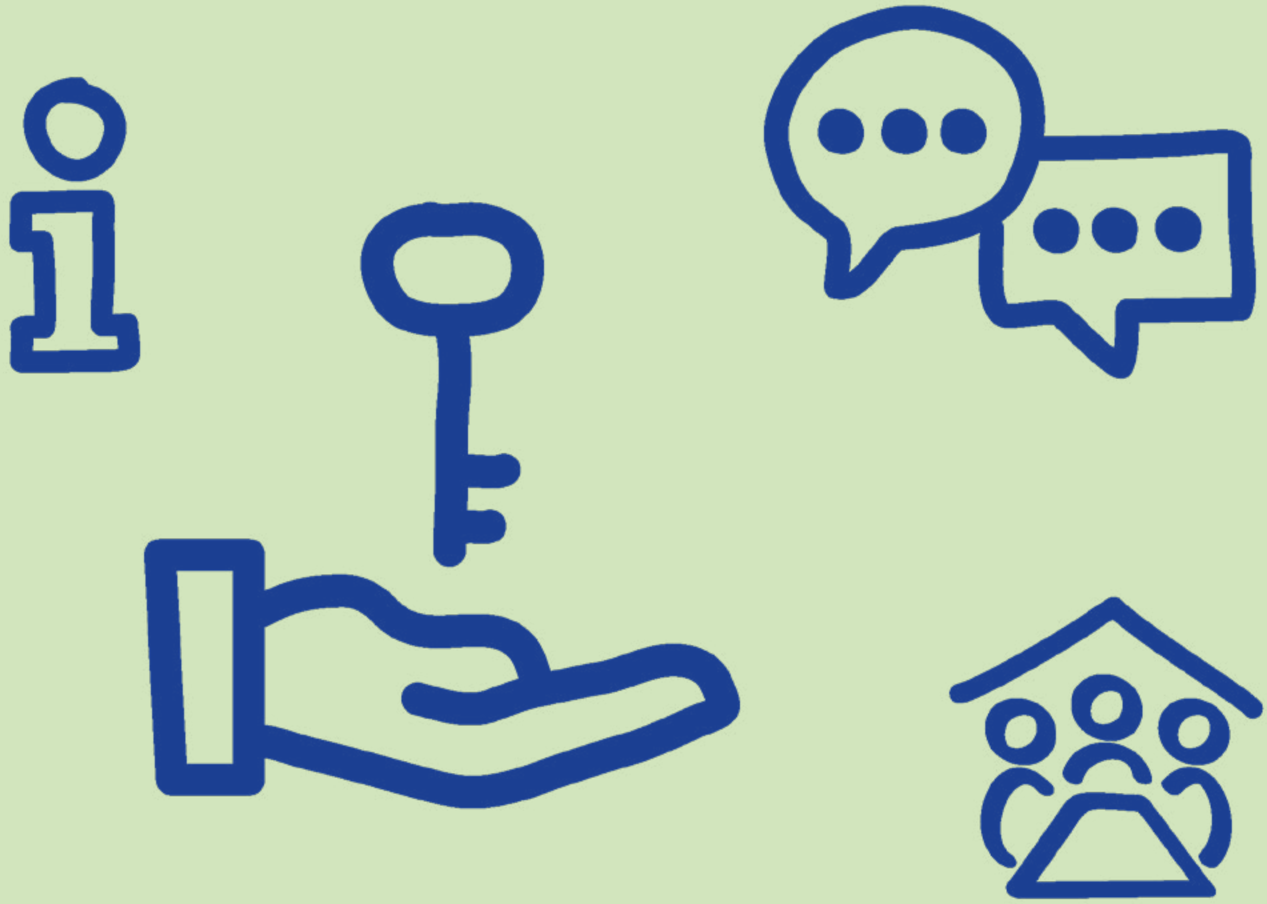
Cambridge Road Estate

Leaseholder and Freeholder Options

YOUR CRE
CAMBRIDGE ROAD ESTATE

February 2021



A Step-by-step Guide to Shared Ownership, Shared Equity and Outright Purchase

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Difficulty reading this document?

If you would like this information in large print or the support of a translator to access it in another language, please contact the CRE regeneration team.

Get in touch with the CRE Regen team

Freephone 0800 304 76 33

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www.cambridgeroadestate.com

Contents

Introduction

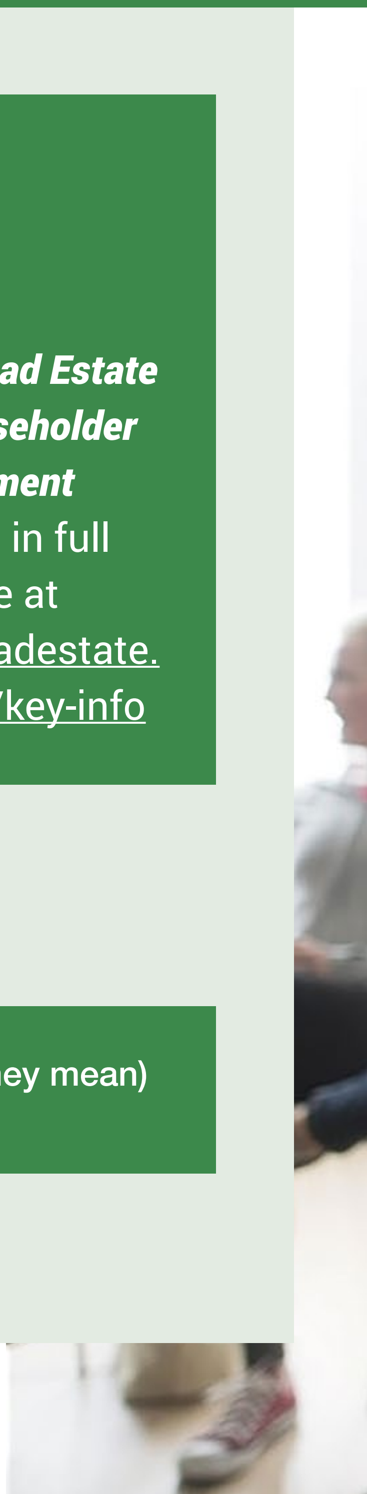
Whether you are a resident leaseholder or freeholder on the Cambridge Road Estate (CRE), Kingston Council hopes that the following information will help guide you through the process of selling your home to the Council and the options available to you for a new home. The Council will provide you with all the details of the different options in order to enable you to make a decision that is right for you and your circumstances.

In this document, you will see:

- information about 'shared ownership', 'shared equity' and 'outright purchase';
- details about the process to be followed when choosing one of the above options; and
- how we will value and buy back your current home.

The information is based on and should be read along with the ***Cambridge Road Estate Freeholder and Leaseholder Decant policy document*** which was agreed by Kingston Council at the Housing Sub-Committee in September 2017.

*The ***Cambridge Road Estate Freeholder and Leaseholder Decant policy document*** is available to read in full on the CRE website at www.cambridgeroadestate.com/regeneration/key-info



Please note, there is a glossary (key words and what they mean) on pages 18–19.

Helping to guide you through the process

Who does this policy and guidance apply to?

The Decant Policy and guidance shown in this booklet applies to **all resident leaseholders** or **freeholders** on the Cambridge Road Estate.

Shared ownership, shared equity or outright purchase?

If a resident owner does not have the required equity or enough funds to buy a new home closeby or on the regenerated neighbourhood, the Council will help you to buy a shared equity or shared ownership home on the new estate or elsewhere. This will ensure that you have an option to buy a new property in the regenerated neighbourhood or, if you choose, a location nearby or elsewhere in the United Kingdom.

The Council will hold the freehold interest in the new property and the equity proportions will be controlled through a lease which is granted by the Council.

Shared Equity

If the market value of your current property is less than the market value of a new similar-sized (or smaller) property on the estate and you are unable to afford the difference, the option of a shared equity home will be available to you. A similar-sized home will have the same number of bedrooms as your current property.

You will be asked to invest the equity in your existing property and the full home loss payment from the sale of your home into the new property. The remainder will be paid by the Council, and the Council will own a percentage of the property.

- You can buy the remainder at any point. This is called ‘staircasing’. Staircasing allows you to increase the proportion of the property you own over time.
- Under the shared equity option, no rent is charged on the remaining equity owned by the Council.
- You will be responsible for 100% of the maintenance costs irrespective of the proportion of equity you own in the new property.
- You will be responsible for 100% of the Service Charge fee for the property.

Shared Ownership

- Shared ownership is a part-buy, part-rent scheme where you own a proportion of the property and pay rent on the unpurchased proportion, which is retained by the Council.
- Shared ownership will be available and offered to owner-occupiers who choose not to re-invest the full value of their existing home or the maximum amount that they can afford to invest.
- To qualify for shared ownership you must purchase a minimum of 25% of the value of the new property.
- You will pay rent on the equity share owned by the Council.
- After a year, you will be eligible to buy additional proportions of equity in the property up to 100%, this is called 'staircasing'.
- You will be responsible for 100% of the maintenance costs irrespective of the proportion of equity you own in the new property.
- You will be responsible for 100% of the Service Charge fee for the property.
- Legal advice should be taken before entering into a shared ownership lease particularly in relation to the grounds upon which possession proceedings may be taken.

Outright Purchase

- Outright purchase is when you buy your new home yourself using your funds or securing other forms of finance (e.g. a mortgage).
- If you have the funds to purchase property outright, purchasing a leasehold or freehold home may be the most appropriate option
- If you buy a property outright then the amount you offer for your new home is up to you, the Council will not have any involvement. Note that the compensation package (see page 9) for your existing property will include an allowance for the associated costs such as stamp duty and legal fees incurred in buying a property of similar size.

See full details in the CRE ***Freeholder and Leaseholders' Decant Policy.***

On or off the estate?

The shared equity and shared ownership schemes are flexible to cater for a wide range of personal situations allowing owner-occupiers to purchase a new property either on the regenerated estate or a property off the estate in a location of your choice within the UK.

Choice 1: Stay on the Estate

- If you decide to take up one of the options (shared equity or shared ownership or outright purchase) to purchase a new property on the regenerated estate, the Council will try to ensure as far as possible that you will be able to move to your new home at the same time as you complete on the sale of your current home.

Interim (temporary) property

- It may not always be possible for the Council to offer you an immediate move to a newly built home. If this is the case, the Council will provide you with temporary housing (which will have the same number of bedrooms as your current property) in an existing empty property, most likely on the estate, until your new home is ready to move into.
- The Council will not charge you any rent for the interim property as long as you proceed with the completion of the purchase of the new property (although you will have to pay a service charge). If whilst in the interim property you decide to opt-out of the purchase of the new property, you will be required to repay the full rent (social rent) for the duration of your stay in the interim property and vacate the property immediately.

Agreeing property valuations

- At the same time as agreeing on the market value of your current property, you will also agree the value of your new property — this will be fixed within the contract and will not be subject to fluctuations (changes) in the market.

Choice 2: Move off the Estate

- The steps shown on page 10 will guide you through the process if moving off the estate is the right choice for you. Please see section 4. Step-by-step moving guide, 'Moving off estate'.

Moving will be subject to COVID-19 guidelines at the time.

Step-by-step moving guide

Step 1
Your home valuation and compensation offer

The first step is to get your existing property valued by the Council's appointed chartered surveyor. They will establish the market value of your home.

The Council will arrange for a surveyor to visit your property in order to prepare a valuation report.

This valuation will stand for three months from the valuation date before it will have to be revalued, although this period can be extended with the agreement of both parties.

There are steps put in place if you disagree with the valuation (please see the CRE Freeholder and Leaseholders' Decant Policy on our website at https://www.cambridgeroadestate.com/regeneration/key-info).

The valuer will issue you with an offer for your home stating the market value and the statutory compensation amount the Council will pay towards a new home.

Full details of the compensation available on top of the market value are detailed in the CRE Freeholder and Leaseholders' Decant Policy.

Step-by-step moving guide

Step 2
Consider your options

At this point, you will know the value of your property, the compensation to be paid and the value of a new property. You will now be able to assess the options open to you. As well as shared equity and shared ownership, if you have the means to do so, you may choose to buy a new property outright. **The regeneration team will be available to assist you with any questions you may have.**

Step 3
Financial assessment

If you wish to proceed with shared equity or shared ownership (whether on or off the estate) the next step is for the Council to undertake a financial assessment. To qualify for these options, the Council will ask for supporting documents to confirm your income and expenditure. If it is found that you have financial difficulties preventing you from taking up shared ownership or shared equity, other options will be explored at this point.

Step 4
Find a new home

Remaining on the estate

A selection of properties will be shown to you 'off-plan' by way of a plan and location for a new property. This will outline the number of bedrooms, floorplan and approximate location.

Moving off estate

If your choice is to move off the estate, it is recommended that you should be starting your search for your new property as this can take a few months to conclude.

Your search area is up to your personal preference, as long as it is within the UK.

If you are purchasing the property outright, purchasing a leasehold or freehold premises is suitable.

If you are considering a leasehold property, the lease should be longer than 80 years but it is recommended to find a lease that is 100 years or more if possible.

If the new property is leasehold and you have selected either shared ownership or shared equity, the Council will need to review the existing lease to ensure it is suitable for purchase on shared equity or shared ownership terms.

Once you have found a suitable property, you must notify the CRE team for them to do the necessary checks to proceed with the purchase. You can contact us for more information.

It is recommended that you seek independent financial advice with regards to any new mortgage required for the purchase of a new property. This is because the terms, rates and affordability criteria may have changed.

Step 5
Making an offer

If you are purchasing a property outright then the amount you offer is up to you and the Council will not have any involvement.

If either shared equity or shared ownership is being used, the Council will value the new property and make the offer for you once all the necessary checks have been completed.

Once the price is agreed, you can instruct solicitors to carry out the transaction.

Step 6
Instruction of professional services

To look after the legal side of selling your home, you will need to instruct a property solicitor or conveyancer.

Once you have found a solicitor or conveyancer you will need to obtain a quotation from them and provide a copy of this to the Council for approval. Please make sure that your surveyor and/or solicitor knows that they will only be paid at the end of the process, once the sale has been completed.

If you have a mortgage you will need to advise your bank or building society regarding the sale of your property. This may result in a redemption fee on your mortgage, which can be reimbursed as part of the disturbance payment.

Step 7
Exchange of contracts

This is the point that the sale of the property will become legally binding. Usually, all properties in the chain will exchange at the same time.

At the point of exchange, the date of completion will be fixed.

Step 8
Moving

Once you have the completion date we will agree on a date for you to move. The Council will assist you with moving, including removals and packing.

Examples (4 scenarios)

Leaseholder 1

A retired couple has a two-bedroom maisonette on the Cambridge Road Estate. They have paid off their mortgage. The couple has a small private pension and a state pension, and their income is £12,000 per year. The value of the property is £220,000.

As the mortgage is paid off, all of the equity can be used to buy a new home. The leaseholder would also receive the 10% home loss payment of £22,000.

They are unable to afford the difference of a similar new property so they have chosen and qualify for the option of shared equity.

The new property has a market value of £490,000 (2-bed, 4-person flat).

Option taken by leaseholder 1: shared equity

- The couple will have a 49% share = £242,000 (£220,000 + £22,000 home loss payment)
- The Council will have a 51% share = £248,000

The couple pays no rent on the outstanding equity held by the Council but will pay a service charge fee.

In 2 years, if the couple decides to increase their equity by 20% and the market value has increased by 3% they could purchase a further 20% at £100,940 (plus costs incurred in buying the tranche outlined in the lease and any Stamp Duty Land Tax payable).

Leaseholder 2

A couple with three children aged under 10 live in a three-bedroom maisonette.

They have a mortgage of £75,000 with 20 years to run.

The value of the property is £280,000. The leaseholder would receive £205,000 after their mortgage was paid off, and a home loss payment of £28,000.

As the couple are both employed they can raise the same mortgage of £75,000 for a new property.

The couple want to stay on the estate as they want to keep in the same location due to having young children. They decide not to put all the money they receive into a new home so they choose and qualify for the shared ownership option.

The new property has a market value of £575,000 (3-bed, 5-person).

Option taken by leaseholder 2: shared ownership

- The couple choose to take a 45% ownership share = £259,000.
- And retain £49,000 in savings.
- The Council would have 55% ownership = £316,250.
- The couple will have a mortgage and will pay rent on the outstanding £316,250 equity owned by the Council plus service charges.

In five years, if the couple decided to increase their ownership by 20% and the market value has increased by 5% they could buy a further 20% equity for £120,750 (plus costs incurred in buying the tranche outlined in the lease).

Leaseholder 3

A couple with one child aged 17 have a two-bedroom maisonette on the Cambridge Road Estate. They have a £200,000 mortgage with 20 years left to run. They are both employed. The value of the property is £220,000.

The leaseholder would receive £20,000 after the mortgage is paid off and a 10% home loss payment of £22,000.

As the couple are both employed they can raise the same mortgage of £200,000 for a new property.

However, they are unable to afford the difference of a similar-sized new property on the estate so they have chosen and qualify for the option of shared equity.

The new property has a market value of £490,000 (2-bed, 4-person flat).

Option taken by leaseholder 3: shared equity

The couple will be required to reinvest their equity (£20,000), the home loss payment (£22,000) and port (transfer) or raise a new mortgage equal to their original mortgage of £200,000. A total reinvestment of £242,000.

- When the new property is purchased, the couple will have a 49% share in the new property = £242,000.
- The Council will have a 51% share in the new property = £248,000.

There is no rent to pay on the outstanding equity. The couple will continue to pay their mortgage as before and a service charge fee.

In 4 years, if the couple decided to increase their equity by 10% and the market value has increased by 5% then they could buy back 10% at £51,450 (plus costs incurred in buying the tranche outlined in the lease and any Stamp Duty Land Tax payable).

Leaseholder 4

A self-employed single man who is close to retirement age and has not yet paid off his mortgage of £20,000. The value of his one-bedroom property is £175,000.

The Council's financial advisor assesses him, and it is confirmed that he is unable to port or raise a new mortgage equivalent to the one he currently has. The Council in this circumstance will agree to take a larger equity stake to cover the loss of the £20,000 mortgage. The leaseholder would still receive the 10% home loss payment of £17,500.

He is also unable to afford the difference of a similar new property on the estate so he has chosen and qualifies for the option of shared equity.

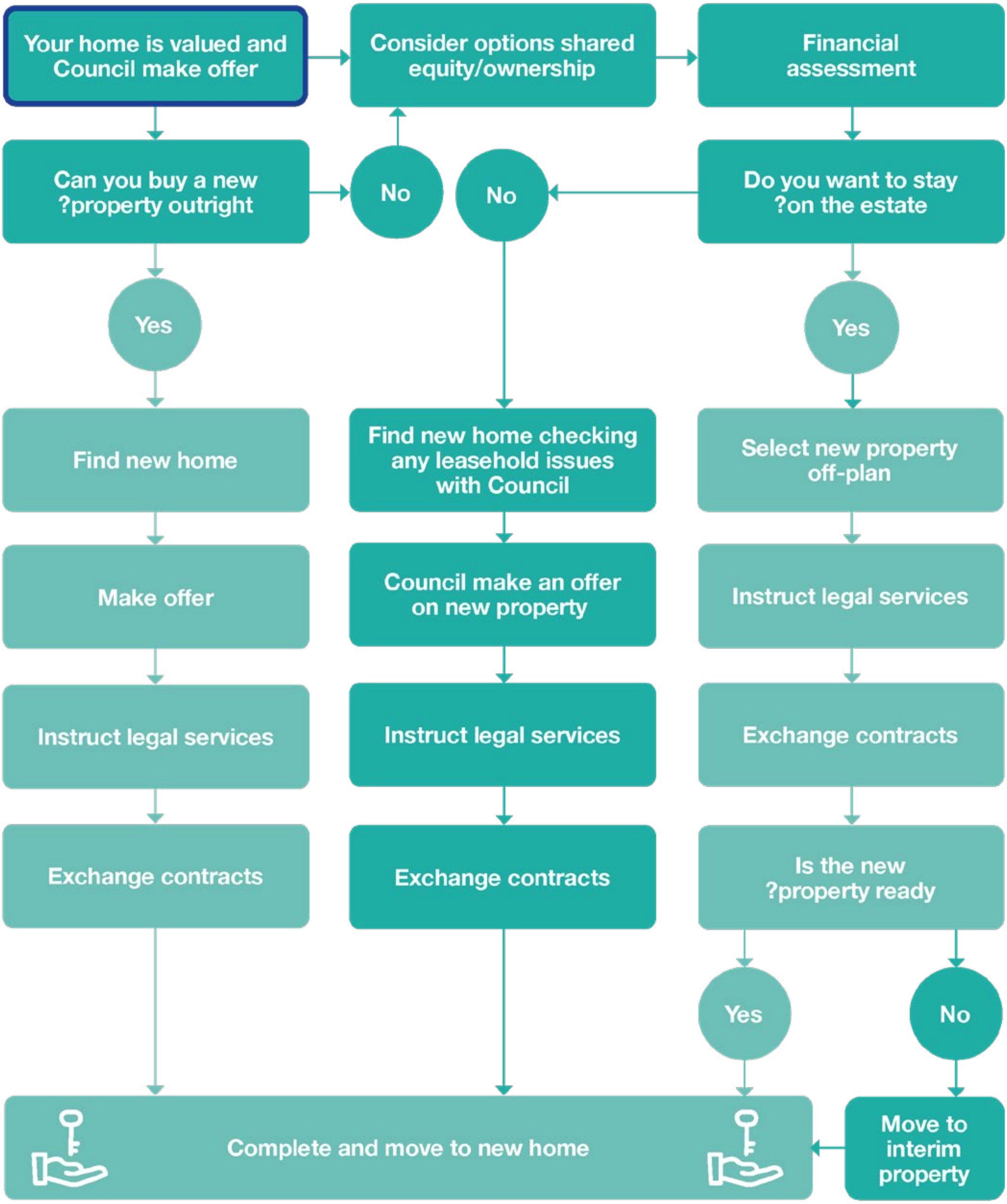
The new property has a market value of £365,000 (1-bed).

Option taken by leaseholder 4: shared equity

- He will have a 47% share = £172,500.
- The Council will have a 53% share = £192,500.

There is no rent to pay on the outstanding equity but a service charge fee will apply.

Flowchart of steps



CRE Compulsory Purchase Order (CPO) guide

This section provides you with information about the stages (1–10) involved in a Compulsory Purchase Order (CPO). Accompanying the text in this section is a diagram (on page 16) to help guide you through the stages.

A CPO is a legal tool which may be used by public bodies, like the Council, to facilitate the improvement, development and redevelopment of land.

In July 2017, the Council agreed 'in principle' to use its compulsory purchase powers within the boundary of the Cambridge Road Estate (CRE) regeneration site. A further report would need to be approved by the Council before CPO powers can be used.

For the Council to ensure that the regeneration plans for the CRE proceed in a timely manner it will make a CPO. The CPO process has to go through various stages before the powers are confirmed and can be exercised. The diagram on page 16 shows those stages.

After the Council has made a CPO (stage 4), and following a period in which objections are considered, the Secretary of State will decide whether to confirm the CPO (stage 8).

If the CPO is confirmed by the Secretary of State, the Council will then have the power to compulsorily acquire the property and land identified in the CPO. However, CPO powers will always be very much a 'last resort' option after negotiations to acquire by agreement have been exhausted.

Under the legal process, the Council then needs to follow procedures set out in law before it can become the legal owner of your property. The law requires that we give a minimum of 3 months' notice (stage 9) before acquiring your property, but the Council will try to give you as much advance notice as possible about when you need to move out.

Once the Council becomes the legal owner of the property you will have a compensation claim against the Council (stage 10). The Council will aim to resolve claims by negotiation, and the vast majority of claims are settled this way, but if compensation cannot be agreed then either party can refer the case to the Upper Tribunal (Lands Chamber) to determine compensation.

Compensation will be assessed and in the last resort determined by the Upper Tribunal in accordance with the Compensation Code. This lays out that claimants are entitled to the market value of their property, disturbance payments as appropriate and other statutory compensation payments.

The CPO Stages Explained

1. Formulation
↓
2. Resolution
↓
3. Referencing
↓
4. Making the Order
↓
5. Notification and Publicity
↓
6. Objections
↓
7. The Inquiry or written representation procedure
↓
8. Decision
↓
9. Possession (General Vesting Declaration or Notice to Treat / Notice of Entry)
↓
10. Compensation

1. Formulation

The initial information-gathering exercise carried out by the Council. The Council will make direct contact with owners and seek to enter into negotiations to acquire property by agreement and decide whether it is prepared to use compulsory purchase.

2. Resolution

Formal decision by the Council to use CPO powers. The resolution will define the land and properties to be acquired by CPO and state the purpose for which the land is required.

3. Referencing

The Council identifies everyone who has a legal interest in, or right to occupy, the land or properties it proposes to acquire. This would include freeholders, leaseholders and tenants. A questionnaire will be sent to all residents within the CPO boundary.

4. Making the Order

Once the initial information-gathering exercise is complete and the Council has decided which land and/or properties it wishes to acquire, the Council prepares, signs and seals the CPO, and also prepares a Statement of Reasons which explains what is to be acquired and why.

5. Notification and Publicity

The Council serves statutory notices on persons affected by the CPO, puts up site notices, and publishes notices in the press to state that the CPO has been made and is being submitted to the Secretary of State for confirmation. The notices also explain how people can object to the CPO if they wish to.

6. Objections

The making of the CPO is followed by an 'objection period' during which anyone who wishes to object to the CPO can make representations to the Government Minister. You can find out more about how to do this on the Ministry of Housing, Communities and Local Government website.

7. Inquiry

An Inspector (appointed by the Government) considers the merits of the CPO through either an inquiry or the written representation procedure. Afterwards, the Inspector produces a report for the Secretary of State setting out his or her recommendations as to whether or not the Secretary of State should confirm the CPO (with or without changes – called 'modifications') or reject it.

8. Decision

Secretary of State considers the Inspector's report and will decide to confirm, modify or reject the CPO.

9. Possession

Following confirmation of CPO there are several methods available to the Council to purchase land in the CPO (by agreement, by the Notice to Treat/Notice of Entry procedure, by the General Vesting Declaration procedure, or by procedures for acquiring short tenancies).

9a. Notice to Treat/Notice of Entry

Once the Council's CPO has been confirmed by the Secretary of State, the Council may acquire the property by service of a 'Notice to Treat' followed by a 'Notice of Entry'. These documents will state that the Council is willing to negotiate for the purchase of the land and will specify a time limit for qualifying persons to submit a notice of claim, usually 14–28 days. Following the service of a notice to treat and a notice of entry, which must give at least 3 months' notice, the Council can take entry onto the land or property.

9b. General Vesting Declaration (GVD)

Alternatively, the Council can complete a General Vesting Declaration ('GVD'). This is a legal procedure which gives the Council the right to take over the ownership of the land or property and which automatically transfers ownership of the property to the Council. The Council will then send all homeowners a 3 month statutory notice giving them the date when the Council will formally own and take possession of the property. This becomes the date at which the market value of the property must be assessed.

10. Compensation

There is a right to compensation following the taking of possession of the property by an acquiring authority, such as the Council, following compulsory purchase.

This will be assessed in accordance with the Compensation Code, the name given to the various laws which set out the rules for CPO compensation. The objective of the Code is that a claimant should be no worse nor better off after the acquisition than they were before.

Compensation will comprise the market value of the property, any other losses which are a direct consequence of the compulsory purchase and an additional home loss payment of up to 10% of the market value of the property. Reasonable professional fees incurred in making the claim such as surveyor's and legal fees will be compensated.

The claimant will need to submit a claim for compensation at the time of the compulsory purchase and may request an advance payment of compensation at that time. That will be 90% of the Council's assessment of compensation.

If we are then unable to agree on final compensation by negotiation, either party can refer the claim to the Lands Chamber of the Upper Tribunal for determination.

Glossary

Keywords and what they mean

Compulsory Purchase Order (CPO)

A CPO allows the Council to acquire property for purposes such as regeneration, without the consent of the owner. CPO powers will always be a 'last resort' option after negotiations to acquire by agreement have been exhausted.

Disturbance Payment

A payment made to cover reasonable moving expenses.

Equity

In this context, the market value of a property less any outstanding debts on it, for example, a mortgage or other secured loan.

Equivalence

The principle of equivalence means that you should not be better or worse off than before the regeneration proposals.

Home Loss Payment

A statutory payment of 10% of the market value (see 'Market Value') of the property interest to reflect that the acquisition is compulsory. This payment is for resident homeowners only.

Market Value

The amount a property should exchange on the date of valuation between a buyer and a seller. Any increase or decrease in value caused by the regeneration scheme must be disregarded.

New property

Refers to the property homeowner's purchase with the funds received from the sale of their existing Cambridge Road Estate property. The property can be on or off the CRE and be purchased outright or on Shared Equity or Shared Ownership basis.

Off-plan

Refers to property which is available for purchase before it has been constructed.

Repairs fund

Sometimes known as a 'sinking fund', the repairs fund is an account into which leaseholders contribute regularly to set aside money that can be used towards the cost of replacing or repairing major components, or other major or planned works.

Resident homeowner

Residents who have purchased their homes (whether leasehold or freehold) and use them as their main home.

Service charge

Leaseholders and freeholders contribute toward the cost of managing, maintaining and servicing the communal areas and external areas of their block and estate by way of a service charge. Other management charges and a contribution to a sinking fund (see 'Sinking Fund') are included in the service charge.

Shared equity

The Council offers the option where you own a proportion of a new property which you purchase from the Council. The Council retains the remaining proportion of the equity and you do not pay rent on the unowned proportion, which is retained by the Council. On any sale of the property, you and the Council will share the proceeds in proportion with the amount you and the Council own.

Shared ownership

This is a part-buy, part-rent scheme where you own a proportion of the property and pay rent on the unowned portion, which is retained by the Council. Leaseholders can buy a proportion of the new property and pay rent on the unowned proportion.

Sinking Fund

See 'Repairs Fund' on page 18.

Staircasing

This is when you buy a greater proportion of equity in your home. The process is set out in your lease. It is possible to 'staircase' to 100% ownership. Valuations required as part of this process will be carried out by an independent surveyor.

Contact

Who do I contact if I have a question?

CRE Regeneration Team

FREEPHONE 0800 304 76 33
Email creregen@kingston.gov.uk
Website www.cambridgeroadestate.com

Independent Advice

Please check the contact page on our dedicated website for information about independent advice. Alternatively, please contact the CRE Regeneration Team on the contact details shown above.
Website www.cambridgeroadestate.com/contact

Community Board

Representing the CRE community
Email creregen@kingston.gov.uk
FREEPHONE 0800 304 76 33

Kingston Council (RBK) Website

For information on our allocations scheme and housing services
Website www.kingston.gov.uk

CREST

Cambridge Road Estates Community Group
Website e-voice.org.uk/crest/
Email 1norbiton@gmail.com
Telephone 07910 844 427

CRERA

Cambridge Road Estate Residents Association
Website https://e-voice.org.uk/crera
Email crera@live.co.uk
Telephone 020 8546 1372

Connected Kingston

Website www.connectedkingston.uk

Achieving for Children Early Help services

Website www.achievingforchildren.org.uk/early-help-intervention/
Telephone 07864 612 193

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