



Common Ground Against Homelessness

Business Plan

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1. Introduction

Common Ground Against Homelessness (CGAH) is a Community Benefit Society created to improve the lives of homeless people by providing a sustainable way for communities to come together to help end street homelessness.

Communities and individuals will invest collectively in properties which will provide supported, permanent accommodation for homeless people. This will be a new way for people to do something tangible for homeless people on their streets - give them a home for life.

CGAH will raise funds from these investors to buy and adapt buildings.

CGAH will rent on commercial terms, to charities supporting homeless people at prices they can afford - a new approach to the long term funding of accommodation for homeless people in Scotland. The charity will have committed to a tenancy that meets their requirements.

Beginning in Edinburgh, this will be the first community shares offer to fund homeless accommodation in Scotland (although done successfully elsewhere in the UK). It will develop the conversation around homelessness allowing more local people to become actively engaged in understanding the issue and making a difference.

It will lay the foundation for future development of further homeless accommodation being funded through community shares and enable the replication of a tried and tested model of housing and support for entrenched homeless individuals to help them move off the streets and secure a home for life.

Common Ground Against Homelessness provides a tangible way to help homeless people. Investors will be investing in bricks and mortar and will be able to see where their money goes. We are offering people the chance to invest in change. The chance to invest in giving people a new life away from street homelessness.

1.1. The size of the problem

Every 17 minutes a household in Scotland becomes homeless. There are 14,000 people in temporary accommodation, such as hotels and B&Bs. At the height of the Covid 19 lock-down, 500 rough sleepers were being accommodated in hotels.

2. First Share Offer

CGAH will launch a series of share offers for individual properties to meet the requirements of our charity partners. By removing the financial uncertainty that charities face when trying to secure buildings, we will allow them to focus on their charitable work and increase the impact their support can have on the lives of homeless people. Similarly by meeting the needs of our partners the purchase is not speculative; CGAH will only be purchasing a property with an agreed tenant.

2.1 The First Property

To purchase a [four bed residential property](#) in Edinburgh to convert it into 9 self-contained en-suite room accommodation for which planning permission has been obtained. The re-modelling/refurbishing will provide a home for 9 homeless men with communal areas and space for 24 hour support staff.



Working with City of Edinburgh Council (CEC) we will maximise the opportunities to be as environmentally efficient as possible in all aspects of the property renovation/refurbishment, within the constraints of an Edwardian building.

The purchase price of the property is agreed at £425,000

Stamp Duty £15,000

The costs of refurbishments are £210, 000

The total funds required for this property and therefore the first share launch is £650,000.

Once completed the property is expected to have a market value of £525,000

This will give us an 80% cover on fund investments.

3. The future of Common Ground Against Homelessness

Current plans developed by the [HARSAG](#) (Housing and Rough Sleeping Group) focus heavily on an organisation called Housing First, you can learn more about them [here](#). However, Housing First's approach will only meet around 80% of the need, according to [Everyone Home](#), a collective of homelessness charities and academics. So, around 20% of rough sleepers will need long term supported accommodation. The type of long term supported accommodation Rowan Alba have created at Thorntree St. will give these marginalised individuals a home for life. Common Ground's development will support other front-line Charity services in Scotland who can deliver accommodation of this standard and effectiveness.

3.1. Our Charity Partners

Rowan Alba



Rowan Alba has been supporting homeless people in Edinburgh for 15 years and the first organisation in Scotland to offer permanent homes to homeless street drinkers, without asking them to change their behaviour.



It is difficult to imagine or understand why anyone would choose to live on the street, yet many do. Much temporary accommodation is often just that, a room in a bed and breakfast establishment. People with serious addictions struggle to keep to rules, are asked to leave and find themselves homeless again.

Rowan Alba's approach at their Thorntree Street accommodation service in Leith is simple: give people an immediate self-contained permanent home, with no conditions and no requirements to prove they are 'housing ready'. Tenants benefit from 24 hour support, communality, and three meals a day, which improves their physical and mental health. Since 2005 they have given 70 previously entrenched homeless men a home for life, with an average stay of 10 years.

Rowan Alba have been successful in moving people off Edinburgh's streets for the long term. Staff have built up a wealth of skills and experience in supporting people who had given up on ever finding a home. Replication of their housing support model is supported by City of Edinburgh Council who have guaranteed revenue funding for them to provide this.

The charity's attempts to find a new property to launch a similar service mirror the challenging experiences of other charities. Competition from private landlords is high and charities are priced out of the rental market. To date Rowan Alba has not been able to find a suitable property to increase their capacity to support homeless people.

This is where CGAH comes in

Rowan Alba have also already committed to providing financial support for the share offer by way of £4, 000 and non financial practical help with resources to purchase and project manage the refurbishment for which full planning consent has been granted.

Our future partners

In the future, Common Ground will offer our support to other charity partners that share our passion for ending homelessness.

Cyrenians

For over 50 years, Cyrenians have been supporting people excluded from family, home, work or community on their life journey.

Ypeople

Ypeople offer support, accommodation, mentoring and counselling for people across Scotland, many of whom are affected by homelessness.

4. The Business Model

CGAH will buy and refurbish properties in Scotland to allow their charity partners to fulfil their mission. The charity will identify the property they wish to acquire, having established the need for the service, and their revenue funding. Due diligence will be undertaken on each charity partner.

CGAH will then buy and refurbish the building, based on the needs of each partner.

In this first share offer, the building will be used as a home for life for homeless people. However, mindful of the interests of investors, due consideration is given at the time of refurbishment as to other potential uses of the building, to ensure a steady flow of income if needed.

CGAH will continue to look for further development opportunities in partnership with charities, with the aim of investing £1, 000, 000 per annum with a target of housing 15 street homeless people for life per annum, building up a stable balance sheet of a mixed property portfolio.

Properties will be let to charity partners on an internal repairing and insuring lease (IRI), with partners responsible for internal repair/modification as required. The leases will be long term and rentals increasing with inflation.

These rental incomes will be used (after deducting operating costs) to repay capital and interest



on the investments each year. If repayment requests exceed the amounts available from cash flow then the board will nominate the amounts to be repaid and to whom. Shareholders will not have the right to insist on repayments of their monies.

CGAH is responsible for the structural state and repair to the property. A budget of £5,000 has been set aside for property repairs per annum.

Overheads will be covered from rental incomes .

4.1 The Investment Fund

Our mission is to work towards ending street homelessness across Scotland. To do this CGAH will raise up to £10,000,000 in share offers over the next 10 years to purchase accommodation to house homeless people.

Our first share offer will aim to raise £650,000 to cover the purchase price and renovation costs of that property.

Shareholders will be required to give 6 month's notice before they can withdraw their shares. Shareholders will only be permitted to withdraw their capital and interest at the discretion of the Board of trustees.

There is a minimum investment term of 3 years. Investors will not be able to withdraw capital in years 1, 2 or 3 of their investment term. There is no maximum investment term.

Investments will be paid through and managed by ethex.org.uk. Ethex is a small not for profit organisation based in Oxford, UK with the aim of creating a marketplace for positive investments. There are currently 16,000 active investors on this platform. Ethex fees of up to £17, 500 have been costed in to the share offer.

This is a “patient” investment, meaning that we anticipate that investors are not solely investing for a financial return, but for a greater social good, leaving their money with us to do good. We have researched the “standard “ length of time social investors leave funds with similar offers to inform our financial projections.

It is anticipated that 6% of investments will be withdrawn (£39,000) per annum starting at the



end of the minimum investment period.

Anyone aged 16 or over can invest. The minimum investment for this share offer is £500. Investment is welcomed from individuals and companies who will be required to nominate a lead person for the investment register. The maximum investment is set at the legal limit of £100,000.

Every investor has one vote, regardless of the amount invested. All investors will become members of the society, have a vote at the Annual General Meeting and if over 18 be eligible to stand for the Board of Directors.

4.2 Interest Payments

We will pay investors an interest return of up to 5% per annum . The final actual interest rate will be determined by the Board and based on cash flow availability at the time together with market conditions.

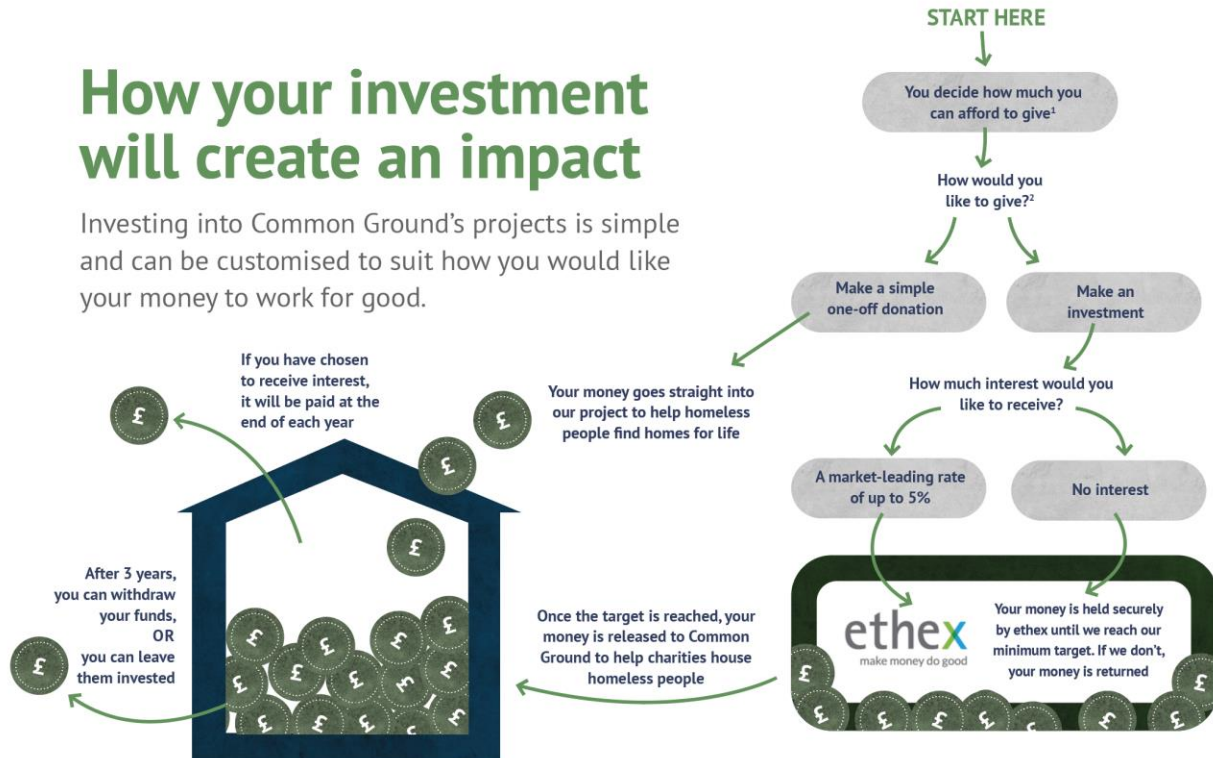
We anticipate that a 5% interest rate will be of great interest to ethically minded investors. We have secured pledges of £60,000 to date, prior to the launch of the share offer from 7 investors. This interest rate will start to accrue from the date of investment but will not be available for withdrawal. Interest will only be repaid with capital.

Interest will not be compound. It is anticipated that up to a maximum of 6% of the interest will be withdrawn each year. This amounts to £5850 in year 3.

4.3 How it Works

How your investment will create an impact

Investing into Common Ground's projects is simple and can be customised to suit how you would like your money to work for good.



1. All investments carry risk. If you are unsure of how this affects you and if it is wise for you to invest, we suggest you seek independent financial advice.
2. After the share offer has closed, investors will be invited to choose the interest rate they would like to receive from 0% to the headline rate the board advertise, and can set any rate between these two figures as they prefer. This option will not be offered at the point of signing up for the Share Offer at ethex.org.uk. Please contact ethex.org.uk for more information.

4.4. The Commercial Lease

As landlord, CGAH will enter into a commercial lease with their charity partner for the tenancy



of the property. This will be agreed with the partner charity prior to entering into negotiations for a property. No property will be bought speculatively but only to meet an identified and costed need.

The charity partner will be able to pay this commercial lease from the monies received by the amount it is reasonable to expect those accommodated by the charity to expect from the Local Housing Allowance. This provides security for the charity who know that the rent they receive will meet their liability and that if the circumstances of their tenant change they will not face homelessness by not being able to pay.

The current Local Housing Allowance is £ 94.82 per resident.

(<https://www.gov.scot/publications/local-housing-allowance-rates-2020-2021/>)

Our first property has accommodation for 9 residents so a local Housing partner will receive £44,376 in rental which will be available to pay CGAH lease payments.

The Commercial Lease rates will be set at around 105% Local Housing Allowances rates. This amounts to £46,584 p.a. for the first property, with increases after 5 years. This has been modelled on previous Local Housing Allowances rates for the past 10 years.

This rental income will cover the CGAH outgoings being some overheads then the remainder available for capital and interest payments. It is hoped that CGAH will also build up a small trading surplus which can be invested in further properties.

Our overheads are minimal, as Common Ground currently comprises the 3 board members, however a budget of £5,000 is planned for repairs, and £2,800 for insurance, accounts and audit increasing with expected inflation.

4.5 Key Financials Summary

	Start-Up	1	2	3	4	5
Opening Balance	-	-	38,784	77,412	71,031	65,345
Add: Cash inflows	650,000	46,584	46,584	46,584	46,584	55,901
Less: Cash outgoings	(640,900)	(7,800)	(7,956)	(8,115)	(8,277)	(8,443)
Capital servicing		-	-	44,850	43,992	43,076
Net Cashflow - must always be positive	9,100	38,784	77,412	71,031	65,345	69,728
Starting Share capital	<i>£650,000</i>	<i>£650,000</i>	<i>£650,000</i>	<i>£650,000</i>	<i>£611,000</i>	<i>£574,340</i>
Total Interest		<i>£32,500</i>	<i>£65,000</i>	<i>£97,500</i>	<i>£122,200</i>	<i>£143,585</i>
Shares withdrawn this year		<i>£0</i>	<i>£0</i>	<i>£39,000</i>	<i>£36,660</i>	<i>£34,460</i>
Interest withdrawn		<i>£0</i>	<i>£0</i>	<i>£5,850</i>	<i>£7,332</i>	<i>£8,615</i>
Capital servicing costs		<i>£0</i>	<i>£0</i>	<i>£44,850</i>	<i>£43,992</i>	<i>£43,076</i>
Capital remaining	<i>£650,000</i>	<i>£682,500</i>	<i>£715,000</i>	<i>£702,650</i>	<i>£689,208</i>	<i>£674,850</i>

CGAH Projections do not include fundraising targets as yet from grants and trusts (our charitable status application is pending with OSCR). We have had several positive discussions with Trusts who are interested in the project, and keen to donate. In the interests of complete transparency for our investors, these have not been included, but will make us more financially secure once charitable status has been achieved.

For our first property investment. We are grateful to Social Investment Scotland for funding to allow us to engage a highly skilled architect to plan the renovation and assess an accurate cost for the development. We also gratefully acknowledge the support of Community Shares Scotland for funding to test and develop a comprehensive marketing strategy to advertise the offer.

When planning future share offers we will budget for costs relating to marketing and these renovations.

4.6. The 10 Year Plan

Over the next 10 years, it is our intention to raise over £10,000,000 and invest in property to accommodate up to 15 homeless people every year. Assuming a scaling up of costs and income, we will be looking to raise around £1,218,750 every year.

Projections are based on scaling up of income and costs for project 1:

- Average cost to provide a home for 1 person is £81,250, paying a rent of £5,823
- Average cost to accommodate 15 people = £1,218,750, assuming an annual rent of £87,345 (increasing by 2% every year)

Summary finances for 10 year Plan

Year	Start-Up	1	2	3	4	5	6	7	8	9	10
Opening Balance	-	48,300	121,000	238,906	233,715	229,223	224,320	207,848	178,800	162,027	131,592
Add: Cash inflows	697,000	1,208,667	1,287,000	1,370,973	1,456,626	1,543,992	1,633,105	1,724,001	1,816,714	1,911,282	2,007,741
Less: Cash outgoings	(648,700)	(1,135,967)	(1,169,095)	(1,207,773)	(1,221,725)	(1,235,956)	(1,260,676)	(1,285,889)	(1,285,889)	(1,311,607)	(1,311,607)
Net Cashflow available	48,300	121,000	238,906	233,715	229,223	224,320	207,848	178,800	162,027	131,592	113,138
No of tenants in homes	9	24	39	54	69	84	99	114	129	144	159

5. Marketing strategy

The first share offer will be managed and promoted by Ethex to their 16,000 members. It is expected that some 70% of investors will come from that source.

To support Ethex in the launch we have developed a complete share offer document. The launch will be supported by press briefings and a social media campaign, a webinar and endorsements. A full marketing strategy has been developed for the first share offer with the support of Jonathan Gould, an experienced brand design and marketing specialist.

Furthermore, the offer will also be pitched locally to friends and family and local investors to meet the final target.

This plan will be used as the basis for subsequent launches.

A budget of £4,000 has been set aside for the marketing campaign for the first share offer. These fees have been met by Rowan Alba. A grant of £4,800 has been received from Community Shares Scotland to promote the share offer. We also gratefully acknowledge the financial support of Social Investment Scotland to allow us to conduct the feasibility study.



We will be the only community benefit society in Scotland offering membership of a movement to end homelessness for good, with the transparency and accountability the structure offers.

6. People and Board

Details of the current board are available on the web site.

Day to day operations for CGAH will be completed by Helen Carlin on a voluntary basis .This will be reviewed on an ongoing basis .The board will continue to review our structure, and may in time appoint dedicated staff to support CGAH.

Day to day decisions will be taken by the Board of Directors.

Strategic direction, appointments to the Board of Directors and annual reporting will be the subject of Annual General Meetings.

CGAH will ultimately have 10 board members. Up to 3 can be users of our service, empowering residents to take an active role in the management of the organisation. There are currently 3 Founding Board Members. Additional members will be recruited following the launch of the share offer to complement the existing skills of our current board. Board membership has been kept limited to allow us to nimbly respond to the Covid 19 crisis and a full board will be appointed on the completion of the successful share offer.

CGAH's board does and will include representatives from the partner organisations which lease the properties (owned by CGAH) and provide the accommodation and support to homeless people.

Inevitably there will be a number of conflicts of interest that occur from time to time. These will be documented clearly in meeting minutes and conflicted parties are not allowed to vote on the relevant board decisions.

6.1 The team

In order to achieve our ambition of managing a £10,000,000 portfolio in 10 years, creating permanent homes for over 150 people we will need to build a strong team with a combination of paid employees and volunteers. The team for our first project consists of volunteers and some of the tasks will be outsourced:

- The Board – responsible for the strategy, fundraising and overseeing the first project.
- Dave Boyle – providing consultancy and support
- Toby Sandison, Community Shares Scotland – supporting with the set-up of Common Ground
- Josh Brewer, Ethex – supporting with the set up of our share offer on Ethex
- Jonathon Gould, Branding, marketing planning & support
- Wendy Sneddon – Rowan Alba Chair, supporting the management of the first project from planning to completion including recruiting the power team.

Our power team for Peffermill House Project:

- Wendy Sneddon, Project Manager will oversee project
- David Moore, MDA Studios, Architect – designed the project, will organise, planning permission, building warrant, supervise construction and obtain completion certificates
- Robert Stuart, Scope Estimating & Surveying services, providing QS services and will oversee the tenders for the refurb project and recruit the contractors, ensuring H & S certificates are in place.
- Kevin Mclusky, Solicitor

As Common Ground progresses we aim to recruit a team to meet the requirements of the business as the budget allows. This will be covered from income, other funds and grants and not this or further share issues.

7. The Risks

To maximise a positive outcome for all stakeholders, the following worst-case scenarios have been considered.

Risk	Mitigation
<p>Failure to find suitable properties</p>	<p>Increase in suitable properties due to downturn in tourist market post Covid 19, especially former small hotels, B&B, which suit long term supported housing services</p> <p>Short stay/holiday lets could have changed use for long term accommodation</p> <p>First property identified and agreed with City Edinburgh Council as a suitable location. Full planning application granted.</p> <p>Should the purchase of the Peffermill property not be possible, we will find an equivalent property.</p>
<p>Failure of charity partner to find tenants</p>	<p>Period of economic uncertainty post Covid19 will see increased demand for affordable housing</p> <p>Homelessness has already increased by 22% in Edinburgh since March 2020. Funding for the hotels in which homeless people are accommodated finishes in September 2020.</p>
<p>Failure of charity partner to pay rent</p>	<p>Rowan Alba have secured revenue funding for this service, and are working closely with City of Edinburgh Council to provide long term supported accommodation for their client group.</p>
<p>Property Values do not meet funding liabilities or withdrawals</p>	<p>6 month notice on withdrawing funds will provide time to secure further shareholders.</p> <p>The option of a capital repayment mortgage may be considered by the board if economic to do so.</p>
<p>Liquidity</p>	<p>Financial projections show a trading surplus</p>
<p>Underestimation of refurbishment costs</p>	<p>Built into the detailed costings, conducted by specialists in this type of conversion, are generous allowances to ensure this does not happen.</p> <p>CGAH will appoint a competent project manager, and work</p>

	with reputable builders to ensure the completion of the project.
Significant repairs	Over time, CGAH will build up a fund from Charitable funding sources to ensure against this risk.
Failure to purchase property	Should efforts to purchase a suitable property to execute our business plan be unsuccessful 12 months after closing the share offer, we will communicate with members about what we should do next, including possibly winding up the society and returning remaining funds to investors.

CGAH will review the first share offer and make relevant adjustments for further issues as required. We will continue to acquire properties to offer social and commercial benefits for our investors, our charity partners and how they can help homeless people.

Total Expenditure	648,700	1,135,967	1,169,095	1,207,773	1,221,725	1,235,956	1,275,472	1,290,278	1,305,381	1,320,785	1,336,497
Property Costs:											
Property Price	420,000		-	-	-	-					
Stamp Duty in VAT	14,700		-	-	-	-					
Legal Fees	1,500		-	-	-	-					
Refurbishment Costs:											
Total Refurb	640,900	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167	1,068,167
Overheads:											
Buildings Insurance	2,400	2,400	6,400	10,608	14,900	19,278	23,744	28,299	32,945	37,683	42,517
Buildings Repairs & Maintenance	3,000	3,000	8,000	13,260	18,625	24,098	29,680	35,373	41,181	47,104	53,146
Administration fee	2,400	2,400	6,528	10,739	15,033	19,414	23,882	28,440	33,089	37,830	42,667
Staff costs	-	60,000	80,000	105,000	105,000	105,000	130,000	130,000	130,000	130,000	130,000
Total Ohds	7,800	67,800	100,928	139,607	153,559	167,790	207,306	222,112	237,214	252,618	268,331