

KENT LODGE, 12 CLARENDON ROAD, ST. HELIER: SALE

**Presented by the Housing Committee
and lodged au Greffe on 28th July 1998
by Deputy S.M. Baudains of St. Helier**



STATES OF JERSEY

STATES GREFFE

175

1998

P.173

Price code : B

PROPOSITION

THE STATES are asked to decide whether they are of opinion -

1. to approve the sale of the freehold of Kent Lodge, 12 Clarendon Road, St. Helier, to the Jersey Homes Trust for redevelopment as social rented housing, for a consideration to be agreed with the Finance and Economics Committee;
2. to authorise the Attorney General and Greffier of the States to pass the necessary contracts;
3. to authorise the Treasurer of the States to receive the amount connected with the above transaction in due course.

HOUSING COMMITTEE

- NOTES:
1. The Planning and Environment Committee believes that the property should be sold at open market value.
 2. The Finance and Economics Committee supports this proposition on the basis that the site is currently in States' ownership and is suitable for development for social housing needs. However, the Committee is unable to comment at this stage on the financial aspects of the proposal because of the absence of information presently available.

REPORT

On 23rd August 1996, the Royal Court vested ownership of Kent Lodge, 21 Clarendon Road, St. Helier, in the name of the public of the Island, in accordance with the provisions of the Compulsory Purchase of Land (Procedure) (Jersey) Law 1961.

A settlement was agreed between the public of the Island and the owners of the property that the property should be acquired for the consideration of £180,000 for the realty, plus £4,000 in costs and fees.

It was proposed that the derelict property would be demolished and the site redeveloped for social rented housing.

In accordance with States agreed policy of encouraging private sector involvement in providing social housing, it was decided that the Jersey Homes Trust, rather than the Housing Committee, would develop the site.

The Planning and Environment Committee granted planning consent on 13th January 1998 to demolish the existing dwelling and outbuildings and construct six two-bedroomed flats and one two-bedroomed special needs flat, adapted for use by a disabled person, with 11 car parking spaces. All of the flats will have a tenant store.

The Trust will borrow privately from the banks to finance the development, to be repaid over a maximum period of 24 years, subject to the usual Letters of Comfort being granted by the Finance and Economics and Housing Committees, together with the payment of interest subsidy on any interest paid by the Trust above four per cent. The Housing Committee will have nomination rights for all seven units.

However, in order for the development to proceed, the freehold interest of the site needs to be transferred to the Trust. The contract of sale will require the Trust to use the land for the provision of social rented housing only. Should the Trust wish to either sell the property or cease to manage/maintain it for this specific use in the future, then it must give the first option to the public to purchase back the property.

The Trust has also agreed that the rents charged for the seven two-bedroomed flats at Kent Lodge will be set at no more than the maximum level of the fair rents charged by the Housing Committee for like sized accommodation.

The scheme is currently out to tender, with tenders due to be returned on Monday, 3rd August 1998. Therefore, subject to the approval of the States being given to the sale of the land, the development of these desperately needed units of accommodation can proceed almost immediately. The Trust has agreed to take into account in its development programme the concerns which have been expressed by the owners of the neighbouring guest house about the likely affects this building work will have on their guests.

The Jersey Homes Trust is a non-profit making organisation, and is unable to pay the current open market freehold value of this property, which is considered to be in the order of £260,000. The repayment of its loans from the banks is totally dependant upon using the annual rental generated from letting these flats at no more than the Housing Committee's fair rents for this size of accommodation. It is not possible at this stage - pending the receipt of tenders and agreement on finance charges etc., to know the final cost of this scheme, and therefore, what funds would be available from the Trust's borrowings to pay for the purchase of the said land.

It is therefore considered that the amount paid by the Trust for this site should be based on the capital value of the site for seven units of social rented housing, less the cost of development. The capital value is calculated using the fair rental assessed by the Housing Committee for two-bedroomed units, from the date of completion of this accommodation and which is anticipated to be about £140.00 per unit, a week. This provides for a total gross rent of £50,960 a year. This figure is then to be capitalised using a return of six per cent which provides for a capital value of £850,000. The value of the land is then derived, deducting the tender figure received for construction, plus other ancillary costs such as professional fees, subject to adjustment on final development costs, which will be monitored using an Open Book method of accounting.

Normally, the States would be asked to agree the sale of this land to the Trust for an agreed sum. However, given that it is not possible at this time to determine that figure, the States are asked to agree to the sale of Kent Lodge to the Jersey Homes Trust, subject to the financial arrangements being agreed with the Finance and Economics Committee. To do otherwise would delay the start of this scheme well into the autumn when the States could next debate this proposition. The States will be only too well aware of the critical shortage of social rental accommodation, and the desperation felt by many families on the Committee's waiting lists. These seven flats will provide seven families with new homes within the next 12 months.