

MUNICIPAL YEAR 2015/2016 REPORT NO. **224**

MEETING TITLE AND DATE:

Cabinet 27 April 2016

REPORT OF:

Director – Regeneration &
Environment

Agenda – Part: 1

Item: 7

Subject: Disposal of shared equity, equity loan and shared ownership leases on Dujardin Mews and Small Housing Sites developments

Wards: Ponders End, Town, Chase, Turkey Street

Key Decision No: 4271

Cabinet Member consulted: Cllr Ahmet Oyken

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1. EXECUTIVE SUMMARY

- 1.1 The Council's Dujardin Mews scheme, currently on site and expected to be completed in July 2016 is providing a total of 38 new homes, including 19 new homes that it is proposed will be disposed of as shared equity homes to support the re-housing of resident leaseholders affected by the Alma Estate Regeneration Programme.
- 1.2 The Parsonage Lane, Lavender Hill, and Jasper Close developments, which are being delivered through the Small Housing Sites (Phase 1) project, are currently on site and are expected to be completed in 2016/2017 and contain 15 equity loan and 2 shared ownership properties. These homes are being aimed at first time buyers, residents with care and support needs and also resident leaseholders affected by the Council's Estate Renewal projects.
- 1.3 For all of the 36 intermediate home ownership properties, the Council will be required to directly grant a long lease to the purchaser when completed. Cabinet approval is required to authorise these disposals to take place.
- 1.4 All future disposals will be presented for approval within a Cabinet report that includes the project's business plan and financial viability.

2. RECOMMENDATIONS

That Cabinet;

- 2.1 Approve the disposal of long leases for 19 shared equity properties on the Dujardin Mews development.
- 2.2 Approve the disposal of long leases for 15 equity loan properties and disposal of long leases for 2 shared ownership properties across Parsonage Lane, Jasper Close and Lavender Hill developments.

3. BACKGROUND

- 3.1 Cabinet previously approved the principle of the Dujardin Mews (formerly Academy Street) project as part of the Alma Estate Regeneration Programme report in July 2012 (KD 3510). The scheme will provide a total of 38 new homes, including 19 new homes for shared equity to support the re-housing of resident leaseholders affected by the Alma Estate Regeneration Programme. Planning permission for the scheme was granted in 2014 and lead Cabinet Members under delegated approval, approved the appointment of Durkan (KD 3804) as the building contractor later that year. The development is expected to be completed in July 2016.
- 3.2 The Parsonage Lane, Lavender Hill, and Jasper Close developments are being delivered through the Small Housing Sites (Phase 1) project, the development of which was previously approved by Cabinet in July 2012 (KD 3517). Planning permission for the scheme was granted in September 2014 and Cabinet approved the appointment of Kier as the Development Partner in December 2013 (KD 3826).
- 3.3 The Council was successful in obtaining GLA funding of £690k for the Small Sites and £475k for Dujardin mews, making a total of £1,165.00. This was allocated as part of the Mayors Housing Covenant in December 2013, for the 19 shared equity and 15 Homes for Working Londoners shared equity homes, and as part of the Mayors Care and Support fund in December 2013 for the 2 shared ownership homes.

Shared equity product on the Dujardin Mews development

- 3.4 The Shared Equity product on Dujardin Mews is only being made available in the first instance to resident leaseholders living on the Alma Estate to assist with obtaining vacant possession of the Alma Estate.

- 3.5 Residents will be able to purchase one of the properties on Dujardin Mews on a Shared Equity basis, with resident leaseholders being required to raise a minimum equity share of 25%, with the Council's HRA holding the remaining percentage share of the property. In order to enable sale of an equity share where the Council retains the freehold, the purchaser's equity element has to be held on leasehold. In this instance the leasehold will be for a period of 125 years.
- 3.6 Please refer to Part 2 of this report for further information on the financial make up of this package.
- 3.7 As the freeholder, the Council will grant a long lease for a term of 125 years to the purchaser.
- 3.8 There will be no succession rights to the equity share after the initial transaction. This does not include joint owners, who will have equal rights to the whole property with the property automatically reverting to the other party on death of one of the joint owners.
- 3.9 Leaseholders may be able to purchase an equity stake as 'tenants in common'. This may apply where spouses wish to purchase together or where an adult son or daughter lives in situ. This was agreed in the Delegated Authority Report signed by Ray James on 31 March 2015 which was a non-key decision.
- 3.10 This will need to be in accordance with the Property Procedure Rules. This bespoke product has been developed in consultation with residents, independent financial advisors, LBE Finance, LBE Property Services, and the GLA.
- 3.11 We have drawn up a Heads of Terms for this package for the following reasons:

As this is a bespoke package for the Alma Estate resident leaseholders there are some restrictions (for example the lack of succession). We therefore felt it important to give leaseholders the option to take legal advice and if, necessary, withdraw before they are at the stage that they will be signing the lease. Early sight and confirmation of receipt of this document will also reinforce the leaseholder's commitment to the purchase.

Equity Loan product on the Parsonage Lane, Jasper Close, and Lavender Hill developments.

- 3.12 The Equity Loan product on all sites will be targeted towards first time buyers and Working Londoners. The numbers are as follows:
- 1 on Parsonage Lane
 - 4 on Lavender Hill
 - 10 on Jasper Close

- 3.13 As the freeholder, the Council will grant a long lease for a term of 125 years to the purchaser. This will need to be in accordance with the Property Procedure Rules.

Shared Ownership product on the Parsonage Lane development.

- 3.14 The Shared Ownership product on the Parsonage Lane and Jasper Close development will be care and support units for people with physical disabilities. There are a total of 2 units on the Parsonage Lane development.

4. ALTERNATIVE OPTIONS CONSIDERED

- 4.1 None. These developments have been brought forward on the basis that they included an element of intermediate housing that the Council would retain an interest in and directly dispose of an interest to purchasers. The purpose of this report is to enable this to happen.

5. REASONS FOR RECOMMENDATIONS

- 5.1 This report recommends that Cabinet approve the disposal of leases for shared equity, equity loan and shared ownership properties on Dujardin Mews, Parsonage Lane, Jasper Close and Lavender Hill developments.
- 5.2 The disposal of long leases is required for these intermediate housing products offered by the Council, as the freeholder on its development schemes.
- 5.3 The developments referred to in this report are all part of projects previously agreed by Cabinet, which are expected to complete during 2016/2017.

6. COMMENTS OF THE DIRECTOR OF FINANCE, RESOURCES AND CUSTOMER SERVICES AND OTHER DEPARTMENTS

6.1 Financial Implications

See Part 2

6.2 Legal Implications

6.2.1 Section 123 of the Local Government Act 1972 provides that principal councils may dispose (which includes the granting of leases) of properties in any way they wish provided it is for the best consideration reasonably obtainable.

6.2.2 The Council's Property Procedure Rules further set out requirements for the disposal of property and these rules are in line with s.123.

6.2.3 The Lease and associated documentation will be in a form approved by the Assistant Director (Legal Services)

6.2.4 The recommendations within this report are within the Council's powers and duties.

6.3 Property Implications

6.3.1 The properties are to be disposed of in accordance with the Property Procedure Rules. Independent valuations will be obtained prior to disposal.

6.3.2 Where the disposal of the properties that are the subject of this report are part of another property transaction, such as the purchase of an existing leasehold property on the Alma Estate, the valuations for both properties will be effective on the same date.

6.3.3 The disposal of the equity interests in these properties will bring in much needed receipts to the Council.

7. KEY RISKS

Failure to dispose of the properties will result in loss of Council revenue and also will impact on the Alma regeneration as vacant possession will be significantly delayed.

8. IMPACT ON COUNCIL PRIORITIES

8.1 Fairness for All

Dujardin Mews and the Small Sites contribute to this aim by tackling inequality and access to affordable housing by providing new affordable homes.

8.2 Growth and Sustainability

Dujardin mews and the Small Sites developments contributes to this priority by building strong and sustainable futures for our residents

8.3 Strong Communities

These developments have residents at the heart of the development.

9. EQUALITIES IMPACT IMPLICATIONS

Undertaken for all schemes

10. PERFORMANCE MANAGEMENT IMPLICATIONS

10.1 There are no specific performance management implications arising from this report.

11. HEALTH AND SAFETY IMPLICATIONS

11.1 There are no specific health and safety implications arising from this report.

12. HR IMPLICATIONS

12.1 There are no major HR implications arising from this report. Initial assessment and allocations of the homes, along with ongoing administration of the shared ownership, equity loan and shared equity payments will be required to be undertaken by the Council.

13. PUBLIC HEALTH IMPLICATIONS

13.1 There are a number of public health implications arising from new housing development schemes because housing is a major determinant of health, however no specific public health implications arising from the disposal of leases.

Background Papers

None