shape the physical space or benefit from the community-building opportunity this provides.

Housing associations, which are non-profit suppliers of (often social) housing, commonly participate in cohousing development and management in Denmark and the Netherlands, where an institutional top-down support system is firmly in place to encourage the senior cohousing model (Brenton 1998; Williams 2005, Smits 2012). Housing associations are in many ways ideal development partners: they are experienced builders and their financial strength can enable the purchase and development of land that would otherwise be inaccessible to co-housers; they are social-housing providers who can facilitate the inclusion of the social rental and shared ownership housing that local authorities require<sup>4</sup>; and their non-profit status means the end price to cohousing group members may be lower than a for-profit developer would require. At the same time, their traditional and hierarchical *modus operandi* presents a challenge to the vision of shared decision-making and management that is fundamental to the cohousing model. And, the fact that housing associations are non-profit does not mean that they are not commercially minded. In the last 30 years the sector has become increasingly professionalised and run along commercial lines; several of the larger UK associations have for-profit development subsidiaries that build market housing for rent or sale, using the proceeds to cross-subsidise their social housing (Mullins and Pawson 2010). This may condition their views as developers about whether cohousing itself should be ‘affordable’.

## *Cost of development*

In general, the financial cost of producing a residential development comprises the cost of land, refurbishment of buildings and/or demolition of existing structures (if required) and construction of new ones; also included are fees for architects and other professionals and holding costs (Isaac et al 2010). From the point of view of the developer (if not necessarily of the resident), the relevant

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<sup>4</sup> All residential developments over 10 units in London are required to include a proportion of social and affordable housing. The exact amount is determined by negotiation with the local authority and generally is in the range of 25-40%. The average social rent in the borough of Lewisham, where the scheme is located, was £436/month in 2013 (GLA 2014a). For comparison, average weekly earnings in June 2014 were £2071 in the UK as a whole, and £3172 in London.

comparator for senior cohousing is traditional retirement housing. The cost calculations for retirement housing are much the same as for any speculative development; as Ball points out,

The price of this type of housing is influenced by the same cost factors as all other types of new homes: that is, by land prices and costs associated with construction, development finance, and conforming to planning and other types of regulation (2011, 38).

Some features of retirement housing do affect costs. Retirement developments often include additional services and communal facilities of a similar sort to those in cohousing communities. Most retirement communities are actively managed, either by the original developer, a specialist private firm or a housing association, and wardens are often employed. Rather than being sold off-plan, the schemes are generally completed and have management and facilities in place before residents move in. All these things impose costs that are not typical to the mainstream housing market. Finally, local authority plans rarely provide explicitly for retirement housing. When planning applications for such specialised housing are produced by external organisations, these are routinely denied in the first instance and only allowed on appeal, which increases development time—and costs (Ball 2011).

Similarly, many characteristics of cohousing projects have cost implications. Some might reduce unit costs compared to standard developments for older people:

- Smaller average unit size than standard development;
- Provision of shared facilities (that otherwise would be one per household—e.g. washing machines); and
- Contribution of residents' own labour (self-build).

Others could be expected to increase cost:

- Inclusion of a common house and shared facilities that would not be present in a standard development (e.g. craft workshop, large-scale kitchen and dining room, office space, storage areas); and
- The increased time required for the development process (discussed below).

The influence of each factor will differ according to the specifics of each group and development site—for example, some cohousing communities are at higher density than standard developments (which would reduce unit costs) while others are at lower-than-normal densities. Garden sizes and leisure areas will vary depending on the site, as will the costs of providing them. Similarly, some cohousing developments employ materials and finishes that are of a higher standard than a developer's normal offer, and each community will decide on the extent to which they wish to subscribe to (costly) environmental efficiency standards (e.g., photovoltaic solar panels, biomass heating systems, green roofs, etc.). The calculation of the cost difference between cohousing and other developments is straightforward for most of these cases.

There is one area in which the cost difference can be both substantial and unpredictable: time. Cohousing developments take longer than other housing construction. In the first place there is the time required to find a suitable building site by the would-be cohousing group. While this precedes any actual financial investment, this energy-consuming process can take years, particularly in high-demand areas like southern England (one London group looked for a site for thirteen years). Sites suitable for cohousing are also often attractive for standard housing, so aspiring co-housers can lose out to profit-maximising private developers with extensive financial resources. And even when the development process is underway, a cohousing project can be expected to take longer than a standard project, for three main reasons:

- The group itself is involved in deciding on the features that their new community will have, and the group decision-making process is an iterative and time-consuming one;
- The general novelty of the process can give rise to delays; the planning process may be longer than for a standard development, as both local-authority planning departments and local residents (at least in the UK) tend to be unfamiliar with the concept and require convincing; and
- Where the developer and the group are distinct entities, negotiations can be time-consuming as there are so many parties involved.

The cost of this extra time can be very substantial. They fall on the owner of the land (presumably the developer), who may have an empty or near-empty site for months or even years longer than would normally be expected. During this time the developer must make payments on any loan taken out for site acquisition, but will not have received any income. Depending on the arrangement between developer and buyers, this cost may be transferred to the final unit prices.

Given all this, it is clear that provision of new cohousing will not necessarily be cheaper than conventional new-build. If both group and developer are committed then substantial cost reductions can be achieved—e.g. through the use of self-build. But in high-cost areas like southern England, land value makes up such a high percentage of build cost that groups who pay market value for land will almost inevitably face high unit prices. Yet irrespective of the final cost and individual financial investments, cohousing residents devise and subscribe to a collective legal and financial arrangement that constraints their ability to make any significant profit upon re-sale. Thus, while they are prepared to follow regular price-setting mechanisms of the market to begin with, the model they institute as a group is designed to circumvent (at least partially) this process in future.

### **Risk and uncertainty**

Both supply of and demand for housing will be affected by market actors' perceptions of the risks involved. The development of a cohousing community involves a number of risks and uncertainties, some obvious from the beginning and others not. Some are probably universal to all cohousing projects while others relate to specific features of individual communities. What are these risks and who bears them, and how do they differ from the risks involved in development of standard new-build housing?

Prospective cohousing residents must assume a number of risks and uncertainties that purchasers of new-build housing do not face. This is largely because the co-housers are involved at a much earlier stage of the process than purchasers of standard housing—the group formation and design process has no corollary in normal for-profit development. The risks at this stage, which do not have direct financial consequences, include the risk that the project will fall apart and uncertainties about the ultimate legal status of the community. These are not easy to quantify in money terms but can nevertheless be expected to affect individuals' behaviour and attitudes towards the project.

Producing housing for sale to cohousing communities is an untried business model in the UK, and the developer faces both the risks inherent in any residential development (including planning risk and development risk), but also the risks and uncertainties involved in providing a new product for a new type of consumer. Table 1 summarises risks and uncertainties for developers, and Table 2 for cohousing groups.

**Table 1: Risks and uncertainties for cohousing developers taking on cohousing projects**

<b>Stage of cohousing</b>	<b>Risks/uncertainties</b>	<b>Is risk higher or lower than for developer of</b>	<b>Direct financial consequences?</b>
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<b>process</b>		<b>standard new-build housing?</b>	
In the group formation and design process	Risk that the project will fall apart	Higher	Y
	Uncertainty about completion date	Higher	Y
In the planning and development process	Planning risk	Same: Depends on local authority	Y
	Development risk—the risk of cost and time overruns (degree to which developer bears depends on negotiations with group)	May be lower in cohousing if developer can pass costs on to cohousing group	Y
	Risk that the group will fall apart	Higher	Y
After completion	Risk of empty units	lower if group acts as 100% pre-sale;	Y
		higher if there are problems finding qualifying households	

Table 1: Risks and uncertainties for co-housing group members

<b>Stage of co-housing process</b>	<b>Risks/uncertainties</b>	<b>Is risk higher or lower than for purchaser of standard new-build housing?</b>	<b>Direct financial consequences?</b>
In the group formation and design process	Lack of clarity about final price	Higher	N
	Risk that the project will fall apart	Higher	N
	Risk that member won't qualify e.g. for shared ownership	Higher	N
	Uncertainty about ultimate ownership	Higher	N
In the planning and development process	Uncertainty about completion date	Higher	N
	Community risk—that individuals will disagree/pull out	Higher	N
	Development risk—the risk of cost overruns (depending on negotiations with developer)	Higher	Y
After completion	Community risk—that neighbours won't get on	Unclear. Possibly lower, as residents of standard housing won't know neighbours beforehand; but greater interaction	Y
	Decline in value; difficulty in resale	Higher	Y
	Operating risk—maintenance and management	Unclear. Standard multi-unit housing employs maintenance staff while co-housers do management themselves	Y

The table suggests that prospective co-housing residents must assume a number of risks and uncertainties that purchasers of new-build housing do not face. This is largely because the co-housers are involved at a



much earlier stage of the process than purchasers of standard housing—the group formation and design process has no corollary in normal for-profit development. The risks at this stage—which are nonfinancial—include the risk that the project will fall apart and uncertainties about the ultimate legal status of the community. These are not easy to quantify in money terms but can nevertheless be expected to affect individuals' behaviour and attitudes towards the project.

Once the development is underway co-housers bear risks that households moving into typical new-build housing do not. In a project where units are sold at cost to group members, the co-housers share development risk if the pricing structure allows for cost overruns to be passed through to them. After completion the main financial risk is that co-housing units may be harder to sell and/or less valuable than analogous owner-occupied units, because of the restrictions on resale or the lack of mainstream interest (there are nevertheless alternative networks and routes of information for this niche market). There is also what we term 'community risk'—that is, the risk of rifts or divisions within the group of residents. This can also happen in standard housing, of course. The emphasis placed by co-housers on group cohesiveness means that such rifts should be less likely in co-housing, but if they did occur they would be regarded as more serious. The short and long-term impact of divisions or disagreements can in theory be attenuated by the formal norms and informal mechanisms that allow for conflict negotiation.

While group members face many uncertainties without direct financial consequences, particularly in the early stages of the project, Table 1 shows that the additional risks could all affect the developer in money terms. The developer faces the risk that the group will fall apart before the project is finished, thus eliminating this putative market—although, as discussed, the housing association has allowed for this contingency by ensuring that the units would also be suitable for sale on the open market. Planning risk is greater in some local authorities, as their willingness to countenance cohousing varies widely. There is also the significant risk of time delays, which impose direct costs on the developer. As mentioned above, some of these unknown costs can also pose financial risks for the residents, as they can be passed on to them upon sale.

Overall, because cohousing developers face higher risks than with standard development, they must therefore also seek higher returns. These returns might be measured in financial terms but in the case of not-for-profit developers could also include intangible benefits such as the knowledge that they are providing good housing or are developing tools that they can use more widely. From the developer's point of view these higher risks might also be seen as an inevitable part of entrepreneurial product innovation. The residents, however, are unlikely to repeat this process, so the question is how risks to them can be mitigated and how 'best practices' could be appropriately learnt and exchanged.

### ***Empirical findings***

The Featherstone project is unusual in that the group is being formed around an identified site, whereas in most cohousing communities in the UK and abroad the group came together first and then found a site. The case-study site is Featherstone Lodge, an imposing 18-bedroom Victorian house built in 1858 for a London businessman. It sits on a ridge in leafy Forest Hill and boasts a remarkable 1.5-acre walled garden—one of the few remaining in the area. It passed into institutional use in the early 20<sup>th</sup> century and in the 1960s became a drug-treatment centre for heroin addicts.

Figure 1 AROUND HERE: London borough map

Subscript: *Featherstone Lodge is located in the South London borough of Lewisham*

Source: Authors.

IMAGES 2 AND 3 AROUND HERE: Featherstone Lodge

Subscript Figure 2: Rear view, from garden, of Featherstone Lodge

Source Figure 2: Claire Anderson, Hanover Housing Association

Subscript Figure 3: Front view of Featherstone Lodge  
Source Figure 3: Melissa Fernández Arrigoitia

When this institution closed the house was put up for sale, and despite its attractive location, it failed to find a buyer. Two neighbourhood residents approached a housing association, one of the UK's largest providers of housing for older people, to suggest that they buy it with a view to turning it into a cohousing community. The association agreed and purchased the property in 2011. In the aftermath of the global financial crisis London property prices had plunged, and the plot was secured for £1.4 million-- a bargain for the Housing Association, and an impossibility for the individual would-be co-housers. The developer in our case study is not only one of the largest providers of retirement and extra-care housing in the UK but also a major institutional promoter of the senior cohousing model. The association is motivated by the idea that it can become a pioneer in the field of senior cohousing, a type of intangible benefit that nevertheless has real value. According to a senior officer of the association, the association believes in 'an anti-paternalistic provision of older people's cohousing that encourages active and preventive ageing' (Interview, January 2012). The association is also working with three other London cohousing groups. These collaborations require a great deal of input from the housing association in terms of liaison with the group and the local planning authority, but it hopes to learn lessons from these pioneering schemes that can be translated into a more general cohousing template.

In September that year the founders began recruiting other group members. Since then members have met monthly, working with architects and the housing association to design the new scheme, as well as with each other to develop their identity as a group. Their planning application was formally submitted in Summer 2014 and is expected to be approved by the local authority in late 2014. Meanwhile, except for a live-in caretaker (who is also a group member), the house has remained empty.

FIGURE 4 AROUND HERE: Cohousing group and architects considering design options  
Source: Melissa Fernández Arrigoitia (October 2012)

Although the group's membership has changed over the three years of its existence, its overall composition has remained fairly stable. There were 15 people at the first group meeting, eleven women and four men; a further five women and one man sent apologies. There was only one couple. The majority were white, and lived in London but not in the immediate local area; most were in their mid-50s to mid-60s. Over the course of three years many members have dropped out and others have replaced them but this pattern – in which about 2/3 of group members are single women from London - has persisted. Many but not all of the members plan to sell their current homes in order to fund their purchase of the cohousing units. Others will enter into shared-ownership arrangements with the developer. Out of 33 total there will be seven social rented units (.).

Of the 22 names on the minutes of that first meeting, only six were still actively involved three years later; attendance at group meetings was averaging 8-12 persons in mid-2014. Anecdotally, this high attrition rate is not atypical, and is not necessarily an indicator of failure; it may in fact be a positive indicator, as those most likely to enjoy and benefit from the scheme remained and others self-selected out.

The final plans for the Featherstone project comprise 33 relatively small one- and two-bedroom flats (some in the existing house, and some built in the garden), plus a common house with large

kitchen and dining area in the main lodge building<sup>5</sup>. The units were kept small for two reasons: because group members preferred a relatively egalitarian distribution of space, and to keep costs down. But other factors worked to push costs up. The main one was time: it took much longer to agree a design and to secure planning permission than expected. During the first two years, the design changed frequently. The composition of the group was very fluid: some participants dropped out and were replaced by new people, who wanted to re-open design questions that had been regarded as settled. And although the local authority political leaders and housing department were enthusiastic supporters of the project, the planners were less convinced. While not specifically opposed to the idea of cohousing, they required numerous revisions and clarifications on issues such as the amount of parking, the relationship of the proposed new buildings to various protected trees, the layout of the garden and the distance from the new buildings to neighbouring houses. All these revisions took time. The original timetable for the project had envisioned a move-in date of Spring 2013 (18 months after the group's first meeting). This proved to be wildly over-optimistic; it is now clear that from start to finish the project will take at least 4 ½ years and probably more.

The housing association became involved in this project because it fits with its charitable mission, and because it sees cohousing as a way to improve the services it offers to its other residents. However Featherstone is *not* social housing but rather a private development<sup>6</sup>, and the association, as developer, needs to cover its costs. The association therefore required that the units be designed in such a way that they would be saleable on the open market if the cohousing group were to dissolve or not to occupy all the units. This stipulation was not clear to the group until midway through the design process, and this—along with other disagreements about costs—made it clear to group members that their interests and those of the developer were not necessarily congruent.

In early discussions, the association told group members that they could buy the finished units at cost on completion. This price was expected to be about 10% below the market value for a similar units; the discount was presented as a way of compensating group members for their contribution to the design of the scheme. Final costs will not be known until the scheme receives planning permission and builders' quotes are secured, but it is clear that costs will be significantly higher than originally anticipated. House prices have risen sharply in London in the last five years, but construction costs have gone up just as much or more—so the goal of a 10% discount on market values may be difficult to achieve. The most recent estimates give prices for group members of between £270,000 and £356,000 per unit. This was close to the average price of a London house in August 2014 at £330,000, and well above the average £181,757 for UK houses as a whole. How much the lengthy delays have added to financial costs—and who will pay for them—is not yet known.

Because of the nature of the cohousing development process, members so far have joined the group *before* they knew what the unit price would be (there were estimated figures, but these have changed regularly)—and therefore before they knew for certain whether they would be able to afford it. Initial members were effectively expressing interest in the scheme before making a financial commitment, and implicitly expected that through the cohousing process they would be able to design a project that would meet their needs in terms of specification, appearance, ethos and, crucially, price.

But it was difficult for group members to affect price, for two main reasons. The first was that the group rarely discussed financial specifics. They spent much time at meetings working with the architects on design issues but the question of what each member could afford to pay was only broached after some months of meetings, and most members provided the information in writing rather than sharing it with the whole group—perhaps because of cultural taboos about discussing

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<sup>5</sup> See Fernandez and Scanlon (forthcoming) for a description of the design process.

<sup>6</sup> At least 10 of the 33 units will be affordable, including both social rental and shared ownership.

finances with relative strangers. Thus it was only after several months of discussions with the architects that the group provided target unit costs based on how much they could afford to pay.

The second reason was that the developer was slow to cost the scheme, even after the architects' designs were well advanced. This occasioned a great deal of frustration among group members, who felt they were 'flying blind' in trying to work towards a cost-effective solution without any information about costs. One of the fundamental questions was the distribution of units of different sizes (one-bed vs two-beds; townhouses vs flats). Members felt they couldn't decide what size unit they wanted without knowing the costs, but costs couldn't be accurately worked out without a notional distribution of units. The first set of cost estimates, produced in November 2012, were well above what most group members felt they could afford, and the architects worked with the group to identify design elements that could be changed to cut costs.

In our case study, while the interests of the cohousing developer and residents have not been entirely congruent, they need each other: without the housing association the group would not have a site, and without the group the housing association would not have a cohousing community. The housing association is acting as developer and has assumed all financial risk for the project, as would be normal for a speculative market development or a typical social rented development. But this project is not speculative; the cohousing group is the putative collective client. However three years after the process began there was still no formal relationship between the developer and the group: there was no written contract between the two parties and members of the cohousing group had no financial stake in the project. The housing association therefore bore all financial risk during the prolonged first phase of the project, while the group invested all social energies and costs.

The plan is that at some point, members would pay a deposit of approximately 10% of the eventual cost of their dwelling. However neither the amount of this deposit, nor the date when it will be required, had yet been determined as of this writing. The amount of the deposit depends on the final cost figures, which cannot be produced until planning permission is secured and contractors produce quotes. Cost may also affect the ultimate membership of the group, as some participants have said they would simply have to leave the project if the prices were higher than they could afford. Indeed, some early members did leave once the first indicative prices were circulated.

Although the exact figure is not yet known, the initial deposit will probably be in the at least £25,000 per household. Several group members are intending to finance their purchase at Featherstone by selling their current houses. Recognising that some participants may not have enough liquid assets to cover the deposit, the housing association has offered to fund this through a loan, to be repaid on sale of participants' homes.

The group's experience with trying to impose a membership fee suggests that the down payment may prove a significant hurdle, as much psychological as financial. Throughout the group development process, members have proved reluctant to part with even a relatively small membership fee (around £75). The exact amount of the fee was discussed at almost every meeting during the first year, and participants only began to pay in June 2013, some 18 months into the process. This may reveal their perception of the risks involved. It suggests that, before they part with deposits that may represent their life's savings, they will require real certainty about outcomes.

## **Conclusions**

In the UK system, the *development* of a new cohousing community necessarily involves the acquisition of land, and prospective cohousing developers have to compete in the traditional land market. In London, this value is very high indeed, and growing. Most land that is suitable for cohousing development is also suitable for other types of residential use, including speculative

development for owner-occupation. The profits on the latter will almost always enable speculative developers to outbid cohousing groups in free-market land sales, especially in areas of high housing costs such as London and southern England. This is one reason that so many UK cohousing groups must search for years for a suitable and affordable plot.

This problem is not confined to cohousing—it is increasingly recognised that many specialist types of residential development are difficult to get off the ground because they are unable to match the prices paid for land by those developing for owner-occupation. This includes dedicated private rented housing (Scanlon et al 2013) and standard retirement housing (Ball 2011). One way around this is for the public sector (often local authorities) to use directed measures that have the effect of reducing the land price to enable these developments to be built. Public bodies, including local authorities, are sometimes willing to sell plots at market value but defer receipt of part of the payment, which makes the finances affordable for the developer. This mechanism was used in the case of LILAC, the Leeds cohousing development completed in 2013, where ‘After protracted discussions, the local authority sold the site to Lilac at market levels, deferring receipt of half the land value’ (Chatterton 2013, p. 1658).

Unusually, in the case study described in this paper the acquisition of land was *not* a problem: a suitable plot was in hand from the beginning, and the price paid was exceptionally low. Even so, the costs of design, planning and construction—and in particular the time required—mean that if Featherstone’s developer is to cover its costs (which it must), the units will not sell for much less than market value. Given (increasing) London house prices this will make them unaffordable for many. Those group members who own homes in London will have seen the value of their assets rise as well, but those who rent, who live outside London, may find it difficult or impossible to pay the final prices. Interestingly, those who *do* eventually pay market or near-market prices will be engaging with price-setting mechanisms that, as a group, they seek to challenge or limit. That is, while they will buy their cohousing unit by selling (and making a large profit) in the speculative housing market, they will actively constrain themselves and future group members from recreating the same profit-maximising system upon re-sale. This irony is partly a function of their age—most belong to a generation that has seen very high returns on houses purchased decades ago—and partly a function of the lack of alternative housing options (both financial and social) in London, which meant that they were forced to operate in the traditional market.

The slowness of establishing cohousing communities in the UK reflects the risks of this nascent tenure to developers. The financial services sector and property developers employ models for quantifying and pricing risk and returns, which in principle could also be applied to at least some of the risks inherent in the development of cohousing communities. In practice however the data are too limited to permit this. It is clear, though, that both developers and cohousers face a number of risks and uncertainties that buyers and developers of standard housing do not. Implicitly we must assume that for those who continue to be involved, the expected returns outweigh the risks. This implies that at the moment, only those who value the returns very highly (i.e. those who are strongly ideologically committed) will choose to become involved with and continue to be committed to cohousing—and this applies to both residents and developers.

The tenor of discussions about housing and community is now shifting: there is a recognition that communities need thoughtful nurturing, and an increased interest from both policy-makers and individuals in alternative housing solutions. The early pioneers will have to bear more risk, but the perceived risks will fall if the tenure becomes more widespread and institutions like local authorities and mortgage lenders become accustomed to dealing with it. But risks will not fall and the tenure won’t become more widely known until and unless the issue of development cost is addressed. Developer-led cohousing doesn’t necessarily produce an affordable product, but self-financing projects of this size is out of reach of many groups—and probably impracticable for site-first

projects. LILAC for example benefited from a large government subsidy. Without targeted assistance in the form of low-cost land or specific subsidies, groups will find it hard to compete with developers of other types of housing. Housing associations may be the most suitable development partners but given the regulatory framework and governance structures, it cannot be assumed that their interests and those of cohousing groups are entirely aligned.

Economics, finance and planning are by no means the only barriers to the creation and progress of cohousing groups (see Jarvis in this issue). Nevertheless, they are crucial elements in the early development of the group, as they determine who gets included and excluded from the equation, and in what ways. Land value, location and price as well as the risks and uncertainties involved for both the developers and residents all affect the way the process plays out, and impact on the shifting relationships between the key interested parties. It is therefore our hope that with the increasing popularity of cohousing in the UK and London, this first detailed foray into the economic aspects of its development will lead to further analysis of comparative forms.

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