



Better Homes Board

Date of Meeting 27 January 2015

Report title: Offer to resident homeowners at Cressingham Gardens in buildings to be demolished

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Report summary:

This report proposes the offer for resident homeowners at Cressingham Gardens whose homes could be demolished.

Recommendations:

- 1) To approve outline options for resident homeowners in properties to be demolished at Cressingham Gardens. All options are subject to a financial assessment to ensure they are sustainable:
 - Buyback of existing home at market value plus 10% LBL will pay relevant and reasonable legal and valuation costs which enable Homeowners to gain independent advice
 - Homeloss payment plus disturbance costs
 - Assistance given with the transaction and moving home (A homeowners advisor will provide required assistance)
 - Swap to retained home at Cressingham Gardens subject to availability and a similar offer to tenants
 - Retained property to be owned 100% by homeowner (subject to any mortgage or other charge)
 - Retained home to meet Lambeth Housing Standard with any major works funded by difference in value between old and new home and investment of the homeloss payment to pay for improvements
 - Shared ownership of a new home at Cressingham Gardens
 - Minimum equity share to be 25% and maximum 75%
 - Rent payable on unsold equity of 2.75% pa
 - Shared equity of a new home at Cressingham Gardens
 - Minimum equity share to be 60% or value of existing home plus Homeloss payment, whichever is the higher
 - No rent payable on unsold equity
 - Succession allowed for a spouse or civil partner only. Any other inheritance (or when the property is sold) will require the council's equity share to be repaid
 - Property not to be let without Council permission
 - For homeowners unable to fund any of the options above, nomination to home for intermediate or market rent at Cressingham Gardens or elsewhere, subject to financial assessment

1. Context

1.1. The council is working with residents at Cressingham Gardens to consider options for regeneration. As options being considered could mean demolition of some homes, it is important that residents are clear what is available to them.

1.2. The council's draft Regeneration Principles for homeowners state:

- To help keep communities together, we will seek to offer options to homeowners whose properties are to be demolished, such as a lease swap to a remaining property on the estate where possible or a new home on the redevelopment, purchase of a new home outright, through shared ownership or an equity share. Some of these options will be dependent on leaseholders being able to obtain a mortgage.
- The exact package will be worked out on an estate by estate basis; leaseholders will be offered tailored financial advice
- We will seek to negotiate the purchase of freehold and leasehold properties planned for demolition, only using a Compulsory Purchase Order where necessary
- We will cover reasonable costs for homeowners to instruct their own surveyor if they disagree with the Council's valuation of their home
- Homeowners will be entitled to Home Loss and disturbance as set down in the Compulsory Purchase Order guidance so that homeowners do not suffer financial loss
- Where homeowners have properties in blocks to be retained and works are proposed, the Council will carry out formal Section 20 consultation as well as the informal consultation outlined above. Flexible payment options will be offered in accordance with Council policy

1.3. Consultation responses to the draft principles were considered by the Better Homes Board on 27th November 2014. At both the resident conference workshops and Leasehold Council it has been made clear that some homeowners do not feel the current offer as it stands is fair or sufficient. Ideally they have asked for a straight lease swap, regardless of any difference in value. The Better Homes Board noted that the offer to homeowners should be attractive, but should not make regeneration schemes unviable.

1.4. This report sets out the options that the council could consider for resident homeowners at Cressingham Gardens who may be affected by potential redevelopment.

2. Summary of proposed offer to resident homeowners in homes to be demolished at Cressingham Gardens

- Buyback of existing home at market value
- 10% Homeloss payment plus disturbance costs
- Assistance given with transaction and moving home
- Swap to retained home at Cressingham Gardens
 - Retained property to be owned 100% by homeowner
 - Retained home to meet Lambeth Housing Standard with any major works funded by difference in value between old and new home and investment of 10% Homeloss payment
- Shared ownership of a new home at Cressingham Gardens

- Minimum equity share to be 25%, maximum share to be 75%
- Rent payable on unsold equity of 2.75% p.a.
- Shared equity of a new home at Cressingham Gardens
 - Minimum equity share to be 60% or value of existing home plus Homeloss payment, whichever is the higher
 - No rent payable on unsold equity
 - One succession allowed to spouse or civil partner
- For homeowners unable to fund any of the options above, nomination to home for intermediate or market rent at Cressingham Gardens or elsewhere, subject to financial assessment

3. Potential impact of regeneration at Cressingham Gardens

3.1 The options currently being considered at Cressingham Gardens impact on resident homeowners as follows:

| | Homeowner properties demolished | Resident homeowner properties demolished | |
|-----------------|---------------------------------|--|-----------|
| | | Freehold | Leasehold |
| Option 1 | 0 | 0 | 0 |
| Option 2 | 3 | 1 | 0 |
| Option 3 | 3 | 1 | 0 |
| Option 4 | 27 | 3 | 14 |
| Option 5 | 93 | 64 | 29 |

4. Potential impact of regeneration at Cressingham Gardens

4.1 Where resident homeowners are in a property to be demolished, they would be offered a 'like for like' home in terms of number of bedrooms. This means that a three bedroom property would be offered to a resident currently living in a three bed. (They may be able to choose to move to a smaller home if they wish and a suitable property is available.) It is not possible to say at this stage whether the new property would be a flat, maisonette or house.

4.2 There is a range of options that can be considered for homeowners at Cressingham Gardens:

Buy back

This option is where the council buys the leasehold or freehold property for an agreed price. When the owner accepts the price, and an amount of compensation such as home loss and disturbance payments, they will make their own arrangements to find a suitable new home. All non-resident homeowners will be dealt with in this way.

4.1. A market valuation has been carried out on Cressingham Gardens as in the table below. Taking 2 beds as an example, there are 74 2 bedroom properties for sale within a 1 mile radius of Cressingham Gardens through Rightmove for £350k (**asking** price) or less (November, 2014). With the radius expanded to 3 miles, there are almost 600 properties to choose from, including 124 with gardens. This is clear evidence against the belief among some leaseholders that they would be forced to move out of London.

| Type | Beds | Value | +10% Homeloss |
|------|------|-------|---------------|
|------|------|-------|---------------|

| | | | |
|-------|---|----------|----------|
| Flat | 0 | £175,000 | £192,500 |
| Flat | 1 | £250,000 | £275,000 |
| Flat | 2 | £325,000 | £357,500 |
| Flat | 3 | £350,000 | £385,000 |
| House | 4 | £500,000 | £550,000 |

Table 1 - Average values on Cressingham Gardens

Property swap to retained property at Cressingham Gardens

This option would allow homeowners in properties to be demolished to swap their freehold/leasehold to a retained property at Cressingham. This is possible for options 2 and 3 and for a number of resident homeowners in option 4. As tenants have also asked to be considered for this option, we will need to agree criteria.

It will depend on:

- A suitable property being available
- Resolving any difference in value
- Homeowner investing market value plus Homeloss in the property
- LBL bringing the retained property up to the LHS standard (funded by the Homeloss payment or any value difference if the existing home is worth more)
- Homeowner being able to port their mortgage or obtain new funding as necessary

The new property will be owned outright by homeowner.

It is proposed that this option is limited to retained properties at Cressingham Gardens only as it will be difficult to hold rented voids on other estates for long enough to carry out the swap. However, homeowners wishing to move elsewhere can consider buying an ex-RTB property on the open market.

Shared equity

This option helps enable homeowners to move to a new home on Cressingham Gardens.

It will depend on:

- A suitable property being developed
- Homeowner investing market value plus Homeloss in the property
- Homeowner being able to port their mortgage or obtain new funding in order to purchase the minimum equity share

Suggest that minimum equity share to be purchased by the homeowner is either [60%] or equivalent to market value of existing home plus Homeloss payment, whichever is the higher. No rent payable by homeowner on council equity share. (If the homeowner wishes to purchase 100% of the property, they can.)

The number and size of equity shares held by the council will impact on the funding available to provide more homes at council rent.

Council to consider offering a discount on early agreement of sale, or a cash payment of say £10k.

Shared ownership

This option helps enable homeowners to move to a new home on Cressingham Gardens, particularly where they are not able to fund the minimum equity share required for the shared equity option above.

It will depend on:

- A suitable property being developed
- Homeowner investing market value plus Homeloss in the property
- Homeowner being able to port their mortgage or obtain new funding in order to purchase the minimum equity share

Property to be owned at least 25% by homeowner, until the property is sold or the homeowner purchases the remaining equity.

Rent is payable by homeowner on council equity share, 2.75% of unsold equity value per annum.

Homeowner funding

Any option which is offered to homeowners who have a mortgage could mean that the mortgage is either ported to the new home or that the homeowner requires a new mortgage or other funding. This can be difficult where the homeowner's circumstances have changed, and also because of the new lending requirements, as experience at Myatts Field North has shown. Detailed assistance will need to be provided to residents to ensure that mortgages can be ported wherever possible.

The council is unable to assist as a lender of last resort. Subject to a financial assessment, other support could be offered as follows:

- Council to consider allocating intermediate or market rent home at Cressingham Gardens
- Council to assist in finding intermediate or market rent home with a housing association or in private rented sector

It is not possible to say how many affected homeowners wish to remain at Cressingham Gardens as detailed discussions have not started. The information given in this report therefore assumes that homeowners choose the shared equity option.

5. Impact of offer on financial model

- 5.1. An initial review of the impact of offering shared equity options to affected homeowners indicates that there is only a small impact on the financial model for options 2, 3 and 4.

| Option | Current NPV | Shared equity NPV |
|---------|-------------|-------------------|
| 2 and 3 | £2,814k | £2,791k |
| 4 | £1,348k | £853k |

Appendix 1

| Borough | Homeless Disturbance Payment | Leasehold swap / purchase to other council property | Shared equity Minimum % | S / Ownership into property on estate Min % | S / Ownership another council property | Social Rented Tenancy option? | Additional information |
|---|---|---|-------------------------|---|--|--|---|
| Lambeth (Boroughwide as proposed) | Statutory | Yes within estate, not outside scheme | Yes Not specified | Yes Not specified | No | No | See appendix 2. |
| Myatt's Field North | Statutory (however, also option to lease swap with same size property regardless of value difference) Reasonable costs | No | No | No | No | No | Option to swap lease still dependent on ability to secure mortgage. Some mortgage providers not offering new mortgages despite the increase in equity. |
| Barnet Estate Specific (Dollis Valley) | Statutory Reasonable costs | No | Yes Not specified | Yes Not specified | No | Yes, but affordable rent | http://www.dollisvalley.co.uk/faqs-and-glossary/ |
| Hackney Boroughwide policy | Statutory Reasonable costs / one off payment of £5k | No | Yes 75% | Yes 25% | No | Yes - to those experiencing financial difficulty or are deemed vulnerable by the council | http://www.hackney.gov.uk/Assets/Documents/Council-developed-shared-ownership-appendix-1.pdf |

| Borough | Homeloss Disturbance Payment | Leasehold swap / pur- chase to other coun- cil property | Shared equity Minimum % | S / Owner- ship into property on estate Min % | S / Owner- ship an- other council property | Social Rented Tenancy op- tion? | Additional information |
|--|------------------------------------|---|----------------------------------|---|---|--|---|
| Hammersmith and Fulham Estate Specific (West Ken- sington and Gibbs Green) | Statutory Reasonable costs | No | Yes 25% | No | No | Not explicitly mentioned but will look into options | Resident home owners that accept during the offer pe- riod, will be entitled to a 10% discount on the price of the new home. https://www.lbhf.gov.uk/Images/West%20Ken%20and%20Gibbs%20Green%20leaseholder%20offer_tcm21-167589.pdf |
| Hackney Estate specific (Woodberry Down) The Hackney Cabinet re- port was not based on Woodberry down | Statutory Reasonable costs | Yes, on or off estate | Yes 70% See notes | | No Will nomi- nate to housing association | In very rare cases | Homeowners to invest market value of existing home plus Homeloss payment Private home buy – Assistance given with purchase off estate through council purchase of equity up to £35k. Private sector rent – list of landlords given. |
| Haringey Estate specific (Love Lane) | Statutory Reasonable costs | Can buy a 'low cost council home, but no detailed proposals yet | Yes See notes | Buy 25% to 75% of new property and pay 3% per annum on unsold equity. | | | Proposals are outline only as no development partner yet identified. Homeowners to invest market value of existing home plus Homeloss payment |

| Borough | Homeloss Disturbance Payment | Leasehold swap / pur- chase to other coun- cil property | Shared equity Minimum % | S / Owner- ship into property on estate Min % | S / Owner- ship an- other council property | Social Rented Tenancy op- tion? | Additional information |
|---|--|---|----------------------------------|---|--|---|--|
| Harrow Estate Specific (Mill Farm) | Statutory Reasonable costs | No | Yes See notes | Yes Not speci- fied | No | Not explicitly mentioned, but will look at options | Leaseholders will provided with a minimum 'share' de- pendant on the value of their current home plus 50% of your Homeloss payment. https://www.harrow.gov.uk/www2/documents/s66576/Mill%20Farm%20Leaseholder.pdf |
| Islington Boroughwide | Statutory Reasonable costs | No | Yes Not speci- fied | Yes Not speci- fied | No | Not mentioned | http://www.islington.gov.uk/publicrecords/library/Housing/Information/Guidance/2013-2014/(2013-04-17)-Resident's-Charter-.pdf |
| Islington Estate specific (Packington) | Statutory Reasonable costs | No | Yes See notes | | | | Equity transfer to new home. Option to invest home- loss for a further 10% of equity, plus a cash payment of a further 10%. No rent payable on unsold equity. Succession possible in certain circumstances. |
| Merton (draft, borough wide) | Statutory Reasonable costs / £5k payment | Not speci- fied | Yes Not speci- fied | Yes Not speci- fied | Not known as of yet | Not known as of yet | Merton are exploring how to approve the offer availa- ble to resident leaseholders. Options include offering stair casing options dependant on financial capability (as standard) as well as allowing residents to buy an empty shell of property (on a self build basis) http://democracy.merton.gov.uk/documents/s4556/Circle%20Housing%20Merton%20Priory%20Regeneration%20Project%20report.pdf |

| Borough | Homeless Disturbance Payment | Leasehold swap / purchase to other council property | Shared equity Minimum % | S / Ownership into property on estate Min % | S / Ownership another council property | Social Rented Tenancy option? | Additional information |
|---|---|---|-----------------------------------|---|--|---|---|
| Newham Estate Specific (Canning Town + Custom House) | Statutory Reasonable costs (proof of expenditure required) | Yes | Yes Not specified | Yes Not specified | No | Alternative accommodation options for those in financial difficulties | http://www.newham.gov.uk/Documents/Environment%20and%20planning/CanningTownandCustomHouseRegenerationProgrammeResidentsCharter.pdf |
| Southwark Estate Specific (Heygate and Aylesbury) | Statutory Reasonable costs | Yes | Yes Tailored to meet needs | Yes 25% | Yes 25% | Yes to those experiencing financial difficulty or are deemed vulnerable | Only borough to offer s/o for another council property not part of the regeneration. Leaseholders bid through CBL. http://www.southwark.gov.uk/download/downloads/id/1837/leaseholder_toolkit . |
| Tower Hamlets Estate specific (Ocean) | Statutory Reasonable costs | No | Yes 50% See notes | Yes 50% | | | Shared equity and shared ownership options are to housing association homes |
| Waltham Forest Boroughwide | Statutory Reasonable costs / one off payment of £5k | No | Yes 75% | Yes Not specified | No | Yes - only to those deemed vulnerable. Those experiencing financial difficulties will be assisted through the PRS | http://www.aschamhomes.org.uk/pdf/Regeneration%20Charter%20-%20Leaseholder%20Guide.pdf |

| Borough | Homeless Disturbance Payment | Leasehold swap / purchase to other council property | Shared equity Minimum % | S / Ownership into property on estate Min % | S / Ownership another council property | Social Rented Tenancy option? | Additional information |
|--|--|---|-------------------------|---|--|--|--|
| Wandsworth | Statutory | Yes | Yes | No | No | An offer of a social tenancy is not explicitly mentioned, rather will assist with other housing options. | Limited detail on how purchasing an alternative council property would work. http://www.wandsworth.gov.uk/downloads/file/10033/leaseholders_and_freeholders_rehousing_information_booklet |
| Estate Specific, York Road and Winstanley | Reasonable costs (proof of expenditure required) | | Not specified | | | | |
| Westminster | Statutory | Yes | Yes | Yes | No | Yes dependent on financial circumstances and vulnerability of leaseholder | Leaseholders may be able to remain in the Regeneration Area by buying another property which is not being demolished and is for sale. In some circumstances the City Council may be able to facilitate the purchase of another property from its own stock. https://www.westminster.gov.uk/sites/default/files/uploads/workspace/assets/publications/Summary-of-Draft-Policy-for-Consu-1359541472.pdf |
| Boroughwide | Reasonable costs (proof of expenditure required) | | Not specified | 25% | | | |

