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

ANSWER TO BE TABLED ON TUESDAY 12th FEBRUARY 2008

Question

1. On page 2 of the White Paper "Jersey Homebuy: a new form of 'shared equity' housing" (R.7/2008) it that *"buyer would purchase 100% of the property for just 65% of the first time buyer value"*. As the buye only ever realise 65% of any subsequent sale price would the Minister state whether a buyer will, in fact ever "own" a 65% interest in the value of the property?

Answer

Under the proposed scheme, the buyer will own 100% of the property, and will have all of the obligation property owner. Repayment of the outstanding 35% of the purchase price will be secured through a se charge on the property, and will be realised on its eventual resale. To that extent it is similar to any property purchases, where any outstanding charges on the property, such as a mortgage, are cleared fro receipts of the sale.

The Jersey Homebuy proposal is a simple scheme which has deliberately designed, with the advice of the Officers, to fit Jersey's property laws as they stand.

Question

2. On page 5 it states that short of a fundamental change of Jersey property law, shared equity as in the U Kingdom cannot happen in Jersey. Would the Minister explain why this is so and why he has not chos make the "fundamental change" to the law?

Answer

Shared equity in the form commonly referred to in the UK is perhaps better described as 'Shared Owners Such schemes make available for sale only a percentage of the home and this arrangement exists in perpe The initial buyer does not purchase all of the property and in most cases is required to pay a rental c portion of the property which they do not purchase. Shared ownership is known in Jersey Law. The perc barriers to its implementation are in respect of the borrowing required by most purchasers. Although it beyond argument, it appears probable that as a matter of law a loan cannot be secured on a share in a pro Even if it is possible it is inconceivable that any lender would be prepared to lend, as all that the lender w get if the security had to be realised would be that share.

The law governing property is customary law which has evolved over the centuries, with occas modification by statute rather than statute law and is not capable of simple legislative change. Should the fundamentally change in due course, then it is possible that other forms of shared equity may become poss

Question

3. Would the Minister inform members why *"Shared ownership is possible but, as a form of affordable ho provision in Jersey, is commercially unrealistic?"* (Page 5).

Answer

Shared ownership is commercially unrealistic because it is inevitable that purchasers will only be able to l they can borrow to do so, and lenders will only lend if they can secure their loans. It is probable tha matter of law a loan cannot be secured on a share in a property. Even if it is possible, all that the lender v have as security would be the purchaser's percentage share. It is inconceivable that lenders would wish to on those terms. .

Question

4. Will the Minister explain to members how the "Jersey Homebuy" scheme *"helps to reduce the p requirement to provide and maintain social housing"*? (Page 6)

Answer

Most recent developments of social rented homes have been acquired by the Housing Trusts with the bene interest subsidies on their borrowing. If these social rented homes are not needed to meet current demand those homes can be released into the first time buyer sector. Adopting the Jersey Homebuy scheme pro enables those people who cannot afford to acquire first-time buyer homes at the market rate to purchase own home. In the absence of such a scheme, they will have to rent property in the local market which v include the social rented sector.

Question

5. Will the Minister explain what is meant by the phrase *"Within the current 45% allocation for affor housing, it would allow for a split between social rented and Jersey Homebuy housing based on ava evidence of need and supply?* (Page 9) and inform members whether this will mean that housing intende rental to the poorest and those in real social need will be diverted for those just below first time buyer inco

Answer

I will liaise with the Minister for Housing and have regard to the latest housing needs survey when determi

- whether the current 45% affordable housing allocation is sufficient and
- what proportion of that 45% allocation should be allocated to Jersey Homebuy and what propo should be allocated to social rented housing.

At the present time, I am advised by the Housing Minister that the development of social rented family ho on the developed Island Plan H2 sites has significantly reduced the waiting list for such properties. ' homes can then therefore be re-categorised for Jersey Homebuy without having a deleterious effect o availability of social rented homes.

Question

6. Will the Minister set out for members the proposed income boundaries between those who will fall int categories he is proposing through his "gateway" of those –

i) unable to buy at all, and eligible for social rental housing;
ii) who do not qualify for the above, but are unable to buy on the open first time buyer market and q for "Jersey Homebuy"; and
iii) who are able to enter the first time buyer market unaided;

for the following categories –

Single persons;
Married couples;
Married couples with children.

Answer

The Minister for Housing will operate the gateway. The gateway will assess applicants and will cate applicants as being eligible or not for Jersey Homebuy. Financial limits have not yet been set and the resu this consultation and the recent Housing Needs Survey are awaited in order that these maximum income can be established.

Question

7. Has the Minister considered whether the proposed scheme will further exacerbate house price inflati increasing the eligibility of those driving demand for house purchase whilst doing nothing to increase su If he has not yet considered this matter will he undertake to do so in his response?

Answer

There is no evidence to suggest that the scheme would be inflationary. It is my view that rather than incre the demand for first-time buyer homes, which clearly already exists, the effect of the proposed scheme w to increase the supply, given that 45% of the homes on these 3 sites will not now be restricted to social r use. The further provision for all types of homes will be met through the Island Plan Review process, a based on the results of the Housing Needs Survey, the results of which will be available in March.

Question

8. What consideration, if any, has the Minister given to the possibility that the "Jersey Homebuy" scheme, providing a short-term solution for a few potential first-time buyers, could cause a blockage in the market longer term, in that those who enter the scheme (as mentioned in the White Paper) are unlikely to be a move on for some considerable time, and may remain for life?

Answer

The great majority of homes purchased in the first-time buyer market on sites zoned for the purpose tend occupied for the long term by their purchasers. I do accept that the capital growth of the 65% proportion initial value paid by the purchaser is likely to make it more difficult for the purchasers to move upwards housing market, however, such a situation must be preferable to a lifetime of renting.

Question

9. Will the Minister give further details to members of how the 35% equity in this scheme will be arrange administered by "not-for-profit" bodies referred to, and what part the States of Jersey will play in such a sch What monies, and from what sources, are to be allocated to the scheme in order to fund the 35% funding f

initial scheme on the three H2 sites identified in the White Paper?

Answer

It is intended that the Homebuy homes be sold by the developer to a non-profit making body at 65% of th time buyer value, before a single first time buyer home can be sold. The non-profit making body will al the homes to persons approved through the Gateway. The non-profit making body will register a second c against the property which will be repaid at the next alienation of the property. That income will be paid non-profit making body and utilised for the future provision of affordable housing.

No resources public resources will need to be allocated to the scheme for these sites, other than at the Ho Department which will manage the Gateway.