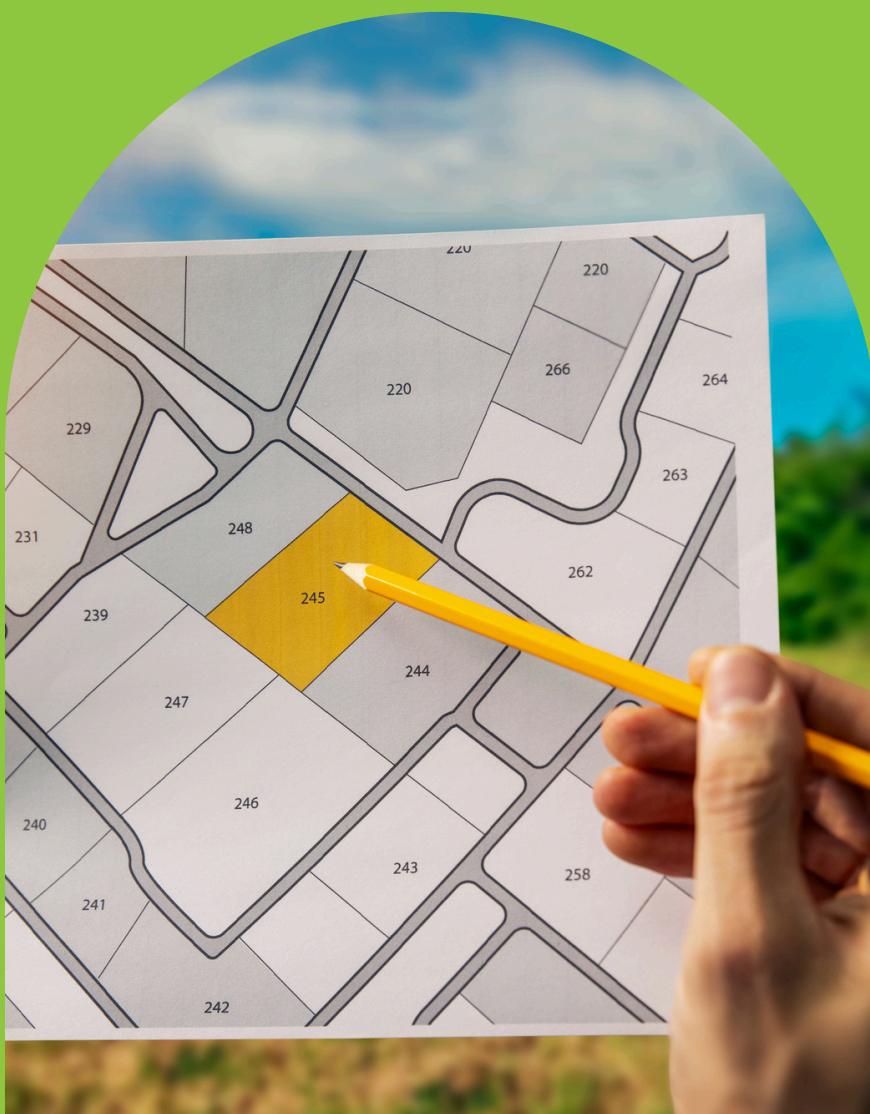




# How do you raise finance to buy land?

# Social Farms & Gardens Cymru and Shared Assets



# INTRODUCTION

Access to land is a key step in growing food either cooperatively, for subsistence or for more commercial purposes. The first step is to figure out your budget, and this doesn't always include the price of the land, but also the cost of any improvements you might need to make so you can use it in the way you want it to (e.g. landscaping, polytunnels, buildings, fencing or utility installation).

Once you have all your costs, then you can start to raise finance to purchase the land. Most organisations won't receive that money from one source - they tend to have an investment blend that will be a mixture of grants, loans and 'equity' (equity in this sector is typically raising finance through community shares). Having a blend of investment and funding is helpful - it means you aren't relying on one source too heavily. Developing a funding strategy that blends various sources of funding can make your enterprise more resilient.



# BUILDING RELATIONSHIPS WITH THE LANDOWNER

Building a decent working relationship with the landowner is really important. Land will either be privately or publicly owned, and those owners are the power holders and decision makers on where land is transferred.

Whilst there is a financial aspect to land transfer, don't forget that there are other aspects of land transfer that might be more hidden, but are also worth acknowledging with the owner. For example

- Social - the owner may have existing agreements with users of the land already that need navigating before transfer e.g. tenants
- Cultural - the land may have been used by people or a community for a specific purpose historically e.g. conservation or woodland and forestry habitats and walks.
- Racial - the owner may be grappling with historical/colonial ties they have to the land, or may acknowledge that there are lots of people marginalised from using and accessing land
- Familial - the owner might have raised a family on some or all of the land they are stewarding
- Financial - the owner is a human being and will have needs beyond their ownership of the land. e.g. a pension, place to live or food and water

Getting a fuller picture of the landowner and their reasons for considering transfer helps build compassion and to develop an understanding of each other's needs. Maintaining this relationship is important throughout the transfer, both when things are going well, and when it is more challenging.



# UNDERSTANDING THE PRICE

Buying land isn't often just a case of land purchase. It may also include purchase of buildings or other assets at the same time. Before being transferred land, you should also expect to build into your thinking the costs of improving the site to be clear on what your total funding need will be.

There are some professional services that can help with estimating this

- Surveyors - they can give an estimate of the value of land based on specific use. Land that is used for farming will have a different price to land for housing or for forestry.
- Land Agents - they can help you search for land, but can also give advice on the type of infrastructure you might need for using land in a particular way
- Quantity Surveyor - can give an estimate of the costs of improvements to specific buildings or other assets, broken down into different items.
- Estate Agents - local estate agents may be able to give advice especially if land is linked to property

The rough calculation you need to be clear on is



purchase price of the land  
+  
professional fees (these are likely to be 'capitalised'  
this means you will use the funds you raise for paying for those professionals in the long term  
+  
costs of improvements to the land and buildings  
=

This will give you your total funding need.

# SOURCES OF FINANCE

Once you know how much money you need, you then need to plan where it's going to come from. Very rarely does money come from one source - instead you'll have a blend of different sources of finance (sometimes called an 'investment blend' or 'funding blend'):

1. Savings
2. Loans
3. Grants
4. Philanthropy (Donations)
5. Equity (Community Investment/shares)

Generally, land that comes for sale on the open market you need to be quick. It's rare that finance can move as quickly as you need it to - it takes time for finance providers to mobilise and agree to give funding.

You'll need to have a legal structure and finance in place in a timely fashion and this can be tricky. Therefore, building relationships is important with the landowner. If you can talk to the landowner about what you want to do on the land and with whom, it can make all the difference in giving you time to set up. The landowner may be willing to wait for you to raise the capital or be prepared to offer your organisation a rent-to-buy option.

## 1. SAVE AND COLLECTIVELY POOL RESOURCES.

Are there a few like-minded people that may be interested in collectively buying a site? You will need to develop a shared vision so you are confident you can work together. If you have established your group you can then respond quicker to the market when land becomes available. You'll need to consider legal structures as well as legal agreements about how investment is handled and managed should someone need their contribution back again.

## 2. LOANS

A loan is a relationship between a lender and borrower. Loans can have a varied features such as interest rate, repayment period, or if security is required - e.g. Mortgages are types of loans that are usually secured with real estate or personal property.

There are a range of traditional lenders out there that can provide loans, but also a growing marketplace of social investors. Most of these investors are loan providers, with some wanting to buy shares (equity) in the business (which is unlikely to be an applicable option). Social investors typically have more understanding of the needs of purposeful and lower capacity enterprises and sometimes provide advice alongside their loan to help make your model more robust.

Also for smallholding/agricultural mortgages, there are a few commercial companies that provide this finance. It works in the same way as a residential mortgage where you have to repay monthly. You will need to demonstrate to the lender that it's a worthwhile purchase, and that you'll be able to repay the loan. This will be shown in a business plan.

Buying a piece of land is seen as riskier collateral for a loan than property, because it can be harder to value and to sell, so interest rates for land loans can be higher compared to traditional loans or property mortgages

### You don't need to buy new

- Reuse IBCs and other plastic containers from food transport for your water collection
- Make your compost heaps from pallets
- Use Benthyg (library of things) to borrow large tools or share with other plot holders
- Urban farms can set up machinery rings



# 3. GRANTS

There are grants available for agricultural/growing/conservation activity but not generally for buying land. There are many grant databases available, some are free and some are behind a paywall. Lots of funding for charity, community groups or social enterprises can be done using online search engines - you can search hundreds of grant and loan finance opportunities from local, national and international sources. From small grants to large capital projects, they can help you find the funding you need, but if you are considering land purchase, capital grants is what you will likely need.

For business or commercial activities, local authorities often have business support that can signpost you. For more community-led or grass routes activity, Voluntary Support Organisations are a good place to start with grant finding.

**Grant databases include:**

**For Welsh groups** <https://funding.cymru/en/>  
[www.grantsonline.org.uk](http://www.grantsonline.org.uk)  
[www.getgrants.org.uk/funding-finder](http://www.getgrants.org.uk/funding-finder)  
[www.myfundingcentral.co.uk](http://www.myfundingcentral.co.uk)  
[www.grin.coop](http://www.grin.coop)  
[www.find-government-grants.service.gov.uk](http://www.find-government-grants.service.gov.uk)  
[www.fundsonline.org.uk](http://www.fundsonline.org.uk)



## 4 • PHILANTHROPY (DONATIONS)

Community Crowdfunding harnesses the power of social networks to enable people to raise funds. It is important to note that Crowdfunding is an approach rather than a defined source of finance. When you've completed a crowdfunding campaign, what is raised is all 'private money', so you can do whatever you like with the money, but the social and reputational caveat is that crowdfunding is about being accountable, so doing what you'll say you'll do with the money.

For buying of land the timescale in which to complete the purchase is critical. The 1<sup>st</sup> two types of crowdfunding might be an option as usually the campaigns run for 4-6 weeks, however you need to have allowed time for planning and marketing to set it up, thereby creating a strong 'campaign'. There are also limitations as donation-based crowdfunding tend to raise about £10k-£20k and rewards-based tend to raise around £15-£50k. However there are always exceptions to this! [More information](#) about the 1<sup>st</sup> two types of crowding funding.



# TYPES OF CROWDFUNDING

- i. **Donation-based crowdfunding:** In donation-based (philanthropic) crowdfunding, donors support a cause by donating to it without receiving anything in return. The person running the fundraiser isn't obligated to pay back donors or give them anything else in return for their contributions. In this instance, those raising the finance are typically asking supporters to buy into the vision or purpose of what the project is wanting to achieve. See this [example](#)
- ii. **Rewards-based:** Through rewards-based crowdfunding the organiser of the fundraiser provides rewards or products to donors, usually a service or physical item, in exchange for a contribution. This can be a useful way to raise finance and awareness, but getting your rewards 'right' can be tricky - you don't want to make sales today that you otherwise might have made in the future. See this [example](#)
- iii. **Investment Crowdfunding (i.e. Plus see below 5. Equity- Community Shares):** In investment (equity-based) fundraising, the fundraiser organiser accepts money from people looking to invest, typically to help launch a business. In return, investors will receive a small piece of equity in the business or company. See this [example](#)



## 5. EQUITY - COMMUNITY SHARES

Community Shares is the 'brand' of a particular type of financial product; a community share is a 'withdrawable, non-transferrable share in an asset locked society'. It is a form of equity because the investors get a share of the organisation. It is 'withdrawable' because the investor can ask to take their money out of the organisation. [Cooperatives UK](#)

([Cwmpas](#) in Wales) offers free support to people who want to set up a community share scheme, providing guidance on the key steps of:

- Engaging your community to find out what people need and who is willing to help
- Making sure your legal structure allows you to raise funds through community shares
- Writing your business plan to determine how much capital you are looking to raise, what you will do with the money and why it is needed
- Writing your share offer document so people understand what you're trying to do, why they should invest, and what return they are likely to get
- Promoting your share offer so that everyone who might invest knows about the opportunity

You will need time to set up community share offer, they tend to work best for pre-planned pieces of work, where a relationship has built up between asset buyers and asset seller.

The key to developing a good quality and 'investable' share offer is to use the principles that the FCA uses to assess whether financial regulations have been met. Your share offer should be

- Clear
- Fair
- Not-misleading



## Further Support

Shared Assets helps lots of grassroots and community-led organisations to raise money to buy land and manage it responsibly. From time-to-time they are able to offer free support and advice to groups from their role in funding programmes, or if they are not able to offer this for free, are able to offer advice through services you can pay for.

Across the UK there is a movement of community-based regeneration and enterprise networks, the Development Trusts Association Wales (DTA Wales), Locality in England, DTAS in Scotland and DTNI in Northern Ireland. They all provide support for community enterprise, social action and community asset ownership

Social Farms & Gardens is a UK wide charity supporting communities to farm, garden and grow together.

We believe in the power of nature-based activities and community. Our 3,500 members bring nature into people's lives every day. Through projects and partnerships, we work with communities for people and the planet. We'd love you to join our movement too.



[shared assets]

[www.farmgarden.org.uk](http://www.farmgarden.org.uk)



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