WRITTEN QUESTION TO THE MINISTER FOR TREASURY AND RESOURCES BY DEPUTY G.P. SOUTHERN OF ST. HELIER

ANSWER TO BE TABLED ON TUESDAY 14th MARCH 2006

Question

(a) In ministerial decision MD-TR-2006-0001 the Minister authorised a subsidy from the Housing Development Fund in relation to the sale of the Le Coie site to the Jersey Homes Trust (JHT). Will the Minister inform members of the total cost of this project, taking account of the additional expenditure on loan subsidy and rent rebate?

(b) Will the Minister outline for members how the expenditure needed to transfer this property to the JHT represents value for money and would he inform members what consideration, if any, he has given to alternative means of funding social housing?

Answer

(a) As the development is in progress a total project cost cannot be ascertained at present. The most recent financial report indicates an estimated total project development cost of £15.96 million. The site was purchased for £4.37 million (including costs and fees), making a total project cost of £20.33 million.

It has been agreed to sell the completed development to the Jersey Homes Trust (JHT) for £12 million. On this basis, the States will provide an equivalent capital subsidy of £8.33 million.

The JHT will fund the purchase by commercial loan, which does not form part of the project cost. The States, through the Housing Development Fund, will meet the Trust's interest charges above 4%. As the loan is based on a margin above base rates, the cost to the States will vary as base rates move. At the current base rate of 4.5%, the annual States interest subsidy will be some £152,000 in the first year, reducing as the loan balance diminishes.

Any rent rebate payable will depend on the individual circumstances of the tenants and does not form part of the project costs.

(b) The States, at their meeting of 6th October 1998, agreed to purchase the site for £4.2 million, with the vendor continuing to operate a hotel on the site until November 1999. At purchase no defined scheme was in place.

An initial scheme design was produced in September 1999 that proposed a mixed development of 119 units with basement car parking. However, a geotechnical report undertaken in December 1999 and received in February 2000, highlighted significant risks associated with basement car parking.

A revised scheme was developed utilising semi-basement car parking, with a reduced number of units. The former Finance and Economics Committee, at its meeting of 7th November 2001, was advised that a scheme, comprising 105 units, nursery and community facilities, had an estimated total cost of £27.1 million at a January 2001 price base (including land costs).

The former Committee rejected this proposal and directed the officers to develop a scheme with above ground parking. The Committee was advised that a scheme comprising 96 housing units, nursery and community facilities, had an estimated total cost of £21.9 million at a January 2001 price base (including land costs).

The Minister considers that delivering the preferred scheme at a predicted outrun cost some £1.5 million lower than that estimated at a January 2001 price base, which translates directly into a reduction in capital subsidy, represents a significant improvement in value for money.

The Treasury continues to work in concert with the Housing Department and other stakeholders to consider alternative methods of funding affordable housing, including social housing. Alternative proposals to fund social housing will be included in the 2007-2011 States Business Plan.