

London, 1<sup>st</sup> October, 2018

Dear Fellow Leaseholder

### **Rivermead Court – Lease extensions Consultation**

Now that the summer holiday period is well and truly over, the time has come to follow up on the ideas put forward at the Rivermead Court Limited Annual General Meeting (RCL AGM) on 4<sup>th</sup> June. The agenda papers circulated in advance of the AGM set out the Board's proposals to extend the term of our leases from 86 years remaining (from the time of the proposed offer next year) to 800 plus years. There was a high level of attendance at the AGM, a measure of the amount of interest there is in extending the leases, and the Board has been very encouraged by the level of support apparent at that meeting and informally since. Over the summer, we have refined our thinking and are now in a position to consult further in order to judge the level of support we can expect when an offer is made.

We expect to make a general offer to all leaseholders to extend their leases in the third quarter of 2019. For the purposes of calculating the premium payable, each property will need to be valued and the valuation will have to be current at the time the offer is made. There is therefore little point in carrying out a valuation exercise now. However, to make an informed judgement at this stage each of us needs to have a reasonable idea of how much our premium is likely to be. We have covered this point with our chosen valuation adviser and there are provisions in the Leasehold Reform legislation for the calculation of the premium which is a percentage of the valuation depending on the years remaining.

The prescribed basis for assessing the value is good, tenable condition ignoring improvements such as modern kitchens or elaborate bathrooms. As things stand, with 86 years remaining, the premium would be approximately 1.5% of this assessed value, so provided you have a rough idea of the value of your property you can arrive at a reasonable estimate of how much it will cost to extend. In round numbers, this results in a premium of £15,000 for a flat valued at £1 million and about £30,000 for a flat valued at £2 million. It is probable that the majority of the properties will fall within this range, and a straightforward percentage of what you think your flat is worth will give a fair idea of the likely premium.

Flats on short leases can be unattractive to purchasers, especially where the term has fallen below 80 years when they can become harder to mortgage. Nevertheless, to make sure the offer is attractive to residents, RCL proposes to absorb the costs of the valuation in addition to its own legal and other costs. If you treat this letter as giving 12 month's advance notification of the intention to make an offer, it may assist those who need a bit more time to gather funds, or even just time to think about it. Once the valuation has been carried out, it will remain valid for at least three months. Payment will be due on exchange of contracts.

The lease extension exercise will be carried out in parallel with the pipework renewal project and we do not expect to make any further calls on residents to pay for these works. Some residents have expressed a concern that this means the burden of the cost will fall unfairly only on those who choose to extend their lease. However, in the fullness of time, all flats will either extend, or revert to RCL at the end of the 86-year remaining term of the lease. In the meantime, provided a sufficient number of leaseholders extend on this proposed offer, RCL plans to meet the balance of the costs of the pipework from its reserves. These will be recouped as and when the remaining leases are extended or, ultimately, by taking possession of the flat in 86 years' time.

Those not extending on the offer may request an equivalent extension at any time thereafter, but will need to bear more of the valuation costs. In addition, the legislation provides for the premium percentage to rise by approximately 5% per annum as the term of the lease shortens. If the term falls below 80 years, the premium rises significantly due to the need to take account of "marriage value" (a concept explained in the original AGM paper to residents).

You may be aware that last month, the Law Commission published a Consultation Document on the Reform of Leasehold Law. It is likely to be some considerable time before we know what changes to the current law will be proposed but we will rely on our advisers to keep us up to date with any implications for our plans.

In conclusion, if our plans come to fruition, one way or another, every flat will make a fair contribution – it will merely be a matter of timing. RCL is in the happy position of having reserves it can use to balance the fluctuations in income and expenditure – always provided a sufficient number of leaseholders choose to take up the offer.

### **Purpose of this letter**

This brings us to the purpose of this letter. On the next page is a short form asking for an expression of your interest in taking up an offer when it is made – hopefully before the end of 2019. We would be grateful if all **leaseholders** could give their response – one form per flat – within the next four weeks, that is by the end of October. Clearly, the cost of the premium will be a major factor in your decision but we hope we have given you enough information to arrive at a reasonable guide as to what you can expect to pay. Your response will be non-binding at this stage and will simply be an expression of interest to enable the Board to plan. If you have any concerns or questions, we have set up a dedicated e-mail address for your queries. [leaseextension@rivermeadcourt.co.uk](mailto:leaseextension@rivermeadcourt.co.uk).

**Please fill in the attached form and return it to Anne Isaacs. For your convenience, a new sealed letterbox has been provided in the basement of the centre block next to the House Manager's office. Alternatively, your response may be handed in at the porters' lodge marked for the attention of Anne Isaacs. You may also respond by e-mail if preferred, using the new e-mail address above.**

**Tom Hackett, Chairman, RCL**

**Carol Ferguson, Chairman, Finance Committee RCL**

**For the attention of Anne Isaacs**

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**Name of Leaseholder** \_\_\_\_\_

**Flat number** \_\_\_\_\_ **E-mail** \_\_\_\_\_

**When Rivermead Court Limited makes the offer of a lease extension, (probably in the Autumn of 2019), how likely are you to take up the offer?**

<b>Very likely</b>	
<b>Probably</b>	
<b>Unlikely</b>	