

Report of Senior Finance Manager

Report to Environment and Housing Panel

Date: July 2014

Subject: Purchase of Equity Share

Are specific electoral Wards affected? If relevant, name(s) of Ward(s):	<input type="checkbox"/> Yes	<input type="checkbox"/> No
	Beeston & Holbeck	
Are there implications for equality and diversity and cohesion and integration?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Is the decision eligible for Call-In?	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
Does the report contain confidential or exempt information? If relevant, Access to Information Procedure Rule number:	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No
This report, at Appendix 1, contains confidential information under Access to Information Procedure Rule 10.4(3) in that it contains information relating to the financial affairs of individual(s). It is considered in these circumstances that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing the information.		

Summary of main issues

This report seeks the Directors approval to options available in dealing with an Equity Shared property. The property has been repossessed by the mortgagee and the 25% share which is held by them has been offered back to the Council.

The property is in the Beeston and Holbeck area of the City. It is a two bed house of traditional build. The condition of the property has been described as "tired" and in need of decency works.

The mortgagee has a 25% share in the property with the Council retaining a 75% share. The lease agreement provides that surrender of the lease has to be made to the Council in the first instance unless transferred by Will or intestacy. Where the Council declines the surrender of the lease the leaseholder may dispose of their interest in the property and/or acquire the remaining share of the property referred to as staircasing.

The options open to the mortgagee in possession are:-

- 1) surrender their share of the property to the Council at market value, should the Council wish to acquire the property
- 2) sell the 25% share held on the open market

- 3) sell the 25% share held by the mortgagee, staircasing to acquire the full share of the property and the freehold at the same time and sell the property.

The mortgagee has made a written offer to the Council offering its 25% and requesting completion by the end of July. The lease provides that the Council has 8 weeks from the date of the Notice of the offer which allows acquisition to be completed by mid-August 2014. Consequently it has been determined that the options available to the Council be considered by Panel in order that there is a minimum delay once the course of action has been determined.

Recommendation

The Director is requested to

- a) Approve that the Council acquire the 25% share of the property, each party meet its own legal costs. Subject to City Development negotiating the sales value.

1 Purpose of this report

- 1.1 To seek the Director's approval to accept the surrender of the lease for the property which is currently a shared equity property, the mortgagee holds a 25% share and the Council holds a 75% share.
- 1.2 Should the surrender be declined, the mortgagee can seek to acquire the property and the freehold and sell the property on the open market. The reversion of the freehold to be dealt with co-terminus.
- 1.3 These options are to be provided in order that the property, does not remain unoccupied for an extended period of time and reduces the debt due to the Council in respect of rent and service charge payable.

2. Main Issues

- 2.1 The Council built a number of properties in the Beeston area of the city in the mid 1980's which were to be sold on an equity shared basis. These properties were to be acquired by individuals buying a minimum 25% share and then being able to acquire further 25% shares and ultimately the freehold at future dates.
- 2.2 The majority of the properties have been sold. However, the Council retains a share in 13 properties of which this property is one. The Council holding a 75% share of this property.
- 2.3 The lease is a full repairing and improvement lease resting with the leaseholder. The leaseholders are required to pay a rent for that part of the property which they do not own. In addition where required the Council arranges the buildings insurance. A monthly charge is made for rent and buildings insurance which is due on the 1st of each month.
- 2.4 This property has been repossessed by the mortgagee and their 25% share has been offered to the Council.
- 2.5 In order that matters are not delayed the options available to the Council and the mortgagee are detailed below along with the recommended course of action for the Council.

2.6 Options

a) Purchase by the Council of the Leaseholders Share: The lease under which this property is held requires the leaseholder or their representatives to offer surrender of the lease to the Council in the first instance. This does not apply where the assignment of the lease is under a will or intestacy.

b) Sale of the Leaseholders Share: Should the Council decline the surrender of the lease then the leaseholder can dispose of their share. This is usually done by advertising the share on the open market. However, where the share is low this can cause delays in assigning the lease or being unable to sell their share.

c) Sale of Leaseholders Share and Council's Share: Under the terms of the lease the leaseholders in disposing of their share the Council can acquire the Council's share at an agreed price and the freehold reversion subsequently selling the property on the open market.

2.7 The Council can exercise its right to take surrender of the lease and pay an agreed sum in consideration, where the lease is to be assigned and this is not under a will or intestacy.

2.8 A valuation of the property has been undertaken by the LBS and they have valued the property at £75,000. They have offered the 25% share of the property to the Council at £18,750, subject to the sale being completed by the 31st July and subject to the Council effectively considering waiving the outstanding rent and service charge currently totalling £786.12.

2.9 The Council has also undertaken a valuation of the property and a survey to establish the need and likely cost of decency works. The decency works required are estimated at £8,500.

3. Corporate Considerations

3.1 Consultation and Engagement

3.1.1 Housing Leeds has been made aware of the possibility of acquiring the property and has provided an estimate for the decency works.

3.2 Equality and Diversity / Cohesion and Integration

3.2.1 It is not considered that there are any equality, diversity, cohesion or integration issues. The Council has a greater share of this property (75%), and the determination whether to purchase would be determined on the merits of each case.

3.2.2 An equality screening has been conducted and concluded that there were no equality, diversity, cohesion or integration issues to take into consideration.

3.3 Council Policies and City Priorities

3.3.1 The acquisition will assist in meeting the Council's priorities through the provision of additional affordable accommodation.

3.4 Resources and Value for money

3.4.1 Provision for acquiring the 25% share of the property it is anticipated can be met from the Housing Capital Programme subject to approval. This will provide an additional 2 bed house which can be let.

3.4.2 Alternatively should the Council dispose of its 75% interest in the property at the same time as the sale of the leaseholders 25% share this will be a capital receipt to the Council, although subject to the Governments pooling regulations.

3.4 Legal Implications, Access to Information and Call In

3.5.1 It is not considered that this decision would have any legal implications.

3.5.2 The decision is a delegated decision under the Officer Delegated Decisions (Exec Functions) and is one which is not considered to be subject to call-in.

3.5.3 This report contains confidential information under Access to Information Procedure Rule 10.4(1 - 3) in that it contains information relating to the financial affairs of individual(s) (Appendix 1). It is considered in these circumstances that the public interest in maintaining the exemption from publication outweighs the public interest in disclosing the information.

3.5 Risk Management

3.6.1 Should this property remain empty for an extended period of time it is possible that it may be subject to vandalism, causing a nuisance to the local community and potentially a financial loss to the leaseholders and possibly to the Council.

4. Conclusion

4.1 The property is held by the Council and the leaseholder on a ratio of 75%-25% respectively.

4.2 The property is empty and may become subject to vandalism. The cover provided under the buildings insurance is limited whilst the building remains empty. Consequently any costs to repair will have to be met initially by the leaseholders and potentially by the Council should there be no equity remaining.

4.3 The purchase of the leaseholder's share (25%) will be met from the Housing Capital Programme. The acquisition will also provide an additional 2 bed house.

5. Recommendation

5.1 The Director is requested to approve:-

- 5.1.1 the acquisition of leaseholders 25% share in the property subject to
- a) the lease being surrendered by the leaseholder

- b) the valuation been agreed by the Council (Director of City Development) and with the Mortgagee
- c) that the necessary capital funding for the acquisition and decency works is identified within the Housing Capital programme/Revenue Budget.

6 **Background documents¹**
6.1 None

¹ The background documents listed in this section are available for inspection on request for a period of four years following the date of the relevant meeting. Accordingly this list does not include documents containing exempt or confidential information, or any published works. Requests to inspect any background documents should be submitted to the report author.

