

## Proposed Regeneration Rehousing and Compensation Scheme

### 1. Introduction

In preparation for resident engagement and viability assessments on potential regeneration schemes, the Council should have in place a Regeneration Rehousing and Compensation Scheme. This will form part of 'Residents' Charters' that will be prepared in collaboration with Residents' Steering Groups. Given that this scheme will be prepared in line with resident consultation over a period of time, it is recommended that delegated authority be given to the Strategic Director EH&R, in conjunction with the Chair of HEB, to make changes to the scheme, which will enable officers to maintain momentum in their dialogue and partnership with residents.

In an ideal world, each regeneration project would be phased so that residents only have to move once, i.e. their move would be straight into a new home on the regenerated estate, if that is their preference. However, this approach is dependent on having an available piece of land on which to build the first block and this will not always be the case, so it is inevitable that some residents will have to move twice, once on an interim basis and once to their new permanent home on the regenerated estate.

The offer to owners within the scheme explicitly favours resident owners, as opposed to non-resident owners (private landlords), with the objective of retaining the existing community as far as is possible and making regeneration deliverable.

The scheme below is structured under four headings:

- Overall commitments
- Council secure tenants
- Resident homeowners
- Non-resident homeowners

### 2. Resident offer: overall commitments to resident homeowners and council secure tenants

- We (the council) will be open and honest with residents
- We will engage with residents at an early stage, co-producing a Residents' Charter for the estate
- Residents have the right to live on the new estate

- Where possible residents will move only once, from their existing home into a new home. If residents have to move off-site temporarily, residents will have the automatic right to return
- Statutory home loss and discretionary disturbance payments will be offered (meeting removal and out of pocket expenses)
- Following a one to one meeting, residents will receive a written confirmation of their housing options
- Vulnerable residents will receive support before, during and after moving home
- An independent resident adviser will be recruited jointly with residents
- All new homes will be more energy efficient and easier to heat
- Residents' new homes will meet the Mayor of London's quality and size standards
- The council intends to retain the freehold of any new estate after regeneration
- We will produce regular newsletter and website updates setting out progress to date and timescales for future plans
- We will produce a Rehousing and Compensation Advice Booklet setting out in more detail the above rehousing commitments covered in this scheme.

### 3. Regeneration rehousing scheme - council secure tenants

- 3.1. Where possible tenants will move only once, from their existing home into a new home. If a tenant has to move off-site temporarily, they will have the automatic right to return, if that is their wish, so far as possible save where the redevelopment cannot meet the size (number of bedrooms) of the existing property for all households; in such an event the council will consult with the affected residents early in the process and seek to offer suitable alternative accommodation in the local area on a voluntary basis.
- 3.2. Secure tenants who have to move will have the choice:
- (a) either, to take a council tenancy in a new home on the estate (as band A applicant) or
  - (b) if available, to take a council tenancy in an existing retained home on the estate (e.g partial redevelopment scenario) or
  - (c) will be given high priority (Band A) to bid for a home elsewhere in the borough through the Choice Based Lettings scheme, subject to availability.
- 3.3. The tenant's new home will meet their housing needs, according to the Council's Housing Allocation Scheme. The relevant excerpts from the existing allocation policy are at **Appendix B**.
- 3.4. Tenants who are overcrowded will be offered a larger home that addresses the overcrowding, according to the Sutton Housing Allocation Scheme.
- 3.5. Downsizing will attract the Council's one-off incentive payment (currently £500 per

bedroom 'given up')

- 3.6. Exceptionally, tenants who are under-occupying by two bedrooms or more will be offered a new home with one bedroom above their need (for example, a couple living in a 3-bed home would be offered a 2-bed home when their actual need is for a 1-bed).
- 3.7. The Council will consider providing separate tenancies for adult children ('hidden households') along with a reduction in the size of accommodation for the tenant accordingly, provided there is no net gain in bedrooms overall.
- 3.8. All tenancies granted to council secure tenants under this scheme will be on the basis of existing tenancy conditions and rights, including the Right to Buy and social council rents. Moves to Housing Association properties would be on the tenancy terms of the landlord.
- 3.9. The tenant's new home will be adaptable to meet disability needs (i.e. will meet 'lifetime homes' standards).
- 3.10. Tenants have the option to return as a shared owner (investing a minimum stake of 25% of the property's value).
- 3.11. If the tenant's permanent new home is not ready by the time a tenant's existing home has to be demolished, we will offer alternative temporary rented housing. The tenant will only be asked to pay rent on one property at any time (the lower of the two rents). If tenants have to move off-site temporarily, they will have the automatic right to return, subject to the qualification at 3.1 above.

#### **4. Compensation offer - council secure tenants**

- 4.1 Council secure tenants will receive a Statutory Home Loss payment if they have lived in the property for the qualifying period, in accordance with the current statutory provisions (the Land Compensation Act 1973), net of any debts owed to the Council.
- 4.2 'Out of pocket payments' will be offered for reasonable expenditure relating to the move (including removal costs, re-connecting appliances, adjusting carpets, curtains etc.) based on submitted receipts.
- 4.3 The Council or its partners will help tenants arrange and prepare for the move. The Council will order the removals including packing materials and a packing service.
- 4.4 For older and vulnerable tenants the Council will help (through a 'handyman' service) with jobs such as re-hanging curtains and fitting light bulbs. We can also provide or arrange extra help with claiming benefits, changing utility suppliers, and advice about home aids and adaptations.

**5. Regeneration rehousing scheme - resident homeowners**

**5.1** When/ if regeneration has been approved by the Housing, Economy and Business Committee, owners can opt to sell their property to the council at open market value (MV).

**5.2 Home Swap Options:**

Given there is likely to be a difference between the MV of homes on the existing estate and new or replacement homes under the regeneration programme, the Council’s Home Swap proposals provide a range of options to help resident homeowner buy back on their regenerated estate or on the open market if they choose.

The Council’s Home Swap options are aligned to the Mayor of London’s recommendation to offer a fair deal to homeowners affected by estate regeneration. These options build on the Mayors guidance, offering more choice through different options aimed at encouraging take up amongst homeowners in a variety of financial situations. Options are primarily focused on keeping the existing community together, by helping owner occupiers to remain on their estate, but they also widen choices for moving, including an option to buy a replacement home on the open market locally or more further afield. Each option is determined by the financial circumstances of the homeowner and subject to the level of investment they can make in purchasing a stake in the new or replacement home. This will also depend on whether the homeowner can transfer an existing mortgage, or to take up a new mortgage to support the purchase of a new home.

**5.3 Options A-G:**

The Home Swap options include:

- Option A: Outright Ownership Scheme
- Option B: Shared Equity + Scheme (Sliding Scale)
- Option C: Shared Equity Scheme (Council as Silent Partner)
- Option D: Share Ownership Scheme
- Option E: Open Market Fixed Equity Scheme
- Option F: Alternative Regeneration Site Option
- Option G: Affordable Rented Accommodation Option

**Option A**

The **Home Swap – Outright Ownership Scheme (Option A)** is available to eligible resident homeowners able to purchase 100% of a new home outright

Resident homeowners will have the option to swap their property for a similar one on the regenerated estate. The following options address the issue of situations where the value of the new property is higher than the value of their existing property

The homeowner would need to invest the proceeds from the sale of their existing home (purchased by the council at market value) their full mortgage (if any) and if necessary their home loss payment. They may also need to make up any shortfall in value through

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a lump sum contribution.

In the event that a homeowner wishes to downsize to a smaller home and the value of their existing home is higher than the new home, then the Council will pay the difference in value.

### Option B

The **Home Swap - Shared Equity + Scheme (Option B)** is an enhanced shared equity scheme available to eligible resident homeowners unable to purchase the full value of a new home on their estate.

The resident owner would own the entire equity of the property from the start, but would be required to contribute a minimum proportion of the market value of the property, for example 80%\*. The Council would subsidise the remaining property value, although this would need to be repaid to the Council if the property is sold within 10 years on a sliding scale.

The homeowner would need to invest the proceeds from the sale of their existing home (purchased by the council at market value), their full mortgage (if any) and if necessary all or part of their home loss payment, in order to meet the threshold. They may also choose to make up any shortfall in value through a lump sum contribution.

The cost of repaying the Council subsidised share will be based on the market value of the property at the time. No rent is payable under this scheme.

The homeowner can if they prefer, choose to buy the remaining shares up to 100% before 10 years.

No rent is payable under this scheme. Any service charges would fall under the responsibility of the owner.

*\*the percentage threshold would be determined for each scheme, depending on viability.*

### Option C

The **Home Swap - Shared Equity Scheme (Option C)** is a shared equity scheme available to eligible resident homeowners unable to purchase the full value of a new home on their estate.

It enables homeowners to purchase a lower proportion of the value of a new property, for example between 50% and 80%\* of the value of the new home. The Council would own the remaining equity share in the property, as a 'Silent Partner'.

The homeowner would need to invest the proceeds from the sale of their existing home (purchased by the council at market value including the full amount of their current mortgage or the maximum new mortgage they can obtain to make up the highest share

possible) and all of their home loss payment, in order to own the largest share possible. They may also choose to make up any shortfall in value through a lump sum contribution.

No rent is payable under this scheme. Any service charges would fall under the responsibility of the owner.

The Council would receive the value of its share in the property when the property is sold, based on the market value at the time.

Over time the homeowner could also purchase further shares in the property up to 100% to become the outright owner. The cost of increasing the share will depend on the market value of the property at the time.

*\*the percentage threshold would be determined for each scheme, depending on viability.*

#### Option D

The **Home Swap Return - Shared Ownership Scheme (Option D)** is a part rent, part buy shared ownership scheme available to eligible resident homeowners unable to purchase the full value of a new home on their new estate. It also provides an alternative option for resident homeowners unable to purchase a new home under Home Swap options A, B, C or E.

The Shared Ownership scheme enables homeowners to purchase a minimum share in the new property, for example between 25% and 50%\* of the market value of the new home.

The homeowner would be required to invest the proceeds from the sale of their existing home (purchased by the council at market value including the full amount of their current mortgage or the maximum new mortgage they can obtain to make up the highest share possible) and their home loss payment to reach the highest percentage threshold. They may also choose to make up any shortfall in value through a lump sum contribution.

Rent is paid on the remaining share of the property which would be owned by the Council. The rent that is paid would reflect the value of the share in the property that is not owned.

Over time the homeowner can purchase further shares in the property (i.e. 'staircasing'), up to 100% of the equity in the property, thus becoming the outright owner.

The cost of increasing the share will depend on the market value of the property at the time.

Any service charges would fall under the responsibility of the owner.

*\*the percentage threshold would be determined for each scheme, depending on viability.*

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**Option E**

The **Home Swap - Open Market Fixed Equity Scheme (Option E)** is available to eligible resident homeowners to purchase a suitable replacement home on the open market off the estate subject to the valuation of the new property not exceeding a certain increase in valuation over their existing property, for example 10%\*. *(eg. So if the value of the existing home is £300,000, then the value of the replacement home should not exceed £330,000).*

If the homeowner is unable to purchase the full value of the suitable replacement home, the Council could take a maximum equity stake in the property as a 'silent partner'. The homeowner would in turn be required to purchase the majority stake in the replacement property, in the example this would be 90%.

The homeowner would need to invest the proceeds from the sale of their existing home (purchased by the council at market value including the full amount of their current mortgage or the maximum new mortgage they can obtain to make up the highest share possible) and their home loss payment to reach the required threshold. They may also choose to make up any shortfall in value through a lump sum.

No rent is payable under this scheme. Any service charges would fall under the responsibility of the owner.

The Council would receive the value of its share in the property when the property is sold, based on the market value of the property at the time.

*\*the percentage threshold would be determined for each scheme, depending on viability.*

**Option F**

The **Home Swap - Alternative Regeneration Site Option (Option F)** is available to eligible resident homeowners where their current property typology is not being re-provided on their new estate, but is being provided on another of the Council's regeneration sites.

This could include where houses are not being built on the new estate, but are being built on another Council regeneration site.

The council would buy back their home and the owner would buy a property on the alternative regeneration site.

The provisions of options A to D would otherwise apply to this option.

**Option G**

**The Home Swap Choices – Affordable Rented Accommodation Option (Option G)**

is available to eligible resident homeowners unable to purchase a new home under the Council's Home Swap schemes.

In exceptional circumstances where an existing homeowner is shown to be in financial difficulty, and/ or unable to secure a suitable mortgage, the Council could provide rehousing by offering an Affordable Housing Tenancy in a Council owned property on the new estate or on another Council estate.

The Affordable Rented Accommodation Option is considered a last resort options and is subject to an assessment of an individual's exceptional circumstances.

The Council will also provide support in identifying alternative rehousing options for rent, including accommodation through a Registered Provider or private sector landlord.

- 5.4 Resident homeowners must have lived in their property as their main and principal residence for at least 12 months prior to the date of displacement. (Non resident owners are not eligible for the Home Swap options).
- 5.5 In the above options the Council would place a restriction on the title of the owner's new home to reflect the share in the lease, but they would not pay rent on the additional equity (with the exception of Option D - Shared Ownership), but would have full responsibility for maintenance.
- 5.6 If in the future the resident sells the property which they moved into under the options A-F the Council would get first refusal to repurchase, unless the change of ownership was a legitimate 'succession' i.e. to the spouse if they have lived in the property as their principal home for over a year.
- 5.7 If an owner's home has to be acquired through a Compulsory Purchase Order (CPO) they will not be offered the home swap or shared ownership options. For properties acquired through a CPO, owners would be offered open market value.

## **6. Compensation offer - resident homeowners**

- 6.1 Resident owners will receive a Statutory Home Loss payment of 10% of open market value.
- 6.2 We will pay reasonable legal costs of moving from the owner's existing property to a new property, pay Stamp Duty up to the value of your existing home, homeowners' mortgage redemption fee and any early repayment charge on any mortgage that cannot be 'ported' to the new property.
- 6.3 'Out of pocket payments' will be offered for reasonable expenditure relating to the move (including removal costs, reconnecting appliances) based on submitted receipts..
- 6.4 Where a Right to Buy has been exercised within the last 5 years, the homeowner (Leaseholder or Freeholder) will not be required to repay any of the Discount they

received when they purchased the property from the Council, where the Council buys back the property for the purposes of a Regeneration Programme. Repayment of the Right-to-Buy Discount is exempted in these circumstances by s.160(1)(d) Housing Act 1985.

- 6.5 For properties acquired through a Compulsory Purchase Order, owners will be offered basic Home Loss payment, legal/ valuation fees and other actual costs linked directly to the sale of the owner's existing home and to the purchase of a new home. This is all in line with the statutory codes for compulsory purchase.

## **7. Key elements of the regeneration rehousing scheme - non-resident owners**

- 7.1 When/ if regeneration has been approved by the Housing, Economy and Business Committee, non-resident owners can opt to sell their property at open market value to the council.
- 7.2 Property swaps (A-G) will not be offered. Non-resident owners do not have the right to return to the new estate .
- 7.4 Temporary accommodation will not be offered to non-resident owners.
- 7.5 The council has no responsibility to re-house or compensate private tenants living in existing homes belonging to non-resident owners. We will provide housing advice and support to private landlords' tenants, in order to achieve a managed vacant possession. Purchase by the Council would be conditional on vacant possession.
- 7.6 For properties acquired through a CPO, non-resident owners would be offered open market value.

## **8. Key elements of compensation offer - non-resident homeowners**

- 8.1 Non-resident owners will receive a Statutory Home Loss payment of 7.5% of MV
- 8.2 We will pay reasonable legal costs, pay Stamp Duty on any replacement investment property bought within 12 months up to the value of your existing home, mortgage redemption fee, and other actual costs linked directly to the purchase of a new home.
- 8.3 For properties acquired through a Compulsory Purchase Order, owners will be offered statutory Home loss payment, legal/ valuation fees and other actual costs linked directly to the sale of existing home and to the purchase of a new home. This is all in line with the statutory codes for compulsory purchase.

