

Leasehold Purchase Policy

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| Will Hatton | Original author | November 2003 |
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Contents

| | |
|---|---|
| 1. Introduction | 2 |
| 2. Background and Context | 2 |
| 3. The Purchase Offer | 2 |
| 4. Compulsory Purchase Order | 4 |
| 5. If a Resident Leaseholder/Freeholder Cannot Purchase an Alternative Home | 4 |
| 6. Eligibility for Alternatives to Lease Purchase..... | 5 |
| 7. Policy review | 5 |
| 8. Appendix 1: Impact assessment | 6 |

1. Introduction

- 1.1 To achieve major regeneration projects, and other objectives, Poplar HARCA is likely to have cause to buy back leases from leaseholders in our blocks and some freehold properties.
- 1.2. This policy sets out when and how Poplar HARCA will purchase a lease/freehold and the options available to eligible leaseholders/freeholders.

2. Background and Context

- 2.1. Poplar HARCA's charitable objects require that it uses funds in a way that benefits those in necessitous circumstances upon terms appropriate to their means. This means some of options will be available only to eligible individuals based on personal circumstances.
- 2.2. Poplar HARCA will:
 - act at all times as a reasonable and responsible landlord;
 - protect the rights of leaseholders/freeholders by complying with regulatory and statutory obligations;
 - provide opportunities for residents to participate in the organisation's decision making and actively involve them in the management of their homes through communication, consultation and involvement.

3. The Purchase Offer

- 3.1. A purchase offer will be made dependent on the individual leaseholder's circumstances and requires Vacant Possession:

a) Resident leaseholders

- Market value of the interest¹
- Home loss payment² - provided the property is the leaseholder's only or principal home a payment of 10% of the market value of the resident's interest in the property (subject to the prescribed maximum and minimum).
- Disturbance expenses³ - the reimbursement of the reasonable receipted costs of moving⁴.
- Legal costs - the reimbursement of the reasonable costs of legal work associated with the sale of the interest and the purchase of another property

¹ Independently valued

² as determined by s30 Land Compensation Act 1973 as amended by The Home Loss Payments (Prescribed Amounts) (England) Regulations each year

³ e.g. dis/re-connection of telephone; cooker; gas; electricity; washing machine or other fixed appliances; removals; re-direction of mail; renewal or adaptation of floor coverings and curtains. ⁴ For specific amounts refer to Compensation, Payments and Cash Incentives Policy

- Professional fees - relating to the sale of the interest and the purchase of another property
- Stamp duty incurred on buying a replacement property – not more than the amount that would be paid to buy the subject leasehold/freehold interest.

b) Non-resident leaseholders

- Market value of the interest⁴
- Statutory basic loss payment – where the leaseholder holds a “qualifying interest”, a payment of 7.5% of the market value of the leaseholder’s interest in the property subject to a maximum payment of £75,000⁵.
- Disturbance expenses⁶ - the reimbursement of the reasonable receipted costs of removing any furniture and other items.⁷
- Legal costs - the reimbursement of the reasonable costs of legal work associated with the sale of the interest and an onward replacement property, if acquired within one year of the sale of the interest.
- The incidental costs (fees, SDLT etc.) of buying another property of equivalent value provided bought within one year of the sale of the interest.⁸
- If operating a business from the property as leaseholder/freeholder, and subject to relevant permissions having been sought and granted and on production of certified, audited accounts then, in addition to the market value of the interest:
 - Disturbance expenses – the reasonable costs and losses incurred in vacating the property
 - Statutory occupier’s loss payment⁹ (minimum £2,500, maximum £25,000)
 - Basic loss payment and legal costs as above
- If operating a business from the property as a licensee or tenant, and again subject to necessary permissions having been obtained:
 - the loss sustained by reason of the disturbance of that business consequent upon having to quit the land¹⁰

⁴ Independently valued

⁵ s. 33A-F Land Compensation Act 1973

⁶ e.g. dis/re-connection of telephone; cooker; gas; electricity; washing machine or other fixed appliances; removals; re-direction of mail; renewal or adaptation of floor coverings and curtains.

⁷ for specific amounts refer to Compensation, Payments and Cash Incentives Policy

⁸ s.10A Land Compensation Act 1961

⁹ s.33A-F Land Compensation Act 1973

¹⁰ s38 Land Compensation Act 1973 (or s.5(6) Land Compensation Act 1961 if a tenant)

4. Compulsory Purchase Order

- 4.1. Poplar HARCA has no power to make a Compulsory Purchase Order (CPO). Such powers are conferred and prescribed by Acts of Parliament, and require the approval of the Government Minister specified in the particular Act.
- 4.2. To protect delivery of a scheme, Poplar HARCA will work with the statutory bodies with these powers: Local Authorities, the Highways Agency, Government Departments, Regional Development Agencies, Greater London Authority, Urban Development Corporations and major utilities such as water or electricity companies (Acquiring Authorities).
- 4.3. Poplar HARCA will request the Acquiring Authority to invoke the CPO only as a last resort when negotiations have not been successful and a scheme is at risk, recognizing that the guidance allows for early commencement of the process to ensure that the CPO is ready if it will be required to support land assembly.

5. If a Resident Leaseholder/Freeholder Cannot Purchase an Alternative Home

- 5.1. Poplar HARCA recognises that not all leaseholders/freeholders will be able to purchase an alternative home and so will consider individual requests for the following re-housing options:

a) Shared Ownership new build

Where available new build shared ownership accommodation can be purchased. The amount paid for the existing lease plus the home loss payment will be used to purchase a share of the new lease. The share will be dependent on the value of the new property and rent will be paid on the share not purchased. There are shared ownership opportunities available from many landlords, but to enter into this type of agreement Poplar HARCA has to be the landlord.

b) Shared Ownership other properties

Where the value of the new property is more than the amount paid for the existing property plus the home loss payment the amount paid for the existing property plus the home loss payment will be used to purchase a share of the new property. The share will be dependent on the value of the new property and rent will be paid on the share not purchased. There are shared ownership opportunities available from many landlords, or by converting an open market acquisition, but to enter into this type of agreement the landlord has to be Poplar HARCA or other suitable Registered Provider

c) Lease/Freehold Swap

Where the value of the new property is equal to or less than the amount paid for the existing property plus the home loss payment. The swap can only be made for a Poplar HARCA property

of the same or similar value as the existing property or where any difference in value is met by the leaseholder.

d) Shared Equity

Where the value of the new property is more than the amount paid for the existing property plus the home loss payment. The amount paid for the existing property plus the home loss payment will be used to purchase a share of the new property. The share will be dependent on the value of the new property, with both the property owner and Poplar HARCA sharing the increase or decrease in the value of the property proportionate to the equity share owned.

Due to different contractual relationships with developer partners, the terms for shared equity options vary from scheme to scheme. As such, if this is an option that you are looking to explore, you should contact the HARCA buyback team to secure advice on the way that this scheme works for the specific estate that you live on.

6. Eligibility for Alternatives to Lease Purchase

- 6.1. The options set out in section 5 above will be limited to leaseholders who:
 - live in the property full time as their only or principal home; and
 - do not have any service charge arrears or will pay them from the proceeds of the sale; and
 - can demonstrate hardship circumstances.
- 6.2. When considering hardship circumstances Poplar HARCA take into account the ability of the leaseholder to raise a mortgage or other finance to purchase a home and any other relevant individual circumstance.
- 6.3. Discretionary decisions based on a judgment of exceptional hardship must be approved by the Director of Development or the Director of Housing.
- 6.4. The leaseholder can appeal a decision not to consider them for these options. This appeal will be considered using the Poplar HARCA complaints policy.

7. Policy review

- 7.1. Policies are reviewed every 5 years or sooner if they no longer reflect best practice.

8. Appendix 1: Impact assessment

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| <p>How does the policy/procedure/strategy contribute to Poplar HARCA's aims?</p> | <p>Supports core aims of place making through regeneration of existing areas and making best use of property assets, increasing the supply of housing. Improve the physical environment to create new opportunities for existing and new residents to enjoy safe and secure community life.</p> |
| <p>Which group(s) of people benefit from the policy/procedure/strategy? If any group could be disadvantaged, what is the mitigation or justification?</p> | <p>This policy has been written to ensure that no specific group is disadvantaged. Regeneration schemes that require the support of a CPO for delivery will have a full Equalities Impact Assessment carried out in support of the Acquiring Authorities Public Sector Equalities Duty under the Equalities Act 2010.</p> |
| <p>How have residents been involved in developing the policy/procedure/strategy? If they have not been involved, why not?</p> | <p>This policy will be reviewed through the normal approval process.</p> |
| <p>How will the policy/procedure/strategy be monitored and measured? (e.g. performance indicators?)</p> | <p>The policy will be monitored through gaining successful vacant possession without the need to utilise any planned CPO.</p> |
| <p>If any, what are the Value for Money implications?</p> | <p>Timely, well planned and fair negotiations with affected residents reduce the costs of legal services, consultants and the costs of potential CPO and associated enquiries.</p> |
| <p>Will personal data be collected, stored, used or shared? If yes, a privacy impact assessment must be carried out.</p> | |