



City of Westminster

City
for
All

Leaseholders: Your options

Summary of the Policy for Leaseholders
in Housing Renewal Areas 2018

Key information for resident and non-resident leaseholders

This leaflet provides a summary of **Westminster City Council's Policy for Leaseholders in Housing Renewal Areas 2018**. Currently the housing renewal areas are: the Church Street/Edgware Road area and the Ebury Bridge and Tollgate Gardens Estates.

Housing renewal is where redevelopment is taking place. In housing renewal areas there will be new additional and replacement affordable housing as well as new private homes for sale. The affordable homes will be both social rented and intermediate housing. Intermediate housing can either be rented housing (with discounted rents, which are lower than market ones) or low cost home ownership, such as shared ownership.

More information about housing renewal in Westminster is available at: **westminster.gov.uk/housing-regeneration**

The new Policy updates the Policy published in 2014 and there is a summary of changes at the back of this leaflet. The new Policy was consulted on between November 2017 and January 2018 and the comments made by those responding have been taken into account as far as possible.

Aim of the Policy

The Policy aims to provide a range of rehousing options for resident leaseholders to meet their needs. The council is committed to helping them to remain in the local area and continue to be home owners, with similar housing costs to now.

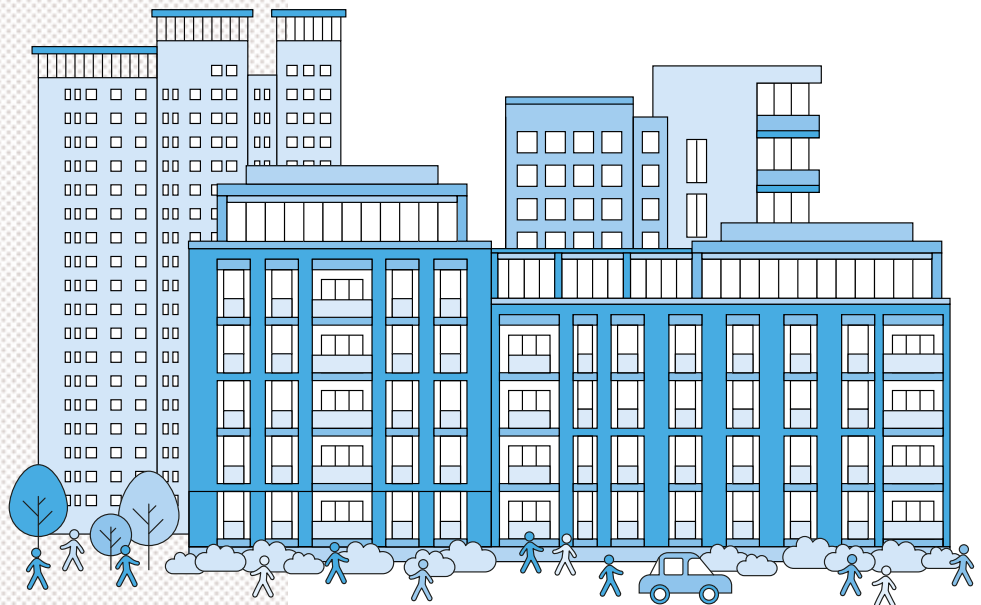
Who does the Policy apply to?

The Policy applies to any leaseholder who lives in a housing renewal area and where the council wants to acquire their property in order for housing renewal to go ahead.

When will the Policy be implemented?

Every affected leaseholder in a housing renewal area will receive a letter from the council saying when the Policy is being implemented. This letter will also invite them to sell their homes to the council by agreement. For resident leaseholders, this also means that the rehousing options will be available and discussions about rehousing will start.

These letters will only be sent out after it has been agreed that housing renewal is going ahead and that it is the right time for rehousing to start. They may be sent out all in one go, to all affected leaseholders, or in phases.



Financial compensation and rehousing options for resident leaseholders

The team managing housing renewal in each area will be able to provide more information about when housing renewal will start and how leaseholders might be affected. See the back of this leaflet for who to contact for more information.

What is a resident leaseholder?

The rehousing options in the Policy only apply to resident leaseholders. A resident leaseholder is generally one who has been living in their current property for twelve months or more, before the date of the letter from the council, inviting them to sell their home by agreement.

What is “selling by agreement”?

If the council needs to buy a leaseholder’s property, it will ask them if they want to sell by agreement, at an agreed price and with financial compensation. Selling by agreement is always the preferred solution and the council will make every reasonable effort to come to an agreed sale. Only as a last resort would the council use its powers to force a sale.

Can I appeal against the Policy?

Leaseholders can appeal about how the Policy has been applied to them. Appeals must be made within 21 days of any decision and help will be provided to make an appeal if it is needed. A decision about the appeal will generally be made within 21 days from when it was received.

Where can I get more information?

See the end of this leaflet for additional information and key contacts.

- ▶ **The rehousing options for resident leaseholders are explained on pages 3-8.**
- ▶ **Key Information for non-resident leaseholders is on page 9**

Financial compensation

As required by the law, every resident leaseholder will receive:

- **The market value of the property being acquired.** Market value is determined as if no renewal were taking place. Leaseholders can appoint a valuer to act on their behalf and the council will pay for this. The council will also appoint a valuer. If the valuations are not the same, both valuers will come together to agree the market value of a home
- **A home loss payment** of 10% of the market value of their home. This is capped by government and the current cap is £61,000 (rising to £63,000 in October 2018)
- **A disturbance payment** to cover all reasonable costs associated with moving, including stamp duty and legal fees

Rehousing options

There are a range of rehousing options to suit different needs. Free independent advice and support will be available to help leaseholders decide on the best option for them and they will have plenty of time to do this. The council may also pay for independent financial advice for leaseholders in some circumstances, such as advice about getting a new mortgage for example.

Options 1 - 5 are for leaseholders that want to remain in the housing renewal area and Option 6 is for those that want to move away.

OPTION 01

Buy one of the new homes with an equity loan or on a shared equity basis

The new properties will be of a higher value than leaseholders' current homes. Two options are offered to buy one of them, which will enable leaseholders to have similar housing costs to now:

- **An equity loan** will be offered, where the leaseholder is buying one of the new homes directly from any developer. The council provides an interest free loan to bridge the gap between the leaseholder's contribution and the price of the new property
- **Shared equity** will be offered, where the leaseholder is buying one of the new homes directly from the council. The council bridges the gap between the leaseholder's contribution and the price of the new property, by having a share in the equity of the home

Eligibility and the leaseholder's contribution

To be eligible for either, leaseholders generally need to contribute to the purchase: the market value of the property being acquired (their current home) plus their full home loss payment.

This means that if they have a mortgage currently, another one of the same value will need to be raised, or their existing one transported to the new property. Where there is no mortgage and a property is owned outright, there is no requirement to take another one out.

For both equity loans and shared equity:

- The council will make up the difference between the leaseholder's contribution and the market price of the new property
- There are no repayments required for the council's contribution, this would only be repaid once the property had been sold. (See examples 1 and 2 for how this works)
- Any uplift or decrease in the value of the property is shared between the leaseholder and the council, relative to their percentage contributions when the property is sold. (See example 3)

Terms and conditions

- The leaseholder is the full legal owner of the property
- The new home must have the same number of bedrooms as the leaseholder's current home
- The property can be sublet, as long as any lender agrees
- The council's interest will be secured by a charge on the property (this means that it cannot be sold without the council being told about the sale)
- The leaseholder is responsible for 100% of the service charges, Council Tax and other costs of owning and living in the property
- Leaseholders can increase their interest in the property or buy the council out
- Once the leaseholder has moved into the new home, the arrangement can be passed on once to their heirs, that are family members and had been living with them for six months. It can also be passed on to non-resident heirs that are family members for a fixed period of five years, after which the property will need to be sold

Example 1
Buying with an equity loan, or on a shared equity basis, where the leaseholder has a mortgage at their existing property

In this example the leaseholder has a £150,000 mortgage

| | |
|--|-----------------------|
| Value of the property being acquired | £500,000 |
| Value of new property | £700,000 |
| Leaseholder contribution to the new property, made up of: | |
| Outstanding mortgage on the property being acquired* | £150,000 |
| Equity | £350,000 |
| Home loss payment (10% of the market value) | £50,000 |
| Total leaseholder contribution | £550,000 (79%) |
| Council contribution to the new property: | £150,000 (21%) |

* In this example the existing mortgage needs to be transferred over or a new mortgage of £150,000 will need to be raised before the sale of the new property can complete.

There are no repayments on the council's contribution to the purchase.

Example 2
Buying with an equity loan, or on a shared equity basis, where the leaseholder has no mortgage at their existing property

In this example there is no mortgage and the leaseholder owns the property outright

| | |
|---|-----------------------|
| Value of the property being acquired | £500,000 |
| Value of new property | £700,000 |
| Leaseholder contribution to the new property, made up of: | |
| Value of property being acquired | £500,000 |
| Home loss payment (10% of the market value) | £50,000 |
| Total leaseholder contribution | £550,000 (79%) |
| Council contribution to the new property: | £150,000 (21%) |
| There are no repayments on the council's contribution to the purchase. | |

Example 3
Selling the property

When the property is sold, the council and the leaseholder will receive any increase in value proportionate to their contribution. The following example assumes the property has gone up 5% from its original value of £700,000 to £735,000 (note property values can go down as well as up)

| The leaseholder | | The council | |
|--|-----------------------|--|-----------------------|
| Contribution to the purchase | £550,000 (79%) | Contribution to the purchase | £150,000 (21%) |
| 5% increase in property value | £27,650 | 5% increase in property value | £7,350 |
| Amount received if the property was sold | £577,650* | Amount received if the property was sold | £157,350 |

* Minus any outstanding mortgage

OPTION**02****Buy one of the new homes on a shared ownership basis**

Shared ownership is different to buying with an equity loan or on a shared equity basis as the leaseholder only part owns the property, rather than them being the full legal owner and rent is paid on the proportion that is not owned.

Eligibility

- This option is offered where leaseholders don't qualify for Option 1, possibly because their income has gone down
- Leaseholders need to be able to buy at least a 25% share of the new home, with or without a mortgage, and to be able to afford the rent, which is charged on the proportion that is not owned and is at a discounted rate

Terms and conditions

- Leaseholders are responsible for 100% of the service charges, Council Tax and other costs of owning and living in the property
- The property can be sublet, as long as any lender agrees.
- Additional shares can be purchased and the council's interest in the property can be bought out entirely

OPTION**03****Buy one of the new homes outright**

Leaseholders can buy one of the new homes outright, if they want to and can afford to. There is no obligation on them to buy in this way, even if they can afford to. If this option is chosen they can buy a property of any size.

Arrangements for buying with Options 1, 2 and 3

Temporary housing

There may be times when the new homes are not ready to move into straight away and the leaseholder has to move into temporary housing for a while. Where this is the case, the council will make them one reasonable offer of an assured shorthold tenancy, which is the sort of tenancy offered in the private rented sector. The offer will take into account any specialist needs leaseholders have and they have a right to appeal it. The rent in the temporary housing will be up to their current housing costs, including mortgage payments and service charges, meaning there will not be an increase in housing costs (although Council Tax and utility costs may be different). The temporary housing will be the same size as the current home.

Process for buying

In some cases the new homes can be purchased before they are completed. Where this is the case, an exchange of contracts (between the sale of the current home and the purchase of the new one) can happen at the same time. The contract to buy the new home will be binding and leaseholders will be asked to pay a deposit.

Where the new properties are not ready to move into straight away, leaseholders will hold the capital from the sale of their existing home and their home loss payment themselves. As this will be a large amount, the council will pay for independent financial advice if it is wanted. Leaseholders can put any interest accrued into the purchase of the new property, but they don't have to.

The new homes

The new homes offered may not be in exactly the same location as the original home and they could be in another part of the estate or housing renewal area. A Local Lettings Plan will be developed on how they are allocated and it will be consulted on, so leaseholders will have a chance to feed into this.

OPTION 04 Buy another leasehold property in the housing renewal area

Leaseholders may prefer to buy another property of the same value as their current home in the local area i.e. one that is not part of the redevelopment programme, if available. Where this is possible, assistance will be provided from the council to help them find one. In some cases, the council may be able to sell them property from its own vacant housing stock.

OPTION 05 Become a social or an intermediate tenant in the housing renewal area

In some cases leaseholders may be able to remain in the local area by becoming a social or an intermediate tenant. This option will only be offered in special circumstances, such as where none of the other home ownership options are suitable or where leaseholders want to become tenants due to having health problems for example. Where it is agreed leaseholders will receive 75% of the market value of their property, rather than 100%.

A social or an intermediate tenancy will be offered. Both types of tenancy have discounted rents, although intermediate rents are higher than social ones and intermediate tenancies will only be offered to those that can afford them.

OPTION 06 Receive help and support to move away from the housing renewal area

Practical help and support will be available for leaseholders, where needed, that want to move to another part of Westminster or elsewhere. This can include help to find a property or with the whole process of buying. In some cases the council may be able to sell them a property in Westminster from its own vacant housing stock.

An equity loan or shared equity might be offered to buy another property close to the housing renewal area in some limited circumstances. This might be agreed where there is a need for the leaseholder to live locally, and none of the other re-housing options are suitable for them. The need to live locally might be because of the location of their work or any support networks.

Where none of these options are suitable, a social or an intermediate tenancy might be offered in Westminster. This option is subject to leaseholders meeting certain conditions and will only be offered in special circumstances, such as where none of the other home ownership options are suitable or where leaseholders want to become tenants due to health problems for example.

Where this option is agreed leaseholders will receive 75% of the market value of their property, rather than 100%.

A social or an intermediate tenancy will be offered, depending on the leaseholder's income. Both types of tenancy have discounted rents, although intermediate rents are higher than social ones and intermediate tenancies will only be offered to those that can afford them.

Information for non-resident leaseholders

There is only one option for non-resident leaseholders, which is to sell their property to the council and receive the statutory financial compensation.

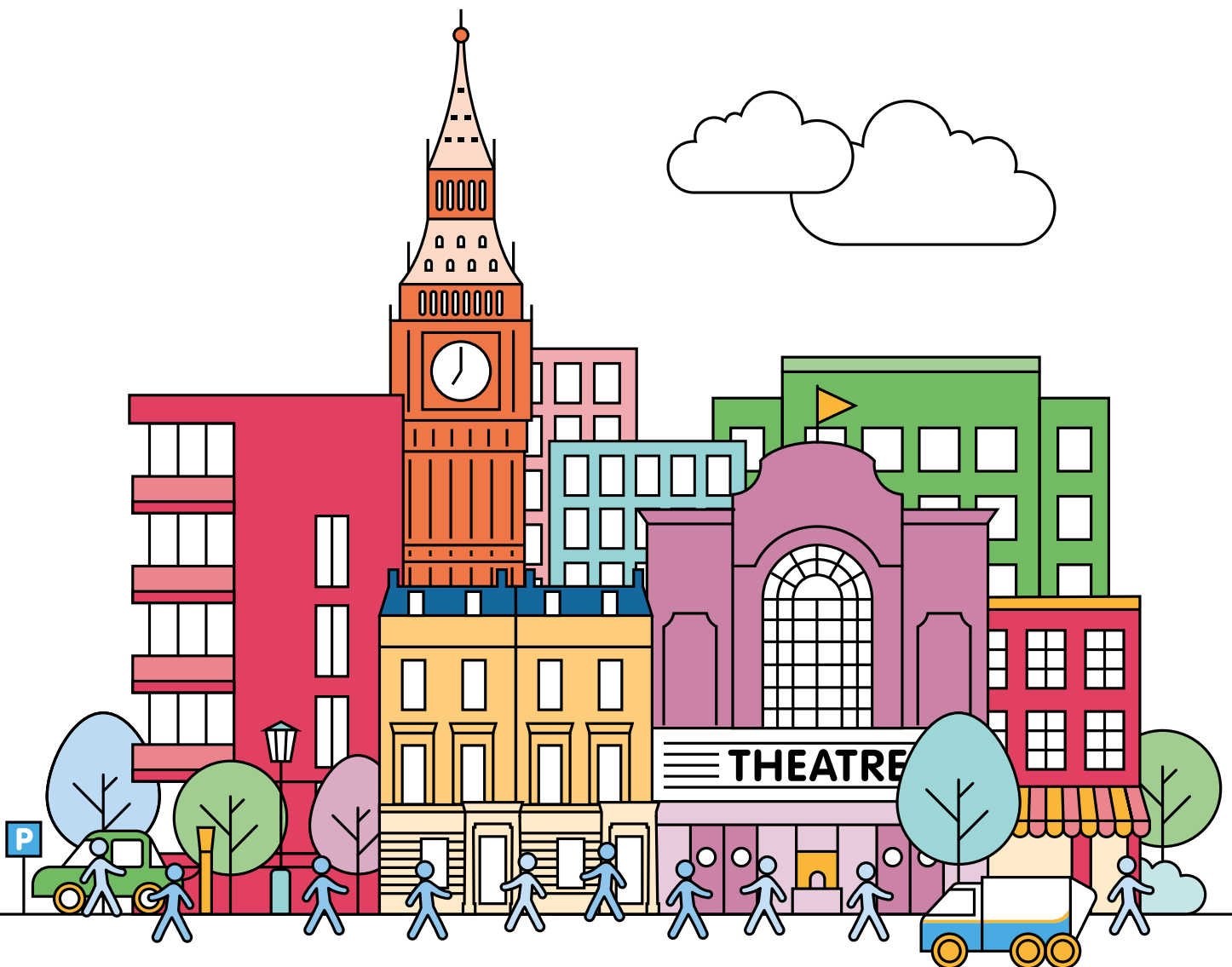
Every non-resident leaseholder will receive:

The market value of the property being acquired.

Market value is determined as if no renewal were taking place. Leaseholders can appoint a valuer to act on their behalf and the council will pay for this. The council will also appoint a valuer. If the valuations are not the same, both valuers will come together to agree market value.

A basic loss payment, which is 7.5% of the market value of the property. The payment is capped by government and the current cap is £75,000.

Non-resident leaseholders are also entitled to a disturbance payment in relation to costs incurred in acquiring a replacement property, within one year.



More information

This is only a summary and the full Leaseholder Policy for Housing Renewal Areas 2018 can be found here:

westminster.gov.uk/housing-strategies

To speak to someone directly about it or to receive a hard copy contact:

Hours: Mon–Fri: 10am–4pm
Evenings: Wed 5pm– 7pm

If you live on the Ebury Bridge Estate:

📍 The Ebury Bridge Regeneration Base
15 – 19 Ebury Bridge Road,
London SW1W 8QX

☎ 0800 011 3467

✉ eburybridge@westminster.org.uk

🏠 eburybridge.co.uk

Hours: Mon–Fri: 9am to 5pm

If you live in the Church Street/Edgware Road area

📍 The Church Street Regeneration Base
99 Church Street,
London, NW8 8EY

☎ 020 7641 2968

✉ churchstreet@westminster.gov.uk

🏠 westminster.gov.uk/church-street-renewal

Further information about statutory compensation can be found in the Government’s Compulsory Purchase and Compensation Booklet 4 “Compensation to Residential Owners and Occupiers”. A copy is on line at the link below and hard copies can be provided from the contacts above, if requested.

www.gov.uk/government/publications/compulsory-purchase-and-compensation-booklet-4-compensation-to-residential-owners-and-occupiers

The main changes to the Policy

Compared with the previous one published in 2014

Buying one of the new homes

New option to buy one of the new homes, on a shared equity basis, as well as with an equity loan

Reason: For situations when the council is selling one of the new homes directly to the leaseholder, rather than to a developer (as housing renewal can happen in different ways).

A more flexible eligibility criteria for the equity loan/share option in some cases

Reason: For certain situations where leaseholders cannot raise another mortgage of the same value.

Leaseholders to hold their own capital, from the sale of their current home and their home loss payment, instead of the council holding it. This applies if the new homes are not ready to move into straight away

Reason: Leaseholders are likely to get a better rate of interest, by holding their own money, which will help to compensate them for the period they are out of home ownership.

Where leaseholders are holding their own capital, the council can pay for independent financial advice, for those that want it, as this will be a large amount

Reason: Raised during the consultation that some leaseholders might find it hard to hold such a large amount of money.

There is now the ability to pass on the equity loan/shared equity arrangement once to resident family members, that are the leaseholder's heirs (inheritance was previously limited to five years in the old Policy)

Reason: To help keep communities together and because leaseholders told us this was of particular importance to them.

Subletting allowed for shared owners, as long as any lender agrees

Reason: For fairness as subletting is allowed for the equity loan/shared equity option.

Becoming a tenant (in exceptional circumstances)

Where this is agreed, leaseholders might become either social or intermediate tenants, depending on their income. Intermediate tenancies have higher rents, although are less than market rents. They will be offered where they are affordable

Reason: In order for the council to make the best use of social housing for those in need of it.

Where this is agreed, leaseholders will receive 75% of the value of their property, rather than 70%

Reason: To better reflect guidance in this area.

