

EALING COUNCIL' S REGENERATION EQUITY SHARE ASSISTANCE SCHEME

1. Introduction

- 1.1. The Regeneration Equity Share Assistance Scheme has been designed to enable resident leaseholders and freeholders, living on regeneration estates, whose properties are due for demolition and who have difficulty financing a replacement home. The Council will provide financial assistance to the affected residents to enable them to buy a replacement property in return for a share of the property's equity.
- 1.2. The Council's share will be secured by a charge on the replacement property. The Purchaser (the leaseholder or freeholder) is not required to make any payments or pay any interest nor rent on the Council's equity share as long as The Purchaser lives in the property as their only or principal home. The Council's share only has to be repaid when The Purchaser sells the replacement property, (whether in part or whole) moves out, or dies. In the event of death (for joint applications only) the share is repayable on the death of the last remaining Purchaser.
- 1.3. The Council will have the final decision as to whether to offer Equity Share Assistance to any Purchaser. Where the Council decides to offer Equity Share Assistance to a resident then this policy will apply.
- 1.4. This Scheme is an adopted Council Policy for the purposes of Articles 3 and 4 of the Regulatory Reform (Housing Assistance) England and Wales Order 2002.

2. Features of the Equity Share Assistance scheme

- 2.1. The Purchaser sources and buys the replacement property, with the Council retaining a percentage of the equity. The amount of equity retained by the Council will vary, as set out below. The Purchaser has to pay an agreed price, with the Seller, for the replacement property, minus the amount of the Council's equity share.
- 2.2. The Purchaser will buy the replacement property with the proceeds received from the sale of their existing property to the Council plus any

additional mortgage and/or with their savings. But they must contribute:

- 2.2.1. 100% of the equity from the sale of their existing property, **and**
 - 2.2.2. A minimum of 50% of the homeloss compensation received from the sale of their current home to the Council **and**
 - 2.2.3. The full amount of any mortgage potential as calculated by a reputable high street bank
- 2.3. The Purchaser may purchase a replacement property anywhere in the UK.
 - 2.4. The replacement property may be leasehold or freehold of similar size or smaller, but in the event that the property is leasehold it must have a term of not less than 90 years remaining on the date of purchase.
 - 2.5. The Council will make up any shortfall of funds required to purchase the replacement property. The Council will retain a share of the property's equity equivalent to the value of funds provided to The Purchaser to purchase the replacement property.
 - 2.6. On the date of purchase of the replacement property, the Council's equity share will be calculated as a percentage of the value of the property and a legal charge would be secured against the property.
 - 2.7. The value of the 'equity share' may change but it will always remain the same percentage of the total value of the property unless The Purchaser purchases additional equity from the Council at a later date.
 - 2.8. The Purchaser has the option at any time to buy part or all of the equity share owned by the Council, as outlined in Section 4 below
 - 2.9. The property will be purchased in the Purchaser's name, but the Council will secure a legal charge on the property equivalent to the percentage of equity share.
 - 2.10. The Purchaser is not entitled to add any new members to the property ownership without the Council's written permission
 - 2.11. The Council's equity share will become repayable when the property is, in part or as a whole, sold or transferred or when the last purchaser dies unless that sale or transfer is to an existing Purchaser.
 - 2.12. The Council will pay all costs associated with the initial purchase of the replacement property under the Leaseholder and Freeholder Equity Share Assistance Scheme but all costs associated with the purchase of any additional shares will be paid for by the purchaser.

3 Who qualifies for the Equity Share Assistance scheme?

3.1 Equity Share Assistance is available only for resident leaseholders and freeholders who:

3.1.1 currently reside on a designated Ealing Council regeneration estate and whose property is due for demolition **and**

3.1.2 have lived in the property as their principal home for a period of a year prior to the Council purchasing the property **and**

3.1.3 the relevant regeneration scheme is unable to offer a suitable and similar sized replacement property in the new development, **and**

3.1.4 are unable to raise sufficient funds through other means to enable them to purchase the replacement property of similar type and size in the local vicinity, **and**

3.1.5 will use the replacement property as their only or principal home **and,**

3.1.6 do not own more than one residence.

3.2 Equity Share Assistance is available only for resident leaseholders and freeholders who:

3.2.1 currently reside on a designated Ealing Council regeneration estate and whose property is due for demolition **and**

3.2.2 have lived in the property as their principal home for a period of a year prior to the Council purchasing the property **and**

3.2.3 the relevant regeneration scheme can offer a suitable and similar sized replacement property in the new development, **and**

3.2.4 are unable to move the full value of their existing home into the new home on the estate (is unable to secure a new mortgage on redemption of the existing mortgage)

3.2.5 will use the replacement property as their only or principal home **and,**

3.2.6 do not own more than one residence.

4 Staircasing

- 4.1 The Purchaser has the option at any time to buy part or all of the equity share owned by the council,
- 4.2 Any additional share/s can be purchased but the minimum will be 10% (and multiples of 10% if a larger purchase is required) unless the purchase is for the remaining share.
- 4.3 Any additional equity purchases will be based on the market value of the property at the time the additional equity is purchased.

Example

Leaseholder X

A leaseholder, having qualified for the scheme, has bought a property worth £200,000. The Council has contributed £60,000. The council therefore has a 30% share in the property with leaseholder X owning the other 70%

Sometime later, leaseholder X would like to own a larger share of the property and wishes to purchase 10%. The property is revalued and remains at £200,000. Leaseholder X pays the council £20,000 (10 %) of the market value of the property.

Following this transaction leaseholder X now owns 80% of the property with the Council having a 20% share.

- 4.4 The Purchaser will pay the Council's reasonable costs of staircasing whether or not the purchase completes, including valuation, legal and disbursements costs.

5 Repayment of the Council's equity share

- 5.1 During the life of the Equity Share Assistance scheme, no interest or rent is payable on the amount of equity owned by the Council in the first 5 years.
- 5.2 Rent becomes payable following the fifth anniversary of Equity Share Assistance scheme being applied.
- 5.3 Rent will be charged on the Equity Share owned by the Council at a rate in line with the government's Social HomeBuy rent rate for shared home ownership.
- 5.4 The Council's equity share **must** be repaid if :

- The Purchaser sells the replacement property

Or

- The Purchaser (or in the case of joint Purchasers, all of the purchasers) stops living in the property as his/her or their only or principal home.

Or

- The Purchaser dies (in the case of joint Purchasers, the payment is due on the death of the last remaining Purchaser)

Or

- A transfer, whether of the whole or part of the property occurs (unless it is between the existing purchasers, e.g. from joint to sole ownership).

- 5.5 On the date of purchase of the replacement property, the Council's equity share will be calculated as a percentage of the value of the property and a legal charge would be secured against the property.
- 5.6 The amount to be repaid is the market value of the Council's equity share at the time of sale or transfer of the replacement property. The sum will increase or decrease with the value of the property over time.
- 5.7 If the replacement property is to be sold, the property will be marketed by a reputable estate agent or by public auction and sold at market value. The asking price or reserve must be agreed by the Council before marketing.
- 5.8 The property may be transferred by private agreement e.g. to family members. In this event, the Council will arrange to have the property valued at the purchaser's expense.

6 How much Equity Share Assistance is available?

- 6.1 Equity Share Assistance may be offered to anyone who fulfils the criteria set out in section 3.
- 6.2 The maximum value of the replacement property to be purchased will be limited to that of the value of a property of the same number of bedrooms being offered for sale as part of the regeneration scheme.
- 6.3 For example, if the Council is buying back a 2 bedroom property the maximum value will be that of a new 2 bedroom property being offered on the regeneration scheme. Where more than one type of 2 bedroom property is being offered for sale the lesser valued property will be the value applied.

6.4 The maximum equity share to be owned by the council will not exceed 50%.

6.5 This is so that:

6.5.1 A clear, transparent and realistic price limit can be established

6.5.2 The Council and The Purchaser are aware of their budgets

6.5.3 The Council facilitates a like for like purchase. The regeneration should be neither beneficial nor detrimental to the Purchaser's current living conditions.

6.5.4 The Purchaser, regardless of the equity within their existing property or their ability to borrow can remain in the local vicinity

7 Taking an additional mortgage on the replacement property at a later date.

7.1 Re-mortgaging may be permitted under this scheme in the following circumstances:

- to enable The Purchaser to buy the Council's equity share in the property provided that the purchaser is able to demonstrate to the Council that the sum borrowed is sufficient to buy the Council's share together with the related expenses relating to the purchase
- Where the property has increased in value, re-mortgaging will be allowable up to a maximum of the Purchaser's current shared equity percentage figure of the increased value.

8 Disputes

Any dispute as to the value of the property at any time will be referred to the District Valuer for determination. The District Valuer's decision will be final and bind the parties.