

# Policy

## Lease Extension Policy

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| <b>Date authorised</b> | 18 September 2018 |
| <b>Review date</b>     | 2021              |

### **Introduction**

Rosebery Housing Association has flats and maisonettes which it owns as a freeholder and which are subject to long leases. Most of these leases were granted for a term of 125 years and arose as a result of the Right to Buy under the council or the Preserved Right to Buy from the Association.

When Rosebery sells a property under shared ownership it grants a lease to the shared owner. A shared owner may acquire or staircase to 100% of leasehold interest.

Leases are assets that depreciate over time and sellers, prospective purchasers and mortgage lenders may start to become concerned as the term diminishes.

### **Legal & Regulatory Position**

Leaseholders have a statutory right to extend their lease under the Leasehold Reform Housing and Urban Development Act 1993 (1993 Act), as amended, subject to certain criteria and the payment of a premium.

Shared owners do not have a statutory right to extend their leases, but the regulator recommends that registered providers consider granting extensions to shared ownership leases where possible.

### **Definitions**

For the purpose of this Policy a leaseholder is a tenant who has purchased 100% of the leasehold interest in a property and a shared owner is a tenant who has purchased a share in the property that is less than 100%.

### **Policy Statement**

Rosebery will:

- recognise that the diminishing term of long lease can affect its market value and mortgageability.

- enable qualifying leaseholders to extend their leases in accordance with current legislation. Rosebery offers lessees a choice between the statutory and informal procedures.
- allow shared owners to extend their leases on the same basis as if the terms of the 1993 Act applied so far as possible and subject to reasonable conditions.
- advise leaseholders and shared owners to get independent legal advice.
- ensure leaseholders and shareholders have a clear understanding of the procedure and costs involved.
- ensure that all its reasonable costs in extending a lease are recovered from the leaseholder in accordance with the statutory provision.
- ensure that all its reasonable costs in extending the lease are recovered from the shared owner. To this end a shared owner will be asked to pay an administration charge in advance to cover the association's fees and costs.
- use qualified and experienced valuers to provide valuations.
- calculate the premium payable by a leaseholder in accordance with the requirements of the 1993 Act so far as possible.
- calculate the premium payable by a shared owner on the same basis as the requirements of the 1993 Act and charge the full (100%) cost of the premium from the shared owner regardless of the size of the share that they own.
- consider whether any other terms of the original lease need to be varied or deleted, or if new terms need to be added to provide clarity so far as possible. For example to allow for variation of service charge apportionment.
- all lease extensions are to be subject to independent valuation and regulatory and funders consent being obtained.

### **Exceptions**

This policy will not apply to shared owners where Rosebery does not hold the freehold.