Micro Equity

Business Plan

Homes for Kids – Cardiff

Micro Equity is the trading name of
Caledonian Land Trust Limited,
a Community Benefit Society
registered with the FCA,
registration number 2740RS

March 2026

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CALEDONIAN LAND TRUST

www.microequity.org

1. Executive Summary

1.1 Mission Statement

To provide stable, affordable rental housing by combining community share investment with an ethical buy-to-let model, ensuring homes remain fairly rented and community-governed. Special focus is given to supporting homeless families with children by offering secure, dignified housing and integrated support services. Also to provide the Micro Equity mechanism enabling the tenant to purchase their home one share at a time, with their spare cash, moving toward full ownership.

1.2 Our Vision

Our vision is to see Micro Equity projects being implemented in communities across the UK to provide stable home environment for households of all financial background to grow and flourish.

The UK housing crisis has reached a critical point, with over 150,000 children living in homeless households. Across the nation, communities face severe housing shortages, soaring property prices, escalating rents, and an increasing reliance on temporary accommodations—trapping many families in a cycle of uncertainty.

In response, we created the innovative, debt-free Micro Equity model. This groundbreaking approach empowers tenants to invest in their homes gradually, one share at a time, with their spare cash.

Initially, we are focusing on providing secure housing for homeless families with children. Looking ahead, we aim to support care leavers, ethnic minorities, first-time buyers, and others seeking a path to homeownership without the financial strain of a mortgage.

Designed to be inclusive and adaptable, it benefits a wide range of households, including the self-employed, co-housing communities, low-income earners, homeless families, and students. This model will foster partnerships between tenants, investors and communities to make ownership accessible for households across all income levels.

1.3 What is “Micro Equity”?

Micro Equity bridges the gap between renting and owning, transforming tenants into co-investors in their homes. By allowing tenants to purchase shares gradually, we create a debt-free path to ownership while fostering shared responsibility and long-term stability.

Micro Equity adapts the traditional established Buy-to-Let model within a cooperative social enterprise framework. In this model, the property portfolio is owned and managed by a cooperative, and while tenants pay standard rent, they can also use any spare cash to purchase shares linked to their home, enabling them to gradually build ownership.

This setup transforms tenants into co-investors, creating a collaborative relationship between tenants and the landlord as they work toward the tenants’ full ownership of their home. Key features of the Micro Equity model include:

- **Home Shares**

  While continuing to pay rent during their tenancy, tenants can also use surplus income to purchase Home Shares, allowing them to gradually build ownership in their home over time.

- **Reward Points**

  Under the micro-equity model, 10% of the tenant’s monthly rent is allocated to a dedicated property maintenance fund. If the tenant looks after their home and maintenance costs are lower than expected, any unspent balance is converted into Reward Points.

  When the tenant is financially ready to purchase the property from the Land Trust, these Reward Points can be used as part-payment towards the purchase price. This approach incentivises tenants to care for the property, as fewer repairs result in more Reward Points being earned.

For example, if a tenant pays £1,000 per month in rent, £100 is set aside for maintenance, totaling £1,200 over a year. If £700 is spent on repairs and upkeep, the remaining £500 is converted into Reward Points.

- **Long-Term Benefits**

  Each year, up to 1.5% of the property's value from the annual surplus is also allocated to the maintenance fund for major repairs and refurbishments over a 10-year period. Any unused funds are converted into Reward Points when the tenant purchases the property. This model encourages long-term tenancies and enables tenants to benefit from property appreciation.

- **Gift Points**

  Friends and family can support a tenant's journey towards homeownership by purchasing Gift Points. These points can be used by the tenant as part-payment towards the purchase of their home. This meaningful contribution not only helps tenants move closer to owning their home but also strengthens relationships within their community and wider support network.

  For example, Gift Points can be given as meaningful presents for occasions such as birthdays, anniversaries, or Christmas. Beyond celebrating special moments, these contributions help tenants build a more stable and secure home environment that they can enjoy throughout the year.

Micro Equity provides a pathway for tenants to gradually own their homes, building a sense of partnership, investment, and shared responsibility within the community.

1.4 Legal Structure

To bring our vision to life, we have established Caledonian Land Trust Limited, operating under the trading name Micro Equity. Registered as a Community Benefit Society (CBS) with the Financial Conduct Authority (FCA), this structure ensures that properties remain community assets while enabling ethical investment through community shares.

As a CBS, Micro Equity has the authority to issue community shares to the public, raising capital to acquire residential properties. These properties can be sourced from the open market, property developers, or local councils using standard procurement and conveyancing methods.

An additional block of shares is issued linking to each property, forming the foundation of the Micro Equity model. This structure facilitates tenants' gradual journey to ownership by allowing them to invest incrementally.

Properties are leased to tenants under standard residential agreements, jut the same as traditional buy-to-let arrangements. To ensure efficient management, we partner with local, established letting agents who handle tenancy services and oversee property maintenance.

1.5 Classes of Shares, Loan Stocks, Reward Points and Gift Points

Micro Equity facilitates community-based home ownership by issuing various classes of shares and loan stocks. All shares offered through a Share Offering are classified as **Community Shares**, each with a fixed par value of **£1**. This value remains constant until shares are redeemed by tenants to the Land Trust, ensuring they are not subject to speculation. Additionally, Community Shares provide an annual interest payment of up to **5%**, as specified in each Share Offering's terms. Each Share Offering includes the following distinct classes of shares, supporting Micro Equity's objectives:

1. **Investment Shares**
   Investment Shares are issued through the Micro Equity platform to raise capital for property acquisition. These shares typically have a **five-year redeemable period**, providing project stability. Investors receive **annual interest payments of 3% to 5%**, depending on the tenant demographics the project aims to support.

2. **Home Shares**
   Home Shares represent ownership in specific properties, allowing residents to gradually purchase their homes. To offer tenants financial flexibility, these shares have a **typical redeemable period of one month**, accommodating relocation or urgent financial needs.

3. **Reward Points ***
   Reward Points are awarded to tenants who actively maintain their homes and help reduce repair and maintenance costs. Any surplus from the maintenance fund is converted into Reward Points which the tenant can use as part-payment when they are ready to purchase their homes in full from the Land Trust.

4. **Gift Points ***
   Friends and family can purchase Gift Points to help tenants move towards owning their homes. These points can only be redeemed when the tenant completes the home purchase from the Land Trust. Gift Points are designed to support tenants on their journey to homeownership.

Loan Stocks

When an investor or tenant wishes to invest more than the £100,000 cap for Community Shares, they can purchase **Micro Equity Loan Stocks**. These loan stocks offer the same interest rate and terms as Investment Shares, providing an alternative investment option for larger contributions.

*** Reward Points and Gift Points**

Reward Points and Gift Points are exclusively redeemable at the time when the tenant is ready to purchase the property from the Land Trust. These points cannot be converted to cash, as they are specifically intended to support the tenant's journey to homeownership. Reward Points and Gift Points will have the same interest rate as Investment Shares.

This structured approach ensures that Micro Equity accommodates diverse stakeholders while maintaining a focus on fostering long-term, sustainable home ownership.

Asset Lock

The society is required by law to be a non-profit distributing entity, and all funds are to be reinvested or otherwise used to fulfill the society's objects. In the event of the dissolution of the society, shareholders are reimbursed up to the extent of their holdings, after the satisfaction of creditors in full. If there are funds remaining after this, then these are to be given to another entity with a similar level of restriction on the use of its assets, and by law this cannot be changed.

1.6 Advantages of Micro Equity

Ethical Return
Investors receive up to 5% annual return, depending on the demographic of the tenants. E.g.:

- For homeless households, the annual return could be 3% to cater for lower rent and higher support costs.
- For mainstream employed households, the annual return could be 5% because of higher rent and lower support costs.

Recycling of Funds
Once tenants have accrued shares equivalent to the full value of their home, they have the

option to redeem these shares and purchase the property from the Land Trust. By this point, the tenant's contributions would have been reinvested to support housing for others.

Social Impact - Dignity, Mutual Respect, and Partnership
Micro Equity empowers tenants by giving them a pathway to ownership, fostering a sense of dignity and hope for full ownership in the future. By holding shares in their home, tenants also become stakeholders in the Land Trust. This partnership model redefines the landlord-tenant relationship, creating a collaborative path to ownership and mutual respect.

Support for First-Time Buyers and Vulnerable Populations
The Micro Equity model is accessible to households with varying income levels, including those on housing benefits or in transitional housing situations, such as homeless families or care leavers. We collaborate with local housing agencies to refer households ready for stable, long-term housing, while ongoing support is offered to help tenants manage finances, ensuring stable tenancies.

Community Integration
To ease transition into new homes, we arrange for neighborhood support groups and befriending services to help tenants integrate into their communities. The model allows for properties to be dispersed geographically or clustered as needed, supporting the broader social integration of tenants rather than creating isolated communities. By fostering a sense of ownership, tenants are encouraged to respect their community, ultimately contributing to a more orderly society.

Mobility
The Micro Equity model offers flexibility for tenants who may need to relocate. Tenants can request that the Land Trust acquire a property in their new location and transfer their accumulated shares to the new property.

Tenant-Centric Approach
At its core, Micro Equity aims to create a stable and supportive home environment that allows tenants to heal, thrive, and progress towards ownership, rather than remaining perpetual renters. Through this model, we aim to bring hope and tangible growth to each household, creating a pathway to genuine ownership and community integration.

This is the process of identifying and purchasing the suitable properties for the families. We will:

- Raised 50% of the funding target of a property.
- Partner with the relevant housing support agency to refer a family who are ready move into long-term accommodation.
- Consult the family to identify type and location of a property suitable for them. For example, identify a property in a peaceful neighbourhood within catchment area of a reputable school. This will ensure the children will have a stable environment to development and flourish.
- Work with local estate agents and consult online property websites to identify suitable property.
- Continue raising fund to meet the purchase price.

Easy Replication
Micro Equity is a simple, adaptable alternative to traditional shared ownership models. Using existing funding models and legal frameworks, the Micro Equity model is straightforward to replicate, making it accessible to other housing projects aiming to provide affordable, accessible ownership options for diverse communities, including low-income families, first-time buyers, and vulnerable groups.

1.7 Job Creation

For Project Managers

We will recruit Project Managers nationwide to spearhead Micro Equity initiatives that provide affordable housing tailored to the needs of their local communities.

Key Responsibilities:

- Collaborate with local housing support agencies to design and develop projects aligned with the needs of local demographics.
- Promote community share offerings to raise capital for each project.
- Partner with estate and letting agents to acquire properties and establish tenancies.
- Work with financial advisors and community support groups to create a comprehensive support network for tenants.

Role Benefits:

- Flexible, part-time, and remote working opportunity.
- Earn up to **3% of the capital raised** for each project.
- Receive **5% of the rental income** as remuneration for coordinating tenant support services, including financial advisors, letting agents, and community groups.
- Career growth opportunity: After successfully providing 60 homes, Project Managers can apply to become Project Directors, recruiting and mentoring other local Project Managers to expand the initiative regionally.

This role is ideal for individuals who are unemployed or employed but wish to dedicate their spare time to a meaningful initiative that makes a tangible impact on their community.

For Tenants

Our program not only provides affordable housing but also creates opportunities for tenants to contribute and grow:

- **Affiliate Program:** Tenants can earn **1% of funds raised** by referring investors to the Micro Equity website.
- **Career Pathway:** Tenants who exhibit the required skills and commitment can apply to become Project Managers, enabling them to contribute directly to the initiative while building a fulfilling career.

This innovative program empowers tenants and Project Managers alike to make a lasting impact on their communities, fostering affordable housing solutions and sustainable career opportunities.

1.8 Tenant Engagement and Community Building

We will foster a sense of community among residents, ensuring that all tenants feel supported, valued, and involved in the Society's decision-making processes.

- **Resident Committees and Focus Groups:**
  - Formation of a tenant committee to provide input on property management, community activities, and governance.
  - Regular focus groups and surveys to gather feedback on tenant satisfaction and service needs.
- **Community Activities and Events:**
  - Organize regular events such as family picnics, educational workshops, and holiday gatherings.
  - Encourage the development of tenant-led initiatives (e.g., gardening, social clubs, skill-sharing).
- **Communication Channels:**
  - Use newsletters, email, and social media to keep tenants informed about upcoming events, housing updates, and any policy changes.
  - Establish an open-door policy for tenants to communicate issues or ideas with the management team.

1.9 Property Maintenance and Management

We will partner with established letting agents to ensure the maintenance of properties meets high standards, ensuring comfort, safety, and long-term sustainability.

- **Routine and Emergency Repairs:**
    - Establish a clear process for tenants to report maintenance issues, including emergency contact information.
    - Regular property inspections to assess conditions and preemptively address wear and tear.
- **Energy Efficiency and Sustainability:**
    - Implement energy-saving measures such as insulation, energy-efficient appliances, and water-saving technologies.
    - Encourage tenants to participate in sustainability initiatives like recycling programs and energy conservation efforts.
- **Health and Safety Standards:**
    - Regular checks for compliance with fire safety, gas safety, and electrical safety regulations.
    - Provision of safety training and resources to tenants (e.g., fire evacuation plans, mold prevention).

1.10 Implementation and Fundraising

To drive these efforts, we are launching a dedicated crowd funding website to present Micro Equity projects across the country. Promoted through social media and direct outreach, the platform will enable investors to back specific projects by purchasing community shares.

The first project will focus on providing homes for homeless families with children in UK. There will be four funds for the four nations: England, Wales, Scotland and Northern Ireland. Investors can choose to invest in any of these four funds.

We will recruit local project managers in each nation to:

- Collaborate with housing agencies to identify specific housing needs and coordinate tenant referrals.
- Promote community share offerings via social media and direct communication to raise funds. Amount of funds raised for each project will be clearly reported on the website.
- Partner with estate and letting agents to acquire properties, establish leases, and provide tenancy support services.
- Help tenants connect with financial advisors for financial management and budgeting assistance.
- Work with local community support groups to offer befriending services, aiding tenant integration.

A key part of each project manager's role will be to build a strong support network for tenants, facilitating their community integration, prioritizing tenant support and long-term housing stability.

1.11 Our Objectives

- We aim to raise at least **£175,000** to purchase properties in **Cardiff**, to provide homes for homeless families with children.
- Set up support network around the tenants to help them settle in their new homes and integrate with the local community.
- Continue to raise funds to provide more homes in surrounding neighbourhoods.
- Expand project to provide more homes in surrounding regions.
- Replicate project to provide homes for other demographics.

Optimum Target

Our optimum target is to raise enough funds within the 6-month timeframe to provide two properties for this project.

Minimum Target

Our minimum target is to raise enough capital to purchase at least one property. As soon as the fund has reached its target, we will acquire a property to provide a home for a homeless family with children. This first success will serve as a proof of concept for the Micro Equity model and allow us to demonstrate its real-world impact through a tangible success story.

By showcasing how one family's life has been transformed, we will strengthen our case for the model and use this story to promote the Share Offer further—enabling us to raise additional funds to expand into the remaining capital cities.

If we do not meet the minimum target, we will extend the share offer by 6 months and encourage supporters who have already bought shares to increase their investment to help achieve at least one target. These supporters have the option to withdraw (or switch to support another city project) if they wish. If at the end not enough has been raised to move forward, we will return funds to investors.

Maximum Target

Our maximum target is to provide four properties in each project. If the initial Share Offer is oversubscribed, any additional funds raised will be used to purchase more homes to expand our impact for more families.

The success of the families housed through the Micro Equity model will form the foundation of a second Share Offer to attract further investment to fund additional homes and scale the initiative.

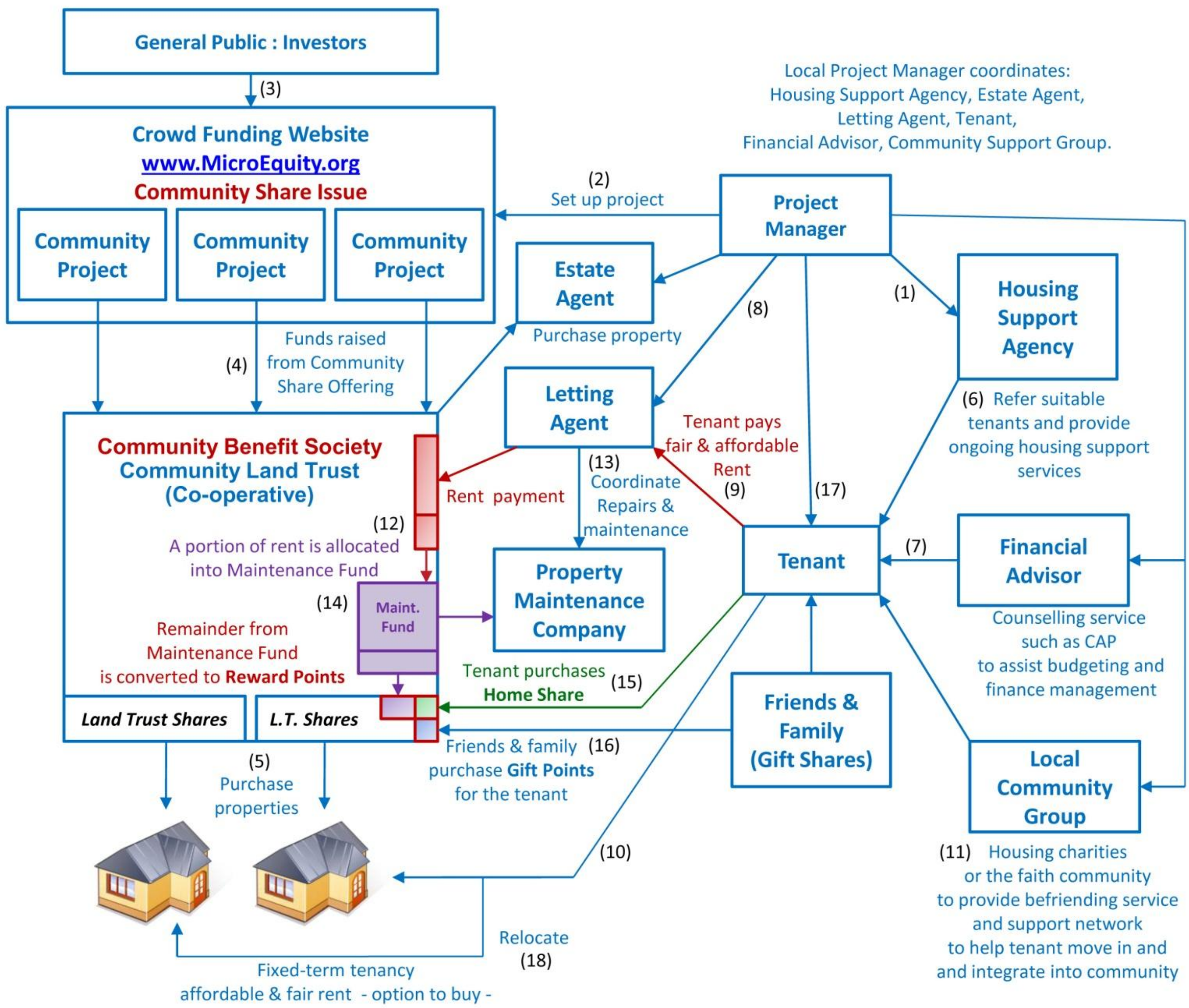
Other Funds Available

Our associated organisation, Caledonian Foundation, a registered charity in Scotland, has raised around £68,000 for the purpose of supporting Micro Equity projects. Caledonian Foundation has provided us with a £5,000 loan to launch this Share Offer. Caledonian Foundation has around £60,000 in reserve for any contingencies.

Bank Loans

Initially, we will not raise any bank loans to purchase the properties. After 5 years when the model is established and stable tenancies are in place with stable rental income, we will then look into the possibility of raising bank loans against the value of the properties to provide more homes for families in need. It should be stated here that if loans are taken on, they will very likely be secured against properties, and thus investors' ability to recover funds will be more complex in the event of dissolution of the society.

1.12 Micro Equity in action



(1) The Project Manager collaborates with a local Housing Support Agency to determine the type, location, and number of housing units required.
(2) The Project Manager establishes the project on MicroEquity.org and promotes the share offering to potential investors.
(3) Investors purchase Community Shares via the website, providing the capital needed for the project.
(4) Funds from Community Share sales are used to purchase suitable properties.
(5) The Project Manager oversees the acquisition of appropriate properties.
(6) The Housing Support Agency identifies and refers suitable tenants for the property.
(7) The Project Manager assists the tenant in setting up an account with a Financial Advisor.
(8) The Project Manager helps the tenant establish a tenancy agreement through a Letting Agent.
(9) The tenant signs the lease, pays a suitable deposit, and begins paying rent.
(10) The tenant moves into the property with the support of a local Community Support Group.
(11) The Community Support Group helps the tenant settle into their new home.
(12) A percentage of the rent is allocated to a sinking fund for future maintenance and upgrades.
(13) The Letting Agent manages repairs and maintenance.
(14) Surplus funds from the sinking fund are converted into Reward Points for the tenant.
(15) Tenants can purchase shares in their home incrementally, using spare cash to build ownership.
(16) Friends and family can support tenants by purchasing Gift Points, helping them increase their ownership.
(17) Project Manager maintains regular communication with tenants to offer ongoing support and assistance.
(18) If a tenant needs to relocate, they can redeem their shares or request the Land Trust to purchase a property in their new location and transfer their shares to the new property.

2. Company Summary

2.1 Company Structure

The foundation of the organization is a Community Benefit Society (CBS) and Community Land Trust (CLT) known as Caledonian Land Trust Limited, operating under the trading name Micro Equity. This entity is designed to raise funds and acquire properties for specific projects. Community Benefit Societies like this one can generate funding through Community Shares, which are repayable with interest. As a Community Land Trust, it ensures that the land and buildings remain under the stewardship of the local community. The Society is registered with the Financial Conduct Authority (registration number 2740RS).

A Board of Directors, elected by members at the Society's Annual General Meeting, manages the Society. Initially, until the first AGM, the Society is overseen by its founding subscribers.

One of the Board of Directors will be appointed as the Project Director to recruit, train and supervise the Project Managers.

To accomplish its goals, the Society will build a network of local Project Managers committed to developing and executing Micro Equity projects across the country. This approach will establish a scalable, distributed system that creates local employment opportunities while providing housing within the community.

2.2 Board Election

At least one third of the directors must stand down at each annual general meeting. The members may reappoint them, at that annual general meeting. If any director is not reappointed, they will stand down at the end of the annual general meeting.

The directors who stand down, at an annual general meeting, will be those directors who have held office for the longest time (since their appointment, or last reappointment). The chair may decide, by drawing lots, who is to be treated as in office for the longest time, if more than one director was appointed or reappointed on the same day.

2.3 Membership

Membership in the Society is obtained by purchasing shares, with a minimum requirement of 1 share valued at £1 each, and a maximum limit of 100,000 shares. Each member has one vote, regardless of the number of shares owned, which can be cast at the Society's Annual General Meeting or any Special General Meeting.

We have set the minimum investment to be £1, making this opportunity inclusive for supporters of all background.

The maximum investment specified by Society law is £100,000. Members who wish to invest beyond the maximum limit of 100,000 shares can opt to purchase Loan Stocks, which will be offered under agreed-upon interest rates and terms comparable to those of the Community Shares.

A person under 16 cannot be a member. But a member can hold shares on behalf of somebody who is under 16. Joint membership, corporate membership and organisation membership are allowed.

2.4 Members' Voting Rights

The Board of Directors will ensure the all work of the Society is in line with the Objectives as stated in the Society Rules.

Apart from the Society's Annual General Meeting, the Board will hold regular meetings and when a Board Director calls for a special meeting to make decisions on special items.

Any member can propose a new strategy to Board Director. If the Board Director agrees with the proposed strategy, the Board Director can put forward the new strategy at a Board meeting to assess feasibility and decide whether to approve the strategy for implementation.

Any member can propose a new strategy at an AGM. If this strategy is seconded by another member, then a vote will be taken at the AGM on whether to put forward the new strategy to the Board of Directors for approval. If a majority vote is achieved, then the Board will hold a separate meeting to assess feasibility and decide whether to approve the strategy for implementation.

At each AGM, all Board Directors will step down, allowing for new Board Directors to be elected.

All members will have the voting right to elect new Directors on to the Board.

2.5 Members' Participation

Apart from investing in the project through community shares, members can also support the project in many ways by:

- Help promote the share offer by posting messages on social media.
- Join a local support group to provide befriending service helping the families move in their new home and integrate in their neighbourhood.
- Suggest new projects to provide homes for specific demographic.
- Apply to become a Project Manager to set up a new project to provide homes for your community.
- Volunteer as a Press Officer to spread success stories of Micro Equity to national and local TV, radio and news papers.
- Volunteer as a Community Liaison Officer to encourage local faith community and minority groups to form support networks for the tenants.

3. Services

Micro Equity will issue Community Shares to raise capital for acquiring residential properties designated for target tenants. After tenants have moved into these properties, Micro Equity will provide the following support services:

3.1 Housing Support

Coordinate with partner housing support agencies to offer ongoing assistance tailored to each tenant's specific recovery needs.

3.2 Tenancy and Property Management

Partner with established letting agents to manage tenancy arrangements and ensure property maintenance.

3.3 Financial Guidance

Collaborate with local financial support organizations, such as Christians Against Poverty, to assist tenants with budgeting and financial management.

3.4 Community Befriending Support

Partner with local community groups to offer befriending services, helping tenants settle in and build a supportive network within the community—such as through housing charities or faith-based organizations.

3.5 Social Impact Metrics

As the Micro Equity model is established with properties on the portfolio, the management will track and report the effectiveness of the Society's housing and support initiatives, ensuring the social and financial sustainability of the model.

- **Impact Metrics:**
  - Track the number of homeless families housed and their progress toward long-term housing stability.
  - Measure tenant satisfaction via annual surveys and community feedback mechanisms.
  - Monitor social integration and employment outcomes for tenants.
- **Performance Reviews:**
  - Annual reviews of housing stock and tenant well-being.
  - Evaluation of financial performance against targets (rental income, share investment returns).
  - Stakeholder meetings to review community outcomes and adapt the strategy as necessary.
- **Reporting to Stakeholders:**
  - Transparent reporting on both financial performance and social impact.
  - Annual reports made available to investors, tenants, and the community, demonstrating the tangible outcomes of the Co-op's work.

3.6 Referral Pathways for Families

To ensure a fair and effective allocation of homes to homeless families with children, Micro Equity will establish structured referral partnerships with trusted local organizations. These pathways will include:

1. **Local Authorities (Housing Options Teams)**
   - Formal agreements with councils to identify eligible families on housing waiting lists or in temporary accommodation.
2. **Homelessness Charities and Family Support Services**
   - Referrals from frontline service providers such as Shelter and Family Action.
   - Screening based on stability, family needs, and readiness for independent living.
3. **Schools and Children's Services**
   - Collaboration with schools and social care to identify housing-insecure families with school-age children.
4. **Faith and Community Groups**

    - Referrals from trusted community-based organizations that support vulnerable families.
5. **Direct Applications with Professional Endorsement**
    - Open applications for families experiencing homelessness, requiring a support letter from a professional (e.g. social worker, GP, case worker).

All referrals will be assessed by a Housing Allocation Panel composed of Micro Equity members and external experts, prioritizing need, stability, and alignment with Micro Equity's mission.

3.7 Partnerships with Local Councils

Micro Equity will enter into formal partnerships with local councils to:

- Develop nomination agreements for allocating properties to priority homeless families.
- Coordinate with housing and social care departments to streamline referrals and tenancy support.
- Jointly apply for housing-related grants and social investment funding.
- Share data and feedback on outcomes to inform local housing policy and homelessness strategy.

These partnerships will be structured through Memoranda of Understanding (MOUs) and reviewed annually to ensure alignment with both parties' objectives.

3.8 Tenant Support Framework

To help families transition successfully into stable housing, Micro Equity will offer:

1. **Onboarding Support**
    - Pre-tenancy training (budgeting, tenancy rights, maintenance basics)
    - Welcome packs and orientation sessions
2. **Ongoing Tenancy Support**
    - Regular check-ins by housing support workers
    - Signposting to health, education, and employment services
    - Assistance with benefits and rent arrears management
3. **Community Integration**
    - Resident welcome events and peer mentoring
    - Tenant participation in governance and improvement projects
4. **Crisis Intervention**
    - Fast-track access to external support for domestic abuse, mental health, or financial crises
    - Flexible tenancy policies to prevent evictions wherever possible

The framework will be developed in partnership with local support agencies and reviewed with tenant feedback.

4. Target Investor Community

Our target investor communities include individuals and organisations committed to addressing homelessness. We have identified two key groups: **supporters of homeless charities** and **investors in social and affordable housing schemes**.

4.1 Homeless charity supporters

The annual income of UK homeless charities provides a useful indicator of the scale and strength of their existing support base. This, in turn, highlights the potential size of the investor pool we can engage through our share offer.

Here is a ranked list of the top 10 UK homelessness charities by total income, based on their most recently published financial statements:

Charity Name	Financial Year End	Total Income (£)	Source
St Mungo's	31 March 2024	£123,700,000	St Mungo's Annual Impact Report
Shelter	31 March 2024	£81,331,000	Charity Commission
Crisis UK	30 June 2024	£66,140,000	Charity Commission
Centrepoint	31 March 2024	£60,000,000	Centrepoint Financial Statements
Thames Reach	31 March 2024	£27,025,279	Thames Reach Annual Report
Depaul UK	31 December 2023	£20,306,000	Charity Commission
Simon Community Scotland	31 March 2024	£13,504,954	Simon Community Annual Report
Homeless Link	31 March 2024	£10,028,561	Charity Commission
Emmaus UK	30 June 2023	£3,513,637	Charity Commission
The Big Issue Foundation	31 March 2023	£1,746,017	Charity Commission
	Total:	**£407,295,448**	

In 2024, UK homeless charities raised over £400 million in total income, demonstrating a substantial existing support base that includes donations from the public.

It is important to emphasise that our initiative will *not* compete with existing homeless charities for donor contributions. Instead, our community share offer will be presented as an **investment opportunity**, not a request for donations.

Supporters of homelessness charities typically manage separate personal funds—some earmarked for charitable giving, others for long-term investments. While donations are given with no expectation of return, investments are made with the expectation that the capital will be preserved, generate interest, and eventually be repaid. These are funds that would *not* otherwise be donated to charities. We aim to attract these investment funds by offering a social return alongside a financial one.

Charities generally do not solicit investments from their donor base. That's where our approach differs—and complements theirs.

Rather than competing, we will seek to **partner** with existing homeless charities. We will support and promote their work in providing counselling and short-term supported accommodation, while offering **long-term, stable housing** for individuals and families who are ready to transition to independent living through our Micro Equity initiatives.

4.2 Social Housing Scheme Investors

To gauge public interest in investing through our share offer, we can look to the scale of existing investments in the UK social housing sector. This provides a strong indication of the level of appetite for socially driven investment opportunities.

Below are two reports showing the size of investment schemes in the social housing sector. These schemes provide mostly rental only homes for the tenants. Some provide shared ownership homes for tenants with stable income.

Key Capital Raised in Social Housing Buy-to-Let Schemes

As of 2024, social housing buy-to-let schemes in the UK have attracted substantial investment, reflecting a growing commitment to providing affordable rental housing.

- **Homes for Good**: Scotland's first social enterprise lettings agency, Homes for Good, secured a £2.4 million corporate loan from Glasgow Credit Union in November 2024 to purchase up to 35 homes for families. Since its inception, the agency has raised over £23 million, delivering more than 340 homes to individuals often excluded from traditional private rentals or unable to access social housing. Letting Agent Today
- **Blackstone's Sage Homes Initiative**: In August 2024, Blackstone sold over 3,000 shared ownership homes to the Universities Superannuation Scheme (USS) for £405 million. This portfolio was part of Sage Homes, an initiative launched in 2017 with a commitment of £3.7 billion to develop 22,600 affordable homes, over 17,000 of which have been completed. The Guardian
- **Investment Firm's £123 Million Fundraising**: A global investment fund backing a for-profit registered provider raised £123 million in its first fundraising round in April 2024. The funds aim to acquire a mix of new and existing affordable homes, including shared ownership properties. Social Housing+1Social Housing+1
- **Rent-to-Buy Firm's £1 Billion Investment Target**: In July 2024, a rent-to-buy company registered as a for-profit with the Regulator of Social Housing, aiming to unlock delivery within new geographies and targeting £1 billion in investments. Social Housing+1Social Housing+1

Capital Raised by Social Housing Investment Schemes

Social and affordable housing continues to dominate the UK's social impact investment market. In 2023, the market grew to £10 billion, with over half (£5.1 billion) attributed to social and affordable housing investments. This includes affordable rent, shared ownership, and social rent schemes. Social Housing

These figures highlight a robust and growing commitment to funding social housing initiatives across the UK.

As of 2024, social housing investment schemes in the UK have raised significant capital, reflecting a growing focus on addressing housing challenges through both public and private funding.

- **£5.1 Billion in 2022**: Investment in social and affordable housing funds increased by 35% in 2022, reaching £5.1 billion. Social Housing
- **Legal & General's £510 Million Fund**: In early 2025, Legal & General announced it had raised £510 million for its Affordable Housing Fund, aiming to tackle the UK's housing crisis.
- **Big Society Capital's £1 Billion Milestone**: Big Society Capital (BSC) has invested over £1 billion in social impact projects, leveraging nearly £3 billion from private and philanthropic investors.

- **London LGPS Investment**: The London Local Government Pension Scheme has allocated £470 million to UK housing, including a recent £100 million investment into Legal & General’s Affordable Housing Fund.
- **£50 Billion Potential Private Investment**: A coalition of 35 investors, including BSC and Big Issue Invest, has urged the UK government to unlock £50 billion in private capital to expand social and affordable housing.

Notable Developments

- **Bromford Group's Investment**: Bromford Group invested £299 million in 2023/24 to complete 1,191 new affordable homes, with 551 designated for social rent.
- **Blackstone's £405 Million Sale**: Blackstone sold over 3,000 shared ownership homes to the Universities Superannuation Scheme for £405 million, marking the largest such deal since 1990.
- **National Wealth Fund's £1.3 Billion Support**: The National Wealth Fund has provided £1.3 billion to support social housing retrofits, enabling £1.65 billion in lending through guarantees to major banks.

These figures reflect a strong and growing commitment to funding social housing initiatives across the UK.

We intend to engage with schemes such as **community-led housing projects, housing associations, social impact funds, and local authority-backed housing programmes** to explore partnership opportunities. This may include offering our **Micro Equity model** for integration into their housing strategies, or providing our homes as move-on accommodation for their clients who are ready to transition into stable, long-term tenancies.

5. Strategy Implementation

5.1 Establishing Projects
We will begin by appointing a project manager in each of the four nations—England, Scotland, Wales, and Northern Ireland—to launch an initial project. Each project manager will be responsible for promoting the Community Share Offering to generate capital for providing homes within their respective communities.

As these projects take root, we will scale the model by recruiting additional project managers in neighboring regions, enabling the establishment of more projects and the creation of additional housing opportunities.

Each Project Manager will follow these steps:

1. **Engage with Relevant Housing Support Agencies**
    - Collaborate with housing support agencies who are currently providing supported accommodation to assess local needs for move-on properties.
    - Request potential referrals for suitable tenants.
    - Estimate the number of potential clients in the area.
    - Determine the type of property required (e.g., a 2-bedroom flat).
    - Estimate the market value of each unit (e.g., £200k).
    - Assess the market rent for each unit (e.g., £10k annually, supported by housing benefits).
2. **Collaborate with Local Letting Agents**
    - Negotiate discounted fees for tenancy and property management (e.g., reducing standard fees from 15% to 7.5%).
3. **Set Project Goals**
    - Define specific targets, such as securing five housing units with a total investment goal of £1 million, within a six-month timeline.
4. **Customize Project Plans**
    - Refine the Micro Equity Business Plan and tailor the Share Offer Document to align with the specifics of the project.
5. **Submit for Approval**
    - Present the customized Business Plan and Share Offer Document to the FCA for authorization to issue Community Shares.
6. **Launch the Project**
    - List the project on the Micro Equity website for community investors to participate.

5.2 Fundraising
Once the project is live on the Micro Equity website, the Project Manager will initiate the promotion of Community Shares through the following steps:

1. **Develop a Promotional Strategy**
    - Create a clear and targeted plan to promote the share offering effectively.
2. **Utilize Affiliate Incentives**
    - Offer a potential 1% affiliation fee to encourage supporters to recruit investors. For example, if an affiliate brings an investor who purchases £100 worth of shares, the affiliate would earn £1 in cash or equivalent shares.
3. **Execute the Promotion Plan**
    - Implement the strategy to generate awareness and drive investment.
4. **Prioritize Initial Fundraising Goal**
    - Focus on raising capital for the first unit, such as securing £200,000.
5. **Earn Fundraiser’s Fee**
    - Receive a one-time commission of 2% on the total capital raised (e.g., £200,000 x 2% = £4,000).

5.3 Purchase Properties
Once sufficient capital is raised for the first property, the Project Manager will acquire the property and oversee the tenant's move-in process by following these steps:

1. **Acquire the Property**
   - Work with a local estate agent to purchase the first property.
2. **Arrange Tenant Placement**
   - Collaborate with a housing support agency to identify and refer a suitable tenant.
3. **Set Up Tenancy**
   - Coordinate with a letting agent to establish the tenancy agreement and management.
4. **Provide Financial Support**
   - Partner with local Christians Against Poverty to open a support account for the tenant.
5. **Build a Support Network**
   - Engage with the local community to offer a befriending service, helping the tenant settle in. This may include support from housing charities or faith-based groups.
6. **Receive Project Management Fees**
   - **One-off Fee**: Earn 1% of the capital raised (e.g., £200,000 x 1% = £2,000).
   - **Recurring Fee**: Receive 5% of the annual rent collected (e.g., £10,000 x 5% = £500 per year).

The Project Manager will repeat this process until the project's target is achieved.

5.4 Project Expansion
By recruiting Project Managers nationwide, we not only address housing needs but also create local job opportunities that benefit communities. To motivate Project Managers to expand their efforts and provide more homes, we offer the following incentives:

1. **Personal Homeownership Opportunity**
   - After achieving their first target, Project Managers can continue raising funds to purchase a property for themselves, becoming Micro Equity tenants.
2. **Supporting a Nominated Household**
   - Upon reaching subsequent targets, Project Managers can raise funds to acquire a property for a household they nominate, enabling them to also become Micro Equity tenants.
3. **Earning Potential**
   - A portfolio of 60 properties could generate recurring fees of approximately £30,000 per year, equivalent to a salary.

At this stage, Project Managers have several options for career growth:

- **Employment Opportunity**
  - Transition into a salaried role focused on tenant support, with job security, pension, and national insurance benefits. For example, £30,000 as a starting salary, with fees already earned totaling £360,000 (£6,000 per property x 60 properties).
- **Portfolio Maintenance**
  - Continue raising funds as needed to manage and maintain their existing portfolio.
- **Leadership Role**
  - Advance to become a Project Director, mentoring and recruiting junior Project Managers. This role includes earning:
    - A percentage fee from the capital raised by junior Project Managers (e.g., 0.5%).
    - A percentage of rents collected from tenants under the care of junior Project Managers (e.g., 1% of rent received).

All percentage fees will be finalized and adjusted to ensure the project's financial sustainability.

5.5 Micro Equity Financial Model

Being a new model, a lot more information need to be included to demonstrate the profitability and sustainability of Micro Equity. If you require further explanation of the model, please do not hesitate to email us to enquire.

Below is a breakdown of a sample property in Edinburgh. Full version of the Financial Model showing properties in London, Cardiff and Belfast can be downloaded from the website: **www.microequity.org**

Location: **Cardiff**

Demographic: **Homeless Family with Children**

Property type: **2 bed-room property**

Investors' Annual Return: **3%**

Inflation Rate: **2.5%**

Purchase Costs	Amount
Property Price	£150,000
LBTT ADS, Conveyancing	£9,000
Furnishing	£5,000
Purchase Cost	£164,000
Fundraising Fees	£8,200
Share Offer Costs	£1,250
Fund to Raise	£173,450

If tenants purchase additional Home Shares with their spare cash and contribute to property maintenance by taking care of their home, they can accelerate their homeownership. Below are five-year projections for three sample scenarios, each showing different levels of Home Share purchases and property maintenance contributions.

Below are some example scenarios of cash flow and how the tenant can accrue their ownership.

Tenant buys Home Shares: **5% of rent**

Gift Points from Friends: **10% of rent**

Tenant's contribution to maintenance: **50%**

	Year 1	Year 2	Year 3	Year 4	Year 5
Income:					
Annual Rent	£9,873	£10,149	£10,433	£10,725	£11,026
Bank Interests	£0	£281	£423	£576	£743
Expenses:					
Property Maintenance	£388	£397	£407	£417	£428
Property Insurance	£310	£318	£326	£334	£342
Property Management	£1,283	£1,319	£1,356	£1,394	£1,433
Investor Share Return	£0	£5,204	£5,204	£5,204	£5,204
Fees & Launch Costs	£9,450	£0	£0	£0	£0
Corp. Tax	£0	£0	£0	£0	£0
Profit After Tax	-£1,558	£3,193	£3,563	£3,953	£4,362
Gift Points Purchase	£987	£1,015	£1,043	£1,073	£1,103
Cash at Bank	£9,373	£14,088	£19,216	£24,778	£30,760
Projected Tenant Shares	£2,081	£4,283	£6,613	£9,075	£11,676
Tenant Ownership after:	**5 Years** **6.8%**	**10 Years** **18.1%**	**20 Years** **40.8%**	**30 Years** **65.6%**	**40 Years** **92.2%**

In this example, the tenant purchase Home Shares with their spare cash equivalent to 10% of their rent. The tenant received Gift Points from Friends and Family equivalent to 10% of their rent payment per monbth. 10% of the rent received per month and up to 1.5% of property value per year is allocated into a fund for repairs and maintenance.

In this exmaple, the tenant contributed 50% value to the repair and maintenance of the property. Remainder in the maintenance fund is vailable for the tenant to claim as Reward Points which can be used as part-payment when they are ready to purchase the property from the Land Trust.

In this example, the tenant can accrue 6.8% of ownership in year 5. At this point, if the tenant is in emplyoment with stable income, then they could look into raising a 95% mortgage to purchase the property from the Land Trust.

In this example, the tenant can accrue 18.1% of ownership in year 10. At this point, if the tenant is in emplyoment with stable income, then they could look into raising a 85% mortgage to purchase the property from the Land Trust.

Withdrawal of Home Shares

As the tenant buy any Home Shares, the cash is placed in a business savings account earning at least 3% interest, at the same interest rate as the Investment Shares. This cash will remain in the the savings account untouched, ready for the Tenant to withdraw with one-monht notice in case they need the cash to relocate or for important expenditure.

Withdrawl of Home Shares

As the tenant buy any Home Shares, the cash is placed in a business savings account earning at least 3% interest, at the same interest rate as the Investment Shares. This cash will remain in the the savings account untouched, ready for the Tenant to withdraw with one-monht notice in case they need the cash to relocate or for important expenditure.

Property Maintenace and Property Management Costs

In these scenarios, Property Maintenace and Property Management Costs are estimated as follows:

- Annual property maintenance cost is estimated at 0.5% of the property value. If the tenant helps to contribute the maintenantce of the property, then this cost is reduced.
- Property Management Costs are estimated at 13% of the rent received. This consists of the following:
  - **Letting Agent** **7%** : To provide tenancey and property management services
  - **Project Manager** **5%** : To corordinate tenant suport services
  - **Project Director** **1%** : To work with Project Manager in supporting tenants.

Withdrawal of Investment Shares

To ensure stability for both the project and the tenants, we have planned a structured approach as we approach the end of the initial five-year investment term. In the first quarter of Year 5, we will share the success stories of our tenant families with current investors and invite them to renew their investment for another five-year term.

For those who choose to withdraw, we will launch a new share offer during the second and third quarters to raise the necessary capital to repay outgoing investors.

Investor Exit and Capital Recovery Risks

The ability of investors to recover their funds is entirely dependent on the Board's ongoing success in securing new capital. If the Board is unable to raise sufficient funds and investors insist on withdrawing their shares, the last resort would be to sell properties to release the required capital. This would result in tenants being evicted and losing their homes.

If we were forced to choose between selling properties to satisfy investors, and retaining properties and disappointing the investors, we would choose the latter.

Therefore, to avoid this outcome, the Board will make every effort to raise capital through the following measures:

- Actively promote the share offer on social media to highlight the urgency of protecting tenants' homes.
- Reach out to existing investors who have not withdrawn their shares, encouraging them to increase their investment.
- Contact friends and family members who have previously gifted shares to tenants, inviting them to purchase investment shares.
- Encourage tenants to share the campaign on social media to raise awareness and support for keeping their homes.
- Approach charitable foundations and social investment funds, emphasising both the proven social impact of the Micro Equity model and the urgency of securing the homes for the current tenants.
- Approach reputable banks and lenders showing 5-year track record of stable rental income and property appreciation to raise unsecured loan or secured loan against the equity of the property.
- In order to safeguard the financial stability of the Society, requests to withdraw shares shall be processed on a first-come, first-served basis, and the aggregate amount of withdrawals in any given withdrawal period shall be subject to a cap of 10% of the Society's total capital.

We will also implement the following procedure to ensure financial stability:

1. Investors' capital is invested in specific properties, and the society will keep a record of which investors have invested in which property.

2. The date of investment is the date the society uses the funds to purchase a property. This is the date that interest begins to accrue from, and the date when the 5-year clock begins to tick.
3. In any given financial year, the society will determine how much capital is available, up to a maximum of 10% of the total. Every member whose date of investment is older than 5 years at the start of the financial year will be eligible to request withdrawal, on a first come first served basis.
4. Anyone who is unable to withdraw because of insufficient funds, or who does not request to withdraw will next be eligible to withdraw at the start of the 5th and every 5th financial year after that.

Selling of properties

We would only sell properties under two circumstances:

- where a property was proving impossible to let to a long-term tenant, or
- where the tenant was buying the property from the society

Interest Payment of Investment Shares

We aim to pay up to 3% annual interest according to year-end profits and terms of the project. Investors have the option to receive interests in cash or convert them to shares to keep investing in the project.

Withdrawal of Gift Points

Gift Points are specifically designed to support recipients on their journey toward homeownership. Gift Points may be used as part-payment if the recipient chooses to purchase a property from the Micro Equity initiative. Any annual interest—up to 3%, depending on project performance—is issued in the form of additional Gift Points.

5.6 P&L, Cash Flow, Balance Sheet Projections

Below are the combined summary of P&L, Cash Flow and Balance Sheet Projections for four properties in London, Edinburgh, Cardiff, and Belfast over a 5-year period. Full version can be downloaded from our website: **www.microequity.org**

The business valuation is calculated from the valuation of all the properties purchased. Before each property is purchased, apart from evidence of the Home Report, we will also instruct an independent surveyor to value the property before purchase. This value is represented in the Balance Sheet as Fixed Assets. Each year we will also include annual property appreciation according to local property market average. Every 5 years we will instruct an independent surveyor to revalue the entire portfolio.

Assumption: These projections are a model for illustration purposes. For simplicity, all properties are assumed to be bought in one go. In reality, the purchase of these properties will be staggered. The Board will monitor the actual cash flow closely to ensure the project's finances are in order.

Profit and Loss

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
Turnover					
Rent Received	9,873	10,149	10,433	10,725	11,026
Bank Interests	-	281	423	576	743
Total Income	**9,873**	**10,430**	**10,856**	**11,302**	**11,769**
(Less Overheads)					
Property Mgmt Costs	(1,283)	(1,319)	(1,356)	(1,394)	(1,433)
Repairs and Renewals	(388)	(397)	(407)	(417)	(428)
Insurance	(310)	(318)	(326)	(334)	(342)
Fundraising Fees & Costs					
(Total Overheads)	**(1,981)**	**(2,034)**	**(2,089)**	**(2,145)**	**(2,203)**
EBITDA	**7,892**	**8,396**	**8,767**	**9,157**	**9,566**
(Less Interest)					
Community Shares	-	(5,204)	(5,204)	(5,204)	(5,204)
Mortgage		-	-	-	-
(Total Interest)	**-**	**(5,204)**	**(5,204)**	**(5,204)**	**(5,204)**
(Extra-Ordinary Day 1 Costs)					
Other costs	-	-	-	-	-
Business Development	-	-	-	-	-
(Total Extra-Ordinary Day 1 Costs)	**-**	**-**	**-**	**-**	**-**
Gross Profit	**7,892**	**3,193**	**3,563**	**3,953**	**4,362**
(less Tax)	-	-	-	-	(34)
Net Profit	**7,892**	**3,193**	**3,563**	**3,953**	**4,328**
Asset Appreciation					
Land & Buildings	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
Fixtures and Fittings	(167)	(167)	(167)	(167)	(167)
Total Asset Depreciation	(1,667)	(1,667)	(1,667)	(1,667)	(1,667)
Property Appreciation	3,875	3,972	4,071	4,173	4,277
Total Appreciation	**2,208**	**2,305**	**2,405**	**2,506**	**2,611**

This projections show that the annual Rent Received adequately covers annual Overheads costs.

Also, the 3% Interest for the Community Share investors are paid comfortably every year from year 2.

Cash Flow:

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
Operating Cash Flows					
Net Profit	(1,558)	8,396	8,767	9,157	9,566
Plus non cash expenses					
Comm Shares Interest	-	5,204	5,204	5,204	5,204
(Less non expense cash out)					
Last Years Comm Share Interest	-	(5,204)	(5,204)	(5,204)	(5,204)
Net Operating Cash Flows	**(1,558)**	**8,396**	**8,767**	**9,157**	**9,566**
Investing Cash Flows					
(Purchase of Property Plant and Equipment)	(155,000)	-	-	-	-
Fees And Taxes	(9,000)	-	-	-	-
Net Investing Cash Flows	**(164,000)**	**-**	**-**	**-**	**-**
Financing Cash Flows					
Home Shares Sold	494	507	522	536	551
Gift Points Sold	987	1,015	1,043	1,073	1,103
Raising Share Capital	173,450	-	-	-	-
Net Financing Cash Flows	**174,931**	**1,522**	**1,565**	**1,609**	**1,654**
Net Cash Flows	9,373	9,918	10,332	10,765	11,220
Opening Balance	-	9,373	19,291	29,623	40,388
Closing Cash Balance	9,373	19,291	29,623	40,388	51,608

Balance Sheet:

	Year 1 (£)	Year 2 (£)	Year 3 (£)	Year 4 (£)	Year 5 (£)
Fixed Assets - Beginning of Year	**155,000**	**157,208**	**159,514**	**161,918**	**164,424**
Land & Buildings	150,000	148,500	147,000	145,500	144,000
L&B Depreciation	(1,500)	(1,500)	(1,500)	(1,500)	(1,500)
L&B at Year End	148,500	147,000	145,500	144,000	142,500
Fixtures and Fittings	5,000	4,833	4,667	4,500	4,333
F&F Depreciation	(167)	(167)	(167)	(167)	(167)
F&F at Year End	4,833	4,667	4,500	4,333	4,167
Property Appreciation	3,875	3,972	4,071	4,173	4,277
Total Appreciation	**2,208**	**2,305**	**2,405**	**2,506**	**2,611**
Total Fixed Assets - year End	**157,208**	**159,514**	**161,918**	**164,424**	**167,035**
Current Assets					
Cash at Bank	9,373	14,088	19,216	24,778	30,760
Total Current Assets	**9,373**	**14,088**	**19,216**	**24,778**	**30,760**
(Less Current Liaibilites)					
Unpaid Share Interest	(5,204)	(5,204)	(5,204)	(5,204)	(5,204)
(Total Current Liabilities)	(5,204)	(5,204)	(5,204)	(5,204)	(5,238)
Net Current Assets	4,169	8,884	14,012	19,574	25,522
Net Worth	161,378	168,398	175,930	183,999	192,557
Made Up of					
Retained Earnings	(1,558)	1,634	5,198	9,151	13,479
Community Shares	173,450	173,450	173,450	173,450	173,450

5.7 Milestones
Achieving financial targets is vital to the success of our business, and progress will be carefully tracked through monthly Project Manager Reports and detailed management accounts, providing a comprehensive view of business development.
In addition to financial goals, we have set two key operational targets:

1. **Year 1: Acquire at least one property in each of the four nations for Homeless Families.**
2. **Year 2: Launch projects for another demographic, such as Care Leavers.**

These milestones will be closely monitored on a monthly basis to ensure we remain on track and can make adjustments as needed to achieve our objectives.
As the families settle in these pilot properties and the project is established, we will repeat the share issue to provide more homes for homeless families and other vulnerable groups in need of housing such as homeless individuals, care leavers, ex-veterans, etc.
We will also replicate the model to pother geographic areas to provide homes nationwide.

5.8 Long-Term Vision
We want to provide the Micro Equity model as an open source tool as an option for other communities to set up projects to provide homes for their community if they wish. Or they can work with us to set up a project within Caledonian Land Trust.

- **Future Expansion:**
  - We will assess the feasibility of raising loans to accelerate rate of providing homes. Loans will only be raised if our financial position is very stable. If loans are raised, it would impact on availability of funds for interest and liquidity and in the event of sale or dissolution.
  - We will continue to be open to new investors to invest, because the model is scalable.
  - The model anticipates very low levels of liquidity, and so should be seen as a patient investment for social benefit.

As the model mature, we will incorporate options for sustainability and innovation to provide greener homes for the future generation.

- **Increasing Housing Stock:**
  - Plans for acquiring additional properties through direct purchase, long-term lease agreements, or community land trusts.
  - Consider partnerships with local builders or developers to create new affordable homes.
- **Geographic and Demographic Expansion:**
  - Expand to additional areas experiencing high levels of housing need, based on demand from homeless families and other vulnerable groups.
  - Develop a wider network of support services across regions to ensure continuity of care for tenants.
- **Sustainability and Innovation:**
  - Invest in green building technologies and sustainable property management practices.
  - Explore options for community-led renewable energy projects (e.g., solar panels on Micro Equity properties).

5.9 Fundraising Strategy
To ensure ongoing financial health and expansion, we will focus on ethical fundraising approaches.

- **Community Share Offer:**
  - Launch additional share offers at regular intervals to expand Micro Equity's investment base.
  - Offer incentives such as a small bonus on investment or community events for investors.
- **Grants and Philanthropy:**
  - Pursue government grants, charitable funds, and social investment opportunities that align with the Micro Equity's mission.
  - Build relationships with local philanthropists and impact investors interested in supporting community-driven housing models.
- **Corporate Partnerships:**
  - Develop partnerships with ethically-minded corporations for sponsorships or in-kind donations (e.g., property maintenance supplies, construction services).
  - Explore collaborations with corporate social responsibility (CSR) programs focused on affordable housing or homelessness.

5.10 Risk Management

Primary Risk:

The primary risk is the potential for tenants to be unable or unwilling to pay rent. While this is a common concern in any property rental model, the Micro Equity approach includes several proactive measures to address and mitigate this issue:

- Collaboration with Housing Support Agencies:

  We partner with housing support agencies to identify tenants who are prepared to transition into mainstream housing. These agencies assess each tenant's suitability and commitment to maintaining their tenancy.

- Financial Planning Support:

  We assist tenants in setting up accounts with financial advisory organizations, such as Christians Against Poverty, to help them budget effectively and prioritize rent payments.

- Community Support Networks:

  We work with local community support groups to offer befriending services, helping tenants establish support networks to address challenges such as financial difficulties or employment issues.

- Partnership with Professional Property Managers:

  We collaborate with established estate agents to manage all tenancies. For tenants who consistently fail to pay rent, the estate agent will follow standard legal procedures to recover unpaid rent or issue eviction notices in accordance with the lease agreement.

We have identified the following risk. To mitigate these risks we will implement the following strategies. Details of these strategies are listed in the “Risk Register” section of the appendices.

Financial Risks:

- Develop a contingency fund to cover potential rent arrears, void periods, and unforeseen maintenance costs.
- Set aside reserves to protect against market fluctuations and interest rate changes that may affect investment returns.

Operational Risks:

- Establish clear protocols for managing late rent payments, tenancy breaches, and eviction processes in line with legal requirements.
- Plan for crisis management in the event of an unforeseen event (e.g., fire, flood, or pandemic) to ensure continuity of service and tenant support.
- Ensure the quality, trustworthiness and alignment of values with the Project Managers
- Support competency of Project Managers in working with other agencies to ensure suite of services to be provided happen

External Risks:

- Stay informed of changing local policies and regulations affecting housing provision.
- Maintain strong relationships with local authorities and agencies to navigate legal and regulatory changes effectively.

6. Management Summary

6.1 Management Structure

As outlined in Section 2 above, the Caledonian Land Trust Limited is a Community Benefit Society. Profits will be used partly to re-invest in the business and its development, so that it can better achieve its social aims, and partly returned as interest to members.

The members of the society will appoint a **Board of Directors** (the Management Board) at the Annual General Meeting. This Board will provide strategic management of the business.

One of the Board of Directors will be nominated as the **Project Director** to recruit, train and supervise the **Project Managers**.

The Society will build a network of local Project Managers committed to developing and executing Micro Equity projects across the country. This approach will establish a scalable, distributed system that creates local employment opportunities while providing housing within the community.

To ensure cost-effectiveness and sustainability, Project Managers will be engaged on flexible, part-time, remote, home-based contracts. Their responsibilities will include:

- Collaborating with local housing support agencies to assess housing needs and manage tenant referrals.
- Establishing projects to issue community shares.
- Promoting community shares to secure capital funding.
- Coordinating with estate agents to facilitate property purchases.
- Working with letting agencies to set up tenancy agreements and manage property maintenance processes.
- Liaising with financial advisers to provide tenants with budgeting and financial management support.
- Partnering with local community support groups to offer befriending services for tenants.

Project Managers will be compensated with 2% of the capital they successfully raise. Additionally, upon placing a household into a Micro Equity home, they will receive an extra 1% of the property's purchase price. This model ensures sustainability, as Project Managers are remunerated directly from the funds they generate.

After successfully providing 60 homes, Project Managers can apply to become Project Directors, recruiting and mentoring other local Project Managers to expand the initiative regionally.

The Society will also create opportunities for tenants to contribute and grow:

- **Affiliate Program:** Tenants can earn **1% of funds raised** by referring investors to the Micro Equity website.
- **Career Pathway:** Tenants who exhibit the required skills and commitment can apply to become Project Managers, enabling them to contribute directly to the initiative while building a fulfilling career.

In the future when the business is established with two or more Project Directors and with many properties in the portfolio, a CEO will be appointed to develop the business to the next level.

6.2 Back Office System

In our first year of operation, our goal is to acquire four pilot homes. Rent collection, tenancy management, and property maintenance will be handled by partner letting agents. The Project Director, who also serves as Treasurer, will centrally manage the financial systems. As a result, administrative and IT system requirements will remain minimal during this initial phase.

A dedicated and secure computer will be allocated for the Project Director to administer the Society's operational processes, including tracking member shares and capital. All data will be backed up securely to secure cloud storage services. Initially, standard programs such as Microsoft Word and Microsoft Excel will be used. Therefore in the case of a computer failure, another computer can be readily set up with data restored quickly.

For security, only the Project Director and the Chairman will have access to the data stored on the cloud. In the case when the Project Director is not available, the Chairman can then access the data and relay access to another Director to continue the operational processes.

As the Micro Equity model scales and more properties are added, increased revenue will allow us to invest in a dedicated back-office and IT infrastructure to support operations.

Once we reach a significant property portfolio across multiple cities, we will implement a **decentralised administrative structure**, with regional branch offices overseen by local Project Directors to ensure effective coordination and management.

7. Our History

7.1 How It All Began

The origins of Micro Equity go back to 1985 when Richard Lo began buying and letting residential properties. He developed his knowledge of this business and began to make a good living out of it.

Fast forward to 2001 and Richard was becoming increasingly aware of the plight of the homeless. He felt that providing houses and homes was about more than just making money, and he realised that he had to do something to help provide safe and secure homes for people who needed to rebuild their lives.

In 2002, Richard was beginning to develop the specific concept of Micro Equity home ownership. This was a model that combined renting and micro share purchase to give tenants on low-income the ability to begin owning their home. One of the objectives was to provide micro share purchase mechanism to encourage homeless clients with self-esteem to maintain their tenancy on a secure footing. This model was made even more appealing thanks to the mechanism that allowed shares to be 'gifted' from friends and family to build community good will.

In 2003, with a conviction to provide practical help, Richard worked as a relief support worker in a homeless hostel in Edinburgh.

While he provided care to the clients, he built up an understanding of the challenges associated with homelessness. The Micro Equity model tallied with the principle of gradually building up responsibility and self-sufficiency as the best way to get a person's life back on track.

In 2009, Richard faced financial difficulties himself and experienced the burden of a heavy debt. Realising there are tens of thousands of families each year facing the daunting prospect of home repossession, he began to extend the Micro Equity model with an aim to help people in financial distress, as he believes a safe home environment is paramount.

In 2011 Richard took the next step and began to work with highly experienced not-for-profit fundraiser Douglas Turner on transforming this idea into reality – together they set up the Caledonian Foundation and the Caledonian Land Trust to take the model forward. At the end of 2012, Richard sold his investment properties and raised the seed capital to recruit a motivated team to develop and promote the model. As a result the most interesting part of the Caledonian Foundation's story is just beginning.

7.2 Who We Are

The Micro Equity home ownership model is a charitable vision to provide homes for people in need. That is why we incorporated the Caledonian Foundation as a registered charity dedicated to providing debt-free housing solutions for communities.

We have also incorporated the Caledonian Land Trust Limited as a Community Benefit Society which is able to issue community shares In order to issue the community shares, which is the element required to implement the Micro Equity model.

Since the concept of Micro Equity home ownership was first launched in 2011, we've been working to promote this viable alternative to private or state rented housing.

However we're not just an advocacy group. Through the mechanism of the Caledonian Land Trust and by partnering with other property owning organisations, we aim to support and deliver projects that will see the vulnerable and disadvantaged have a stake in their own home for the first time.

Our first project will provide four homes using this model. Yet that is just the beginning. As we talk to people in Scotland and throughout the world about the potential of our financial model we're becoming more and more aware of the need for affordable housing.

Micro Equity Home Ownership will enable communities to build sustainable futures. We therefore need to recruit a wider network of people and organisations to work with the Caledonian Foundation.

That's where you come in.

8. Appendices

Appendix I – Analysis of Housing Models

The housing market

The UK faces a severe housing crisis, with issues like housing shortages, rising property prices, increasing rents, and a growing number of people trapped in the rental cycle. Thousands of families, including over 160,000 children, live in temporary accommodations, a distressing reality often overlooked.

To help tackle these challenges, we've developed a debt-free "Micro Equity" model. This approach enables tenants to gradually purchase shares in their homes, creating an accessible path to ownership for a wide range of households—self-employed individuals, co-housing groups, low-income families, homeless individuals, and students alike.

Our goal is to launch projects across the UK to provide homes for those in need. We'll begin by focusing on housing homeless families with children. Future projects will extend to serve other groups, including care leavers, ethnic communities, families struggling to get on the property ladder, and others interested in owning a home without a mortgage.

For households earning below the median income, Micro Equity offers a pathway to stability and eventual ownership without the financial burden of a mortgage.

After addressing these priority needs, we'll expand to offer mainstream mid-market homes and larger homes for big families, ensuring that a range of households have a viable, mortgage-free path to home ownership.

What is needed?

Every household desires a quality home in a peaceful, safe environment where their family can grow and thrive. Most British households also dream of owning a home, seeking the security and stability that comes with it—without the constant worry of eviction by a landlord.

The Micro Equity model makes this dream attainable.

Meeting the need

Our model addresses the housing shortage by collaborating with support agencies to connect eligible tenants to available properties. This ensures a smooth transition and reduces the strain on existing services.

Homeless Households and Care Leavers

We will begin by reaching out to support agencies and providers of supported accommodations to establish partnerships. Through these collaborations, we'll invite agencies to refer tenants who are ready to transition into mainstream rental properties, leveraging their expertise in assessing tenant readiness.

Currently, many supported accommodation providers are operating at full capacity, with tenants unable to move on due to a lack of suitable housing options. Our initiative will offer these tenants a pathway to suitable move-on properties, helping to ease the pressure on supported accommodation services.

Main-Stream Households

Many cities face a shortage of quality, affordable rental properties. Our initiative aims to fill this gap.

More than just a rental provider

We will provide the following support services to help tenants recover from their issues, integrate into the community and grow:

Housing Support
Coordinate with partner housing support agencies to offer ongoing assistance tailored to each tenant's specific recovery needs.

Financial Guidance
Collaborate with local financial support organizations, such as Christians Against Poverty, to assist tenants with budgeting and financial management.

Community Befriending Support
Partner with local community groups to offer befriending services, helping tenants settle in and build a supportive network within the community—such as through housing charities or faith-based organizations.

Pros and Cons of housing models

Here is a summary of Pros and Cons of various housing provision models. Detailed information on each model can be found after the Pros and Con=ns table.

Housing Model	Pros	Cons
Private renting	• Greater Availability and Choice • Flexible Lease Terms • Higher Quality Amenities & Features • Faster Move-In Process • Less Restrictive Eligibility Criteria • Potential for Negotiation • Opportunity to Rent in High-Demand Areas	• Higher Rent Costs • Less Security of Tenure • Rent Increases • Responsibility for Fees and Deposits • Less Tenant Protection in Some Cases • Maintenance and Quality Issues • Vulnerability to Market Changes
Council Renting	• Affordable and Stable Rent • Long-Term Security • Priority for Vulnerable Groups • Better Legal Protections • Predictable Rent Payments • Access to Community Services and Support • Maintenance and Repairs Covered	• Lengthy Waiting Lists • Limited Housing Options • Eligibility Restrictions • Older or Less Updated Properties • Restrictions on Modifications • Potential for Long-Term Disrepair • Less Mobility • Impact of Budget Cuts on Services
Right to buy	• Significant Discount on Property Price • Pathway to Homeownership • Equity Building Opportunity • Potential for Property Value Appreciation • Enhanced Sense of Ownership and Control • Improved Financial Stability • Community Cohesion	• Reduction in Public Housing Stock • Upkeep and Maintenance Costs • Risk of Mortgage Debt • Restrictions on Resale • Impact on Affordability • Challenges with Property Management • Gentrification and Community Changes • Potential for Poor Financial Outcomes
Buy with Mortgage	• Pathway to Homeownership • Equity Building • Potential for Property Appreciation • Predictable Monthly Payments • Tax Benefits • Stability and Security • Potential for Wealth Creation • Freedom to Modify the Property	• Significant Upfront Costs • Long-Term Financial Commitment • Risk of Foreclosure • Interest Costs • Exposure to Market Risk • Maintenance and Repair Costs • Property Taxes and Insurance • Less Flexibility to Move • Possibility of Interest Rate Increases • Home Value Might Not Increase

Shared Ownership	• Lower Initial Costs • Reduced Deposit Requirement • Pathway to Full Ownership • Potential for Stability and Security • Access to Newer, Quality Homes • Potential for Property Value Appreciation	• Only available to certain income bracket. • Requires deposit. • Potential negative equity leading to difficulty to sell. • Rental Costs on the Remaining Share • Additional Fees and Costs • Complicated Resale Process • Potential for Limited Equity Growth • Staircasing Challenges • Restrictions on Property Alterations • Not Always a Long-Term Solution
Shared Equity	• Lower Initial Financial Burden • Reduced Deposit Requirement • Accessibility for First-Time Buyers • Support for Affordable Housing • Flexibility to Increase Ownership • Potential for Property Value Appreciation • Stability and Security of Homeownership	• Only available to certain income bracket. • Requires deposit. • Shared Gains on Property Value Appreciation • Potential for Limited Return on Investment • Reduced Flexibility in Selling • Ongoing Cost of the Shared Equity Partner’s Share • Restrictions on Property Modifications • Complicated Revaluation and Buyout Processes • Long-Term Affordability Concerns • Potential for Negative Equity
Micro Equity	• No Need for a Traditional Mortgage • Gradual Ownership • Affordable Entry Point • Reduced Risk of Eviction • Flexible Investment Pace • Community Investment and Cohesion • Alignment with Housing Affordability Goals	• ~~Slower Path to Full Ownership~~ Response: Achieving full ownership can be accelerated if tenants buy more shares and contribute to looking after the property. • ~~Limited Flexibility to Sell~~ Response: Tenant can give three months’ notice to sell the shares. • ~~Potentially High Ongoing Costs~~ Response: The rent remains at normal rent level. As tenant accumulates shares, interest from the shares in effect off-set rent payment. • ~~Uncertain Return on Investment~~ Response: The property would appreciate at the same rate as similar properties. The model does not restrict the resale value of the shares. • ~~Complexity in Property Management~~ Response: Property Management is taken care of by letting agents. • ~~Dependency on Project Success~~ Response: Each Micro Equity initiative is a small project providing homes for local community. It does not depend on the success of a large project. • ~~Limited Market Acceptance~~

		Response: We aim to make the pilot Micro Equity initiative a success to gain further supports from lenders and investors. • ~~Possible Restrictions on Property Modifications~~ Response: Tenants can propose property modifications to the Land Trust.

Micro Equity meets the needs of UK households by offering affordable rental payments, a stable environment, debt-free options, a supportive network, easy mobility, and the potential for full ownership.

Private Renting

Private renting and council (or social) renting each offer unique advantages and disadvantages, particularly concerning cost, availability, and security. Council housing is typically managed by local authorities or housing associations and aims to provide affordable, stable housing for low-income or vulnerable individuals and families. Private renting, on the other hand, involves leasing property from individual or corporate landlords in the open market, with prices and terms reflecting market dynamics.

Here's a breakdown of the pros and cons of private renting as opposed to council renting:

Pros of Private Renting

1. **Greater Availability and Choice**: Private rentals are more abundant in many areas, offering a wider range of property types, sizes, and locations, which may allow renters to find a property that better suits their preferences.
2. **Flexible Lease Terms**: Private landlords may offer flexible lease lengths (such as six months or even month-to-month leases), giving renters greater control over how long they stay.
3. **Potential for Higher Quality Amenities and Features**: Many private rentals come with amenities like modern kitchens, upgraded fixtures, or in-building facilities (e.g., gyms or pools), which can improve the quality of living.
4. **Faster Move-In Process**: Unlike council housing, which often involves a lengthy waiting list, private rentals are generally available for immediate occupancy once approved, making it faster to secure housing.
5. **Less Restrictive Eligibility Criteria**: Private rental properties are usually open to all prospective tenants without strict eligibility criteria, which may make it easier for those who don't qualify for council housing to secure a rental.
6. **Potential for Negotiation**: In some cases, private landlords may be willing to negotiate on aspects such as rent, lease terms, or minor property modifications, depending on the relationship with the tenant.
7. **Opportunity to Rent in High-Demand Areas**: Private rentals can offer access to desirable neighborhoods or city centers where council housing may be limited or unavailable.

Cons of Private Renting

1. **Higher Rent Costs**: Private rent is generally higher than council rent, as private landlords set prices based on market rates, which can be unaffordable for low-income households.
2. **Less Security of Tenure**: Private tenants often have shorter leases and may face more frequent eviction notices if the landlord decides to sell, reoccupy, or increase the rent, leading to housing instability.
3. **Rent Increases**: In private renting, rent can increase significantly when a lease is renewed or due to market changes, which can create financial strain for tenants.
4. **Responsibility for Fees and Deposits**: Private rentals often come with various fees, such as administrative fees, deposit requirements, or renewal fees, increasing the initial and ongoing costs.
5. **Less Tenant Protection in Some Cases**: Private tenants may have fewer legal protections compared to council tenants, depending on local regulations, which can lead to issues with repairs or eviction rights.
6. **Maintenance and Quality Issues**: Some private rentals may lack consistent maintenance, with some landlords slow to make repairs, especially if they own multiple properties or are absentee landlords.
7. **Vulnerability to Market Changes**: Private rental properties are subject to housing market trends, meaning rents and availability fluctuate with demand, making affordability unpredictable.

Council Renting

Pros of Council Renting

1. **Affordable and Stable Rent**: Council rent is typically set below market rates, making it more affordable, with rent increases regulated to protect tenants from unaffordable hikes.
2. **Long-Term Security**: Council tenants usually have greater tenure security, often with long-term leases or assured tenancy agreements, reducing the risk of eviction.
3. **Priority for Vulnerable Groups**: Council housing is designed to provide stable housing for vulnerable individuals and low-income families, giving priority to those who need it most.
4. **Better Legal Protections**: Council tenants generally benefit from robust legal protections around eviction, repairs, and tenancy rights, providing greater peace of mind and security.
5. **Predictable Rent Payments**: With council housing, rent costs are regulated and often linked to income, so tenants have more predictable and manageable monthly payments.
6. **Access to Community Services and Support**: Council housing often comes with access to various support services provided by local authorities, including social services and community engagement programs.
7. **Maintenance and Repairs Covered**: Councils are responsible for property maintenance and repairs, often with dedicated teams, ensuring the property is safe and habitable without additional costs to tenants.

Cons of Council Renting

1. **Lengthy Waiting Lists**: Council housing is in high demand, and the application process can take years, especially in areas with a shortage of available properties, leaving some without immediate housing.
2. **Limited Housing Options**: Council tenants often have limited choice in location, property type, and amenities, as the housing stock may not align with individual preferences or family needs.
3. **Eligibility Restrictions**: Council housing typically has strict eligibility requirements, prioritizing low-income households, individuals with disabilities, or those experiencing homelessness, which can exclude others.
4. **Older or Less Updated Properties**: Council properties may be older and less likely to have modern updates, meaning tenants might not have access to newer amenities or contemporary design.
5. **Restrictions on Modifications**: Council tenants often face restrictions on making modifications or personalizing their space, limiting how much they can adapt the property to suit their tastes.
6. **Potential for Long-Term Disrepair**: While councils are responsible for maintenance, resource limitations can sometimes mean slower response times for non-urgent repairs or limited property upgrades.
7. **Less Mobility**: Council tenants may face difficulties moving if they need a larger or smaller property, as transferring within the council housing system can involve long waiting periods.
8. **Impact of Budget Cuts on Services**: Council housing programs may be affected by local government budget cuts, potentially reducing available support services or delaying property repairs.

Summary

Private renting provides flexibility, choice, and quicker access to housing, but often at higher costs and with less security than council housing. Council renting offers more stability and affordability, particularly for low-income or vulnerable tenants, but comes with eligibility restrictions and limited availability. For those prioritizing affordability and security, council renting is often preferable; however, private renting may be the best option for individuals seeking greater freedom and flexibility.

Buying with Mortgage

Buying a home with a mortgage can be a practical way to achieve homeownership without needing the full purchase price upfront. However, taking out a mortgage comes with both advantages and drawbacks.

Pros of Buying with a Mortgage

1. **Pathway to Homeownership**: A mortgage allows people to buy a home without needing to save the entire purchase price, making homeownership accessible to many who otherwise couldn't afford it.
2. **Equity Building**: With each mortgage payment, homeowners build equity in the property. Over time, this can become a valuable financial asset.
3. **Potential for Property Appreciation**: Real estate values generally increase over time, so buying with a mortgage allows homeowners to benefit from property appreciation and potential profit if they sell.
4. **Predictable Monthly Payments**: With a fixed-rate mortgage, monthly payments remain consistent over the term of the loan, which provides stability in budgeting, unlike rent, which can increase.
5. **Tax Benefits**: In many regions, mortgage interest and property taxes are tax-deductible, potentially lowering the overall cost of homeownership.
6. **Stability and Security**: Owning a home with a mortgage offers long-term housing stability, as homeowners aren't subject to the fluctuations and uncertainties of the rental market.
7. **Potential for Wealth Creation**: Over time, a mortgage can be a way to accumulate wealth, as the value of the home can increase while the amount owed on the mortgage decreases.
8. **Freedom to Modify the Property**: Homeowners have the freedom to remodel, renovate, and decorate their home as they wish, which allows them to tailor their living space to personal preferences.

Cons of Buying with a Mortgage

1. **Significant Upfront Costs**: A mortgage requires a down payment, closing costs, and other fees, which can be a substantial financial burden upfront.
2. **Long-Term Financial Commitment**: Mortgages typically span 15 to 30 years, requiring a long-term commitment that may not suit everyone's lifestyle or financial plans.
3. **Risk of Foreclosure**: If homeowners fail to keep up with mortgage payments, they risk foreclosure, which can lead to the loss of their home and damage their credit.
4. **Interest Costs**: Over the life of the loan, the total interest paid can be considerable, sometimes even equaling or exceeding the original loan amount.
5. **Exposure to Market Risk**: If the property's value declines, homeowners may end up owing more than the property is worth (negative equity), limiting options for selling or refinancing.
6. **Maintenance and Repair Costs**: Homeowners are responsible for all maintenance and repairs, which can be costly and unpredictable, especially for older properties.
7. **Property Taxes and Insurance**: Homeowners must budget for property taxes and insurance, which can increase over time and add to the total cost of ownership.
8. **Less Flexibility to Move**: Selling a home can take time, so a mortgage may limit mobility if homeowners need to relocate quickly for work or personal reasons.
9. **Possibility of Interest Rate Increases**: For those with adjustable-rate mortgages (ARMs), monthly payments can increase if interest rates rise, leading to potential financial strain.
10. **Home Value Might Not Increase**: While homes often appreciate, there is no guarantee that the property's value will increase. Market downturns can cause a home to lose value, reducing the owner's equity.

Summary

Buying a home with a mortgage is a viable path to homeownership, providing stability, wealth-building potential, and tax benefits. However, it involves a long-term financial commitment, interest costs, and risks tied to the property market. This option works best for those who can manage the financial obligations, expect to stay in one place for a while, and prioritize long-term wealth building over short-term flexibility.

Shared Ownership

Shared ownership is a model that allows individuals to buy a share of a property (typically between 25% and 75%) while paying rent on the remaining portion. Over time, owners can "staircase" by purchasing additional shares, ultimately owning a larger portion or even the entirety of the home. This model offers a pathway to homeownership, especially for those who may not afford a full mortgage initially, but it comes with both advantages and drawbacks.

Pros of Shared Ownership

1. **Lower Initial Costs**: Buyers only need to finance a portion of the property's value, reducing the size of the mortgage needed, which makes homeownership more accessible for people with lower incomes or smaller savings.
2. **Reduced Deposit Requirement**: The down payment is based on the share of the home being purchased, making it more affordable than a traditional full home purchase.
3. **Pathway to Full Ownership**: Buyers have the option to increase their ownership stake over time through "staircasing," which can ultimately lead to full ownership.
4. **Potential for Stability and Security**: Shared ownership provides a level of security that renting alone does not offer, as buyers hold equity in the property and are generally less vulnerable to eviction.
5. **Access to Newer, Quality Homes**: Shared ownership homes are often part of new developments, giving buyers access to well-maintained and modern properties.
6. **Potential for Property Value Appreciation**: As shared owners, buyers can benefit from property value increases, which may boost their equity over time.

Cons of Shared Ownership

1. **Rental Costs on the Remaining Share**: Buyers pay rent on the share they do not own, which can add to their overall monthly expenses and make it harder to save for staircasing.
2. **Additional Fees and Costs**: Shared owners are often responsible for 100% of maintenance costs, service charges, and ground rent, even though they only own a portion of the property.
3. **Complicated Resale Process**: Selling a shared ownership home can be complex, as it often requires finding a buyer who meets eligibility criteria, and the housing association typically has first refusal, which can delay or complicate the sale.
4. **Potential for Limited Equity Growth**: If the property value decreases, the owner's equity in the home could be at risk, and they may struggle to recoup their initial investment.
5. **Staircasing Challenges**: Increasing ownership shares can be expensive, as it typically requires paying market value for additional shares and incurring legal and valuation fees. In areas with rapidly rising property values, staircasing may become financially unfeasible.
6. **Restrictions on Property Alterations**: Shared ownership homes often have restrictions regarding major renovations or changes, limiting the owner’s ability to personalize or increase the home’s value.
7. **Not Always a Long-Term Solution**: The combination of rent and mortgage payments can be a strain, and some buyers find that the costs make it difficult to transition to full ownership or move on to other housing options.

Summary

The shared ownership model can be a helpful step toward homeownership for those unable to afford a full mortgage, especially in high-cost areas. However, the added costs, restrictions, and potential resale challenges mean it's not ideal for everyone.

Shared Equity

The **Shared Equity model** allows individuals to purchase a home with financial assistance from a partner, typically a government or nonprofit organization, that provides part of the purchase price in exchange for a share in the property's future value. This model makes homeownership more affordable by reducing the mortgage amount the buyer needs to secure, as the buyer only finances a portion of the property's total cost. When the property is sold, the equity partner receives a percentage of the sale price, proportional to their original investment.

Pros of the Shared Equity Model

1. **Lower Initial Financial Burden**: Buyers only need to finance a portion of the property, often reducing the amount of their mortgage and making monthly payments more affordable.
2. **Reduced Deposit Requirement**: Because the buyer is only financing part of the home's value, the deposit needed is smaller, making it easier for first-time buyers or low-income individuals to enter the housing market.
3. **Accessibility for First-Time Buyers**: This model is particularly attractive for those who would otherwise struggle to buy a home due to high prices or limited credit access, helping them get on the property ladder.
4. **Support for Affordable Housing**: Shared Equity is often linked to government or nonprofit initiatives that aim to create and sustain affordable housing options, ensuring long-term community investment.
5. **Flexibility to Increase Ownership**: Some Shared Equity models allow buyers to increase their ownership share over time, potentially reaching full ownership if they are financially able to "buy out" the equity partner's share.
6. **Potential for Property Value Appreciation**: While the shared equity partner will benefit from value appreciation, the buyer also gains proportional equity in a potentially appreciating asset, building wealth over time.
7. **Stability and Security of Homeownership**: This model offers buyers a stable homeownership experience, usually with fewer restrictions than rental options, and provides them with the security of owning part of their home.

Cons of the Shared Equity Model

1. **Shared Gains on Property Value Appreciation**: When the property appreciates, the equity partner is entitled to a share of the gains upon sale, which can reduce the buyer's profit compared to sole ownership.
2. **Potential for Limited Return on Investment**: In markets with high appreciation, the owner might feel limited by the shared gains, especially if the agreement doesn't allow them to buy out the partner's share over time.
3. **Reduced Flexibility in Selling**: Selling the property may be more complex, as the equity partner must be involved, and specific resale conditions or restrictions may apply depending on the shared equity agreement.
4. **Ongoing Cost of the Shared Equity Partner's Share**: In some cases, buyers may need to pay an additional fee or share a portion of rental income (if the property is rented out) with the equity partner, which can increase monthly costs.
5. **Restrictions on Property Modifications**: Shared equity agreements may impose restrictions on major property changes or improvements without the equity partner's consent, which can limit personalization.
6. **Complicated Revaluation and Buyout Processes**: If the buyer wishes to increase their ownership or buy out the equity partner, they may need to go through costly property valuations and legal fees.
7. **Long-Term Affordability Concerns**: If the shared equity partner requires payment of their share upon refinancing or loan restructuring, it may become challenging for the owner to manage these costs, particularly if property values have increased.
8. **Potential for Negative Equity**: If the property's value decreases, the buyer may end up with negative equity on their share, or the shared partner might require a buyout based on the original investment rather than the current, lower value.

Summary

The Shared Equity model offers an accessible path to homeownership by lowering upfront and monthly costs, making it a valuable option for first-time buyers or those in high-cost markets. However, the trade-offs include sharing future property appreciation and potentially complex resale or buyout terms. This model is best for those who prioritize affordability and stability over maximizing future returns from property appreciation.

Right to Buy

The **Right to Buy** model is a government policy that allows public housing tenants to purchase their homes at a discounted price, depending on the length of their tenancy and other factors. Originally introduced in the UK, the Right to Buy model provides tenants with an affordable pathway to homeownership, aimed at encouraging social housing tenants to invest in property and achieve long-term stability.

Pros of the Right to Buy Model

1. **Significant Discount on Property Price**: Tenants receive a substantial discount on the property's market value, making homeownership much more affordable for long-term public housing residents.
2. **Pathway to Homeownership**: This model enables tenants who might otherwise be unable to afford a home to become homeowners, providing them with security and stability.
3. **Equity Building Opportunity**: Homeownership allows tenants to build equity as they pay off their mortgage, potentially giving them a valuable financial asset over time.
4. **Potential for Property Value Appreciation**: Home values may increase, allowing Right to Buy homeowners to benefit from market appreciation and grow their personal wealth.
5. **Enhanced Sense of Ownership and Control**: Homeownership can foster a greater sense of pride, responsibility, and investment in the home and community.
6. **Improved Financial Stability**: Owning a home rather than renting can offer greater long-term financial stability, as mortgage payments can be more predictable and provide a safeguard against rent increases.
7. **Community Cohesion**: Homeownership may contribute to more stable and cohesive communities, as people who own their homes may be more invested in the neighborhood's upkeep and development.

Cons of the Right to Buy Model

1. **Reduction in Public Housing Stock**: The model decreases the amount of available social housing, creating a shortage and often exacerbating housing issues for low-income households waiting for affordable housing.
2. **Upkeep and Maintenance Costs**: Right to Buy homeowners are responsible for all property maintenance and repair costs, which can be financially challenging, especially for those on lower incomes.
3. **Risk of Mortgage Debt**: For some buyers, taking on a mortgage may lead to financial strain or risk of repossession if they face income instability or struggle with payments.
4. **Restrictions on Resale**: Right to Buy homes often have restrictions on resale, such as limited eligibility for reselling within a certain timeframe, which can limit the buyer's flexibility.
5. **Impact on Affordability**: Some buyers may resell their homes at market rates, reducing the availability of affordable housing stock and making it more challenging for low-income individuals to find housing.
6. **Challenges with Property Management**: For tenants buying apartments or flats, Right to Buy can result in complexities related to shared building management and maintenance costs, as buyers become part of a homeowner association or similar arrangement.
7. **Gentrification and Community Changes**: As public housing is sold, neighborhoods may undergo gentrification, leading to increased housing prices and changing the community dynamic, which may displace lower-income residents over time.
8. **Potential for Poor Financial Outcomes**: While some benefit from property appreciation, others may struggle with unforeseen maintenance costs or see limited value growth, leading to less favorable financial outcomes than anticipated.

Summary

The Right to Buy model provides a potentially transformative pathway to homeownership for public housing tenants, giving them access to discounts and an opportunity to build equity. However, it also reduces social housing availability and can pose financial risks for buyers who might face upkeep costs or mortgage challenges. This model works best for tenants who are financially prepared for homeownership responsibilities and who value stability and control over their housing situation.

Micro Equity

The **Micro Equity model** is a relatively new concept in housing ownership, where tenants gradually purchase equity in their homes through small, incremental investments (or shares) over time without the need for a traditional mortgage. This model is designed to make homeownership accessible for those who may not qualify for conventional financing, such as low-income individuals, self-employed people, and those with less financial stability.

Here's a look at the pros and cons of the Micro Equity model:

Pros of the Micro Equity Model

1. **No Need for a Traditional Mortgage**: Unlike traditional homeownership, Micro Equity does not require a mortgage, which removes barriers for those who may not qualify due to income level, credit score, or employment status.
2. **Gradual Ownership**: Tenants can slowly acquire shares over time, making it affordable for households to work toward ownership without needing large sums upfront.
3. **Affordable Entry Point**: The model often has a low entry cost, making it accessible to households that might struggle to save for a typical down payment.
4. **Reduced Risk of Eviction**: Tenants who hold equity in the property have more stability than traditional renters, as they own a portion of the property, which can provide greater security and a sense of ownership.
5. **Flexible Investment Pace**: Tenants can purchase shares at their own pace as their financial situation allows, enabling a more personalized and manageable path to homeownership.
6. **Community Investment and Cohesion**: The Micro Equity model can encourage a sense of community ownership, where tenants and community members have a shared investment in the property, which can foster neighborhood cohesion and stability.
7. **Alignment with Housing Affordability Goals**: This model aligns with social goals to create affordable housing options, particularly for vulnerable groups, and it provides an innovative alternative to traditional rental or mortgage-based housing.

Cons of the Micro Equity Model

1. ~~**Slower Path to Full Ownership**: Since shares are acquired gradually, it may take significantly longer for tenants to fully own their home compared to traditional mortgage pathways.~~

   Response: The time to achieve full ownership can be accelerated if the tenant buy more shares with the spare cash and contributes to looking after maintenance and repair of the property. For example, if tenant buys additional shares to 20% of the rent, then full ownership could be achieved in 32 years. Or, if the tenant contributes to 50% of maintenance and repairs, then full ownership could be achieved in 32 years.

2. ~~**Limited Flexibility to Sell**: Selling a Micro Equity property or the shares acquired may be more complex and restricted, as the property might still be under the purview of the management entity overseeing the model.~~

   Response: The tenant can simply give three months’ notice to sell the shares acquired. To move out of the property, the tenant only needs to give normal notice to terminate the lease which is normally one month.

3. ~~**Potentially High Ongoing Costs**: In some cases, tenants might still be responsible for a form of rent or occupancy fee on the portion of the property they don’t yet own, which can make total monthly costs higher.~~

   Response: The rent payable always remain to be normal affordable rent level. As the tenant accumulates shares, tenant will also receive interest for the share. This in effect off-set the rent payment.

4. ~~**Uncertain Return on Investment**: If property values don’t appreciate, or if the model restricts the resale value of shares, tenants might not see the same level of financial return as they would in traditional homeownership.~~

Response: The property value would appreciate at the same rate as similar properties in the same area. The model does not restrict the resale value of the shares because share value are fixed at par value of £1.

5. ~~**Complexity in Property Management**: For projects with many shared owners, managing maintenance, repairs, and general upkeep may require additional coordination, potentially increasing management fees or service costs.~~

   Response: Property Management tasks are taken cared of by local established letting agents. The sense of ownership the maintenance fund arrangement encourages tenant to look after the property which will provide Reward Points.

6. ~~**Dependency on Project Success**: Since Micro Equity initiatives are often part of larger projects or community-driven models, the model's success relies on the overall project's viability and the financial health of the organization managing it.~~

   Response: Each Micro Equity initiative is a small project providing homes for local community. It does not depend on the success of a large project.

7. ~~**Limited Market Acceptance**: As a newer model, Micro Equity may have limited acceptance or support from traditional lenders, investors, or housing markets, which could make it challenging to find resale opportunities if tenants wish to exit.~~

   Response: We aim to make the pilot Micro Equity initiative a success to gain further supports from lenders and investors. Tenants can exit easily to selling the shares back to the Land Trust and terminate their tenancy lease. The property can them be resold ready on the open market.

8. ~~**Possible Restrictions on Property Modifications**: As in shared ownership, tenants may face limitations on property modifications until they own a significant portion or the entirety of the home.~~

   Response: Tenants can propose property modifications to the Land Trust. If the proposed modification is within reason, will enhance the property and is within building regulations, then the Land Trust could approve it after a review process.

Summary

The Micro Equity model provides an innovative, mortgage-free pathway to homeownership, which can make a significant difference for people who face challenges accessing traditional financing. However, its slower pace to full ownership, potential ongoing costs, and limited resale options can be drawbacks. This model works best for households seeking long-term, stable housing and those interested in gradually building ownership equity over time.

Appendix II – FAQ

Who is responsible for maintenance, repairs and buildings insurance?

The land trust is owner of the properties therefore it is responsible for maintenance, repairs and buildings insurance. As residents accrue shares in the land trust, the residents become investors and joint owner of the properties. So the residents are encouraged to look after their home because it is their property also.

How does the model cope with changes to the housing market and inflation levels?

Inflation has been taken into account in the model at the government's target rate of 2%. You may also adjust the rate of inflation to see how it impacts on the model. The example model assumes that house prices will raise at 2.5 times the rate of inflation. This can also be adjusted to see the effects.

What happens if someone loses their job while they are a tenant?

Because 10% of rent paid is transferred by the Land Trust into Reward Points, the tenant's points credit raised through this scheme can be released in order to pay their rent during temporary financial difficulties. After three months of non-receipt of rent, the Land Trust will endeavour to provide support, access to more suitable accommodation or access to financial and social services as required in order to resolve the situation

How is the Micro Equity model financially sustainable?

It is based on a proven buy-to-let model – is a bank loan had been taken by the Land Trust as part of the capital to purchase the property, as long as the loan to value level is at a controlled and safe level, the appropriate rental level will make it sustainable – as shown in the financial model.

I claim Housing Benefit, am I an eligible Micro Equity tenant?

Individual land trusts will decide which prospective tenants will reside in their properties with the support of external parties. There is no reason why someone claiming Housing Benefit cannot take up residency in a Micro Equity property; by paying the Housing Benefit rate, you will take longer to acquire equity in the property, but the model is still valid.

What is the minimum share purchase? How is this decided?

Each land trust will set its own minimum share price. The Caledonian Land Trust has set a minimum investment of £1 making it inclusive to investors of all backgrounds. However, the Caledonian Foundation recognises the value of support from all individuals, which is why it makes use of crowd-funding resources where many people can make a small donation, collectively making a huge impact.

What will you do if someone fails to pay rent?

Because 10% of rent paid is transferred by the land trust into Reward Points, the tenant's point credit raised through this scheme can be released in order to pay their rent during temporary financial difficulties. After three months of non-receipt of rent, the land trust will endeavour to provide support, access to more suitable accommodation or access to financial and social services as required in order to resolve the situation. In the unfortunate situation that there is no resolution after 6 months non-receipt of rent, the tenant will be evicted in accordance with all legal requirements.

Can local councils set up a scheme with our help?

Yes. We can help councils set up their own land trust and build or transfer council houses into the land trust and make them available to council tenants through Micro Equity.

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How does Micro Equity differ from shared equity?

There are three main differences: 1. Most shared equity schemes require a minimum purchase of a 25% block of shares. This means the buyer might still need to have a certain credit status to apply for a loan and need to have enough income to service the loan. Whereas with Micro Equity, the tenant can buy as little as one share at a time, at £1 per share, without the need to take out a loan. 2. A percentage of rent paid by the tenant is credited as Reward Points to help him accrue ownership. 3. Friends and family can also buy Gift Points to help the tenant accrue ownership. This would strength relationship and bonds.

Are there existing models like Micro Equity in other countries?

There are many housing cooperatives and community land trust initiatives in various countries such as Canada and USA. However, we are not aware any of these allows tenants to buy their home one share at a time, receive part of their rent back as Reward Points and allows friends and family to buy Gift Points also. As far as we know, Micro Equity is the only model that provides these benefits to the tenants.

Can Micro Equity be implemented in other countries?

So far we have received interests for the Micro Equity model from Australia, Canada, USA, Belgium, Timor, Indonesia, Bali and Kenya and we are exploring opportunities to adapt Micro Equity for these countries. Many countries have certain form of cooperative model or mutual ownership structure, especially commonwealth countries will have legal entities similar to the ones in the UK. We aim to work with partners in various countries to adapt Micro Equity to address specific legal requirements for their country. If you would like to see Micro Equity being adapted for your country, or of you are in the property law profession, please contact us to explore opportunities.

FAQs for Potential Investors

What is a community share?
A community share is a type of investment in a community benefit society, giving you ownership and a say in how the organisation is run.

Will I get my money back?
We aim to allow withdrawals after 5 years, but this depends on financial performance and board approval.

Is my investment safe?
As with any investment, there is risk involved. This is not covered by the Financial Services Compensation Scheme.

Can I sell my shares?
You can sell community shares back to the Land Trust under the Terms and Conditions of the share offer. Community shares are non-transferable which means you cannot sell your shares to other parties.

Who decides how the co-operative is run?
All members have equal voting rights. Major decisions are made at member meetings and through an elected Board.

What happens if we don't raise the full £900,000?
If the Share Offer is under-subscribed and we do not achieve £900,000, we will pool together all funds raised or extend the share offer until we have enough to purchase one property to provide home for one homeless family with children. This will give us the opportunity to prove the Micro Equity business model and provide a story on how a family has benefited from the model. With this story we can then re-launch the Share Offer to raise more funds to provide more homes.

Where can I read more?
Visit our website at www.microequity.org or follow us on social media for regular updates.

Appendix III – Risk Register

Primary Risk:

The primary risk is the potential for tenants to be unable or unwilling to pay rent. While this is a common concern in any property rental model, the Micro Equity approach includes several proactive measures to address and mitigate this issue:

- Collaboration with Housing Support Agencies:

  We partner with housing support agencies to identify tenants who are prepared to transition into mainstream housing. These agencies assess each tenant's suitability and commitment to maintaining their tenancy.

- Financial Planning Support:

  We assist tenants in setting up accounts with financial advisory organizations, such as Christians Against Poverty, to help them budget effectively and prioritize rent payments.

- Community Support Networks:

  We work with local community support groups to offer befriending services, helping tenants establish support networks to address challenges such as financial difficulties or employment issues.

- Partnership with Professional Property Managers:

  We collaborate with established estate agents to manage all tenancies. For tenants who consistently fail to pay rent, the estate agent will follow standard legal procedures to recover unpaid rent or issue eviction notices in accordance with the lease agreement.

Financial Risks:

- Develop a contingency fund to cover potential rent arrears, void periods, and unforeseen maintenance costs.

  We will place 10% of rent received and up to 1.5% of property value per year is budgeted into the maintenance fund which will cover rent arrears and unforeseen maintenance cost.

  To mitigate risk of void period, we will partner with established letting agents to ensure suitable terms of the tenancy agreement are specified and adhered to. Suitable rental deposit will be retained with suitable notice to quit period will be specified in the tenancy agreement.

  We will also maintain close communication with the tenants to receive early notifications of notice to quit. We will also work closely with the housing support agencies to identify suitable new tenants to move in.

  Micro Equity will provide high level of support for the tenants to help them maintain their tenancy long-term. Therefore reduce the frequency of void periods.

- Set aside reserves to protect against market fluctuations and interest rate changes that may affect investment returns.

  Annual profit will be place in a reserve fund. Level of reserve will be closely monitored to ensure investment returns could be met for periods when profit is low. We will keep borrowing from the bank at minimum level to mitigate effects of interest rate changes.

Operational Risks:

- Establish clear protocols for managing late rent payments, tenancy breaches, and eviction processes in line with legal requirements.

  We will partner with established letting agents to ensure terms of the tenancy agreement are strictly adhered to. We will work closely with the letting agents to receive early notifications of any tenancy issues.
  When issues do arise, we will liaise with the community support group to provide early support to the tenants to help them resolve the issues before they become serious problems.

- Plan for crisis management in the event of an unforeseen event (e.g., fire, flood, or pandemic) to ensure continuity of service and tenant support.

  We will ensure suitable insurance policies are in place to cover any unforeseen events. We will liaise with the community support group to help the tenants deal with these events.

- Ensure the quality, trustworthiness and alignment of values with the Project Managers

  We will recruit Project managers with relevant work experience in social enterprise or charitable organisations and with expressed personal passion for social impact initiatives. We will obtain references from their current or previous employers to ascertain their trustworthiness. The Board of Directors will assign a Project Manager to train, guide and oversee the Project Manager. The Project Manager will sign a freelance contract with the Society, with appropriate review period and termination clauses to ensure lawful and proper conducts in line with the mission of the Society on the part of the Project Manager.

- Support competency of Project Managers in working with other agencies to ensure suite of services to be provided happen

  When the work of the Society is established with many properties and tenants for the Project Managers look after, by then we should also have a large base of membership and supporters. We will recruit voluntary Community Liaison Officers from the members of the society. These Community Liaison Officers will work with the Project Managers to help him deliver the suite of services to the tenants. There will also be regular remote video meetings for all the Project Managers to share their success stories and challenges. This will be a support network for the Project Managers for their encouragement and learning from each other.

- IT Failure

  A dedicated and secure computer will be allocated for the Project Director to administer the Society's operational processes. All data will be backed up securely to secure cloud storage services. Initially, standard programs such as Microsoft Word and Microsoft Excel will be used. Therefore in the case of a computer failure, another computer can be readily set up with data restored quickly. Only the Project Director, the Chairman and the Secretary will have access to the data stored on the cloud. In the case when the Project Director is not available, the Chairman and the Secretary can access the data and relay access to another Director to continue the operational processes.

External Risks:

- Stay informed of changing local policies and regulations affecting housing provision.

  We will work closely with established letting agents to receive early notification of any changes in local policies and regulations. We will take professional advice from the letting agent and our lawyer to address these changes.

- Maintain strong relationships with local authorities and agencies to navigate legal and regulatory changes effectively.

  We will work closely with local authorities and agencies informing them of our initiatives and social impact of the Micro Equity model. We will seek their advice and assistance in addressing any legal and regulatory changes.