

FREQUENTLY ANSWERS TO QUESTIONS RAISED BY HOMEOWNERS OF CRESSINGHAM GARDENS (LEASEHOLDERS AND FREEHOLDERS)

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General Principles

There are some fundamental principles which the Council will apply when regenerating estates:

- The Council wishes to minimize the impact and disruption around moving home and will, wherever possible, seek to make sure that you only need to move home once.
- Disturbance Allowances - The Council will re-imburse you for all reasonable moving costs. This will mean moving home should not cost you a penny.
- Homeloss Payments - The Council will compensate you for making you move home. This payment equates to 10% of the current value of your property up to a limit of £53,000 (as at October 2015).
- The Council will always seek to negotiate voluntary agreement with resident homeowners for purchase or equity exchange before resorting to any compulsory purchase process.

Definition of Resident

A resident homeowner will be deemed to be someone who is living in their home on the estate in question as their primary place of residence at the time that the Council either initiates a compulsory purchase order for the estate or, if this is not required, at the time that



a planning application is submitted for the masterplan for the estate. (These two timings would normally be expected to coincide.) The homeowner would then need to remain resident until such time that their home is replaced as part of the regeneration process.

Residents should discuss their circumstances with Council officers, if they need to apply for an exception to the above.

The Key Guarantees and Affordability

The Council has made a commitment through the Key Guarantees to enable communities to stay together – so if residents wish to remain living on their current estate, then the Council wants them to be able to do so. For tenants, the Council is able to make an absolute commitment to re-provide them with a home on their current estate. For homeowners the Council cannot make the same absolute commitment. This is because the Council is not the owner of the property.

To allow homeowners to remain on estates in a new home that they can afford we have created a number of options. If these options prove inadequate to enable those who want to stay on their estate to do so, the Council will explore other options, so long as they meet the following criteria:

- Any offer made to homeowners must satisfy the Council's fiduciary responsibility as a public sector body to ensure that public funds are used appropriately and do not give undue benefit to private individuals or organisations.
- Any offer made to homeowners must satisfy the Council's obligation as a public sector body to achieve best consideration for disposal of assets. In simple terms, this means that it cannot gift property or assets to private individuals or organisations that would allow them to make an immediate profit.

In the context of estate regeneration, where the Council is seeking to build more and better homes, this means that, where homeowners are provided with a new home, they can be compensated (according to statutory provisions) but the Council cannot make them offers from which they could immediately benefit (for example, acquiring a new home and then selling it for a profit).

The Processes

Under the Key Guarantees, resident homeowners can either sell their property to the Council and move away from the estate (Path 1) or stay on the estate (Path 2).

Path 1 – where a resident homeowner wishes to move away from an estate:

- The Council informs resident homeowners that if they wish to sell their property to the Council and move away from the estate that they can start negotiations with the Council.
- From that point forwards, any resident homeowner who wishes to move away from the estate can approach the Council and begin negotiations.
- The Council will ask its agents to carry out a market valuation of the property.
- The Council will inform the resident homeowner of the reasonable costs that can be repaid to the resident homeowner in the process of selling their property to the Council.
- In parallel, the resident homeowner can obtain their own valuation from another surveyor of their choice
- The Council will add the 10% Homeloss Payment to the market valuation and make an offer to the resident homeowner.
- The Council and the resident homeowner will negotiate to reach agreement on the value of the property.
- The transaction proceeds.
- The Council repays the valuation and
- legal costs incurred by the resident homeowner.

Path 2 – where a resident homeowner wishes to remain on their estate:

- The Council informs resident homeowners that it is ready to begin discussion with resident homeowners on entering into a shared equity or other option to remain on the estate.
- Homeowners are likely to be approached on a phased basis according to the emerging development programme for the estate.
- From that point forwards, any resident homeowner, who wishes to remain on the estate, can approach the Council and begin individual discussion on their situation and how they can remain on the estate.
- Where a resident homeowner has notified the Council that they wish to commence negotiations, the Council will ask its agents to carry out a market valuation of the property.
- In parallel, the resident homeowner can obtain their own valuation from another estate agent/surveyor of their choice.
- The Council will add the homeloss payment to the market valuation and make an offer to the resident homeowner in terms of the equity value of their existing property.
- Agreement will need to be reached with the resident homeowner on the equity value of their existing property.
- The Council and the resident homeowner will work together to identify the best solution for the resident to enable them to remain on the estate.

Valuations and Independent Advice

All valuations done on behalf of the Council have to be done as if *no* regeneration is taking place. Such valuations are therefore informed by the values of historic sales and purchases on the estate and on-going current sales and purchases in the immediate surrounding area. Secondly, resident homeowners will be able to obtain their own independent valuation advice and the Council will re-imburse the cost of such valuations.

As with any normal property transaction, homeowners will also be able to employ their own lawyer to enable them to treat with the Council and these costs will also be re-imbursed.

For freeholders, the valuations will take into account the existing freehold ownership.

Choice of New Property and Number of Moves

Local lettings policies will be developed in collaboration with residents on each estate. These policies will define the criteria by which new homes will be allocated and made available to different categories of residents on the estate. Current non-resident homeowners need to be aware that it is probable that length of residency on the estate is likely to be a criteria that will inform allocation of new properties.

Availability of new properties on the estate will also be informed by the phasing of development. While ideally residents will only have to move once, there may be circumstances where a resident has to make a double move in order to obtain the property that they want at the end. The procedures for dealing with this have yet to be developed.

Resident Options for Staying

1. Full leasehold new property,
2. Shared equity,
3. Shared ownership,
4. Renting

Full Leasehold New Property

Resident homeowners will be able to put the equity of their existing property, together with their *Homeloss Payment*, into a new build property on their estate and then top this up with further funds or by means of extending their mortgage so that they can own 100% of a new property on their estate.

Shared Equity

Resident homeowners will be able to put the equity of their existing property, together



with their *Homeloss Payment*, into a new build property on their estate. Where the new property is valued higher than the existing property, the Council will retain the residual equity. A resident homeowner would then be able to acquire this residual equity held by the Council over time, if they so chose. Otherwise the Council will retain the residual equity until the homeowner sells their property.

This option is predicated on the resident homeowner being able to transfer 100% of the value of their existing property, along with their *Homeloss Payment* through to the new property. This assumes that the resident homeowner either transfers or renews the same level of mortgage as they currently have.

The Council would be an entirely 'silent' equity partner in the property and the homeowner would enjoy the same rights and responsibility as someone who has 100% equity within the property – except for the special provisions around the sharing of equity, the leases would be the same as those for 100% owned properties. The resident homeowner would be liable to a 100% of the service charges on the property.

▪ **Shared Ownership**

Where a resident homeowner is unable to move all the equity from their existing property through to the new property (for example: where they are unable to transfer their mortgage; where they wish to reduce the size of their mortgage; or where they are seeking to move into a larger property), then the shared ownership option is available to them. In this scenario, they will be required to acquire a minimum of 25% of the new property through a combination of the equity that they hold in their existing property, their 10% Homeloss Payment and any mortgage that they are able or choose to raise.

A resident homeowner would then be able to acquire the residual equity held by the Council over time, if they so choose. Otherwise the Council will retain the residual equity until the homeowner sells their property.

The resident homeowner will be required to put their entire 10% Homeloss Payment into equity in the new property. In the shared ownership situation, resident homeowners are required to pay a rent to the Council at a rate of 2.75% per annum of the equity retained by the Council.

▪ **Renting**

Where a resident homeowner is unable to transfer or obtain the minimum 25% equity share, as set out under Shared Ownership above, then they would have the opportunity to secure a rental property on the estate. These properties will generally be let at

market rents. However, where an existing resident homeowner is unable to afford a full market rent, then the Council will consider a discounted rent: this will depend upon means testing.

The New Leases

The Council is drafting new leases which will apply to properties owned by Homes for Lambeth and that will apply to the different forms of property ownership: full leasehold, shared equity and shared ownership. It is intended that the same lease structure will be used for all types of homeownership. The Council will consult with existing resident homeowners on the form of these various leases before they are adopted.

As set out in the Key Guarantees:

- All leaseholders will be required to notify the Council when they put their home on the market for an intended sale, assignment, sublet or underlet.
- For Shared Equity and Shared Ownership properties only, the Council will permit the first tenant to transfer their leasehold interest to a spouse, civil partner or family member nominated by the homeowner.
- All property not to be let without the Council's permission, not to be unreasonably refused.

The length of the new leases will be 125 years from the time that a homeowner moves into their new home.

Freeholder Circumstances

Freeholders have asked the Council to explore the opportunity for some new homes to be offered on a freehold basis. This is something to explore within the detailed design process. No guarantees can be made at this time.

Future Housing Management

The new homes will be owned by Homes for Lambeth. A decision has yet to be made on how these future homes will be managed.

Future Costs – Service Charges and Living Costs

The new homes and wider estates will be designed in collaboration with residents.

The new homes and wider estates will be designed with the objective of achieving low long-term maintenance costs and thereby minimize future service charges. In addition to this,



homes built to modern building standards (or better) are inherently energy and water efficient and this will significantly reduce utilities bills.

It is likely, however, that the higher property values arising from regeneration will lead to higher Council Tax charges.

Design of the New Homes

Residents wishing to remain on their estate are encouraged to become involved in the design process to enable them to influence the future of the place in which they live.

Through the process, it will be made clear to residents what elements of the design they can influence. As we approach detailed design, then it should be possible for residents to influence elements of the design of the future home in which they will live.

Mortgages

The Council recognizes that there is a great deal of concern amongst resident homeowners that they may not be able to transfer across mortgages from their existing homes. This may be because mortgage rules have changed or that a resident homeowner's financial circumstances have changed or other factors.

See response under: The Key Guarantees and Affordability. Where it is found that homeowners would be unable to take up the currently drafted Key Guarantees, then the Council is open to explore alternatives, subject to the specified constraints.

Compensation

The Council will re-imburse you for all reasonable moving costs. This will mean moving home should not cost you a penny.

The Council will compensate you for making you move home. This payment equates to 10% of the current value of your property up to a limit of £53,000 (as at October 2015).

Support for Vulnerability

The Council will provide additional support for vulnerable homeowners to help them through the process.



Recently Acquired RTB Properties

Where a homeowner has acquired their property through the Right To Buy process within the last three years, then they will not need to pay back the RTB discount.

Homes for Lambeth (SPV)

Please see the Homes for Lambeth leaflet.

