



Zen Registered Providers: Staircasing Policy

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Approved by:	

1. Introduction

- 1.1. This Policy sets out Zen Housing Limited's , Zen Housing 2 Limited's and Zen Rented Limited's (together Zen) approach to shared ownership staircasing. Staircasing is where a shared owner wants to buy more shares in their home.
- 1.2. This policy includes information on how we will approach shared owners who want to staircase.
- 1.3. It sets out how we will meet our statutory, regulatory and contractual obligations, while ensuring we meet our objectives of providing high quality housing management, and outstanding customer service.

2. Purpose

- 2.1. For all shared ownership properties managed by Zen and its property manager, the purpose of this policy is to:
 - Set out the approach that will be taken by Zen to requests it receives from shared owners wishing to staircase
 - Explain clearly what is involved in the process of staircasing, including the fees that shared owners will be required to pay
 - Set out Zen's position on staircasing to 100% and on downwards staircasing.

3. Scope

- 3.1. This policy applies to all shared ownership residents, and shared ownership properties managed by Zen and its property manager.



- 3.2. All staff, and partner agencies are expected to comply with this policy when working with shared owners.

4. Our Commitment

- 4.1. Zen's Managing Agent will adhere to all relevant legislation, regulatory requirements and best practice when setting and collecting rents.
- 4.2. The Managing Agent will communicate clearly with shared owners in relation to:
- The options available to them to purchase a greater proportion of their home
 - The costs associated with staircasing
 - Their rights and obligations
- 4.3. The Managing Agent will take into account best practice published by the Regulator of Social Housing, National Federation of Housing, and the Council of Mortgage Lenders.

5. Staircasing

- 5.1. Shared owners can buy additional shares in their property as set out in their Shared Ownership Leases and under any guidance in the Capital Funding Guide. This process is known as 'staircasing'.
- 5.2. **Staircasing Under AHP 2016-2021 and Previous Programmes:** For homes funded through the Shared Ownership and Affordable Homes Programme (SOAHP) 2016 to 2021 and previous programmes:
- The minimum staircasing transaction is 10%.
 - Shares can be purchased in increments of 5% after the initial 10% (e.g., 15%, 20%, etc.).
 - A RICs Red Book Valuation needs to be obtained (see 5.6)
 - These provisions also apply to homes completed after 1st April 2021 under these programmes.
- 5.3. **Staircasing Under AHP 2021-2026:** For homes funded through Homes England's AHP 2021 to 2026:
- The minimum staircasing transaction has been reduced to 5%.
 - Additionally, shared owners have the option of purchasing an additional 1% share per year for the first 15 years.
 - The 1% staircasing transactions' valuation is calculated from the Land Registry's House Price Index (see 5.6).

- 5.4. To undertake staircasing a shared owner must have no outstanding arrears on the property (either rent arrears, service charge or ground rent) and must not be in a legal dispute with the Managing Agent.
- 5.5. Managing Agent may charge an administration fee to undertake the staircasing process. This fee will be set at a reasonable level to cover Managing Agent's costs in undertaking the staircasing process.
- 5.6. **Staircasing Valuation Process:** When a shared owner wishes to staircase, the procedure for obtaining a valuation depends on the program under which their home was funded:
 - 5.6.1. **For AHP 2016-2021 and Previous Programmes:** Shared owners must arrange for an independent Royal Institution of Chartered Surveyors (RICS) valuation. The valuation report, along with details relevant to the transaction (such as the share to be purchased and details of the shared owner's solicitor), must be sent to the Managing Agent. The Managing Agent will respond to a staircasing request within ten days, providing information on the next steps, applicable fees for the staircasing process, and advising of other potential costs.
 - 5.6.2. **For AHP 2021-2026:** Shared owners engaging in traditional staircasing transactions (5% or more) follow the same process as above. However, for 1% per year staircasing transactions, the valuation is calculated from the Land Registry's House Price Index.
- 5.7. All staircasing transactions (except 1% annual staircasing under AHP 2021-2026 leases) require an independent RICS valuation carried out by a RICS qualified surveyor. to determine the current market value of your property. The resident is responsible for arranging the surveyor and can use one on Zen's panel or a non-panel surveyor who is not associated with any estate agent or employed by any bank or building society, not related to the resident and professionally registered with FRICS or RICS qualifications.
- 5.8. If the staircasing is not completed while the valuation report is valid (three months from the date of issue) the shared owner will be required to obtain a new valuation report, and the cost of the share will be based on this new report. Zen has discretion to extend this period to six months in cases where there have been delays outside the control of the leaseholder and the provider. If the extension has been granted, the reasons for such decision must be documented ensuring transparency.
- 5.9. Shared owners can exit from the staircasing transactions any time up to the exchange of contracts but they will not be able to recover any costs incurred.
- 5.10. In the event of any disputes arising from the property valuation during the staircasing process, the resolution mechanism set out in the relevant shared ownership lease will be utilised.

- 5.11. The cost of the share to be purchased will be the proportion of the net value of the property that is being purchased. (e.g. for a 10% share in a property with a net value of £200,000 the shared owner will pay £20,000).
- 5.12. The net value of the property is the value of the property less the increase in value caused by any improvements the share owner has undertaken.
- 5.13. When a shared owner purchases an additional share in their property the amount of rent that they are required to pay reduces proportionally. Managing Agent will send a notice updating the shared owner on the new rent that is due and will update the rent account within 10 days of a staircasing event.
- 5.14. If within 3 months of staircasing, the property is sold for a higher price than the RICS valuation, we may consider claiming back some of the additional profits made.
- 5.15. We reserve the right to undertake appropriate verification of Shared Owners and with particular regard to the raising of funds to purchase addition equity or purchase outright.
- 5.16. Upon completing the payment for a Portioned Percentage, both parties shall execute a memorandum (Memorandum of Staircasing) specifying the Portioned Percentage paid for and the Specified Rent then payable.

6. Final Staircasing

- 6.1. When a shared owner staircases to 100% it is known as their final staircase.
- 6.2. In the majority of cases it will be possible to purchase 100% of the shares and own all the equity in the property. However, not all leases allow Staircasing up to 100%. We will check the lease to ensure the Shared Owner can purchase the amount of shares requested.
- 6.3. Once a shared owner owns 100% of their property, they will no longer be required to pay rent, however they will still have to pay any applicable service charges and/or ground rent, to cover the cost of estate management and the maintenance of communal areas.
- 6.4. For shared owners living in flats when they reach 100% ownership, they will become leaseholders. Where Zen owns the freehold of a block of flats, our Managing Agent will continue to be these 'leaseholders' landlord's managing agent, however in some instances another organisation may own the building. In this instance the shared owner will become a leaseholder to this third party, and the Managing Agent will provide both the leaseholder and the building owner with the details required to set-up the relationship.
- 6.5. For shared owners living in houses when they reach 100% ownership, they will become freeholders (dependent on the lease), once they have served the relevant notice to the

Managing Agent. Estate charges could still apply if the house benefits from communal estate services.

7. 'Simultaneous' Staircasing

- 7.1. Shared owners to undertake 'simultaneous' or 'back-to-back' staircasing when they purchase a 100% share in their property at the same time as selling it.
- 7.2. For these transactions the process for purchasing the final shares is the same as set out above. However, the value of the share will be based on the higher of the independent RICS valuation or the sale price achieved.
- 7.3. The Managing Agent can require a shared owner to undertake back-to-back staircasing if they do not notify Managing Agent of their desire to sell their property in the appropriate manner.

8. Downward Staircasing

- 8.1. Zen allows leaseholders to sell shares of their property back to Zen to reduce the share of the property they own. This is known as 'downward staircasing'.
- 8.2. Downward staircasing option might be offered in an exceptional circumstance if a shared owner is having financial difficulties and is at risk of losing their home.
- 8.3. Downward staircasing option is not a right and it is offered solely at the discretion of Zen. Shared owners who face financial difficulties will be signposted to independent financial advice in the first instance.
- 8.4. Downward staircasing option is not available to leaseholders who have staircased to 100%.
- 8.5. Downward staircasing is subject to the approval of the Zen Board in each individual case, and approval of Homes England/GLA where grant aided, or the planning authority, where provided, through planning obligations.

9. Equality and Diversity

- 9.1. This policy should be read in conjunction with Zen's Equality and Diversity policy.
- 9.2. We will work to ensure that opportunities to staircase are made available to all people and will not discriminate on the basis of protected characteristics or any other factor.
- 9.3. We will be open and honest in providing support to staircase or with other options to all of our shared owners.

10. Policy Management

10.1. The Zen Board has overall responsibility for this policy.

11. Background Documents

11.1. This policy is also informed by the following primary legislation and regulatory documents:

- The regulatory standards - RSH
- Housing and Regeneration Act (2008)
- Landlord and Tenant Act (1987)
- Commonhold and Leasehold Reform Act (2002)
- Greater London Authority Capital Funding Guide

12. Monitoring and review

12.1. The policy will be reviewed every three years, or earlier if required by changes in legislation or regulation.