

# STATES OF JERSEY

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## PHILIPS HOUSE, VICTORIA STREET, ST. HELIER: SALE TO LES VAUX HOUSING TRUST

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Lodged au Greffe on 10th June 2003  
by the Housing Committee

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STATES GREFFE

## PROPOSITION

**THE STATES are asked to decide whether they are of opinion –**

- (a) to approve the sale of the property known as Philips House, Victoria Street, St. Helier, to the Les Vaux Housing Trust for a nominal sum to be agreed by the Finance and Economics Committee, and otherwise on such terms and conditions as may be agreed by the Finance and Economics Committee with the approval of the Housing Committee for the purposes of redeveloping the site to construct fifteen one-bedroomed and three two-bedroomed flats for social rented accommodation, with associated car parking and amenity space.
- (b) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the Public.

### HOUSING COMMITTEE

- Notes:
- 1. The then Planning and Environment Committee granted planning permission for this scheme on 30th August 2002.
  - 2. The Finance and Economics Committee supports the sale of the freehold of Philips House to the Les Vaux Housing Trust for a nominal sum. The Committee recognises that the transfer will provide a subsidy in terms of the opportunity cost of not achieving a capital receipt for the land, however, as the site was acquired for the purpose of social housing development purposes, its alternative market value would not be realised. The Committee further believes that the transfer is in accordance with its policy to encourage the private sector to engage in the provision of social housing.

# REPORT

## Introduction

Philips House, Victoria Street, St. Helier and an adjacent shop/office were acquired by the Public of the Island in July 2000, as a site for the development of social rented housing, for the consideration of £1 million.

Philips House was tenanted, with vacant possession being obtained, after an agreed extension of time, at the end of February 2003. The Mustard Seed charitable organisation used the adjacent shop as store for its collected goods, before they were transported to Romania as part of its Shoe Box Appeal.

## The scheme

The Housing Committee commissioned Michael Bravery Architects to prepare a Feasibility Study for the redevelopment of this site, which has resulted in a scheme for fifteen one-bedroomed and three two-bedroomed flats. Its design is in keeping with the Victorian format of the adjoining terraced houses in Victoria Street. The residents will enjoy the benefit of open amenity space in the centre and to the rear of the building. Access to car parking spaces will be via Convent Court, Val Plaisant.

The new housing development will be built adjacent to the Trust's existing social rented accommodation, Berry House, Val Plaisant.

## Les Vaux Housing Trust

Les Vaux Housing Trust is an association incorporated under the provisions of the Loi (1862) sur les teneures en fidéicommis et l'incorporation d'associations for the purpose of providing residential accommodation to persons in need.

The Trust presently administers some 270 units of social rented accommodation on eight different sites.

The Trust is keen to expand its portfolio of properties and assist in the provision of social rented accommodation for those persons in the greatest housing need. It is hoped therefore, that the sale of Philips House will be one of a number of housing sites which the Trust will develop.

The States will be aware, given its approval of previous propositions that, local housing trusts are obliged to sign a legally binding agreement with the Housing Committee in respect of loan subsidy arrangements, maximum rents, nomination rights, tenant consultation and the processing of financial surpluses, in advance of a new law on the regulation of Housing Trusts. Les Vaux Housing Trust signed the said interim agreement with the Committee in August 2001.

Furthermore, the contract of sale will include previously agreed clauses, which restrict the future use of the site for social rented accommodation and, place restrictions on the onward sale of the property.

## Funding

The funding for this project will follow precedent set by other housing trust developments. Les Vaux Housing Trust will borrow the capital funds from its bank, to be repaid over a maximum period of 25 years, subject to the necessary Letters of Comfort being issued by the Finance and Economics and Housing Committees. An interest subsidy will be paid by the States to the Trust on any interest paid above 4% over the period of the loan.

The intention is to sell the site for a nominal sum, as the anticipated rental income stream will not cover the full development costs of the project. A copy of a Debt Redemption Model is attached to this proposition, which gives an indication of the costs of this project. It is for guidance purpose only. Final costings will not be known until the detailed development design has been completed and tenders received. The detailed financial arrangements are subject to the final approval of the Finance and Economics Committee. The Housing Development Fund will fund any interest and capital development subsidies.

## **Conclusion**

It is evident that States' capital funding for this, and other new housing developments, is not available given the enormous pressures on the Public purse. The Committee is determined that the limited capital resources that are made available are spent on necessary improvements on its older and in many cases, worn out estates. Housing Trusts have been successful in providing social rented accommodation in the past and, this method of procurement is tried and tested and has been supported by the States. It is worth noting that by the end of 2003 over 860 families and individuals will be tenants of local housing trusts.

This proposition, if approved, will not have any manpower implications for the Housing Committee, but will affect its revenue budget with regard to the payment of rent rebate in the sum of approximately £71,500 per annum.

**Name of Scheme :** Philips House

**Rental Projections**

Type of Units	Number of Units	Initial Fair Rents £	Annual Rental Income £
1 Bed Flats	15	145.00	113,100
2 Bed Flats	3	175.00	27,300
Totals	18		£140,400

**Capital Investment**

Acquisition	1,000,000
Demolition	67,205
Construction	2,241,784
Fees	359,135
Non fee costs	46,433
Clerk of Works	28,900
Client Contingencies	47,243
Development Subsidy	(1,180,000)
<b>Total</b>	<b>£2,610,700</b>

**Parameters**

Investment Fund Interest Rate	4.00%
Capital Fund Interest Rate	Variable
Overall Interest Rate	
Annual Inflation Rate	3.50%

Expenses as a % of Rents	
Agents Fees	5.00%
Service Charges	3.00%
Maintenance	7.00%
Voids	3.00%
<b>Total</b>	<b>18.00%</b>

Year	Rentals £	Interest £	Expenses £	Net Income £	Loan Balance £
					2,610,700
2005	140,400	104,428	25,272	10,700	2,600,000
2006	145,314	104,000	26,157	15,157	2,584,843
2007	150,400	103,394	27,072	19,934	2,564,908
2008	155,664	102,596	28,020	25,048	2,539,860
2009	161,112	101,594	29,000	30,518	2,509,342
2010	166,751	100,374	30,015	36,362	2,472,980
2011	172,587	98,919	31,066	42,602	2,430,378
2012	178,628	97,215	32,153	49,260	2,381,118
2013	184,880	95,245	33,278	56,357	2,324,761
2014	191,351	92,990	34,443	63,917	2,260,844
2015	198,048	90,434	35,649	71,966	2,188,878
2016	204,980	87,555	36,896	80,528	2,108,350
2017	212,154	84,334	38,188	89,632	2,018,718
2018	219,579	80,749	39,524	99,306	1,919,411
2019	227,265	76,776	40,908	109,581	1,809,830
2020	235,219	72,393	42,339	120,486	1,689,344
2021	243,452	67,574	43,821	132,057	1,557,288
2022	251,972	62,292	45,355	144,326	1,412,962
2023	260,791	56,518	46,942	157,331	1,255,631
2024	269,919	50,225	48,585	171,108	1,084,523
2025	279,366	43,381	50,286	185,700	898,823
2026	289,144	35,953	52,046	201,145	697,678
2027	299,264	27,907	53,868	217,490	480,188
2028	309,738	19,208	55,753	234,778	245,410
2029	320,579	9,816	57,704	253,059	(7,648)

Initial Rental as a percentage Capital Invested 5.38% Total States Subsidy £731,663