



SHARED OWNERSHIP BUY BACK POLICY

Adopted: 21st September 2021
Date of Next Review: September 2024

Molendinar Park Housing Association
3 Graham Square
Glasgow G31 1AD

Registered in Scotland 2400 R (S)
Registered Scottish Charity SC043725
Registered Property Factor PF 000125

SHARED OWNERSHIP BUY BACK POLICY

1. INTRODUCTION

- 1.1** Shared Ownership was a low-cost home ownership tenure that was extensively promoted during the late 1980s and 1990s as a component of housing association new build developments. Typically, housing associations would include a proportion of shared ownership properties in a development of rented housing, with the shared ownership properties being marketed to households seeking to get onto the home ownership 'ladder'. Sharing owners could purchase 'tranches' (or shares) in the property, in multiples of 25%, and had the potential to 'staircase' to full ownership. Staircasing transactions (involving the purchase of additional shares in multiples of 25%) could be completed annually. The remaining 'share' was owned by the housing association and the individual sharing owner had an occupancy agreement which entitled them to occupy the property in return for a monthly payment (occupancy charge). In addition to paying the occupancy charge, sharing owners had all of the responsibilities of ownership of an owner (e.g. for repairs, maintenance and insurance), regardless of their share. As part of its new build regeneration programme, Molendinar Park Housing Association constructed 118 shared ownership properties, most of which were sold on the basis of 25% shares, with MPHA retaining a 75% tranche. MPHA acts as property factor for the sharing owners.
- 1.2** The shared ownership 'model' envisaged that sharing owners would staircase to full ownership and provided that sharing owners, if they wanted to move, could sell their share on the open market, or offer it back to the housing association. In practice, MPHA has not bought back any shares in these circumstances.
- 1.3** Over the years a number of properties have been sold on the open market by the sharing owners, currently MPHA retains shares in 84 properties. MPHA has bought back shares in individual properties after implementing this policy and considering each case on an individual basis.
- 1.4** When the Occupancy Agreement comes to be renewed (after 20 years), MPHA has the option to buy back the sharing owners share and convert the tenure to a SST. MPHA has not exercised that option and has renewed the occupancy agreements for a further twenty years.
- 1.5** It has now become apparent that some sharing owners are experiencing financial hardship and are struggling to fulfil their obligations as home owners. Consequently, there are some properties, in which MPHA has a 75% share, which are falling into serious disrepair and which are posing a risk to other properties in which MPHA and individual owners have interests.
- 1.6** This policy has been adopted by MPHA to provide a framework for decision-making in the event that consideration is being given to buying back a shared

ownership tranche in a property that was previously constructed as part of a MPHA development. The policy takes account of guidance issued by the Scottish Government in 2009 which provides that a housing association may buy back a shared ownership property and let it on a Scottish Secure Tenancy, subject to policy and financial considerations¹.

2. MPHA's APPROACH TO BUY-BACKS

2.1 Moving House (buy back with vacant possession)

MPHA will not usually agree to buy back a sharing owner's share in the event that the sharing owner wishes to move home; in these circumstances, MPHA may contribute to marketing costs up to the value of £75 and may agree to display marketing information at the office and on the website. Where a sharing owner is seeking to move because their circumstances have changed significantly to mean that the property is no longer suitable, MPHA may consider buying back the property with vacant possession, in accordance with this policy. Where MPHA agrees to buy back with vacant possession, the property will be made available for rent on a SST

2.2 Renewal of Occupancy Agreement

Scottish Government Guidelines permit the purchase of a shared ownership tranche on the expiry of the Occupancy Agreement and the subsequent letting of the same property to the former sharing owner on a Scottish Secure Tenancy (SST). On the expiry of the Occupancy Agreement, MPHA will normally enter into a new Occupancy Agreement for a further period of twenty years, provided that the property is being maintained to a reasonable standard that retains the value of the property at market levels; in the event that there is evidence of serious disrepair that presents a risk to MPHA's interest(s), consideration will be given to buying back the share in accordance with the terms of this policy

2.3 Serious Disrepair and/or Financial Hardship

The Occupancy Agreement obliges a sharing owner to maintain the property in reasonable condition. MPHA recognises that, for some sharing owners, financial hardship means that they are unable to meet these obligations and that, consequently, individual properties are falling into disrepair. In these limited circumstances and where the sharing owner does not have more than a 50% share, MPHA will consider buying back the property and letting it to the former sharing owner on a SST in accordance with the terms of this policy

¹ HIGN 2009/07 Amendment to Shared Ownership Procedures Guide

3. BUY BACK CRITERIA

- 3.1** MPHA will consider all potential buy backs on an individual basis and has complete discretion in deciding whether or not to agree to a specific transaction.
- 3.2** For any buy back to proceed, the following criteria must be satisfied:
- 3.2.1** MPHA must be either a majority or equal shareholder (i.e. the sharing owner must have either a 25% or 50% share)
 - 3.2.2** The property must be valued by the District Valuer or there must be a recent (not more than three months old Home Report which has been commissioned by the sharing owner; the value must reflect only the heritable value of the property (i.e. exclusive of improvements, furnishings and fittings)
 - 3.2.3** The costs associated with bringing the property up to MPHA's normal lettable standard must be covered in full by the value of the sharing owner's tranche; the costs of these works must be deducted from the sale proceeds due to the sharing owner and be paid to MPHA on the date the sale transaction completes
 - 3.2.4** The sharing owner must be able to certify to MPHA that there is no outstanding loan secured on their share of the property or, if there is, that it can be discharged from the remaining proceeds of sale. So this means that the value of the tranche must be at least as much as the combined outstanding mortgage and the immediate costs of repair.
 - 3.2.5** The financial assessment of the buy back must demonstrate that the anticipated rental income over twenty five years will be at least equal to the capital cost of acquisition and all works required to maintain the property to MPHA's normal standards
 - 3.2.6** Each party to the sale transaction will be responsible for their own costs and all/any sums outstanding to MPHA (e.g. factoring fees) must be settled on or before the sale completion date
 - 3.2.7** The sharing owner must enter into a valid SST with MPHA not later than the date on which the buy back transaction is completed
 - 3.2.8** For a buy back with vacant possession, MPHA must be satisfied that there is a greater need for rented housing, relative to shared ownership, in the area, taking account of the Local Housing Strategy and no grant is required to fund the purchase²

² SG Guidelines specify that no grant must be required for such buy backs to be permitted

4. FUNDING BUY BACKS

- 4.1** There is no grant funding available to support the buy back of a shared ownership tranche. Consequently, MPHA would require to fund the capital costs of any buy backs either from reserves or from additional borrowing. MPHA will only agree to buy back a shared ownership tranche in accordance with this policy in very limited circumstances; consequently, it is unlikely that any sums will be set aside as part of the annual budgeting process.
- 4.2** Each case will be considered on its merits by officers, who, if satisfied that the terms of this policy are met, will present a case to the Management Committee for consideration and approval. Where the financial assessment demonstrates that the projected rental income will cover the capital outlay required and the overall assessment of an individual case satisfies the criteria set out in this policy, a recommendation to proceed to buy back may be made to the Management Committee. In reaching conclusion, the Management will have regard to MPHA's Mission and Strategic Objectives, the financial assessment of the individual case and the association's overall financial position.

5. MONITORING AND REVIEW

- 5.1** The Management Committee will review the terms of this policy at least every three years.