



## Belfast City Council

<b>Report to:</b>	Development Committee
<b>Subject:</b>	Consultation - Support Owner Occupiers in Redevelopment Areas – revised submission
<b>Date:</b>	13 <sup>th</sup> October 2010
<b>Reporting Officer:</b>	John McGrillen, Director of Development, ext 3470
<b>Contact Officer:</b>	Barbary Cook, Policy & Business Development Manager, ext 3620

### Relevant Background Information

The Council has been asked to respond to DSD's new policy to support owner occupiers living in areas undergoing major redevelopment. This policy addresses the problem that "whilst there are a range of interventions already available to allow social or private tenants displaced by regeneration activity to remain in their community post regeneration, there is no similar support available for owner occupiers displaced by this activity." "Whilst compensation is paid [to owner occupiers], it can often fall short of allowing those displaced owner occupiers from buying back into the new housing put back in their old community. These proposals provide opportunities for owner occupiers to remain in their community through the provision of two new options."

#### SUMMARY of the proposed options

##### Option 1: Social Housing House Sales Scheme (HSS) Early Buy Out

Owner occupiers already have the opportunity to be re-housed as social tenants in the community post regeneration. However they would need to rent the property for five years before becoming eligible to buy their home and become an owner occupier once again. This option simply removes the five year rule; effectively allowing owner occupiers to be re-housed in a social house within the area under redevelopment and to immediately avail of the House Sales Scheme under similar right to buy arrangements as already exist.

##### Option 2: Shared Equity

Whilst compensation equating to the full market value of their property is paid to owner occupiers displaced for regeneration activity, it may fall short of the value for a new home put back in the redevelopment or regeneration area. Many owner occupiers have little or no means of making up the shortfall between the valuation of the old and new property. The introduction of Shared Equity gives owner occupiers the opportunity to purchase a new home in the community post regeneration, with any difference in the value of their old and new home held by the Housing Association putting back the new housing.

When availing of this option, the owner occupier must invest the full amount of the compensation from their original property into the new property. The equity share held by the Housing Association will not attract a rental charge provided the ownership of the property remains unchanged.

There are no specific questions for the consultation.

The full proposal is available at:

[http://www.dsdni.gov.uk/consultation\\_document\\_july\\_2010.doc](http://www.dsdni.gov.uk/consultation_document_july_2010.doc)

A report was presented to Committee on the 15<sup>th</sup> September noting a nil response to the consultation as no responses had been received from council staff. It was agreed that Committee, however, that Councillors thought that it was important for Council to respond on this policy question and that several Councillors had specific comments they wished to make.

Democratic Services, on behalf of the Policy & Business Development Unit, re-circulated the consultation document and received the comments described below.

### **Key Issues**

#### Option 1: Social Housing House Sales Scheme (HSS) Early Buy Out

1. Discount – is the purchaser entitled to a discount? It would appear from the consultation document that the purchaser is not as it states that the discount has already been given under the House Sales Schemes. How could this be the case when the house is to be sold at “current market value” (page 14)? Why would the purchaser purchase this house when it is proposed that there are going to be houses built specifically for private ownership? Why would we encourage the purchase of social houses when private houses are to be built as part of the overall redevelopment plan, if there is not any incentive for doing so?
2. Page 6 refers to the “Renewing Communities”. This scheme proposed Home Purchase Assistance – a subsidy of up to £24,000 to enable the purchase of a new private sector home in an area following urban regeneration. Has this proposal been abolished?
3. The document refers on several occasions to “current market value”. Who sets this? Land & Property Services, the Housing Association, NIHE or an estate agent? When this issue was first discussed with DSD, it was mentioned that the proposal would be that the purchaser would acquire the house at either the “historic value” (i.e. the build cost) or the current market value plus a discount based on the number of years they have lived in the redevelopment area, i.e. “under similar right to buy arrangements as already exist” (page 4). What happened to these scenarios?
4. Disability Adaptations – if the occupants request disability / mobility adaptations before moving in, will they be required to recompense the housing associations for installing them?
5. Legal Costs – on page 10 it states: “Legal Costs in connection to the purchase of the new home can be claimed as part of the Disturbance Payment” and that

the amount payable would be determined by Land & Property Services – how is this to be calculated? Can it be guaranteed that the full costs incurred by the home-owner will be recompensed as part of this overall Disturbance Payment?

6. The consultation period runs until 13<sup>th</sup> October 2010. What if an owner occupier in the re-development area needs to move into their new home prior to this (e.g. if they move into the new Roden Street development)? Will they have to move with the uncertainty as to whether or not they are able to remain an owner occupier or have to become a social tenant?

#### Option 2: Shared Equity

7. What happens if an owner occupier takes advantage of the scheme, but later faces financial hardship? For example, if the owner loses their job, is there an option to sell back to the Housing Association and become a tenant in the family home?
8. Negative Equity – are provisions being made for those home-owners in the redevelopment area who have found themselves in negative equity as a result of the vesting? How could they be supported to continue to live in the community when they have found themselves in difficulties with their current mortgage lender?
9. Insurance – on page 16 it states that the Housing Association “may insist on insuring the property through their own agents and will pass this charge directly to the new owner”. Can the new home-owner in turn charge the Housing Association for a percentage of the house insurance that they take out from the Housing Association? It seems nonsense for a property to have two insurance policies out against it.
10. Rent – on page 17 it states that “the Housing Association will be entitled to charge rent on the portion of their equity share from the date the ownership is transferred. How will such transactions be monitored? I.e. will it be incumbent upon the deceased-owner notifying the Housing Association of the change of ownership through some sort of covenant? What if the new owners refuse to pay the rent, will they be evicted or compelled through the courts?

Also in this section it refers to a scenario where the house is bequeathed to someone other than the spouse. How does this sit with the reference on page 18 to situations of joint ownership / single eligibility (i.e. mother and son)? Does he automatically continue with the existing Shared Equity arrangement, i.e. no rent payable or does he have to pay rent? Further, what age does the son, in this example, have to be to benefit from this arrangement? Does he have to be of adult age (18 years) to be able to be named as a joint-owner?

11. There needs to be clarification as to whether or not the Housing Association retains a figure against the property rather than a percentage. For example if the property is worth £100,000, the owner pays £80,000 and the Housing Association retains £20,000 – and later the property becomes more valuable. Does the owner pay the Housing Association £20,000 or will there be interest on this amount?
12. Advance Purchase – on page 18 it states that “those who apply for advance purchase are, by definition opting to move away from the area and, as such, once they accept advance purchase they can not avail of these proposals”. There should be an option for these people to return to the area if they so wish.

13. Housing Need – on page 19 it states that this policy cannot be used by a former owner occupier to acquire a larger home in an area post-regeneration than their housing need supports. This contradicts the scenario in the Village Urban Renewal Area where it is accepted that to clear some of the zones for demolition it may be necessary to move couples into family dwellings; and, indeed, DSD’s Lifetime Homes Policy, which accepts that people should be encouraged to move into family houses and remain as long as possible, through adaptations like showers on the ground floor, etc. It is unfair to ask, for example, a couple who live in a 3 bedroom house to downsize if they do not want to.

SOCIAL TENANCY ‘PROPOSALS’

14. Social Tenant – in section 5.2 (page 14) it stated that former owner occupiers can “apply and be assessed for re-housing in the normal way and if successful can be allocated a social home in the area as a social tenant without the need to buy any stake in that home”. We would request clarification as to whether or not, under the terms of the proposal, all residents in the redevelopment zones will be defined as “social tenants” and therefore will be entitled to be re-housed in this status in the new houses.

**Resource Implications**

There are no resource costs associated with this consultation response.

**Recommendations**

The Committee is asked to :

- Approve the revised response; or
- To suggest additional comments or changes that they feel need to be made, prior to submission to DSD.

**Decision Tracking**

Further to approval the agreed response will be communicated to DSD.

Timeframe: November 2010

Reporting Officer: Barbary Cook