London Borough of Harrow

Grange Farm Regeneration

Financial support for Leaseholders and Freeholders

Compensation payable to tenants

1 Background

1.1 There are 250 Resiform properties, 13 bungalows and potentially a further 24 traditional flats that might be included in the scheme.

1.2 Of the total properties there are the following leaseholders:

Total properties	**Leaseholders / freeholders**	**Resident Leaseholders Freeholders**
250 Resiform	22	4
13 Bungalows	6	3
24Traditioanl flats	3	2

1.3 For the resident owners particularly the leaseholders the equity stake that they have in their properties coupled with their likely restricted mortgage capacity will make it hard for them to purchase a replacement property.

1.4 It is unlikely that they will be able to buy on the resale market near to Grange Farm and almost impossible for full purchase on the new development.

1.5 For the bungalow freeholders the option of buying a smaller 1-bed flat might be an option while at present they occupy relatively spacious 2-bed bungalows.

1.6 It should be noted that the above description is largely a generalisation of their financial position and no detailed financial appraisal has been conducted for any individual.

1.7 The current scheme for compensating leaseholders and freeholders is summarised below

Home Loss compensation for owners of Property		
	Resident leaseholder or freeholder	**Non resident owner**
For the property	Property value + 10%	Property value plus 7.5%
Additional costs of	Solicitor, valuation fees, early mortgage redemption fees	

sale		
Additional costs of purchase (if within 1 year of sale)	Solicitor, valuation fees, stamp duty land tax (to a similar value as that of property sold)	
Example for 2-bed flat	£,000 Valuation 180 Plus 10% 18 Total **198**	£,000 Valuation 180 Plus 7.5% 13.5 Total **193.5**
Estimated value of 2-bed flat in new development	£,000 **260**	

1.8 The Home Loss and Disturbance payments for tenants are calculated in a different manner. The Home Loss element is set nationally and was last reviewed in the summer of 2014; it currently stands at £4,900. In addition the council must meet reasonable expenses incurred in the move. This would normally include removal costs, disconnection and reconnection of white goods, aerials etc, together with any ancillary costs such as postage redirection fees & telephone reconnection.

2 Options

2.1 Option one would be, to say as with non residential owners, that they have made an investment and must make their own arrangements. This will make negotiating the purchase of these units difficult and for a number of the older residents may be perceived as uncaring.

2.2 Option 2 would be to encourage shared ownership of the new flats which will be for sale. While this may address their housing needs, a number of residents may still struggle financially if they have only recently taken a mortgage and would then have to find a proportion of rent in addition.

2.3 Option 3 would be for the council to retain an equity stake in the new flat that they purchase. This would mean the owner using their equity to purchase the flat with the council in effect making up the difference of say 30%. When the property was sold the council would automatically take its 30% share back. The actual % stake that the council would retain would vary between each purchaser according to the equity that they release from their flat.

2.4 Option 4 would be the same as option 3 above, but rather than reclaiming a percentage of the value on resale the council would reclaim its original equity stake plus a percentage added annually for the loan. While this would protect the council from the risk of the properties losing value it might produce a lower return for the council and also raise questions about the council appearing to profit from the disadvantage it created for the leaseholders.

3 Recommendation

4.1 The recommendation would be that the council promotes option 2 and when this is not a viable option for the owners then option 3 be offered, with a cap of no more than 50% equity stake being taken by the council.

4.2 The council would need to ensure that any financial regulations are complied with in giving advice to the residents and an independent financial advisor would need to be appointed.