

Appendix 1

Cabinet 10th December 2015

Grange Farm Resident Leaseholder provision and scope of tender negotiations

Proposed scope of Equity Loan Scheme

SHARED EQUITY OPTION - SUMMARY

The Shared Equity option is intended to allow existing owner occupiers who meet the qualification criteria to purchase a new property either elsewhere or on the redeveloped estate with the assistance of an equity loan funded by the London Borough of Harrow (the Council). The key features of this option are as follows:

1. The Council will buy your existing home from you. The price will be the market value of your home as at the date you notify us that you wish to take up this shared equity option. In addition to the market value you will be entitled to receive a home loss payment equivalent to 10% of the market value.
2. You must invest, as a minimum, the market value that you receive for your existing home, in a new home. That invested sum may be comprised wholly of the equity in your existing home if you currently have no mortgage or the equity currently in your existing home plus a mortgage advance from a recognised lender if you require this, taken out on a repayment basis. You may invest a further cash contribution in addition to the minimum amount, should you be in a position to do so. You will be responsible for securing a mortgage should this be required.
3. The market value of any new home on the Grange Farm estate shall be determined by an independent valuation and notified to you. It will be the market value at the date that the new home is practically complete. In relation to new properties not on the estate the Council's offer of equity funding is subject to the Council being satisfied that the agreed purchase price does not exceed the market value and that the property is otherwise good security for the loan. The reasonable cost of any surveyor's report and legal due diligence incurred by the council will be the responsibility of the borrower, if it would not be eligible for compensation under a CPO procedure.
4. Your new home under this option must be your only or principal residence and you must continue to live in the property. The Shared Equity option is not available to assist buy-to-let investors.

5. The difference between your total investment in the new home (the sale price of your existing home plus any additional cash that you wish to invest in your new home) and the market value of the new home will be supplied by the Council in the form of an equity loan, up to a maximum limit described in paragraph 10 below. Under the terms of the equity loan the Council will take a percentage equity stake in your new home equivalent to the percentage which the equity loan bears to the market value of the new home. The Council will therefore become entitled to a share in the future value of your new home equal to its percentage contribution.
6. The Council's equity loan will be protected by a charge registered against the new home. The Council will need to be satisfied as to the terms of any first mortgage that you have secured against the property prior to advancing funds and whilst the Council's charge is in place, you may not increase the amount that you borrow under any first mortgage without the prior consent of the Council.
7. You may voluntarily repay all or part of the Council's equity loan at any time. These repayments of part are also known as 'staircasing'. Payments are calculated on the market value of your home at that time, as determined by an independent valuer. The minimum amount by which you can staircase at any one time is 10% of the value of your home or the total outstanding share owned by the council if this is less than 10%. The cost of obtaining such a valuation will be borne by you.
8. You will not pay any rent or interest on the Council's equity share but any remaining equity loan must be repaid when you sell your home, or when you die whichever occurs first. The amount of the repayment will be an amount equivalent to the Council's equity percentage stake of the prevailing market value at that time. You will be responsible for the cost of obtaining independent valuations if required during the term of the equity loan.
9. Purchases can be made in the sole name of one individual or can be joint tenancies, only being couples who were resident at the property on 29th January 2015. By purchasing as a joint tenancy the equity loan would only have to be repaid to the council on the death of both tenants
10. The amount of the equity share that the council will take is determined on the basis of what you will need to buy a property of a similar size in the vicinity of Grange Farm (value A) or if you decide to move to another area the cost of equivalent property in that area (value B). Providing that "value B" does not exceed "value A". Should you choose to purchase a larger property the council will still limit its Equity Share by reference to a similar size property, to that which, you currently occupy.

11. You are entitled to take up this Shared Equity Option if you meet the following conditions:

- (a) you held a long leasehold¹ or freehold interest in an existing home on the Grange Farm Estate on 29th January 2015 and occupied (intended to occupy) it as your only or principal home; and
- (b) you continue to hold such interest in the existing home and occupy it as your only or principal home.
- (c) you apply all the sale proceeds from your property at Grange Farm in to the purchase price of your new home.

13. Should you choose to sell the property in the future the council will require first refusal to buy the property at the prevailing open market valuation.

Please note: The Shared Equity option results in a mortgage being taken over your new home in respect of the equity loan. This mortgage will be registered against the property at the Land Registry. Your new home may be repossessed if you do not comply with the mortgage terms. Check that a mortgage meets your needs and if you are in any doubt seek independent advice.

¹ A long leasehold interest is one that was originally granted for a term in excess of fifty years.