TOWER HAMLETS

Rehousing guide for resident leaseholders of Harriott, Apsley and Pattison House

Selling your property to the council

May 2023

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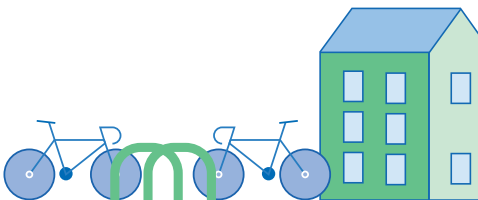


Introduction

This guide is for homeowners who live in the property they own as their main home, and have done so for more than a year prior to the issuing of the Landlord Offer Document in February 2020. It explains the Council's approach to buying back your property when demolition or redevelopment is proposed and the options you will have to buy a replacement home.

This includes the option of purchasing a new shared equity property at no extra cost on the new estate once it is ready. Other options include 'part-shared equity and part-rent' on the estate or a lease swap to a Council property in the area or elsewhere in Tower Hamlets (subject to meeting the required criteria).

Alternatively, you may prefer to sell to the Council and make your own arrangements to find another property to buy elsewhere, including out of the borough. All these options are explained in this guide.

The Council will organise drop-ins, one-to- one surgeries and other events where leaseholders can discuss their options and raise any specific concerns they have.

Selling your home

How will the Council buy your existing home?

As a resident leaseholder (meaning you live in the home you own), you will be invited to meet with Council officers to confidentially discuss your particular circumstances and any concerns that you may have about the process. Council officers will explain what resident leaseholders can expect when the Council seeks to buy back existing homes. Officers can then explore all the options available to you.

Valuing your existing home – 'market value'

Now that the redevelopment scheme has been approved, the Council will contact you to arrange an initial valuation of your property. The assessment of market value (MV) is undertaken by a Council appointed valuer.

The Council's valuer will send you a written market valuation report. They will also confirm how much home loss payment you are entitled to (which will usually be 10 per cent of the sum the Council pays you for the property, minus any arrears or other sums owed to the Council).

The Council is now ready to buy back your property, we encourage owners to come forward and talk to us so that we can work together to find a positive outcome for everyone involved. This is essential if you want to take up the option of buying a new replacement home on the estate.

The Council advises all leaseholders to get their own independent advice, including their own independent valuation done by a valuer recognised by the Royal Institute of Chartered Surveyors. The cost of obtaining this independent advice from one qualified valuer will be covered by the Council (see page 7 for details).

What if my valuer disagrees with the council's offer of market value?

The Council's valuer and your valuer will normally negotiate and try to reach an agreement on the market value for your property. If agreement cannot be reached on a market value, leaseholders can propose the use of Alternative Dispute Resolution (ADR), which is a service offered by the Royal Institution of Chartered Surveyors for compulsory purchase disputes. Any application for ADR would need to be agreed by the Council and each party would be responsible for meeting their own costs, with the costs for the appointed Independent determiner being apportioned at the point a decision is reached. An ADR guide can be downloaded from the RICS website using the link, **https://www.rics.org/dispute-resolution-service/drs-services/adr-for-compulsory-purchase-disputes**.

The final option for contesting the value of your property is at the Upper Tribunal. The Upper Tribunal is an independent judicial body set up by the government to resolve disputes concerning land issues. It should be noted that, reaching an agreement on the value of your existing home is usually essential where the owner wishes to take up the option to buy a new shared equity home on the redeveloped estate.

Leaseholders should be aware that the Upper Tribunal determines who should pay the legal costs of either or both parties. This cost can be charged to the leaseholder personally in some cases so it is important to get legal advice before taking any action.

Entitlement to compensation

As you will be aware, it is expected that the proposed scheme will require the purchase of your property. Leaseholders will be offered the market value for their home and will also receive the associated statutory compensation and reimbursements to help compensate them for their reasonable costs incurred in connection with moving.

Home loss payment

A home loss payment is a compensation payment set by law that you are entitled to if you are required to leave your home in certain circumstances, such as a redevelopment scheme. This is an additional payment on top of the market value for your home. It is intended to compensate you for the inconvenience caused by the move from your present home.

As a resident leaseholder, your home loss payment will be set at 10 per cent of the price that you sell your home to the Council for. There is currently a statutory minimum payment of £7,800 and a maximum payment of £78,000.

Once a valuation has been completed of your home, you will receive a letter formally setting out what the price is for acquiring your home and the home loss payment you would be entitled to. You will also be encouraged to seek independent advice, so you understand what's happening and the suitability of the Councils offer.

The home loss payment is paid when you complete the sale of your property to the Council, minus any outstanding arrears such as Council tax or service charge.

Repaying arrears

Please note that service charge or Council tax arrears which may be owed to the Council will be deducted from the monies you receive on completion of sale to the Council. You need to take this into account when you do your calculation to assess what percentage of a new shared equity home you can afford. If you owe the Council any arrears, and if these are the subject of a dispute, you are strongly advised to seek a resolution with the relevant Council department, or this might affect your ability to buy one of the new homes.

Claiming fees for your Professional adviser

The Council recommends that you appoint an independent Chartered valuer to advise you on the process, prepare a valuation of your property and negotiate the acquisition of your property by the Council on your behalf. It will be your responsibility to agree the terms of their appointment and pay them. It is advisable to appoint a valuer who has the relevant local market experience. You may find a local valuer by contacting the Royal Institution of Chartered Surveyors or visiting their website at **www.rics.org**

It is advisable for you to appoint an independent valuer to act on your behalf to negotiate the sale of your property to the Council. The Council will reimburse the costs of this service, subject to a maximum payment of £1,400 plus VAT, comprising the following services:

- Valuation advice – up to £850 plus VAT – for the valuation of your existing property.
- Negotiation of the sale of your existing property to the Council – up to £550 plus VAT.

Reimbursement of your valuer fees will be subject to conditions, which are explained below. You should check in advance that your valuer's fees will fall within the maximum sums which the Council will reimburse. If they do not, you will be expected to pay the difference yourself.

The Council will also reimburse you up to £850 plus VAT for the survey/valuation of one onward purchase of a replacement property (off-site purchase). In total you may claim for surveying fees up to £2,250 plus VAT for the sale and onward purchase.

Valuation fees

The Council will pay a maximum of £850 plus VAT for your valuer to provide you with a valuation report for your existing property.
A second provision of £850 plus VAT will apply for your valuer to provide you with a valuation report for a replacement property. The report should be prepared by a chartered surveyor, i.e. a member of the Royal Institution of Chartered Surveyors (RICS).

You should instruct your valuer that the Council will expect valuation reports to meet the current RICS valuation standards and as a minimum must include the following content:

- Background, basis of instruction and valuation basis
- Description/location of property
- Accommodation, including measurements
- Construction/condition
- Services
- Charges/taxes
- Planning/use
- Details of comparable evidence
- Rationale of property value
- Confirmation that he/she is qualified to prepare a valuation

You are advised to make sure that the items above are covered in your valuer's report.

Your valuer should submit an invoice to you personally, which you will pay and the Council will reimburse.

The Council will not accept or pay invoices received directly from your valuer

You will be reimbursed after:

- You have confirmed to the Council you have received a copy of the valuation report and the report is shared with the Council
- The Council's valuer has received a copy of the report, and is satisfied it contains the information mentioned above.
- You have provided the receipt confirming payment of fees sent to you by your valuer.

If you are struggling to pay, assistance may be available, so please liaise with Council Officers.

Negotiation fees

The Council will pay a maximum of £550 plus VAT for your valuer to negotiate the sale of your existing property on your behalf.

This payment will be made only upon completion of the purchase of your property by the Council. Your valuer should submit an invoice to you which you will pay and the Council will reimburse.

Claiming your legal fees

Legal fees for the sale of your home

The Council will reimburse your reasonable legal conveyancing costs, up to a maximum of £1,250 plus VAT including disbursements in respect of the sale of your current property to the Council.

Disbursements include items such as charges for local searches, CHAPS and BACS payments and Land Registry charges.

These legal fees will only be reimbursed once the sale of your property to the Council has been completed, not at any time before. You will need to present an invoice from your solicitor together with any receipts/invoices in relation to disbursements incurred

Legal fees for buying a replacement home

If you wish to re-invest the proceeds of your sale into purchasing another property, including the options offered by the Council, you will be reimbursed your reasonable legal conveyancing costs for the property you wish to buy, up to a maximum of £1,250 plus VAT and up to £250 plus VAT for disbursements. The legal fees will only be reimbursed after the completion of the sale of your property to the Council and the completion of the purchase of your new shared equity home. You will need to present an invoice from your solicitor together with any receipts in relation to disbursements incurred. This will apply only within 12 months of the sale of your original property back to the Council.

Please note that under a Compulsory Purchase Order process you may choose to have your property valuation determined by a court. In this situation you are entitled to have professional representation, the reasonable costs of which would form part of a final compensation agreement. In this situation, the professional fees will be paid upon legal completion of the purchase of your property.

More details about Compulsory Purchase Orders are given further on in this guide, including a link to a RICS guide on the back page.

Stamp duty land tax

The Council will cover the cost of the stamp duty land tax (SDLT) to purchase your next home, whether you make your own arrangements or take-up one of the options on offer. SDLT claims must be made within 12 months of the sale of your original property.

If you decide to purchase another property which is of a higher value than your existing property, please note that the amount of SDLT which the council will pay will reflect the value of your current property.

In this situation you may not be reimbursed the full amount of SDLT and will have to pay any difference in cost.

Please note that for shared equity purchasers in the new development, SDLT will be paid by the Council on the sale value of the property and not the equity percentage reflected in your shared equity purchase. You won't have to pay more SDLT in the event that you buy additional shares of your property in the future. If you choose to purchase a home with an additional bedroom, the SDLT paid by the council will be based on the value of your existing home with the same number of bedrooms. You will need to pay any difference in SDLT payment if you decide to purchase a larger property.

Removal and disturbance costs

You are also entitled to reasonable and proper costs for removals, packing services, and disturbance for the move from your existing home to your permanent new home, including:

- Hiring a removals van or company. (must be officially registered)
- Redirecting mail (for one year only).
- Disconnection and reconnection of services such as gas, electricity, telephone.
- Hiring a plumber to connect your washing machine and an electrician or engineer to move your cooker. Professionally qualified people should always be used and a registered gas fitter must be used to carry out any works to the gas supply.

You will pay the costs of proper and suitable companies to move you and deal with any disconnections. Written receipts will be required as evidence of any payments and you are asked to demonstrate that you have obtained quotations from at least two professional companies. You will be required to pay for these fees and then the Council will reimburse you for these costs.

Claims summary

Below is a summary of the claims that leaseholders are able to make.

Claimable Fees	Amount	Notes
Independent valuation fee	£850	A RICS registered valuer to complete a valuation report on your property
Surveyor negotiation fee	£550	To appoint chartered valuer for negotiation of the sale of your property to the Council
Legal/conveyancing fees on sale	£1,250	To complete the sale of the current leaseholder property to the Council. This fee is inclusive of disbursements.
Legal/conveyancing fees on purchase	£1,500 fees	To complete the purchase of your new property
Removal fees	£950 disbursements reasonable and proper costs	To assist with any removal fees and items such as gas/fridge re-connection, postal re-direction fees etc.
Surveyor's fee on new home purchase (off site)	£850	To appoint a chartered valuer to carry out a survey/valuation of the home you wish to buy off the estate.
Stamp Duty Land Tax	Up to the amount due on your existing property	The Council will pay for stamp duty for the purchase of your existing home and also for the purchase of your next home either on or off-site, subject to the conditions listed above.

Buying a new home in the development

The Council will try to make sure that you can buy a replacement property with the same number of bedrooms that you currently have. The availability of larger or smaller sized homes cannot be guaranteed and will be subject to availability and your ability to buy the minimum 50 per cent equity share (this is explained more below).

Options for your new home

Purchasing a home elsewhere

When you have agreed a valuation with the Council for your home, you may decide to make your own arrangements to buy and/or move to another home elsewhere. Whilst the Housing Regeneration Team can give some general advice on how to go about doing this, we cannot provide direct support or assistance.

Purchasing a new home on the estate

The Council's main and most popular offer to resident leaseholders wishing to remain on their estate is the shared equity model. Here the Council builds a new property and makes it affordable by selling a share of it to the leaseholder and not charging rent on the remaining share. The Council then retains ownership of the un-purchased percentage of the equity value of the property. How this works is shown in more detail and in a variety of different forms in the section below. This and other options available are set out here (any figures used are for example purposes only).

Option A - Buying a new home built by the Council outright

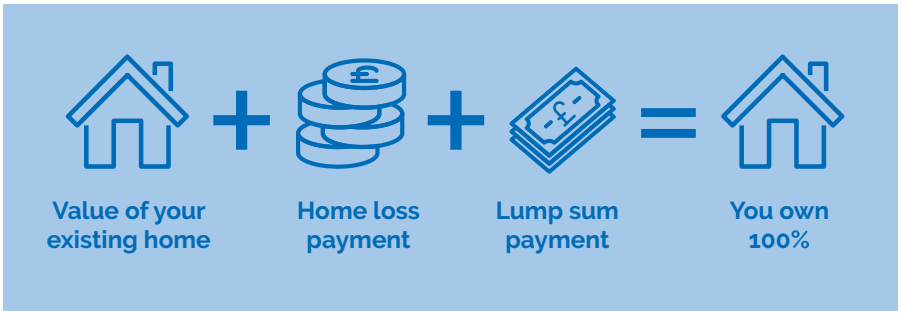
You will be required to pay the full cost of the new property using the market value of your existing property and any other funds at your disposal to cover any gap between the value of your existing home and of the new property (this could be in the form of a mortgage or other savings). You can chose whether to use your home loss payment in this transaction.

The end result is that you will own 100 per cent of the new property.

A summary:

- The Council will buy your current home from you.
- The Council will pay you the current full market value and a Home Loss payment. They will deduct from this any arrears you owe them, such as service charge or Council tax arrears.
- You will have a new lease for 125 years
- You will be responsible for the full payment of the service charge, ground rent and all bills associated with the property
- You will be considered for a new home which has the same number of bedrooms as your current home.
- Larger homes may be available to buy, but this cannot be guaranteed. These will cost more, and you must demonstrate that you are in a position to buy 100 per cent of the property.
- The Council will pay any stamp duty owed equal to your existing property size.

Below is an example of how this option would work (please note the figures used are not an accurate valuation of your property and are for example purposes only).



SCENARIO
(see page 23, appendix A for breakdown)

A resident leaseholder lives in a one bedroom flat. The flat is valued at £240,000 by the Council's valuer. The leaseholder has an outstanding mortgage on his flat of £25,000 and owes £2,000 in service charges to the Council. The leaseholder would be entitled to a home loss payment of 10 per cent of the value of their existing home, which is £24,000.

In this case, the leaseholder would be expected to repay their mortgage. His service charge arrears will be deducted from the amount that he has available to fund his share of the equity in his new home. They would not be required to contribute their home loss payment. The leaseholder will therefore be required to buy an equity stake valued at £213,000 (£240,000 - £2,000 - £25,000) i.e. the value of the current property, minus service charge arrears and mortgage repayment.

The leaseholder is entitled to a one bed shared equity home. The new shared equity home is valued at £400,000. Because £213,000 is 53 per cent of £400,000, the equity stake in his new home will be 53 per cent. The leaseholder is able to obtain a new mortgage and decides to borrow £187,000. This allows the leaseholder to purchase the remaining 47 per cent equity. They also get to keep £24,000 of their home loss payment. Now the leaseholder has 100 percent equity in the new property and owns it outright.

Option B – Shared Equity (Guarantee) - Buying a new shared equity home where you pay no rent on the remaining unpurchased equity

This is an option if you want to remain on the estate in the new development but are unable to afford the purchase price of one of the new homes. You will be required to put the value of your existing property (the amount you agree to sell it to the Council for), then the Council will guarantee you can use this to purchase one of the new homes of the same bed size and will charge no rent on the remaining share of the property not acquired, regardless of what percentage of the new home this amounts to. There is no minimum equity threshold you will be required to reach. The remaining unpurchased equity will be owned by the Council but you will not have to pay any rent.

You are free to decide how you use your home loss payment (either to invest it in the new property or use it for other things). But please note, that any deductions from the agreed sale value of your existing home (i.e. for service charge arrears or other personal debts secured against the property) must be replaced by you using either the home loss payment or other savings/funds you may have, so that the exact market value of your existing home is invested into the new property.

A summary:

- The Council will value your existing property and agree its market value with you. If you invest the market value of your home, this will be used to purchase the maximum share you can afford of the new build replacement home.
- There is no minimum equity you need to purchase with this option. Also there will be no rent to pay on the remaining unpurchased equity which the Council will own.
- You will have a new lease for 125 years.

Value of your existing home

Invest the full market value of your existing home to guarantee a new property, plus no rent will be charged

- If at any point in the future you decide to sell the new shared equity property, after the sale you will receive your share of the property value and the Council will receive its share.
- The Council will have first right of refusal to buy back your property. If the Council decides not to buy it back, you are then able to go to the open market. You will be fully liable for any future sales costs to estate agents and valuers.
- You may be able to sub-let the property, but you must first get written permission from the Council. We will not refuse this unreasonably.
- You can purchase additional equity at any point up to 100 per cent. This is known as 'stair casing'. The minimum amount of equity you can purchase or staircase at any one time is 10 per cent. The Council are aware the government is reviewing the issue of staircasing nationally and will adhere any changes to the law in this area.
- To reserve a new property you will need to show that you can afford to invest the market value of your existing property, including confirmation, if applicable, that you will be able to obtain a mortgage that is for the same amount or more than your existing mortgage.
- You will need to settle any outstanding arrears or other monies owed to the Council (e.g. service charge, Council tax) by the time you complete the sale of your present home. In your calculation of the equity you will have available to buy the new home, you should subtract any arrears money owed. You will only qualify for the 'Guarantee' option if any deductions due to arrears are replaced with other funds to ensure the full market value of your existing home is invested.
- You may include in your calculation any savings that you wish to invest in addition to your equity and home loss payment.
- You will be considered for a new home which has the same number of bedrooms as your existing home.
- Larger or smaller homes than the one you are currently in may be available to buy, but this cannot be guaranteed.
- You will be responsible for the full payment of service charge, ground rent and all bills associated with the property. Planned maintenance will be charged as per the terms and conditions of the lease. An annual service charge will be based on costs for the common areas of the estate and the block that the property is in. Service charges are payable monthly and more details will be provided as the scheme plans are progressed.

Below is an example of how this option would work (please note the figures used are not an accurate valuation of your property and are for example purposes only).

SCENARIO
(see page 24, appendix B for breakdown)

A resident leaseholder lives in a two bedroom flat. The flat is valued at £350,000 by the Council's valuer and agreed by the leaseholder's valuer. The leaseholder has an outstanding mortgage on her flat of £200,000.

In this example, the leaseholder would be entitled to a home loss payment of 10 per cent of the value of their existing home (£35,000) and would need to renew their existing mortgage.

The leaseholder would need to contribute the market value of their existing home towards the purchase of equity in the new home and would therefore be required to buy an equity stake valued at £350,000.

The leaseholder is entitled to a two bedroom property. The new shared equity home is valued at £525,000. If the leaseholder is able to continue or obtain a mortgage for the same amount (£200,000) and contribute the full purchase then they will be able to obtain an equity share of 67 per cent of the new £525,000 property (£350,000/£525,000). This will be the share of the new home that the

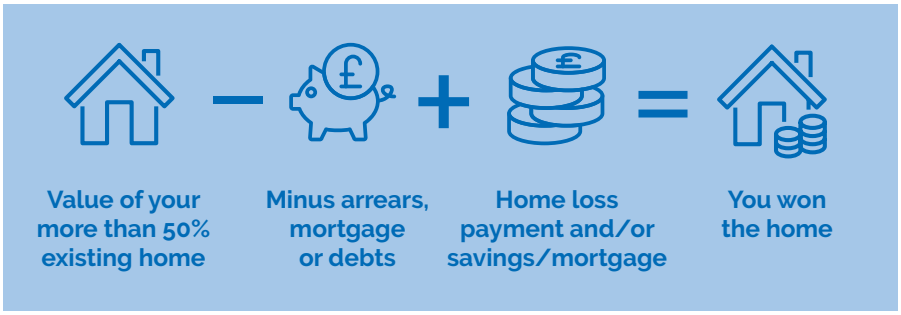
leaseholder now owns. The Council will own the remaining 33 per cent. The leaseholder will not be expected to pay any rent on the 33 per cent share owned by the Council. There are also no monthly interest charges and you never have to purchase additional equity if you do not wish to. The leaseholder is also able to use the full home loss payment of £35,000 for their own personal use and does not need to contribute that towards the purchase of the new property.

However, if you later choose to purchase the additional equity, or you sell the property, the amount you repay will be based on the value of the property at that time, and may therefore be more than the original amount. The Council will have first right of refusal to buy your home should you decide to sell it.

Option C –Shared Equity (Flexi) - Buying a new shared equity home where you pay no rent on the remaining unpurchased equity

This option is very similar to option B and has all the same terms of occupancy and ownership listed above. It differs from Option B by providing you with an option to own a shared equity home and pay no rent even if you cannot invest the market value of your existing home.

You will be required to use whatever funds you receive from the sale of your existing property



(minus arrears and deductions). If this amount, plus any savings or home loss payment you chose to invest exceeds 50 per cent of the value of the new property, you will not need to pay any rent on the remaining unpurchased share.

You will have the choice whether to invest your home loss payment in the home, so long as you can purchase more than 50% of the new property.

SCENARIO
(see page 25, appendix C for breakdown)

A resident leaseholder lives in a two bedroom flat. The flat is valued at £350,000 by the Council's valuer and agreed by the leaseholder's valuer. The leaseholder has an outstanding mortgage on their flat of £100,000.

In this example, the leaseholder would be entitled to a home loss payment of 10 per cent of the value of their existing home (£35,000) and would need to renew their existing mortgage.

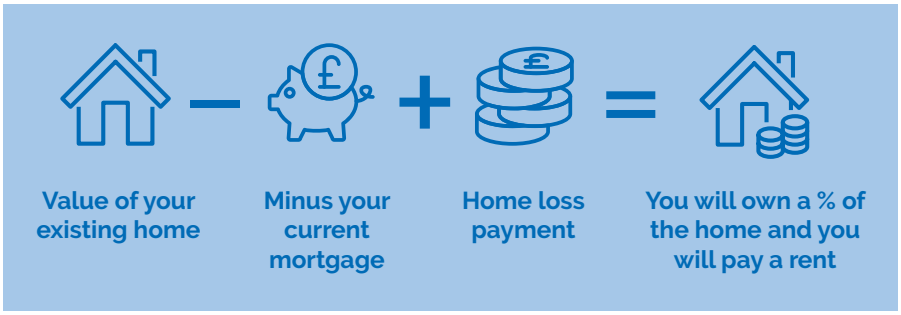
The leaseholder would need to contribute the proceeds of sale from their existing home towards the purchase of equity in the new home

The leaseholder is entitled to a two bedroom property. The new shared equity home is valued at £525,000. If the leaseholder is not able to continue or obtain a mortgage for the same amount (£100,000) then they will only be left with £250,000 to invest in the new property, which would be only 47 per cent of the new home. In this instance the leaseholder would need to use either their savings or some or all of their home loss payment to increase the share of equity purchased to get them above the 50 per cent threshold. In this case investing the £35,000 Home loss would increase the equity share purchased by the leaseholder to 54 per cent. The Council will own the remaining 46 per cent.

The leaseholder will not be expected to pay any rent on the 46 per cent share owned by the Council. There are also no monthly interest charges and you never have to purchase additional equity if you do not wish to.

Option D – Part Shared Equity / Part Rent) - Buying a property where you part- own and part rent the new home

This option allows you to part own and part rent a newly built Council home. This option is for homeowners who are unable to invest the market value of their existing home (perhaps due to not being able to replace a mortgage or having other personal debt secured against the property).



If the funds you receive from the sale of your existing property (minus deductions and debt repayments) as well as your full Home loss payment do not amount to 50% of the value of a new home you will be asked to pay rent on the unpurchased portion of the property up to either the lower of:

- 50 per cent of the value of the new property, or
- The full market value agreed for your existing property

You will be required to invest your full home loss, in order to get as close as possible to either of the two above thresholds (whichever is the lower).

You are required to purchase a minimum of 25 per cent of the value of the new property.

Rent will be charged at 2.75 per cent on the difference between the share purchase price and the market value of your existing property or 50 per cent of the value of the new property, whichever is lower.

A summary:

- Leaseholders will be required to purchase a minimum of 25 per cent equity in the new property. They will need to pay rent on the remaining share (up to the 50 per cent threshold or the full market value of their existing home, whichever is the lowest).
- The rent will be calculated at 2.75 per cent per annum. The rent is index linked to the Retail Price Index (RPI) to ensure annual increases do not exceed inflation.
- If additional equity is purchased, then the required rent will be re-calculated.
- If you are already in receipt of any benefit, the rental element of this option could be eligible to be covered by housing benefit. This would need to be explored in more detail if you decide to take up this option.
- Leaseholders will also have to pay full monthly service charge.
- Leaseholders have the normal rights and responsibilities of a full owner-occupier.
- The leaseholder is not allowed to let or sub-let the property without first obtaining written permission from the Council. We will not refuse this unreasonably.
- Leaseholders have the right to buy more equity in their property, up to 100 per cent full ownership, at any time. The amount they need to pay will be based on the market value at the time. Once they own more than 50 per cent of the property or up to the full market value of their existing property, there will be no rent to pay.
- You will have a new lease for 125 years.
- To reserve a new property, you will need to show that you can afford to buy a share of at least 25 per cent of its market value.
- The Council will need you to be subject to financial review and see detailed confirmation you are unable to obtain a new mortgage or move an existing mortgage, where applicable. This may include a review of bank statements, credit reports,

correspondence with lenders etc.

- You will need to settle any outstanding arrears or other monies owed to the Council (e.g. service charge, Council tax) by the time you complete the sale of your present home.
- You may include in your calculation any savings that you wish to invest in addition to your equity and home loss payment.
- You will be considered for a new home which has the same number of bedrooms as your existing home.
- Larger homes will not be available for purchase under this option.
- Smaller homes (fewer bedrooms) may be available to buy, but this cannot be guaranteed. You must demonstrate that you are in a position to buy a minimum share of at least 25 per cent of the new property's market value, using the equity from the sale of your present home, plus your home loss payment.
- You will be responsible for the full payment of service charge, ground rent and all bills associated with the property. Planned maintenance will be charged as per the terms and conditions of the lease. An annual service charge will be based on costs for the common areas of the estate and the block that the property is in. Service charges are payable monthly and more details will be provided as the scheme plans are progressed.

Below is an example of how this option would work (please note the figures used are not an accurate valuation of your property and are for example purposes only).

SCENARIO
(see page 26, appendix D for breakdown)

A leaseholder lives in a three bedroom flat with their partner and three children. The flat is valued at £380,000 by the Council's independent valuer and agreed by the leaseholder's valuer. They are currently employed but will soon be made redundant. They have an outstanding mortgage of £190,000.

In this example, the leaseholder is entitled to a home loss payment of 10 per cent of the value of their existing home (£38,000). They would be expected to pay off their existing mortgage if they were unable to obtain a new one.

The leaseholder would also be required to contribute their full home loss payment towards the purchase of equity in the new home. They will therefore achieve an equity stake valued at £228,000 (£380,000 + £38,000 - £190,000).

The leaseholder is entitled to a three bedroom property. The new shared equity home is valued at £550,000. After clearing their current mortgage, the leaseholder is left with £228,000. However they require an additional £152,000 in order to achieve full market value, as their current property was valued at £380,000 (£228,000 + £152,000).

Additionally, the new property is valued at £550,000 and 50 per cent of the value is £275,000. The leaseholder currently is able to purchase 41 per cent of the new property (£228,000/£550,000) and is short of £47,000 in order to achieve 50 per cent value of the new property (£275,000 - £228,000).

In this instance, out of the two variable options £152,000 or £47,000 the lowest amount the leaseholder is required to pay rent on is £47,000. As stated above, rent will be charged at 2.75% on the difference between the share purchase price and the FMV or 50% of the value of the new property, and £47,000 is the lowest amount in this example.

The rent would be set at 2.75 per cent per annum. In this case this would mean paying 2.75 per cent of £47,000. This will work out to be a rental of £108 per month, or £1,293 per year. The leaseholder will no longer have a mortgage to pay, but will be required to make a rental payment each month.

The leaseholder in this example will pay rent up until the point they can afford to buy the remaining 9 per cent equity, taking their share of the property owned to at least 50 per cent. They will stop paying

rent once they achieve 50 per cent value of the new property. If they decide to purchase shares in later years, the property will be re-valued and they will buy additional equity based on the valuation at that moment in time.

Option E - Leasehold swap

A leasehold swap is when the Council will offer you the option to relocate to another Council owned property of similar age and value as your existing home, providing you can acquire the full value of the new home.

A summary:

- The Council will provide with you with a selection of properties from its housing stock and you can decide which property suits your needs.
- The leasehold swap option involves selling your existing property and acquiring 100 per cent equity of the new property. Where the value of the new property is less than the value of your current home, you will be able to retain the remaining sums. Where the value of the new property is higher than your existing property, then you will need to pay the difference and the Council will not be able to financially assist you.
- You will need to ensure that you have the means to acquire the new property. This could be via a new mortgage or a lump sum payment. You will be responsible for the finance arrangement.
- The length of the new lease will be for 125 years.
- As explained, the Council will value your existing property and agree its full open market value with you. This agreed amount, plus your home loss payment and any lump sum payment you can make, but minus any arrears or service charge or Council tax owed to the Council, will then be used to purchase your home.
- You will be responsible for the full payment of service charge, ground rent and all bills associated with the property.
- You will have your normal right to sub-let the property.

Below is an example of how this option would work (please note the valuation of your property are for example purposes only).

SCENARIO
(see page 27, appendix E for breakdown)

A leaseholder lives in a three bedroom flat with their family. The flat is valued at £400,000 by the Council's independent valuer. The leaseholder is currently employed and has a mortgage of £100,000. They are able to obtain or move their existing mortgage over.

The leaseholder decides to stay in the borough but does not want to come back to the new development and is keen to move to a leasehold property where the Council is the freeholder and manages the block. The Council was able to find the leaseholder an alternative property within its existing stock. The alternative property is valued at £500,000.

The leaseholder will be entitled to £400,000 full value for their existing property plus £40,000 home loss payment. In total, they will have £340,000 (£400,000 + £40,000 - £100,000). They are also able to obtain a new mortgage for £160,000 so therefore will have a total of £500,000 available.

This will mean the leaseholder will have enough funds in order to proceed with the lease swap. The Council will buy back the existing lease and enable the leaseholder

to purchase a new 125 year lease for the new property selected. The leaseholder will be responsible for continuing to make their mortgage payments and all service charge and bill payments including any major works bills.

Option F - Where home ownership is no longer a feasible option

Where a homeowner is unlikely to obtain a new mortgage or cannot financially manage the ownership of a new home, they should notify the Council immediately. The Council will work with homeowners to explore different options until a reasonable solution has been found.

We want to make sure that nobody is left in a worse off situation and we will make sure that everybody has been provided with a fair and reasonable alternative property arrangement.

The Council will host individual household interviews where we will go through your financial details. Officers will make sure that all those affected are supported throughout the process and will be available for any help that leaseholders require.

Succession rights

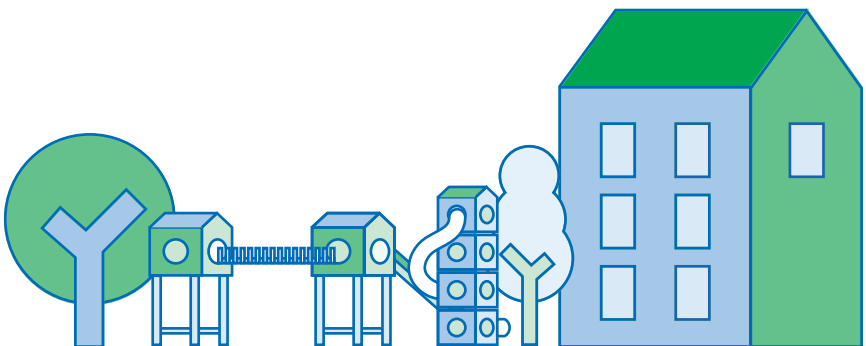
Succession rights apply equally to options B, C & D where the Council still owns a share of the property.

In the event that the leaseholder dies and at the time, owns less than 100 per cent of the property, the Council will allow a spouse or other immediately family member living at the property as their permanent home to inherit it under the same financial/rental arrangements. This is known as a succession and will be allowed twice. The Councils definition of immediate family member is defined as a person living in continuous occupation with the owner for a period of at least 12months prior to their death, as part of their household, i.e. A spouse/civil partner, son/daughter, brother/sister, parent/grandparent, or in the case of another relative, having been similarly in continuous occupation as an acknowledged carer. The Council reserves the right to conduct its own investigations to confirm the accuracy of such a claim, which would require the cooperation of the potential successor in the provision of documentation and records, etc.

If after the second successor dies, the Council will require the next inheriting owner to buy-out its share of the equity within 12 months of taking ownership, which may require the sale of the property if other funds are not available.

Summary table – how the options differ

Offer	A. New home outright	B. New shared equity home (Guarantee)	C. New shared equity home (Flexi)	D. Part-shared equity and part-rent home	E. Lease swap
Minimum entry threshold	100%	Market value of existing property	50%	25%	100%
Stair casing allowed	N/A	Yes	Yes	Yes	No
Service charge liability	Yes – full payment	Yes – full payment	Yes – full payment	Yes – full payment	Yes – full payment
Councils first right of refusal for buyback	No	Yes	Yes	Yes	No
Succession	N/A	Only two (2) successions from original leaseholder if less than 100% equity is transferred			N/A
Subletting	Yes	Prior written consent will be required from the Council before subletting			
Lease period		125 year lease			



Hidden households

Adult children or anyone living in a leasehold property who has been registered on the housing register for over one year prior to the Landlord Offer being published (in February 2020) and who is in housing need (bands 1 & 2) will be offered a new Council home in the proposed development at London Affordable Rent levels. This offer is limited to one applicant per property registered on the housing register in priority housing need. Households with more than one housing applicant will not be able to choose which resident gets this option. It will be decided based on housing needs as per each application and we will be advised and informed by the Councils lettings policy.

To give you an idea, below is the 2022 – 2023 London Affordable Rent weekly figures for each bed size. The figures all exclude service charges.

Parking

The new development will be 'car free' which is part of the Council's planning policy. This means that new residents not currently living on the estate will not be eligible for a street parking permit. Only new families moving onto the estate who qualify under the Council's permit transfer scheme will be able to bring their street parking permit with them to the new development, subject to meeting the parking criteria. There will only be parking spaces within the boundary of the estate for the adapted/wheelchair accessible homes.

Whilst the new homes on the estate will be designed with no residential parking provision within the estate, if you are an existing resident you will be able to retain your rights to obtaining street parking permits after moving into one of the new homes of the estate.

No. Bedrooms	LAR (£)
1	168.34
2	178.23
3	188.13
4	198.03

Compulsory Purchase Orders

When the Council decides to regenerate an area for local people through redevelopment, it is likely to serve a demolition notice to inform residents of its plans.

Any potential development site may include land owned by multiple people or groups. Before it can start development, the Council has to acquire these interests from their legal owners.

Whilst the Council aims to buy out residential leaseholders through negotiated settlements, it is normal practice to consider making a Compulsory Purchase Order (CPO) to ensure the Council can get vacant possession of the buildings and land needed to allow work to start. The decision to seek a CPO is taken by the Mayor, after weighing up the need for the regeneration proposals and the impact these will have on those affected.

A CPO is only made after extensive community engagement and consultation setting out the proposals of the scheme and how individual land interests will be affected. Once the CPO is made, there will be a further statutory consultation process where you can have your say. It starts a process which is provided below for your information.

Please be assured, it is the Council's intention is to seek voluntarily negotiated settlements with owners wherever possible. Negotiations would also continue alongside any future CPO process.

A CPO process has a number of stages:

- Formulation / information gathering
- Making of the order
- Consultation period / objections / comments
- Public local inquiry
- Secretary of State decision to confirm, reject, or modify.
- Further challenge
- Taking possession of the property

Information gathering and preparing the CPO

If the Council intends to make a CPO relevant information required to support the CPO will be collected and the Council will also define the boundaries of the scheme area for compulsory purchase.

The Council will seek to identify everyone who has an interest (those who own or have rights over property or land) in the property or land to be acquired, including those with freehold or leasehold interests, as well as any occupiers or tenants.

This may include serving what is known as a Requisition for Information Notice.

Making of the CPO

When a CPO is made all known persons with an interest (those who own property or land) are informed by a notice. The Council also makes a public announcement in the local press, inviting representations or objections to be made within 28 days. This gives everyone who is affected by the order an opportunity to express their views. Representations or objections are sent to the Secretary of State of Levelling Up, Housing and Communities. At the same time, all interested parties will receive a statement showing the Council's reasons for making the CPO.

Objections

If no valid objections are received and the Secretary of State is satisfied that the procedures have been followed properly, the CPO will be confirmed, modified or rejected without the need for a formal hearing.

However, if objections are received which the Secretary of State considers to be valid, a public local inquiry will be held.

Public local inquiry

The Secretary of State will write to the Council and the objectors informing them that an inquiry will be held. The inquiry will be heard by a government appointed inspector.

Sometimes, the inspector may choose to receive written representations as an alternative to an Inquiry. Under this procedure, objections would be considered by an inspector in writing.

Regardless of which procedure is used; the inspector will produce a report for the Secretary of State clearly setting out their conclusions and recommendations. The inspector will recommend a course of action to the Secretary of State, who will take the final decision.

Decision and confirmation

After considering the inspector's report, the Secretary of State may confirm, modify or reject the CPO. The Council must then advertise the decision in one or more local newspapers (by means of a statutory notice in the classified advertising section of the local newspaper), and notify all those affected by the CPO.

Further challenge

If objectors consider that there are legal grounds on which to call into question the decision-making process of the Secretary of State their decision may be open to challenge by way of judicial review in the High Court.

Taking possession of property and land

If the CPO is confirmed, the Council will continue to negotiate with the owners of the property or land to be acquired. The Council will only use the powers granted by the CPO as a last resort to enable works to start. If the powers of the CPO are used, ownership of the land or property is transferred to the Council within an agreed timescale and compensation is paid to the owner.

The Council would keep residents informed throughout all the stages of a CPO and it will continue to negotiate with residents even if there is an ongoing public inquiry.

Glossary

Alternative Dispute Resolution (ADR)
Method of resolving a dispute without going to a court or tribunal for a formal decision.

Compulsory Purchase Order
– A Compulsory Purchase Order allows certain bodies which need to acquire land or property for purposes such as regeneration, without the consent of the owner.

Disturbance Costs
– Disturbance Costs are made to compensate for reasonable expenses incurred in moving homes during a regeneration process; for example, removal expenses, cost of altering soft furnishings, reconnecting movable fixtures and fittings, telephone reconnection charges.

Home Loss Payment
– Home Loss Payments are payable to owners who live in the properties they own and are made in recognition of the distress and discomfort of being compelled to move out of your home as a result of compulsory purchase or under other qualifying circumstances.

Leasehold Swap
– The Council will find the leaseholder a property of similar value within its own stock of properties and swap the lease to the new property.

Open Market Purchase
– Straightforward buy-back of the leasehold, or freehold property, for the agreed market value.

Market Value
– Is the price that a good or service is offered at, or will fetch, on the open market, with a free and willing buyer and seller.

Resident Leaseholder
A leaseholder who lives in the property in question as their only or main residence, and has done so for at least 12 months from a given date (for this scheme the given date is 28th February 2020 when the Landlord Offer Document was issued).

Shared Equity
– When the Council offers the option of buying a proportion of the value of the property and rent is not paid on the proportion of the property owned by the Council. The Council claims their portion of the property when it is sold or ownership changes hands. You must be able to put in a minimum of 50% into this scheme.

Stair casing
– buying additional equity stake in a property in tranches. A minimum stair casing threshold of no less than 10% equity will be applied for each tranche purchase.

Upper Tribunal
– The tribunal has the statutory power to deal with some disputes involving land or property.

Valuer
A property valuer is a type of surveyor who is qualified to make an assessment of the market value of properties. They must be accredited members of the Royal Institution of Chartered Surveyors (RICS).

Appendix

Scenario A – Buying a new home built by the Council outright.

Step	Description	Amount (£)
1	**Your current property details**	
	Type	One-bedroom flat
	Value of your current property (As per council's and leaseholder's valuer)	£240,000
	Your outstanding mortgage	£25,000
	Your service charge arrears	£2,000
	Your home loss payment (10% of the value of your current property)	£24,000
2	**Funding share of equity stake in your new home**	
	Repayment of your mortgage	£25,000
	Deduction of your service charge arrears	£2,000
	Contribution of your home loss payment (not required)	£0
	Value of your current property (minus arrears and mortgage)	£213,000 (Value of current property minus arrears and mortgage) e.g. £240,000-£25,000 -£2,000=£213,000
3	**Calculation of equity stake in your new home**	
	Value of your new shared equity home (one bedroom)	£400,000
	Your equity stake in new shared equity home	53% (Value of current property minus arrears and mortgage as a percentage of value of new shared equity home) e.g., £213,000 is 53% of £400,000
4	**Obtaining a new mortgage**	
	Amount you need to borrow for outright ownership	£187,000 (Value of new shared equity home minus value of current property excluding arrears and mortgage) e.g. £400,000-£213,000 =£187,000
	Your remaining equity stake in new home	47% (100% minus equity stake in new home) e.g. 100%-53% =47%
5	**Retaining home loss payment**	
	Amount available for your personal use	£24,000
6	**Final outcome**	
	Ownership status	Owned outright – 100% equity.

Scenario B – Shared Equity (Guarantee) – Buying a new shared equity home where you pay no rent on the remaining unpurchased equity.

Step	Description	Amount (£)
1	**Your current property details**	
	Type	Two bedroom flat
	Value of your current property (as per council's and leaseholder's valuer)	£350,000
	Your outstanding mortgage	£200,000
	Your home loss payment (10% of the value of your current property)	£35,000
2	**Renewing your existing mortgage**	
	Requirement to renew existing mortgage	£200,000
3	**Funding share of equity stake in your new home**	
	Contribute the market value of your existing home towards the purchase of equity stake in the new home	£350,000
	Continue or obtain your mortgage	£200,000
4	**Calculation of equity stake in your new home**	
	Value of your new shared equity home (2 bedroom)	£525,000 –
	Your equity stake in new shared equity home	67% (Value of current property plus mortgage as a percentage of value of new shared equity home) e.g., £350,000 is 67% of £525,000
	Equity split	67% - Leaseholder 33% - Council
5	**Rent and interest charges**	
	Rent or monthly interest charges on the council's share	£0 - Leaseholder will not be expected to pay any rent or monthly interest charges on the share owned by the council.
6	**Home loss payment**	
	Amount available for your personal use	£35,000
7	**Repayment or Future Purchase** If you later choose to purchase additional equity, or you sell the property, the amount you repay will be based on the value of the property at the time and may be more than the original amount. The council will have first right of refusal to buy your home should you decide to sell it.	

Scenario C – Shared Equity (Flexi) – Buying a new shared equity home where you pay no rent on the remaining unpurchased equity.

Step	Description	Amount (£)
1	**Your current property details**	
	Type	Two bedroom flat
	Value of your current property (as per council's and leaseholder's valuer)	£350,000
	Your outstanding mortgage	£100,000
	Your home loss payment (10% of the value of your current property)	£35,000
2	**Renewing your existing mortgage**	
	Requirement to renew existing mortgage	£100,000
3	**Funding share of equity stake in your new home**	
	Contribute the market value of your existing home towards the purchase of equity stake in the new home	£350,000
4	**Calculation of equity stake in your new home**	
	Value of your new shared equity home (2 bedroom)	£525,000
	You are unable to continue or obtain a mortgage for the same amount (£100,000)	£0
	Remaining amount left to invest in your new home	£250,000 (Value of current property minus outstanding mortgage) e.g. £350,000-£100,000=£250,000
	Your equity stake in new shared equity home	47% (Remaining amount left to invest in your home as a percentage of value of new shared equity home) e.g. £250,000 is 47% of £525,000
5	**Increasing the share of your equity to get above the 50% threshold**	
	Investing your home loss payment / any savings	£35,000
	Your updated equity stake in new shared equity home	54% (value of current property [excluding outstanding mortgage] plus home loss payment as a percentage of value of new shared equity home) e.g. £250,000+£35,000 = £285,000. £285,000 is 54% of £525,000
	Equity Split	54% - Leaseholder 46% - Council
6	**Rent and Interest Charges**	
	Rent or monthly interest charges on the council's share	£0 - Leaseholder will not be expected to pay any rent or monthly interest charges on the shared owned by the council. They also never have to purchase additional equity if they don't wish to.
7	**Home loss payment**	
	Amount available for your personal use	£0

Scenario D – Part Shared Equity / Part Rent – Buying a property where you part-own and part rent the new home.

Step	Description	Amount (£)
1	**Your current property details**	
	Type	Three bedroom flat
	Value of your current property (as per council's and leaseholder's valuer)	£380,000
	Your outstanding mortgage	£190,000
	Your home loss payment (10% of the value of your current property)	£38,000
2	**Paying existing mortgage**	
	Requirement to pay off existing mortgage if you are unable to obtain a new one	£190,000
3	**Funding share of equity stake in your new home**	
	Contribute your full home loss payment towards the purchase of equity stake in the new home	£228,000(Value of current property plus full home loss payment minus outstanding mortgage)
4	**Calculation of equity stake in your new home**	
	Value of your new shared equity home (3 bedroom)	£555,000
	You cleared your existing mortgage	£228,000 (Value of current property plus full home loss payment minus outstanding mortgage)
	[Option 1] Remaining amount left in order to achieve market value of £380,000	£152,000 (Value of current property minus the amount you used to fund the shared equity stake in your new home) e.g. £380,000-£228,000=£152,000
	Your equity stake in new shared equity home	41% (value of current property plus full home loss payment [minus outstanding mortgage] as a percentage of value of new shared equity home) e.g. £228,000 is 41% of £550,000
5	**Increasing the share of your equity to get above the 50% threshold**	
	[Option 2] Remaining amount left in order to achieve a 50% equity in the new home.	£47,000 The new property is valued at £550,000 and 50% of the value is £275,000. £275,000 -£228,000=£47,000
6	**Rent**	
	In this instance, out of the two variable options (£152,000 or £47,000) you would pay rent on the lowest amount.	£47,000
	Rent percentage per annum	2.7%
	Rent due per month/year	£108 per month £1,293 per year. 2.7% of £47,000 is £108 per month or £1,293 per year.
You will pay rent up until the point you can afford to buy the remaining 9% equity, taking your share to 50%. You will stop paying rent once they achieve 50% of value of the new property.		
7	**Purchasing Shares in future years** If you decide to purchase shares in later years, the property will be re-valued and you will buy additional equity based on the valuation at that moment in time.	

Scenario E – Leasehold Swap

Step	Description	Amount (£)
1	**Your current property details**	
	Type	Three bedroom flat
	Value of your current property (as per council's and leaseholder's valuer)	£400,000
	Your outstanding mortgage, which you are able to obtain or move over.	£100,000
	Your home loss payment (10% of the value of your current property)	£40,000
2	**Choosing not to return to the new development**	
	You decide to stay in the borough but do not want to return to the new development. You are keen to move to move to a leasehold property where the Council is the freeholder and manages the block. The council finds you an alternative property.	
	Value of alternative property	£500,000
3	**Funding value of the alternative property**	
	Contribute the market value of your existing home towards the lease swap	£400,000
	Contribute your full home loss payment towards the lease swap	£40,000
	Total funds available to contribute towards the lease swap	£340,000 (Value of existing property plus home loss payment minus outstanding mortgage)e.g. £400,000+£40,000-£100,000 = £340,000
4	**Obtaining additional funding for the alternative property**	
	You obtain a new mortgage to contribute towards the remaining funds for the lease swap.	£160,000 (Value of alternative property minus value of existing home plus home loss payment [excluding outstanding mortgage]) £500,000 -£340,000 =£160,000
5	**Proceed with leasehold swap**	
	You have enough funds in order to proceed with the lease swap. The council will buy back the existing lease and enable you to purchase a new 125 year lease for the new property selected. The leaseholder will be responsible for continuing to make their mortgage payments and all service charge and bill payments.	

Useful contacts and links

Tower Hamlets Council
Housing Regeneration Team
housing.regeneration@towerhamlets.gov.uk
0207 364 7799
www.towerhamlets.gov.uk

PPCR (Independent Tenant & Leaseholder Advisor)
Mo Ali 020 7407 7452
MAli@ppcr.org.uk

Tower Hamlets Homes
0207 364 3236
www.towerhamletshomes.org.uk

Department for Levelling Up, Housing & Communities
030 3444 0000
www.gov.uk/government/organisations/department-for-levelling-up-housing-and-communities

RICS Consumer Guide: Compulsory Purchase
https://www.ricsfirms.com/residential/legal-issues/compulsory-purchase/rics-consumer-guide-compulsory-purchase/

The Leasehold Advisory Service (LEASE)
020 7383 9800
www.lease-advice.org