

STATES OF JERSEY



JERSEY HOMEBUY HOUSING: AMENDMENT TO ISLAND PLAN POLICY H1

Lodged au Greffe on 21st May 2008
by the Minister for Planning and Environment

STATES GREFFE

PROPOSITION

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

to refer to their Act dated 11th July 2002 in which they approved the Island Plan 2002 and, inter alia, Policy H1 and to amend that policy to include provision for “Jersey Homebuy housing” within the definition of Category A housing for the remaining H2 housing sites, and to agree to–

On Page 8.3 of the Jersey Island Plan 2002

- (a) insert, after paragraph 8.18, the following new paragraph –

“8.18a

There is also a need for housing which addresses the need of those with incomes too great to be eligible for social rented housing, but who are unable to afford to buy the cheapest first time buyer home even with the assistance of a loan. In order to meet this need a category of housing will be introduced which will enable first time buyers who fall within this range to buy first time buyer properties without paying the full first time buyer price. There will be appropriate arrangements for the repayment in due course to the vendor of the balance of the purchase price”; and

On Page 8.4 of the Jersey Island Plan 2002

- (b) insert, after the bullet point “States, Parish and Housing Trust Rental Housing (including sheltered housing)” a new bullet point as follows – “Jersey Homebuy Housing”;

On Page 8.13 of the Jersey Island Plan 2002

- (c) In the third paragraph of “Policy H1 – Provision of Homes” after the words “first time buyer homes” delete the word “and”; and after the words “social rented homes” insert the words “and/or Jersey Homebuy housing, in such proportions as the Minister shall determine, having regard to the most recent available evidence on housing need and housing supply,”.

MINISTER FOR PLANNING AND ENVIRONMENT

REPORT

Introduction

1. Following a sustained period of economic growth in the last few years, house prices have risen sharply. As a consequence, it has become increasingly difficult for households to access home ownership. The average annual growth rate in house prices in Jersey since 1990 of 6.8% are greater than that of earnings (5.3%). More recently (2008), average house prices have risen dramatically by as much as 28% over the previous year. As the gap between house prices and average income widens, the issue of affordability becomes a major concern for a growing number of Jersey residents. Consequently, for many young Jersey people, the prospect of gaining a foothold on the property ladder has become remote. The latest Housing Needs Survey (2007) confirms that housing affordability is a major problem in Jersey and that it is not confined to the lowest incomes but affects many people on average and above average salaries. These are people with incomes too high to be eligible for social rented accommodation but unable to afford, even with a loan, the cheapest first time buyer home. They are stuck in the middle in an “intermediate housing market”. The survey indicates that of the 1655 households intending to leave the Island over the next five years, 40% identify their inability to afford to buy a property as the reason for wishing to leave. (See further analysis of the Housing Needs Survey 2007 in Appendix 1.)
2. Against this backdrop, the States Strategic Plan 2006 – 2011 sets the objective of a ‘good standard of affordable accommodation for all’ and increased levels of home ownership in Jersey. For this to be achieved there is an urgent need to provide a suitable mechanism to deliver a wider range of affordable housing solutions. This report proposes the introduction of a new form of affordable housing, which will provide additional opportunities for those who cannot currently afford a home in the open market. In the local context we are calling this “Jersey Homebuy housing”.

Jersey Homebuy housing

3. Jersey Homebuy housing can be defined as follows –
Jersey Homebuy is housing where the purchaser buys the whole property, but initially pays only such part of the first time buyer housing value as may be determined by the Minister for Planning and Environment. The legal arrangements regulating the unpaid balance of the full value must be approved by the Minister for Housing and the property must remain in the first time buyer market in perpetuity.
4. In the UK, similar schemes have been available for some time and have the common theme of being cheaper than open market housing, but achieve this through a variety of mechanisms. The two common elements are that: the purchaser pays less than 100% of the market price of the property; and there is a form of ‘gateway’ to ensure that those eligible are unable to purchase housing in the unrestricted open market. Terms vary in relation to arrangements for repairs and maintenance and provisions for what happens when the purchaser sells the property.
5. It is important to define the policy aims of Jersey Homebuy in broad terms, as new models may become available during the lifetime of the revised Island Plan. An acceptable approach has been produced by the Housing Department. Appendix 2 sets out a proposed framework for the operation of the model.
6. Under the proposed Jersey Homebuy scheme, the purchaser buys the property outright but only pays a percentage of the total first time buyer market price at the time of purchase. What happens to the remaining (deferred) percentage will be regulated by arrangements approved by the Minister for Planning and Environment and Minister for Housing as explained below. In reality, it is anticipated that most owners of Jersey Homebuy properties will retain the property for a long period, given that their personal circumstances would need to change substantially to enable them to move to a property at full market price.
7. Where a site is zoned for Category A housing, 55% of the units will be sold to first time buyers at th market rate. Of the 45% of units originally intended as social-rented homes, the Minister for Planning and

Environment will determine the division between social rented housing and Jersey Homebuy housing, based on an assessment of needs at the time (which is to be set out by the Minister in Supplementary Planning Guidance). He will also give direction as to the level of discount to be provided for the Jersey Homebuy housing. Initially, the discount is to be set at 35% of the first time buyer price.

8. Ensuring that Jersey Homebuy housing is only made available to those who need it and not those with the means to buy in the first time buyer market will be fundamental to the success of the scheme. This will require means-testing. The Housing Department operates an existing means-testing system for access to States rental accommodation and in providing nominations to the Housing Trusts and it is considered feasible for this existing process to be extended to provide a complete 'Gateway' to affordable housing including social rented accommodation and Jersey Homebuy housing.
9. To qualify as eligible for Jersey Homebuy housing, purchasers will need to satisfy the Minister for Housing that they genuinely cannot compete to purchase in the 'open' first time buyer market. Some barrier in terms of maximum income is required; otherwise Jersey Homebuy homes might in practice be no more affordable than ordinary first time buyer housing. The proposed model set out in Appendix 3 explain how such a gateway will work. In selling the Jersey Homebuy homes on a site, the not-for-profit body will be required to ensure that those units are only sold to those applicants who can demonstrate that they have been approved as eligible by the Minister for Housing.

An example of how Jersey Homebuy could operate in practice (for a three bed home):

Applicant T has an income of £900 p.w. (£46,800 p.a.) and having been meanstested through the Gateway is approved as being eligible for Jersey Homebuy housing.

The home he wishes to buy is valued at £400,000 and being a unit categorized for Jersey Homebuy housing is subject to a 35% discount on the first time buyer value, bringing the purchase price down to £260,000.

T buys the property outright, but only pays 65% of the first time buyer value at this stage. Over 25 years, T's monthly mortgage repayments on a loan of £260,000 will be (at current rates) £1,675 per month, which reduces significantly after allowing for mortgage interest tax relief.

If, after 10 years, T decides to sell the property, T receives 65% of the proceeds from the sale, minus the outstanding mortgage principal and fees; the not-for-profit body holding the second charge receives the other 35% of the sale proceeds.

Thereafter, all future sales are at the full first time buyer market value.

The Development of Sites for the Jersey Homebuy model

10. On completion of the scheme, the affordable housing elements are delivered through one of two mechanisms (or a combination of the two):
11. The developer sells the social rent property to an affordable housing provider (in practice the States or a Housing Trust) who will provide rented housing to 'qualifying persons' (i.e. those qualifying for affordable housing), or
12. The developer transfers the property to an appropriate non-profit organisation to administer their sale under the Jersey Homebuy scheme to persons qualifying for Jersey Homebuy housing in accordance with the model outlined in Appendix 3.
13. The Minister would place a restriction on the occupation of the Jersey Homebuy dwellings until the developer transfers the designated Jersey Homebuy units to a recognised provider of affordable housing. This could, for example, be a public body, a Parish, a Housing Trust or other approved organisation. There would be a requirement that this be a not-for-profit body, with eventual profits from receipts of deferred payments to be reinvested in the provision of new affordable housing. This could be Jersey Homebuy housing or social rented housing, depending on the housing need at the time the deferred payments accrue. The likelihood is that the not-for-profit body will accumulate the capital it receives to be spent on new affordable housing developments.

Available Housing Sites

14. There are currently three remaining H2 sites which will be required to include Jersey Homebuy housing in the short term –
 - (a) **Site H2 (1) Fields 848, 853 and 854, Bel Royal, St. Lawrence**– development permission has been granted for 102 dwellings and planning obligations drafted to deliver 56 first time buyer and 46 social rent dwellings. The first phase of the development is currently under construction.
 - (b) **Site H2 (8) Fields 190, 191 and 192, La Rue de la Sergente, St. Brelade**– a planning application is currently being considered for 16 first time buyer and 13 social rent dwellings.
 - (c) **Site H2 (10) Field 873, St. Lawrence** a planning brief was approved in 2003 for 8 first time buyer and 6 social rented family dwellings, in accordance with the 2002 Island Plan and a planning application has yet to be submitted.

Conclusion and Recommendations

15. This report and proposition proposes to make minor changes to the policies of the 2002 Island Plan 2002, to include Jersey Homebuy housing within the definition of Category A housing. Accordingly, Policy H

of the 2002 Island Plan is proposed to be amended, thus allowing the Minister to make provision for Jersey Homebuy housing on the remaining H2 housing sites.

16. Currently, Jersey Homebuy housing is not defined as a component of Category A housing. Accordingly this report and proposition seeks to make an interim amendment to the Island Plan, which brings Jersey Homebuy housing within the definition of Category A. Within the current 45% allocation for affordable housing, it would allow for a split between social rented and Jersey Homebuy housing based on available evidence of need and supply, which would be secured through the use of planning obligation agreements.

Financial and manpower implications

17. There will be nominal financial and manpower implications for the Housing Department in respect of administering the gateway and monitoring the funds accrued by the Non-Profit Organisation.

**Further Analysis from Jersey's Housing Assessment 2008 – 2012
Report on the Housing Needs Survey**

- A1.1 The Recent Housing Needs survey found that there are marked differences between income levels of potential first time buyers, with concealed households (generally children leaving home for the first time) tending to have lower household income than established households. For concealed households, the income distribution peaks at £20,000 – £29,999, with more than a third (36%) of such households within this income band. The income distribution for existing households peaks at £50,000 – £69,999, with more than a quarter (28%) of existing households falling within this income band.
- A1.2 The survey also examined the price ranges for properties that first time buyers would like to purchase and found that around half (47%) of first time buyers were looking to purchase a property priced under £250,000. The value of property that households are able to buy is closely linked to income levels, and the price ranges for property differ for existing and concealed households. The majority of concealed households favour lower-priced properties with two-thirds (68%) looking to purchase properties below £250,000. The distribution for existing households is more evenly spread and there is a slight shift away from the lowest price bracket. About half (53%) of existing households are looking to purchase properties between £200,000 and £350,000.
- A1.3 About three-fifths (62%) of first time buyers plan to purchase a property valued at up to 6 times their household income. Over three-quarters (77%) of existing households, and two-fifths (40%) of concealed households are looking to purchase property up to 6 times their household income. Two-thirds of concealed households intend to purchase property valued at 7 times their annual household income or more. This raises the question of affordability – whether people wishing to purchase property for the first time will actually be able to do so.
- A1.4 When asked for the preferred method of purchasing a property, 9 out of 10 (89%) first time buyers would choose a standard mortgage and less than one in 10 (8%) would choose shared equity. If it were not possible to get a standard mortgage, two-thirds (67%) said they would consider shared equity.

**Interim provision of Jersey Homebuy on remaining H2 sites:
Requirements for proposed schemes**

- A2.1 The Minister for Planning and Environment will require developers and/or affordable housing providers involved with the remaining Island Plan H2 sites to enter into a planning obligation to deliver a mix of first time buyer dwellings and social rented or Jersey Homebuy dwellings. In the case of Jersey Homebuy dwellings, the Minister for Planning and Environment will require the developer to transfer the units to a suitable not-for-profit body who will administer their sale under an appropriate Jersey Homebuy scheme, which is required to include the necessary legal safeguards for the purchasers.
- A2.2 The detailed specification of the Jersey Homebuy scheme, including the requirements to be incorporated in the planning obligation agreement with the developer, will be set out by the Minister for Planning and Environment, in conjunction with the Minister for Housing, in Supplementary Planning Guidance. This policy statement will be updated on a regular basis in the light of the results of the latest Housing Needs Survey.
- A2.3 First time buyer properties will be either unclassified first time buyer properties, for which there will be no discount, or Jersey Homebuy properties, for which the discount will initially be 35%. There will be appropriate arrangements for the repayment in due course to the administering not-for-profit body of the balance of the purchase price for Jersey Homebuy properties.
- A2.4 The Minister for Housing will maintain a register of Jersey Homebuy prospective purchasers. Any first time buyer will be entitled to apply to the Minister for Housing to be entered on the register. Acceptance for the Jersey Homebuy scheme will be determined by the Minister for Housing having regard to the applicant's financial resources.
- A2.5 The Minister for Planning and Environment will determine in respect of any of the sites to which this policy refers what proportion of the dwellings to be constructed on the site shall be –
- (a) Unclassified first time buyer accommodation. Such accommodation will be able to be sold at full first time buyer price to any first time buyer, whether on the register or not;
 - (b) Intermediate first time buyer accommodation, which will initially be available at 35% discount to a qualifying Jersey Homebuy purchaser; and
 - (c) Social rented housing.

The Jersey Homebuy Model

It is proposed that the Gateway will function thus –

- Applicant will apply to the Housing Department to be eligible for Homebuy.
- There will be an application form which will focus in detail on household income.
- Once all the information has been supplied, a means test will be carried out using the declared income to confirm whether the applicant falls between the financial parameters set (evidence from the HNS suggests that this should initially be £40,000 to £60,000 for the remaining H2 sites).
- Those means-tested as qualifying will be provided with a certificate of qualification which will be valid for 12 months. This certificate will have a caveat; in that, if during the period that the certificate is extant the applicant's income increases beyond the £60,000 upper limit they must reapply and be reassessed.
- After 12 months, certificates will not be valid and applicants will have to reapply and be reassessed.
- Applicants who hold a valid certificate will be eligible to purchase a Jersey Homebuy home and they will apply to do so direct to the not-for-profit organisation on a site-by-site basis. The not-for-profit organisation will have sole responsibility for allocating the Jersey Homebuy homes.