

BAA Stansted Home Owner Support Scheme

A Consultation

February 2004





Introduction by Terry Morgan, Managing Director of BAA Stansted

In December, the Government published the *Future of Air Transport* White Paper, a new aviation policy, in which it said that Stansted Airport should, subject to obtaining planning permission, build a second runway by 2012.

In response to the Government's announcement, I wrote to local residents to confirm BAA's intention to press ahead with detailed planning for a second Stansted runway.

I appreciate that the proposal for a second runway at Stansted raises the prospect of properties being adversely affected by the future operation of the proposed new runway, and I want to try to address this issue.

Governments have put statutory arrangements in place over the years, to allow home owners to claim assistance where there are significant impacts on their homes. However, such assistance only becomes available after the development becomes operational. People who wish or need to move before these statutory arrangements take effect are not provided for by these arrangements.

I said in December that my first priority would be to set up voluntary schemes which will offer support to the most severely-affected home owners. In January, I announced details of a voluntary Home Value Guarantee Scheme for the 107 home owners whose properties either fall within the proposed expanded airport boundary and would therefore have to be removed for a runway to be built, or whose communities could be severely impacted by the proposed new boundary.

Now, I wish to address the problem for home owners whose properties are not covered by the **Home Value Guarantee Scheme**, but whose property values might be significantly affected by the proposed new runway. I therefore intend to introduce a voluntary Home Owner Support Scheme, and I am seeking local community views on how such a scheme can assist these home owners.

The purpose of the Home Owner Support Scheme is to enable the owner-occupiers of properties who qualify for the scheme to sell their homes without financial penalty and move, if they want or need to, before the new runway opens. There are different ways of achieving this, and working out the best way is the purpose of this consultation.

The consultation paper outlines the objectives of the Home Owner Support Scheme, discusses who should be covered by the scheme and when the scheme should be made available; and finally, it outlines two possible options for a scheme.

I would welcome your comments and views on the questions in the consultation. The closing date for responses to the consultation is 30 April 2004. Once we have received and evaluated responses to the consultation, we intend to publish the guidelines and to begin operating the scheme as quickly as possible.

TERRY MORGAN

Objectives of the Home Owner Support Scheme

In the UK, when major new infrastructure developments are proposed, people whose property values may be affected are not usually able to apply for compensation for the impacts of the development until a year after the date on which the new development opens. Recent experience has shown that the process of progressing a major development from initial proposals to opening can take ten years or more.

BAA Stansted acknowledges that the prospect of future runway development at Stansted can affect property prices now, and this can affect people's ability to move home, if they need or want to relocate before statutory compensation is available.

For this reason, BAA Stansted proposes to introduce a voluntary Home Owner Support Scheme for owner-occupiers around Stansted whose properties are outside the area covered by the Home Value Guarantee Scheme and which may be significantly affected by the future operation of the proposed new runway.

Subject to certain criteria, the Home Owner Support Scheme will help the owner-occupiers of such properties to relocate, at a time of their own choosing within the terms of the chosen scheme, if they need to or want to. This means that owner-occupiers will be able to apply for the scheme up to the point when the new runway opens. Following the opening of the new runway, anyone who is not eligible for either the Home Value Guarantee Scheme or the Home Owners Support Scheme would still have the statutory right to seek compensation for loss in property value through the 1973 Land Compensation Act.

BAA Stansted recognises that any voluntary scheme which intends to provide early support will be imperfect and that some properties which could be adversely affected by the proposed second runway might be excluded from our scheme. The 1973 Land Compensation Act will provide these home owners with the right to seek compensation for loss in property value, although it will not help them to move early. However, BAA Stansted will work to reduce the impacts of the new runway, will explore mitigation measures (such as noise insulation), and will investigate what restrictions or conditions might be placed on the operation of the new runway to minimise the effect on such properties

Who would be covered by the scheme?

A common method of defining the area that should be covered by a voluntary support scheme is to determine a noise level at and above which home owners should become eligible. Using a set of predicted noise contours, it is possible to identify on a map the properties which fall within the area covered by the predicted noise level.

Other major transport infrastructure developers, including the Channel Tunnel Rail Link and the Highways Agency, have adopted this approach when implementing their own schemes, and have set the level of noise which triggers eligibility for their schemes at the equivalent of 66 decibels. BAA Stansted intends to follow the same approach in implementing the Home Owner Support Scheme.

The blue line on the attached map shows the Government's prediction of the area covered in 2030 by the 66 decibel noise contour for Stansted's second runway, as published on 11 February 2004. BAA Stansted has chosen the contour predicted for 2030, rather than the one predicted for 2015, because it represents a more intensive use of the new runway and is, as a consequence, larger in area than its 2015 counterpart. If BAA Stansted implemented a Home Owner Support Scheme which strictly follows the predicted 2030 66 decibel noise contour, then all properties on and within this line and up to the expanded airport boundary would be included in the scheme.

It is possible that the shape and size of the predicted 66 decibel noise contour will change as more work is undertaken on the Environmental Impact Assessment and on the measures for reducing the airport's impacts. In addition, the Government urged BAA in the White Paper to explore the use of operational controls to minimise the noise impact on the local community. One specific issue that BAA Stansted will examine is whether the existing and new runways should be used in a 'mixed mode' method of operation where both of the runways are used for take-offs and landings, or alternatively a 'segregated mode' operation in which one runway is used for landings and the other for take-offs.

The blue line on the attached map is based on the mixed mode method of operation assumed by the Department for Transport. It is likely that the equivalent segregated mode contour would cover a smaller area. BAA Stansted does not expect to be in a position to determine the preferred method of operation for several months but it should be possible to form a view on this by the time the planning application is made.

If the noise contour changes, some properties which are currently outside the blue line might later fall within the revised noise contour. Similarly, some properties which are inside the blue line might later fall outside the revised noise contour. If BAA Stansted decides to implement a scheme before all these questions are answered as a result of the present consultation process, it gives a commitment now that if the noise contour changes at a later date, it will extend the Home Owner Support Scheme to any additional properties falling within the revised contour, while honouring the scheme for any properties currently within the blue line who would not qualify under a new contour.

A common criticism of noise contour-based schemes such as this is that they lead to apparent inconsistencies. Examples of this are that one house falls within the boundary while the one next door does not, or that houses on one side of a road fall within the boundary while houses on the other side do not. For this reason, it is sometimes argued that the boundary should be widened in certain areas to accommodate so-called "natural" boundaries such as a road or a field boundary.

Others argue that the boundary should be widened further to take in an entire community. In BAA's experience these boundary adjustments are equally arbitrary and can also lead to inconsistencies. An example of one such inconsistency is that properties which lie closer to the noise contour but which do not lie within an identifiable community are excluded while others more distant from the contour qualify. It is these circumstances which lead BAA Stansted to propose a scheme which follows precisely the 66 decibel noise contour as the Channel Tunnel Rail Link and Highways Agency have done in their own schemes.

When should we start the scheme?

There is an important question to be answered as to when the scheme should be started. There are two possibilities: either to start the scheme as soon as possible, or to wait until BAA Stansted has drawn up and submitted a planning application, sometime in 2005.

BAA Stansted's preference is to start a scheme as soon as possible, rather than to wait. There are good arguments for either approach, and we invite views on this question.

The clear advantage of starting a scheme immediately is that those home owners within the scheme area will have access to support straight away.

The disadvantage of starting now is that until BAA Stansted is able to answer those questions which remain unresolved, such as 'mixed mode' or 'segregated mode', there may be ongoing uncertainty for some home owners about whether their property might later come into the noise contour. During this time, these home owners would not be covered by the scheme.

The advantage of waiting until BAA Stansted submits a planning application is that we will use the intervening time to finalise our plans and refine the noise contour. This means that we will be able more accurately to identify the properties which will fall within the noise contour and those which will be outside.

The disadvantage of waiting is that home owners will not be able to apply to the scheme for support until later.

Whenever the scheme starts, and whichever of the schemes described later is adopted, it is important to remember that home owners will still be able to apply for compensation for the loss in property value after the new runway is open, under the 1973 Land Compensation Act. If the runway opens in 2012, this would mean that claims for compensation could be made from 2013.

Question 1

Should BAA Stansted:

(a) introduce a Home Owner Support Scheme as soon as possible, based upon the predicted 2030 66 decibel noise contour defined as a blue line on the map; or

(b) introduce a Home Owner Support Scheme once a formal planning application is submitted in 2005, based upon a 66 decibel noise contour to be determined when the mode of operation of the new runway and its air noise effects are clearer?

The Options for the Home Owner Support Scheme

BAA Stansted has reviewed a number of voluntary support schemes which have been operating in England during the past five years, and has identified two which are generally regarded to be fair and successful. These are:

- **An Assisted Relocation Scheme.** This was introduced by Union Railways as a result of uncertainty for home owners over the impacts of the proposed new high-speed Channel Tunnel Rail Link. The scheme closed in September 2003, following the opening of the new rail line. It closely mirrors a scheme operated by the Highways Agency for new roads.
- **A Property Protection Scheme.** This was introduced by Central Railways, which proposed in the 1990s to build a new rail line from Liverpool through the Channel Tunnel to Lille in Northern France. Planning consent has not yet been obtained for the new line, so the support scheme is still live.

Pre-conditions

The Channel Tunnel Rail Link, Highways Agency and Central Railways schemes all operate with certain preconditions, and BAA Stansted would wish to apply similar preconditions, as it already intends to for the voluntary Home Value Guarantee Scheme announced in January.

Any homeowner applying for the scheme must have a 'qualifying interest' at the date of application in any residential or small commercial property in the area covered by the scheme. This means that an applicant must be an owner-occupier of one of these types of property. An applicant will not have a 'qualifying interest' if the property is let commercially or if the applicant is a tenant.

In the case of all property, at the time BAA Stansted agrees to buy the property, the applicant must either:

- have owned it and lived there for at least six months before this date; or
- if the property is empty, it must not have been empty for more than 12 months and the applicant must have lived there during the six months prior to it becoming empty.

The guidelines for commercial properties would be similar, except that, in order for it to be eligible, the property must also have an annual value for rating purposes of no more than £24,600 (2000 Rating List).

Option 1: The Assisted Relocation Scheme

Summary

The Assisted Relocation Scheme is a discretionary purchase scheme, under which BAA Stansted would offer to buy properties, within the defined boundary, whose value has fallen by more than 15% as a result of proposals to develop a new runway. If a property is so affected, then in order for BAA Stansted to operate its discretion to purchase, the following additional conditions would have to be met:

- the property must have been bought prior to 16 December 2003 (the date of the publication of the Government's White Paper)
- the owner must have marketed it for at least three months on the open market at a realistic asking price, and not have declined offers within 15% of that price
- the owner must have a pressing reason to move.

If these factors are all met then BAA Stansted would offer to purchase that property at the market value of the property as it would have been if no new runway had been proposed. No additional payments would be made.

Reduction in Value

If, at the time of assessment, the property is reduced in value by 15% or more as a result of the new runway proposal, BAA Stansted will consider it to be eligible for the scheme. A property with a reduction in value of less than 15% would not qualify for the scheme.

Exercise of Discretion

This scheme is entirely discretionary. BAA Stansted has no obligation to make an offer and the owner has no obligation to accept any offer that is made (if, for example, the offer was judged by the owner to be inadequate). In deciding whether to exercise its discretion BAA Stansted would also consider a number of other factors:

- **Foreknowledge:** BAA Stansted would not normally exercise its discretion to buy if the property has been bought after the publication of the Government's White Paper, *The Future of Air Transport*, on 16 December 2003.
- **Efforts to sell the Property:** In all cases, the owner must have made reasonable efforts to sell the property before any application will be considered. The owner would need to produce evidence that the property has been on the market for at least three months at what is, in the opinion of BAA Stansted's valuer, a realistic market price. The owner must also show that no offer within 15% of the unaffected market value has been received or, if one has been received, that it has subsequently been withdrawn due to the presence of the proposed scheme.
- **Reason for sale:** BAA Stansted would also need to be satisfied that there were pressing reasons for selling which are not connected with the runway scheme, which would result in severe hardship if the owner were unable to sell. Examples of this would be:

1. a need to move to a larger or different home to accommodate a growing family or for employment reasons
2. external financial pressures that necessitate the sale of the property
3. a medical condition requiring the owner or a member of the owner's household to move to a different house, such as the inability to negotiate stairs.

Medical Conditions

If, at the time of assessment, the owner or a dependent living with the owner in the property is suffering, or is likely to suffer, in the opinion of BAA Stansted, severe aggravation of a medical condition (such as a respiratory ailment, but not stress or anxiety) caused by the physical effects of the runway's construction or operation, BAA Stansted would consider this to be a serious effect. In a case like this, BAA would not require the owner to meet any of the other tests for the exercise of its discretion to purchase the property.

The Relocation Assistance

If BAA decided to make an offer to purchase, valuations would be obtained from at least two independent valuers, one appointed by BAA Stansted and one by the owner. These valuations would be disclosed to the owner and BAA Stansted's offer would be based on the average of these if they were close enough. If not, a third valuation would be obtained and we would use an average of the closest two of the three.

The basis of these valuations would ensure that the owner would receive the full market value of the property, as if the new runway had never been proposed.

However, BAA Stansted would not pay any disbursements, agents' or legal fees, nor would we make home loss payments or any other statutory compensation.

Scheme Timetable

If this scheme were adopted, it could begin as soon as possible following the receipt and evaluation of responses to this consultation. The earliest we believe the scheme could be operational would be 1 August 2004. The scheme would operate until the new runway opened.

Option 2: The Property Protection Scheme

Summary

The Property Protection Scheme offers a fully-transferable, legally-binding guarantee that, following the granting of planning permission, and at the home owner's time of choosing, the home owner could require BAA Stansted to buy their property for the market value of the property as it would have been if no new runway had been proposed. By offering a guarantee to owner-occupiers, the scheme would seek to support property values within the defined boundary, and allow the property market to operate as normally as possible up to the opening of the new runway. The scheme would be open to all home owners within the defined boundary. No additional payments would be made.

Option Agreement

The home owner would enter into a legal agreement which conferred the right to require BAA Stansted to buy the property at a certain price. This right would be exercisable once BAA Stansted had confirmed, following the grant of planning permission, that it intended to proceed with construction of the new runway.

The agreement would be transferable. If, therefore, a home owner wished to sell the property before BAA Stansted confirmed its intention to proceed with construction, the rights would automatically be transferred to the new owner.

The agreement would last for a maximum of 15 years or until the new runway is opened, whichever is the earliest.

The home owner would have complete discretion as to whether and when to exercise the right to require BAA Stansted to purchase the property. BAA Stansted could not compel any home owners to sell their property if they did not choose to do so.

The Option Value

The property's price would be agreed at the outset by an independent valuation, based on the open market value of the property as if no new runway had been proposed. The agreed price would be index-linked, so that the option value would increase or decrease at the same rate as the regional property market index. However, home owners would never receive less than the original value stated in the agreement. No disbursement payments nor home loss payment would be made.

Scheme Timetable

If this scheme were adopted, it could begin as soon as possible following the receipt and evaluation of the consultation responses. The earliest we believe the scheme could be operational would be 1 August 2004. The scheme would operate until the new runway opened.

At that time we would begin to undertake the valuation work and prepare the legal agreements between the home owner and BAA Stansted. Home owners would need to make a written request to BAA Stansted for an agreement to be prepared. Such requests could be made at any time from the start of the scheme to the point when it would cease to operate.

Question 2

Should the Home Owner Support Scheme:

(a) be based on Option 1 – the Assisted Relocation Scheme? OR

(b) be based on Option 2 – the Property Protection Scheme?

Please send your response to these questions and any further comments you have on the details of the schemes or the consultation in general by 30 April 2004 to:

Home Owner Support Scheme Consultation
BAA Stansted, Enterprise House, Stansted Airport CM24 1QW

or by email to stansted.consultation@baa.com

You may also call the **Stansted Consultation Helpline on 0800 496 0199** to tell us your queries, and we will respond to them as soon as possible. The Helpline will not be able to give immediate answers to detailed questions on eligibility or other detailed issues arising from the consultation.

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