

Heathrow Expansion

Draft Land Acquisition and Compensation Policies

Residential Property

1 INTRODUCTION

- 1.1 This document sets out the draft policy of Heathrow in relation to the acquisition of residential properties required in connection with the development of a new north-west runway and associated infrastructure to expand Heathrow Airport currently being prepared for an application for a Development Consent Order under the Planning Act 2008 (the "Project").
- 1.2 We have prepared this draft policy to help potentially affected owners and occupiers of residential properties understand our approach to land acquisition. It explains our general approach to the acquisition of residential properties and sets out our proposed compensation offer.
- 1.3 This draft policy is one of the discretionary policies that we are putting in place for those whose properties are within the area most affected by the Project or, with an interest in land required for the Project. This discretionary policy includes an enhanced compensation offer on eligible properties. In making an application in relation to these discretionary policies, the property owner must identify whether the property in question is residential, commercial or agricultural in nature, and thus which one of the discretionary policies is applicable (only one such policy may apply).
- 1.4 Our discretionary policies are intended to supplement and operate in parallel with the existing statutory regime governing compensation for the compulsory acquisition of land.
- 1.5 In developing this draft policy, we have had regard to guidance published by the Department of Communities and Local Government on the compulsory acquisition procedures that apply to nationally significant infrastructure projects promoted under the Planning Act 2008.¹

2 PROPERTIES COVERED BY THIS DRAFT POLICY

- 2.1 In order to construct, operate and maintain the Project we will need to acquire a large area of land. The detailed design of the Project has not yet been established. That design will inform the extent of land that will ultimately be required.
- 2.2 As currently understood, the likely area of the Project includes residential, commercial and agricultural properties. This area of land is referred to as the Compulsory Purchase Zone ("CPZ"). The area currently anticipated to be needed (based on the scheme recommended to Government by the Airports Commission in their final report) is shown edged red on the map attached to this draft policy. A copy of the plan can be found at the attached link, allowing for some zooming in to read it in more detail: <https://www.heathrowexpansion.com/local-community/compensation-schemes/>. We estimate that there are approximately 760 residential properties within the CPZ that will need to be acquired. These properties are generally located in Longford, parts of Harmondsworth, Sipson and Stanwell.
- 2.3 We recognise the impact that our proposals for the Project may have on homeowners not only within the CPZ but also those who live close to the new boundary of the expanded airport. We

¹ 'Planning Act 2008 Guidance related to the procedures for the compulsory acquisition of land' dated September 2013. See also 'Guidance on Compulsory purchase process and the Cribel Down Rules for the disposal of surplus land by, or under threat of, compulsory' dated October 2015, also published by DCLG.

have therefore developed our draft policy so that our compensation offer also extends to properties within the most affected areas, as currently understood, outside the CPZ. This extended area is known as the Wider Property Offer Zone (“WPOZ”). As presently understood the likely WPOZ is shown edged purple at the attached link, allowing for some zooming in to read it in more detail: <https://www.heathrowexpansion.com/local-community/compensation-schemes/>. We estimate there are approximately 5,500 residential properties within the WPOZ. These properties are located in Poyle, Colnbrook, Brands Hill, Harlington, Cranford Cross and parts of Harmondsworth and Sipson.

- 2.4 As part of the consultations in relation to our proposals, we will consult on a variety of options which may impact on the boundaries of the CPZ based on the scheme recommended to Government by the Airports Commission in their final report. This consultation exercise may change the extent of the CPZ; possible options include additional residential properties located in Poyle, Harmondsworth and Stanwell Moor.
- 2.5 This draft policy applies to residential properties within the CPZ or the WPOZ. Our compensation offer in respect of those properties is described in section 4 below.

3 GENERAL APPROACH

- 3.1 We do not expect to purchase any residential properties within either the CPZ or the WPOZ unless and until development consent for the Project has been granted and we have decided to proceed with construction of the Project. If development consent is granted, we anticipate this will occur in early 2021. Until that time it is our intention that the property market will continue to function and homeowners will be able to continue to remain living in their homes. Our draft policy reflects this underlying general principle.
- 3.2 Wherever practicable we will seek to acquire properties by agreement rather than compulsorily. Given the large number of properties that would need to be acquired for the Project, we also need to plan for the possibility that we will not be able to acquire everything by negotiated agreement. We therefore intend to apply for powers to compulsorily acquire the land within the CPZ as part of our application for development consent for the Project. However, we would only exercise those powers where our need to obtain possession on time is at risk.
- 3.3 We do not intend to seek powers of compulsory acquisition in the WPOZ but we have extended our compensation offer to the WPOZ in order to give homeowners in that area the option to sell to Heathrow and move to a new home.
- 3.4 We will engage with potentially affected property owners as part of the consultations in relation to our proposals. Our stage one consultation will consult on (among other matters) the compensation offer for residential properties set out in this draft policy.
- 3.5 We recognise the uncertainty and impact that our proposals may have on local communities, particularly on those whose homes are potentially affected. We are committed to engaging with property owners throughout the process. It is our intention to protect the most vulnerable and we have introduced an interim Property Hardship Scheme (“the PHS”) to enable those with a compelling need to move to apply to Heathrow to purchase their home early. The PHS is explained in detail in separate draft policy documents.

4 COMPENSATION OFFER

4.1 What is the enhanced compensation offer?

4.1.1 Subject to satisfying the criteria (see below), qualifying owners of eligible residential properties within either the CPZ or the WPOZ will be offered:

- the unaffected open market value (excluding development value) of their property; plus
- 25% home loss payment calculated by reference to the unaffected open market value (excluding development value); plus
- Stamp Duty costs for purchase of a replacement home of an equivalent value; plus
- reimbursement of reasonable legal fees and removal or other disturbance costs incurred.

4.1.2 The 'unaffected open market value' means the property's open market value as a lawful residential dwelling, ignoring any impacts which the Project may have on property values. Any development value will not be taken into account.

4.1.3 Heathrow's compensation offer, as provided for by this draft policy, will be set out in a contract called a 'bond agreement' to be entered into between Heathrow and the qualifying owner. The bond agreement will set the specific terms upon which Heathrow would purchase the property if the owner chooses to redeem the bond.

4.1.4 For the compensation offer to apply, the owner will need to agree to the terms of the bond agreement before the start of the Examination into Heathrow's application for a Development Consent Order in respect of the Project. The Examination is currently expected to commence in 2020.

4.1.5 A bond holder in the CPZ can redeem the bond and trigger the compensation offer once development consent for the Project has been granted and we have decided to proceed with the Project and start construction. If the owner has chosen not to redeem the bond and trigger the offer by the time we need their property, then we would instead have to use our compulsory purchase powers to acquire it, and so would instead pay compensation under the Statutory Compensation Code.

4.1.6 A bond holder in the WPOZ can also redeem the bond and trigger the compensation offer once development consent for the Project has been granted and we have decided to proceed with the Project and start construction. The WPOZ scheme will remain open until one year after the new north-west runway forming part of the Project has begun operating, so that homeowners have a sufficient period to decide whether they wish redeem the bond and sell the property. The scheme would then be closed to further purchases.

4.1.7 The compensation offer and associated agreements will not apply in the event of the Development Consent Order application being refused, or a decision to not proceed with the Project.

4.2 Eligibility criteria

- 4.2.1 The enhanced compensation offer is proposed to be open to qualifying owners of eligible residential properties.

Eligible Property

- 4.2.2 You will need to show that the residential property is eligible for acquisition by Heathrow under this compensation offer (i.e. that it is an “eligible property”). A residential property will be eligible if it was in occupation by someone having an ‘owner’s interest’ (see below at paragraph 4.2.5) on 17 December 2013. Accordingly, for example, if you bought the property on or before 17 December 2013 and were in occupation of it at that date, the property will be an eligible property.
- 4.2.3 Heathrow has adopted this approach to eligibility – as distinct from the statutory compensation to which any interested parties may be entitled – to provide an enhanced compensation offer to people who may have purchased their homes without awareness that they might potentially be affected by the new north-west runway. The date of 17 December 2013 was when the Airports Commission short-listed our north-west runway scheme. From this date, prospective purchasers could reasonably be expected to have been aware of the proposals for the Project and that a new north-west runway at Heathrow was a realistic prospect.

Who is a Qualifying Owner?

Owner-Occupier

- 4.2.4 Owner-occupiers of a home within either the CPZ or the WPOZ will be entitled to apply for the compensation offer.
- 4.2.5 To be eligible for this compensation offer as an owner-occupier you would need to:
- (a) have an “owner’s interest” in the property, being a freehold interest or a leasehold interest granted or extended for a fixed term of years, not less than 3 years of which remain unexpired at the date of any application; and
 - (b) have either (i) occupied the property for at least the six months before 17 December 2013 or (ii) if the property was unoccupied, occupied it for at least six consecutive months before it became unoccupied within 12 months of 17 December 2013.

Change of ownership

- 4.2.6 If an owner-occupier’s interest (as defined in paragraph 4.2.5) in an eligible property (as defined in paragraph 4.2.2) is sold after 17 December 2013 to someone other than Heathrow, then eligibility to apply for the compensation offer set out in this draft policy would transfer with that transaction. This means that a new owner of that property interest will be entitled to receive the compensation offer, even if they do not occupy the property.
- 4.2.7 Heathrow has adopted this approach to ensure that the property market continues to function, so that owner-occupiers can continue to buy/sell property interests as usual, notwithstanding our proposals for the Project.

Landlords

- 4.2.8 The interests of private landlords and social housing landlords (e.g. local authorities and housing associations) will not generally be eligible for this compensation offer, since their interest was not that of an owner-occupier as at 17 December 2013. Instead, such owners will be entitled to receive compensation in accordance with the Statutory Compensation Code.
- 4.2.9 However, a private landlord who buys an owner-occupier's interest in an eligible property within the CPZ after 17 December 2013 will be entitled to receive the compensation offer and enter into a bond agreement with Heathrow, in accordance with paragraph 4.2.6 above.
- 4.2.10 Similarly, a private landlord who buys an owner-occupier's interest in an eligible property within the WPOZ after 17 December 2013 will also be entitled to receive the compensation offer and enter into a bond agreement with Heathrow, in accordance with paragraph 4.2.6 above.
- 4.2.11 In both cases, the terms of the bond agreement for the sale of the property to Heathrow would need to be agreed before the start of the Examination of the Development Consent Order application.

Inherited property

- 4.2.12 A person who inherits an owner-occupier's interest (as defined in paragraph 4.2.5) in an eligible property within the CPZ or WPOZ after 17 December 2013, will be entitled to receive the compensation offer if they enter into a bond agreement to sell the property to Heathrow, and choose to redeem the bond after Heathrow has been granted development consent and decided to proceed with the Project. As in all other cases, the terms of the bond agreement for the sale of the property to Heathrow would need to be agreed before the start of the Examination of the Development Consent Order application.
- 4.2.13 A person who inherits an owner-occupier's interest in an eligible property within the CPZ or WPOZ after 17 December 2013 and subsequently sells the property on the open market, will be entitled to sell with the benefit of this compensation offer (which will transfer with the sale).

Shared ownership

- 4.2.14 Owner-occupiers of an eligible property which is in shared ownership are entitled to the same compensation offer as other owner-occupiers, save that they will receive that proportion of the 25% home loss payment which reflects their ownership of the property. For example, if their share of the freehold ownership is 60%, then their home loss payment will be calculated with reference to the 60% of the property which they own.
- 4.2.15 Our offer will not alter the terms on which shared ownership is secured – e.g. the housing association having a first charge on the property. The qualifying homeowner will need to seek the necessary consents from the housing association first to determine whether they are in a position to sell their interest to Heathrow under our offer, just as they would if they were planning to sell on the open market.

Ineligible owners and occupiers

- 4.2.16 Those with an interest in a residential property within the CPZ who do not qualify for the enhanced compensation offer will still be entitled to compensation in accordance with the Statutory Compensation Code.

4.2.17 Those having interests in property within the WPOZ who do not qualify for the enhanced compensation offer may be entitled to compensation under the Statutory Compensation Code as a result of the construction or operation of the Project, but will not be able sell their property interest to Heathrow.

4.3 **Objection to property acquisition**

4.3.1 Owners will not be eligible for this compensation offer if they object to the acquisition of their property as part of our application for a Development Consent Order for the Project. Owners will need to agree, before the beginning of the Examination into our Development Consent Order application, not to make an objection to the acquisition of the property in question and to withdraw any such objection that they have previously made.

4.4 **Valuation**

4.4.1 Where a property in the CPZ or WPOZ is purchased by Heathrow under the terms of this draft policy, it will be valued by two independent qualified members of the RICS (Royal Institution of Chartered surveyors) who have experience of valuing residential property, one appointed by Heathrow and one appointed by the homeowner. The valuers will be chosen from a panel of independent valuation firms drawn up by Heathrow. The valuations will be paid for by Heathrow. The average of these two valuations would become the offer price. If these differ by more than 10%, a third valuer, again from the panel, would be appointed by Heathrow and the offer price will be the average of the closest two valuations.

4.4.2 As an alternative to using the panel, homeowners can choose to commission an independent valuation of their own and Heathrow will take this as the homeowner's valuation. However, if they choose to do so the cost of this valuation must be borne by the homeowner and Heathrow will not contribute towards those costs. As before, in the event the two valuations differ by more than 10%, the third valuation from the panel will be introduced.

4.4.3 Each property will be valued individually to establish its 'unaffected open market value' (excluding development value). This means the property's market value ignoring any impacts from the Project and excluding any development value.

4.4.4 The valuations will be undertaken with reference to the value of the property on the date on which the application for this compensation offer is accepted by Heathrow. That date will become the 'Valuation Date'. The valuation generated by the process will then be index linked until the date on which Heathrow take possession of the property. If Heathrow does not purchase the property until more than 5 years after the Valuation Date, Heathrow may require the property to be 're-valued' in accordance with the procedure outlined in paragraph 4.4.1.

5 **STATUTORY COMPENSATION CODE**

5.1 The enhanced compensation offer set out in this draft policy is being put in place to enhance the compensation that would otherwise be available to certain affected property owners, and does not remove or limit rights that already exist in law. For example, based on figures currently set by the Statutory Compensation Code:

- (a) Under the Statutory Compensation Code an owner-occupier of a property in the CPZ which is acquired would receive a 10% home loss payment, currently capped at £61,000, rather than the 25% home loss payment under the Heathrow draft policy.

- (b) Under the Statutory Compensation Code landlords in the CPZ whose properties are acquired would be entitled to receive a 7.5% loss payment, currently capped at £75,000. Our draft policy will allow landlords who bought between 17 December 2013 and the date that the decision is taken to commence construction to sell their property to Heathrow on the basis of the compensation offer described above.
- (c) Under the Statutory Compensation Code owners or occupiers of property in the WPOZ will be entitled to compensation for diminution in value of their property interests as a result of operation of the new runway. This entitlement arises one year after the opening of the new runway, anticipated to be circa 2026. Our draft policy gives owner-occupiers in the WPOZ a choice to sell to Heathrow after development consent is granted (and the decision is taken to commence construction) on the basis of the enhanced compensation offered.
- (d) Our interim PHS is not replicated in, and goes beyond, the Statutory Compensation Code.

5.2 Anyone with whom we do not manage to reach agreement in respect of this discretionary policy, will receive compensation in accordance with the Statutory Compensation Code.

Map of areas covered by this draft policy
Area currently understood to be in the CPZ and WPOZ.

