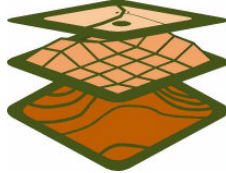


A GUIDE TO CROSS LEASES

Should I be worried?

***Prepared for you by
Landlink Ltd***



Amending a cross-lease title is often a complicated process. We at Landlink aim to reduce the time, cost and stress involved in subdivision, so we have prepared this simple overview to give you an idea of what happens, how long it takes and what it costs.

Cross leases demystified

- Under current legislation, cross-lease subdivisions are perfectly legal.
- The owners of a cross-lease unit own a share of the whole of the property in undefined shares.
- They also have a long-term lease (generally 999 years) of the building(s) they occupy. The lease identifies and records that the owners must maintain the building(s) and grounds, pay the rates, and are responsible for a share of any common areas and other similar common trappings of property ownership.
- Many people believe that they own their 'section' in a cross-lease (the land generally immediately surrounding their building), but they have only entered into an agreement not to intrude into the other persons restrictive covenant areas.
- There have been some warnings that there may be inherent weaknesses in the system. The question has been raised as to whether the lease system can really be used as a means of enforcing rights between undivided lessors who in fact hold an undivided share in the whole of the fee simple.
- Important to remember that **all** the land and buildings are jointly owned, all alterations should have the other owner's consents and the draughting of the lease is extremely important. All restrictive covenant areas should be definable on the ground without dispute.
- Cross-leases provide registerable documents very quickly but there is little security of defined ownership space and the owners are forever linked as tenants in common and joint landlords.

Can I make alterations to my house?

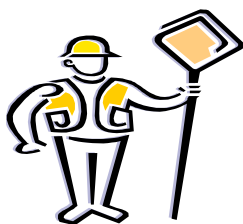
You are perfectly entitled to make alterations or additions to your house within the Building Act requirements and with the other owner(s) consent(s), but it is very important that you be aware of the implications of doing so.

If you change the shape of the lease area (defined by the external walls of the building) then it is likely that you will need to amend the title to reflect the changes in that lease area. This will require approval under the Resource Management Act 1991 in the form of subdivision consent from the Council.

Council is likely to take the opportunity to evaluate the properties to check if they meet the local by-laws with regard to water and sewerage connections.

Older cross-leases typically only have one water and one sewer connection for the whole property. Although Council is likely to allow the single sewer connection to remain as shared, they will want a separate water connection to be provided.

Along with any upgrading of services which may be required, a Registered Surveyor must also prepare an amended cross-lease plan and have it approved by Council and Land Information New Zealand. Then your Solicitor can arrange for the new titles to be prepared.



Cross lease title amendment costs

A cross-lease upgrade (to amend the title to show a new room etc) typically costs about \$5,000 + GST when you take into account

- Council consent \$ 500
- Council levies \$ 1000
- LINZ \$ 500
- Construction (water etc) \$ 1000
- Survey fees \$ 800
- Legal \$ 1000

(These figures are a guideline, as each circumstance is different)

Fee simple conversion costs

We recommend that you consider upgrading your cross-lease title to a fee simple title if budget allows. This means that the hassles of a cross-lease are removed and a 'full' stand alone title is issued. It is likely that an increase in value will result. Typical costs for this exercise are about \$10,000 + GST and, although they are higher than for a cross-lease upgrade, they are a one off cost.

Law Commission Report on 'Shared Ownership of Land'

The Law Commission (a watchdog group reporting to the Government on possible law changes) is currently proposing legislation changes to discontinue cross-leases altogether and to require that all existing cross-leases be upgraded after to fee simple. There is no timeframe on this as yet.

Unit Titles – are they any better?

Unit titles are another form of ownership, typically confined to large apartments where the Body Corporate (administrative body) administers the maintenance and running of multiple units as a whole. The system is, however, easily adaptable to small single storey complexes.

Unit titles are a much more robust form of title than crossleases, and the Law Commission has demonstrated their confidence in this form of title by proposing only a few changes to the current legislation in its latest report.



What if I want to sell ?

Even if your title is 'defective' (not updated) you are still able to sell your property. Many Solicitors will recognise that the title does not show the actual situation and will urge the purchaser to get a reduction in the sale price to account for the fact that the title may not reflect the existing situation.

Any queries?

Our initial discussion and quotation on your project is FREE! So if you are considering subdividing, we'd like to chat!

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Disclaimer: The information contained in this pamphlet is intended as a guide only. Please ensure that you have discussed your particular project with us before relying on the information provided. We do not imply that a subdivision consent will be granted as of right. No reliance should be placed on the information in this pamphlet in any financial dealings.

1 August 2002