



ANDIUM
HOMES

Connétable A S Crowcroft
Chairman
Environment, Housing & Technical Services Scrutiny Panel
Scrutiny Office
Morier House
St Helier
JE1 1DD

Dear Connétable Crowcroft

9th June 2015

Supply of Housing

Thank you for your letter of 7th May 2015, addressed to our Chairman Mr Michael Jones who has asked me to respond and submit the attached comments relating to the above review.

I hope that you will find our submission of assistance, please do not hesitate to contact us in the event that you have any additional questions or would like to discuss any specific points.

Yours sincerely

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ENVIRONMENT, HOUSING AND TECHNICAL SERVICES SCRUTINY PANEL

REVIEW OF THE SUPPLY OF HOUSING

SUBMISSION FROM ANDIUM HOMES LIMITED

In setting out its response to the call for evidence from the Panel, Andium Homes has focussed to a large extent on 'Affordable Housing'. It is worth being clear that the term 'Affordable Housing' will include Affordable Rental Housing, also referred to as Social Housing; as well as schemes for Affordable Home Purchase. Taken together these are forms of housing which are accessed only by qualifying persons who have met the Minister for Housing's criteria for Affordable Housing assessed by the Affordable Housing Gateway.

Andium Homes has considered each of the 6 questions raised within the Panel's Terms of Reference and each of these is dealt with separately. A number of other points are also raised where it is considered that they may assist the Panel in its work. We have also explained at appropriate points the things that Andium Homes is already doing or plans to do to assist with the supply and affordability of housing.

1. To examine the means by which the Council of Ministers measures and monitors housing supply and housing affordability

HOUSING SUPPLY

- a) The supply of homes is monitored by the Planning Department and together with evidence of housing need generated by the Affordable Housing Gateway and Housing Needs Survey's and Census data produced by the Statistics Unit, forms much of the evidence base for the Housing Section of the Island Plan.
- b) Island Plans are generally prepared every 10 years and during the interim years there is a process of monitoring to ensure that the policy aims of the Plan are working as intended and that the supply of homes is adequate to meet needs. This monitoring is essential and as is its reporting to the States annually in a report 'Residential Land Availability' formerly 'Planning for Homes'. The last report presented to the States was dated January 2013¹. A monitoring report has not been submitted in 2014 or thus far in 2015. An updated report would have been a good starting point for this review as well as being a useful reference tool for policy makers and those involved in developing affordable housing.
- c) The absence of the data routinely reported in the Residential Land Availability report has made the monitoring of supply and demand for housing more challenging. Andium Homes has monitored the delivery of approved sites back to 2005 and modelled the impact of the new supply to be generated from its own portfolio, those

¹ [R.015/2013](#)

schemes planned by other providers and the outstanding sites approved for Affordable Housing in the Island Plan.

The Table below sets out actual net completions for both affordable sale and affordable rental between 2005 and 2014 and the estimated net supply of new homes between 2015 and the end of the current Island Plan period to 2020 and beyond to 2028. These figures assume that all known schemes are completed in line with current expectations.

SUMMARY OF AFFORDABLE HOME SUPPLY		
COMPLETION YEAR	NET NEW UNITS	
	AFFORDABLE SALE	AFFORDABLE RENT
	Actual	Actual
2005	22	26
2006	57	205
2007	205	77
2008	81	-13
2009	101	0
2010	21	0
2011	10	114
2012	67	18
2013	9	29
2014	14	37
Total Completed	587	493
Average p.a	59	49
	Estimated	Estimated
2015	16	-14
2016	15	-25
2017	32	335
2018	55	252
2019	15	195
2020	15	30
2021	15	-15
2022	15	-15
2023	15	-15
2024	15	-15
2025	15	125
2026	15	-15
2027	15	-15
2028	15	-15
Total Estimated	268	793
Average p.a.	19	57
Grand Total	855	1286
Projected Annual Average	36	54

Notes

- The table includes reductions in the supply of affordable homes due to demolitions or decants for major refurbishment or redevelopment works
- There is no supply of Affordable Housing shown after 2020 except for 2025 which is when the supply from the Summerland and Ambulance HQ site is anticipated
- The supply of affordable for sale homes at 15 units a year is provided by an equal reduction in affordable rental units

- d) The existing affordable rental stock managed by Andium Homes and the Housing Trusts provides an element of ongoing supply each year as existing units are vacated and made available for allocation to new applicants from the Gateway. This existing stock is augmented by new units developed, net of demolitions and decants. The table below attempts to show the impact of the new supply and relets alongside the growth in application numbers annually. There are two key points:-
- i. The Gateway list is not a static group of people, new applications are added annually;
 - ii. Generally the rate of new applications is greater than the supply of homes from relets and new supply by an average of 124 applications.

Year	New Applications	New supply	Relets of existing units	Annual Shortfall
2005	335	26	237	98
2006	237	205	63	174
2007	208	77	130	78
2008	293	-13	235	58
2009	349	0	256	93
2010	245	0	205	40
2011	442	114	116	326
2012	352	18	229	123
2013	156	29	177	-21
2014	509	37	236	273

- e) It is suggested that the Department of the Environment consider undertaking annual publication of a report on the supply of and demand for homes which includes an assessment on the effectiveness of the policies approved in the Island Plan, specifically Policies H1 & H5².

AFFORDABILITY

- f) The States Statistics Unit are responsible for reporting on the affordability of housing. The most recent report available is for 2013³. The summary of results at pages 5 & 6 capture the relevant findings.
- g) Of particular concern will be the fact that in 2013, *'almost half of all working households could not service a mortgage affordably on the purchase price of a property at the lower quartile price, a greater proportion than in 2011 and 2012'⁴.*

² Policy H1 – Affordable Housing & Policy H5 – Housing in Rural Centres

³ [Jersey Housing Affordability Report 2013](#)

⁴ Jersey Housing Affordability Report 2013 – Page 5 – Summary – Bullet Point 8

Table 5 – Affordability of lower quartile properties (all types); all working households

Year	Lower quartile price	Household income required to service mortgage affordably	% of all working households <u>unable</u> to purchase affordably
2010	£278,000	£52,000	50
2011	£252,000	£48,000	43
2012	£256,000	£49,000	44
2013	£275,000	£54,000	49

- h) It is a reasonable assumption that whilst demand for housing and in particular affordable housing outstrips supply, prices will increase and at times these increases will be significantly ahead of increases in average earnings. That is not to suggest that a significant building programme will magically reduce prices. That is unlikely and may not be desirable in any case. However, it may have the effect of helping to stabilise prices.
- i) Andium Homes intends to continue to provide opportunities for affordable home ownership by continuing to operate its very successful and popular Deferred Payment Scheme⁵ which provides qualifying buyers with the opportunity to purchase a home for as little as 75% of the market price, subject to means testing. Andium Homes recently completed its 100th Deferred Payment sale and has made a commitment in its business plan to sell an average of 15 homes a year on this scheme. The proposed 15 sales per annum in years 1 – 20 of the Company operation are necessary to provide additional funding to augment the Bond funding for the stock development plan⁶. This is the absolute minimum which Andium Homes believes to be acceptable and we would like to be selling more homes subject to there being a sufficient supply of new affordable rental homes to replace those units sold and to assist in realigning the stock.

HOUSING NEED / DEMAND

- j) The Panel's Terms of Reference do not specifically raise the question of how the demand of homes is measured. We believe this is an important issue to consider and should include:-
- Considering whether the eligibility criteria for accessing the Affordable Housing Gateway need reviewing;
 - The extent of hidden housing need from concealed households and from groups who do not qualify for Affordable Housing, such as childless single people and couples under 50 and Key Workers;
 - To what extent the existing housing stock is fit for purpose, given the demographic, environmental, population and affordability challenges;
 - The reasonable life expectancy of the existing housing stock, and the plans for reinvestment and / or replacement of that stock
- k) Modelling of the supply and demand trends for affordable rental housing, based on the current Gateway criteria shows that between 2005 and 2008 an annual supply of

⁵ [Andium Homes Sales Information](#)

⁶ [R.015/2013](#)

on average 75 new homes each year, had the effect of keeping the waiting list for social rented housing relatively stable at less than 300 households.

- l) It is evident that in 2008 the supply of new homes emanating from the 2002 Island Plan came to an abrupt end and the period 2009 – 2014 provided a net gain of less than 40 homes per annum. By January 2015 the waiting list for social rented housing had reached a level of 932 households. (This is different to the published Gateway figure produced by the Strategic Housing Unit, as it excludes applications in Band 4 which the SHU's own statistics report shows is not reflective of social housing need⁷).
- m) It is also evident that projecting forward, based on recent application rates and turnover, an annual supply of at least 150 new affordable homes will be needed to maintain the Gateway list at its current level of 939 (once again applications in bands 4 & 5 have been excluded from this figure).
- n) The three sites rezoned under Policy H1 of the 2011 Revised Island Plan, approved in 2014⁸ provide for just 216 new affordable rental units or less than 18 months of the supply required. Two other sites rejected by the States would have provided another 68 homes over the period of the Island Plan – to 2020.

2. To consider the factors which affect the supply and affordability of housing in Jersey

- a) We will not address each of these in detail as many are self-explanatory, but the factors seen as being important in terms of supply and affordability are set out separately below:

SUPPLY

1. Availability of development land
2. Landowners value expectations
3. The planning system
4. Economic situation
5. Availability of finance – for buyers
6. Availability of finance for developers if there is less confidence that the homes can be sold on completion
7. Interest rates, which we deal with to a greater extent in 2(b)(5) below
8. Construction Market Capacity
9. Lack of levers in the Planning System to bring forward private developments with existing planning consents
10. Lack of any levers (other than compulsory purchase) which encourage or compel the development of sites specifically rezoned for Affordable Housing (Island Plan Policy H1).

⁷ [Affordable Housing Gateway Statistics April 2015](#)

⁸ [P.037/2014](#)

11. The release of other sites which are suitable for residential development in a timely manner; (e.g. D’Hautree and parts of St Saviour’s Hospital site). The Summerland & Ambulance HQ sites were to be available for development as affordable housing in 2017/18, however, because of the re-prioritisation of the States Capital Programme the Ambulance HQ move will be delayed and may mean that the two sites cannot be made available for development together until 2023).
12. Small number of very dominant developers who are able to ‘land bank’ and control supply and to some extent pricing.

AFFORDABILITY

b) The issues affecting affordability include:

1. General economic situation
2. Population and Migration
3. Household sizes
4. Employment situation
5. Interest rates. Jersey’s mortgage market differs to mainland UK both in terms of rates available and the number of participating lenders. There is limited choice, particularly for First Time Buyers. For instance the Mortgage Shop May Mortgage Bulletin, copy at Appendix A, which sets out the best rates available in Jersey indicates that a 5 year fixed rate mortgage is generally only available with a 15% deposit and then with an interest rate of 3.29%. 2 year fixed rate mortgages are available in Jersey with a 10% deposit, again the best quoted rate is 3.29%. By contrast comparison web sites looking at available mortgages in the UK suggest that there are a plethora of 2 year fixed rate mortgages available from 1.08%. Notably the majority of these lenders do not feature in Jersey’s mortgage market. The table below shows the potential cost to buyers of not having access to the same mortgage products. These factors obviously contribute to the overall cost of home ownership and almost certainly restrict the mobility in the market as people seek to step up, or down, the property ladder.

Mortgage Value	Jersey	UK	
	£200,000	£200,000	
Fixed Rate	3.29%	2%	1.08%
Annual Repayment	£11,860	£10,244	£9,171
Cost over 2 Years	£23,719.68	£20,488.08	£18,342.72
Variance over 2 years		-£3,232	-£5,377
Variance over 25 year term		-£40,395	-£67,212

6. Supply of new homes. Housing is a commodity like any other and if demand outstrips supply then without other interventions prices will increase.
7. Consistency of supply – too often there is feast and famine, boom and bust.
8. Land prices

9. There is a limited extent to which affordable homes purchased by individuals can be preserved in the affordable housing market for the benefit of future generations of first time buyers. There is no Specific Performance for property transactions.
10. Existing affordable homes for purchase are accessible by any First Time Buyer(s) irrespective of affordability. In the past competition for limited numbers of affordable homes for purchase has led, at least in part, to significant price inflation.

3. To examine the impact of the planning process on the delivery of housing

- a) We do not propose to specifically set out the background to or policy objectives of the 2011 Island Plan or the 2014 Review, here. The Panel will no doubt have sought information on the Island Plan from the Environment Minister and his Department and our comments will be limited to those aspects of the planning process and the Island Plan itself which we feel it is important to note, particularly where there may be a perceived possible gaps.
- b) The Island Plan is the primary means by which land is rezoned for Category A residential development. We recognise that the rezoning of former agricultural land for residential development is seldom popular and when the States is asked to consider such proposals it is on the basis of meeting an urgent need for affordable housing. However, once land is rezoned the process leading up to development can be slow and it is apparent that there are insufficient statutory or policy powers to bring forward the release of land and ensure that the development of the affordable homes is carried out in a timely manner. Rezoning appears to be an unconditional and irreversible step which hands the land owners a significant uplift in land value for absolutely no effort but then leaves it to the land owner to decide when to have his site developed.
- c) The Island Plan was approved in 2011 and was revised in 2014. In his report following the Examination in Public of the 2014 Interim Review, the Independent Inspector Mr Chris Shepley commented at Paragraph 4.1⁹ of his Introduction that *'The proposed revisions to the Plan sprang primarily from the need to revise some of the housing policies. Two matters were crucially important. The first was the supply side shortage, which arose essentially because the States had decided in 2011 not to include in the Plan certain sites which had been proposed at the draft stage, and because States-owned sites had not come forward as hoped. The second was the fact that the previous Policy H3, dealing with affordable housing, had never been implemented, and it was necessary to bring forward an alternative approach. At the EiP we considered in some detail these and a number of other related matters, and we went on to consider (or re-consider) the sites which were put forward in policies H1 and H5.'*
- d) The most recent Island Plan was clearly predicated, in terms of rezoning land for Category A, Affordable Housing, on the principle of only rezoning a minimum number of sites in order to deal with housing need. 7 sites were proposed for Affordable Housing development in Policies H1 & H5 of the 2014 Review of the 2011 Island Plan⁸. Together, at maximum densities they would have provided for a total of 329 Affordable Rental homes and 82 homes for Affordable Sale. These sites were proposed by the Environment Minister on the basis that they addressed the identified affordable housing need. In referring to these sites Mr Shepley said *'Policy H1 also includes 4 privately owned sites which it is proposed should be used for affordable housing, and which constitute about 25% of the total. These are De la Mare Nurseries,*

⁹ [The Jersey Island Plan 2011 Interim Review Report \(Chris Shepley & Alan Langton\)](#)

Samares Nursery, Le Quesne Nurseries, and Longueville Nurseries. We considered all of these in 2010 and revisited them during the current process to re-assess their suitability. The States Property Services Department viability assessments concluded that they are viable for affordable housing as defined in the Plan.

We deal with them in more detail later, and take into account the objections and the points made during the debates on them. But we conclude that all four should go ahead. (We consider later whether the States should have compulsory purchase powers so as to ensure, if needs be, that this happens). As we have suggested already, we think the States made an error in excluding these sites in 2011 and that this needs to be rectified if the Island Plan is to be effective in meeting the Island's needs.'

- e) Andium Homes is not seeking to reopen the debate on the rezoning of those sites which were not approved by the States in 2014, the matter has been extensively debated and a decision reached. However, there are consequences and we merely wish to highlight the potential risks in terms of the long term supply of affordable housing. These risks could have been mitigated to some extent if as was the case in the 2002 Island Plan a backup list of sites had been included (in 2002 these reserve sites were designated H3 & H4 and can be seen in the annex to that proposition¹⁰. There are at least three consequences arising from the decision to propose so few sites in 2014:-
- I. The States decided not to approve 3 of the 7 sites proposed by the Environment Minister and supported by the Independent Inspectors in 2014. This had the effect of reducing the forward supply of Affordable Housing by an indicated 117 units. To date there have been no proposals to address this shortfall in supply and no additional or backup sites have been identified.
 - II. As all the approved sites were absolutely necessary to meet housing needs this essentially put land owners in the driving seat where they could hold out for the best price in the knowledge that the demand for their land increases with time. It is notable that almost 12 months on from the approval of the 2014 Revision of the 2011 Island Plan none of the H1 sites have firm development proposals in place. Had more sites than were strictly required at the time been proposed and approved then developers of affordable housing may have been able to strike better deals and land owners who set their land value expectations too high may have found that development of their land had not taken place.
 - III. If the 2 sites approved by Policy H1 and the H5 sites, Field 785, St Ouen (previously designated as an H4 site in the 2002 Island Plan and Field 402, St Martin) are not developed quickly, the States of Jersey may consider a number of options available to it, in order to ensure that there is sufficient land for Affordable Housing development:-
 - a) Compulsory purchase of the approved sites
 - b) Provide more land already owned by the States
 - c) Propose more agricultural land for rezoning
 - d) Support affordable housing providers in securing brownfield and other sites from the market

¹⁰ [2002 Island Plan](#)

- f) The States approved the rezoning of Samares Nurseries, De la Mare Nurseries and Field 785, St Ouen in July 2014. The development briefs, essential to commence the design process, have not been available until very recently. Indeed the Development Brief for Field 785 is still not available and may not be available for some time. This means, (even assuming that the development briefs are reasonable and allow for viable development and that the respective land owners will be prepared to develop their sites or treat with developers who will do so), that new homes will likely not be available before 2017/18 at the earliest.
- g) Appendix B to the 2014 Review of the 2011 Island Plan stated that *'All affordable rental and homes for purchase developed on H1 and H5 sites will be retained as affordable homes in perpetuity through a planning obligation agreement which will require all occupiers to be allocated through the Housing Gateway which will be managed by the Strategic Housing Unit (except field 402, St. Martin).'*

With the benefit of hindsight, what is perhaps not absolutely clear, is that the current lack of any ability to force Specific Performance¹¹ in relation to property transactions means that a potentially complex and far reaching review and change to Jersey's Property Laws, most likely the Loi (1880) sur la propriété foncière, will be necessary. Having said that the Island Plan does go on to say. *'A new legal framework is being developed to ensure that the affordable housing unit is occupied by those who eligibility is assessed through the Housing Gateway. This work is underway and running in parallel to this interim review of the 2011 Island Plan so that it is in place when the first home is sold.'* The text implies that work was already underway in 2014 when the Island Plan was debated, however, it is not clear to what extent this new legal framework has been developed and whether there can be sufficient confidence that it will be in place by the time homes are developed. Any proposed change, unless restricted to approved Deferred Payment schemes and sites approved under the Island Plan, to such a fundamental piece of primary legislation is likely to take considerable time and consultation. It is of course not anticipated that whatever change is ultimately approved would be applied retrospectively.

- h) In 2008, the Minister for Planning and Environment commissioned Kelvin MacDonald Associates to research the potential for the procurement of affordable homes by requiring their provision as a proportion of private housing developments, or through commuted payments in lieu, and to propose a policy framework to bring this about¹². The development of a new mechanism and policy framework was incorporated into the 2011 Draft Island Plan¹³. Policy H3 was subsequently not adopted and so this valuable means of providing additional affordable housing was not in place. No replacement policy formed part of the Island Plan Review in 2014. It is worth reflecting on the fact that since the draft Policy H3 was abandoned significant private Category B sites have been brought forward for development approval, most recently the Gas Works and Play.Com sites which would, had Policy H3 been in place, have delivered almost 60 new affordable homes. It is worth reflecting that there was significant industry opposition to the Draft Policy H3 and at the time with the wider economic conditions there will almost certainly have been a view that such a policy was unaffordable for developers. We now find ourselves in improved times and there should be no reason why such a policy should not be affordable now.

¹¹ An order of a court which requires a party to perform a specific act, usually what is stated in a contract

¹² [Achieving Affordable Housing as a Proportion of Private Housing Development](#)

¹³ [2011 Draft Island Plan 2011 – Policy H3 – Page 257](#)

i) **Andium Homes is of the view that priority attention needs to be given to three matters:-**

- I. **The drafting and debate by the States of appropriate legislative change to permit the States to require Specific Performance for certain classes of property transaction, restricted initially perhaps to approved Deferred Payment Schemes and homes developed on sites approved under Policies H1 & H5 of the Island Plan; and**
- II. **A revision of the Island Plan to introduce a policy which requires private landowners to provide a proportion of affordable housing on Category B private development sites or a commuted sum ring fenced for use in the development of affordable housing. It should be recognised that the use of commuted sums should be the exception rather than the norm as on its own a commuted sum will not provide any additional housing unless there is land on which to invest in development.**
- III. **A review into the potential benefits of encouraging additional lenders to become active in Jersey's mortgage market.**

4. To consider proposals of the Council of Ministers for the delivery of further housing

- a) Housing is not detailed as a main objective in the current Council of Ministers States Strategic Plan. However, the Housing Minister is well advanced in preparing a Housing Strategy. In the interim Andium Homes is relying upon the previous strategy relating to housing as set out in the States Strategic Plan 2012¹⁴.
- b) Andium Homes has set out its initial proposals for the delivery of new homes in its Strategic Business Plan¹⁵. Specific attention is drawn to the table on page 12 which identifies the projects being undertaken by Andium Homes. The programme will provide for a net gain of 472 new affordable homes.

New build and redevelopment projects
Projected budgets and timescales for new build redevelopment projects.

	Units added	Units lost	Net new units	Status	Tender	PC*	Total budget ** £000	2014-2019 budget ** £000
Journeaux Street	9	-	9	Complete			1,300	24
Le Squez phase 2c	24	-	24	Construction	2014		4,530	260
Langtry Gardens	50	-	50	Construction		2014	8,000	1,283
Lesquende 1 (Belle Vue)	35	-	35	Construction		2015	5,714	2,905
Former Le Coin site	23	-	23	Construction		2015	4,573	3,849
Le Squez phase 3	21	-21	-	Procurement	2014	2015	5,850	5,531
Lesquende 2	44	-	44	Procurement	2014	2016	11,000	10,638
Le Squez phase 4	117	-84	33	Feasibility	2015	2017	27,000	27,000
La Collette – low rise	161	-59	102	Feasibility	2015	2019	55,579	55,579
Summerland site	87	-	87	Awaiting Transfer	2017	2019	17,604	17,174
Ambulance Station site	65	-	65	Awaiting Transfer	2019	2021	18,565	7,430
Final costs of other projects	-	-	-	N/A			491	22
	636	-164	472				160,206	131,695

- c) These 472 net new homes are all provided for in the funding established for Andium Homes through the Public Bond issue.

¹⁴ [States Strategic Plan 2012](#)

¹⁵ [Andium Homes Strategic Business Plan](#)

- d) It is notable that all but the Ambulance and Summerland sites are already in the ownership of Andium Homes and there can be a high degree of confidence that this new supply will emerge in the indicated timescale, indeed by the end of 2015 with the exception of La Collette – Low rise and the Summerland and Ambulance Station sites, all of these projects will be either completed or underway.
- e) Development of the Summerland and Ambulance Station sites needs to be undertaken as one project to maximise development density and to deal with key elements such as underground car parking. Development is obviously contingent on those sites being vacated by their present users.
- f) It had been anticipated that these sites would have been totally vacant by 2018/19 at the latest, however, recent re-prioritisation of the States Capital Programme has meant that the move of the Ambulance HQ will be delayed and therefore the Summerland and Ambulance Station site will not be available for development to commence until at least 2023. This presents a significant challenge in terms of the delay in providing 152 new affordable homes. It is interesting that Mr Shepley in his review of the Revised Island Plan Proposals in 2014 had doubts about whether the Summerland and Ambulance Station sites would be made available for development by the States in the timescale indicated in the Plan. At paragraph 4.22 of his report Mr Shepley says, *'We visited this site and saw the very active uses which exist there. The Minister sees this as coming towards the end of the Plan period (between 2016 and 2020). A number of participants expressed doubts about this; and we share them, based on the past record to which we have referred. Since it is not proposed for development imminently, we do not see the need to replace it at present; but should there be no substantial progress within two years from the EIP (ie by the beginning of 2016) we recommend that other sites are brought forward in its stead.'*
- g) Andium Homes has recently announced that it will be developing the former Ann Court site in St Helier and will be paying for this project through the reprioritisation of funding established for the delayed Summerland and Ambulance Station project. A scheme has yet to be designed and will need to include a minimum of 137 public shopper car parking spaces, however, between 140 and 200 new homes are anticipated from this major regeneration project. Whilst the Ann Court development is a new scheme for Andium Homes it does not represent a new supply of homes as its development for 140 new affordable housing units was already assumed and counted in the evidence base for the 2014 revision of the 2011 Island Plan¹⁶. Therefore the delay to the Summerland and Ambulance Station development remains a concern in terms of the supply of affordable homes.
- h) This is of course not the complete picture of affordable housing supply which is clearly more complicated and needs to take account of developments being undertaken by other affordable housing providers, rezoned sites and the short term losses of homes necessary during refurbishment or redevelopment programmes.

The following table seeks to demonstrate the overall numbers of new units (net of demolitions) annually.

¹⁶ [Revised 2011 Island Plan para 6.57](#)

SUMMARY OF AFFORDABLE HOME SUPPLY		
COMPLETION YEAR	NET NEW UNITS	
	AFFORDABLE SALE	AFFORDABLE RENT
	Estimated	Estimated
2015	16	-14
2016	15	-25
2017	32	335
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2025	15	125
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Total Estimated	268	793
Average p.a.	19	57

Notes

- The table above includes reductions in the supply of affordable homes due to demolitions or decants for major refurbishment or redevelopment works
 - There is no supply of Affordable Housing shown after 2020 except for 2025 which is when the supply from the Summerland and Ambulance HQ site is anticipated
 - The supply of affordable for sale homes at 15 units a year is provided by an equal reduction in affordable rental units
- i) Andium Homes' Strategic Business Plan, Objective 4 at page 15 makes it clear that *'Numbers on the Affordable Housing Gateway currently exceeds 1,200 [including Affordable Purchase in Bands 4 & 5]. Therefore, after delivering the additional 472 net new units committed to (outlined in objective 1), there will still be unmet demand for affordable homes. Further growth is therefore required.'* Andium Homes has set itself the target of developing or acquiring an average of 100 new unit starts a year from 2015.
- j) 30 new homes are already under construction in phase 2 of Andium Court at Langtry Gardens. These will be completed in February 2016.
- k) Andium Homes is also pursuing the possible development of a number of other sites, which could provide for significant numbers of new affordable homes.
- l) These projects would not be funded from the existing Bond and would therefore require a new funding mechanism which must be agreed with the Guarantor.
- m) Andium Homes submitted a 'Funding Report' to the Treasury & Resources Department in December 2014 setting out the scale of potential future development opportunities and the options for funding.

- n) One of the primary drivers for the formation of the Strategic Housing Unit as proposed in The Reform of Social Housing¹⁷ paragraph 3.12.1 was , inter alia, to:-

Developing a long-term, cross-tenure strategy for housing the population of the Island would be a key activity for the Unit. The strategy once developed will –

- *Describe the prevailing Housing market, including unit numbers, tenure, its capacity for growth, affordability, unmet need and demographic projections.*
 - *Set out current supply projections across tenure and their ability to meet need.*
 - *Provide opportunities and recommended methods for increasing the level of home ownership and providing other means of increasing affordability or providing housing support.*
 - *Propose housing standards to encourage sustainability across all tenures.*
- o) The 2011 Island Plan includes policies which protect employment land (Policy E1) and Historic Buildings and Places (Policy HE1). These policies have laudable principles but can act as a disincentive or barrier to urban regeneration projects which will already be relatively complex projects with land often owned by a large number of individuals and entities. Andium Homes has been working with the owner of a largely redundant and poorly located warehousing facility in St Helier. This site which was identified as having potential for residential development in Policy H4 of the 2002 Island Plan, is capable of providing 100+ new homes subject to the business being able to relocate. There are a number of listed buildings on the site albeit that some of these are listed for academic rather than design reasons. It is still possible to develop a scheme which preserves the best of the listed structures, however, before that can happen the land owner must demonstrate that the site is no longer viable for the existing or another employment use in order to meet the requirements of Policy E1.
- p) The States as part of its Strategic Plan have set the regeneration of St Helier as a priority. Andium Homes wholeheartedly supports the objective. The North of Town has a Master Plan which identifies key regeneration zones and potential development sites to bring about change. There is no such document for the whole of the Town and Andium Homes would support such a plan being developed as soon as practicable.
- q) **We would suggest that the West of Town should be a particular area of focus. This part of Town holds significant development potential which will be influenced by the outcome of the debate about the location of our Hospital as well as the reorganisation of blue light services around Rouge Bouillon culminating in the release and development of the Summerland and Ambulance HQ sites.**

5. To consider the proposals of the Council of Ministers, in particular the Ministers for Housing and for Planning & Environment, to improve the affordability of housing for Islanders

- a. We have already commented on the proposals for affordable housing in paragraph 3(d) above. The fact remains that whilst there is a clear policy objective set out in Policies H1 & H5 of the 2014 Review of the 2011 Island Plan⁸, the legal arrangements to require the Specific Performance necessary do not currently exist. It is anticipated that these could only be introduced through a change to Primary Legislation and will

¹⁷ [P.33/2013 - The Reform of Social Housing](#)

be subject to the agreement of the States. This must remain an area of uncertainty in terms of the outcome of Policies H1 & H5.

- b. We have also commented in Section 4 above about the need for a Housing Strategy which offers direction and guidance to providers in terms of the numbers and types of homes required to meet housing needs and affordability challenges.
- c. Andium Homes suggests that policy should be established for the following matters, presumably as part of the Housing Strategy; these include:-
 - i. The approach in terms of Key Worker Housing and the extent to which the States wants to assist Key Workers.
 - ii. Clarity about the approach to dealing with the housing needs of an ageing population, ensuring that proposals for life-long or retirement housing are dovetailed with Income Support Regulations.
- d. Andium Homes has already set out above its intentions to make available more homes for sale subject to appropriate levels of new supply (paragraph 1(h)) and its appetite to undertake additional development (paragraphs 4 (i) – (k)) subject to funding.

6. To consider the role played by other housing providers in the delivery of affordable homes

- a. It is understood that the reference to 'other providers' means 'other than the States itself'.
- b. To consider this point it is necessary to understand the role of the States in providing Affordable Housing, following the decision to incorporate the former Housing Department and create Andium Homes.
- c. Several States Departments retain residential accommodation which they use to provide accommodation for staff or for operational functions, examples are:-
 - i. Health & Social Services have in excess of 300 units of residential accommodation which it uses predominantly for staff.
 - ii. Health & Social Services provide residential properties for clients with special housing needs who are then cared for by Health & Social Services;
 - iii. Residential accommodation behind HMP La Moye originally intended for use by Prison Officers who may not historically have had local residential qualifications entitling them to rent or buy property;
 - iv. School Caretaker accommodation.
- d. The management of this accommodation is not consistent particularly in respect of rents, access and maintenance and in some cases has to be undertaken by staff who have a number of other responsibilities and as such may not have access to property management resources. As a consequence management provision may not be optimally efficient and tenants may not get the best service.
- e. **In Andium Homes the States has created a residential management specialist with appropriate staff resources and expertise. The States could make better use of these resources by either transferring residential assets to Andium Homes to be**

incorporated within the affordable rental portfolio or engaging Andium Homes to manage the properties as Andium Homes already does for the Parish of St Saviour.

- f. Andium Homes already owns 4,609 affordable rental homes as well as operating the Affordable Sales Deferred Payment Scheme. Maximum efficiency for the States might be achieved by transferring all remaining States owned residential properties into the ownership of Andium Homes to be managed as one cohesive portfolio.
- g. Andium Homes is of the view that the housing needs of key workers can be met by Affordable Housing Providers provided there is adequate supply of affordable housing. Assuming that there is adequate supply Andium Homes could fundamentally change the accommodation offering available to Key Workers, and in particular new migrant Key Workers by giving them access to affordable rental homes and the opportunity of purchasing on the Deferred Payment Scheme. This could form part of a new Key Worker recruitment and retention strategy.
- h. A number of Charitable Organisations provide housing either as a core function or as a by-product of their main activities. Andium Homes is pleased to have been able to enter into two new 9 year leases with Les Amis for two properties occupied by Les Amis clients. Les Amis pay a normal rent for these properties. In addition Andium Homes supports a number of other organisations including, Causeway, Women's Refuge, The Shelter Trust, and the Jersey Council on Alcoholism, with the provision of property from which to provide their services. In the majority of cases Andium Homes does not receive an income from these assets and is therefore providing a subsidy of approximately £280,000 per annum to these charities collectively.
- i. The Strategic Housing Unit has responsibility for the whole of the Affordable Housing Sector and it is anticipated that they will have been asked to provide data on the affordable housing stock and any identified deficiencies or areas of oversupply in terms of how well the stock matches the projected needs of islanders. Again it is anticipated that these issues will be discussed in the Housing Strategy and objectives set. In the work undertaken in the preparation for the States debate of the proposals set out in P.33/2013 all of the Housing providers were engaged to collate information on respective housing stocks, stock condition and rents. The preparation of full 30 year business plans were proposed for each provider. Andium Homes has published a Strategic Business Plan¹⁰ showing in detail how it will ensure that its entire portfolio will meet the Decent Homes Standard by 2024.
- j. Andium Homes is determined to provide housing solutions for those in greatest need and recently partnered with Health & Social Services to make available a number of homes at Andium Court in St Saviour to provide lifetime homes for people with learning difficulties. This allowed them to move out of institutional Group Home environments and into homes of their own where they are supported by dedicated Health & Social Services Care Staff. This is a model which Andium Homes is keen to replicate on other sites ensuring that islanders with special housing needs who wish to live independently and are able to do so are given every possible opportunity.
- k. Andium Homes also supports existing tenants to continue to live independently in their existing homes where possible by setting aside more than £200,000 of its annual revenue to fund medical adaptations.
- l. Andium Homes operates a specialist Independent Living Team which seeks to support tenants in living independently in the community. This team has a direct annual cost

of £110,000 but evidence suggests that many times this amount is saved through preventing clients from going into crisis and ultimately requiring States services.

Other General Issues

There are some additional points which Andium Homes would like to raise or suggest that the Panel may want to consider in gathering its evidence on this subject.

Meeting the Needs of Lifetime Renters

Andium Homes tenants rely on Income Support in the amount of £24.7m per annum in order to live reasonably. Andium Homes receives this amount of Income Support as part of its rental income. However, this is significantly less than the £27.5m which Andium Homes will return to the States in 2015.

The 2013 Income Support Annual Report¹⁸ contains some useful information in terms of those claiming Income Support and their housing tenure. The table Below (Table 38 in the report) presents this information. Of specific note is the number of households claiming income support who are renting in the private rented sector.

	Owner Occupier	States Rental	Housing Trust Rental	Private Rental	Other	Total
Hostel	0	0	0	2	58	60
Bedsit/Lodgings	1	206	16	358	142	723
One-bed flat	41	1,304	257	741	20	2,363
One-bed house	71	101	15	104	33	324
Two-bed flat	9	603	125	360	9	1,106
Two-bed house	27	240	46	190	2	505
Three-bed flat	1	45	14	34	1	95
Three-bed house	28	408	93	156	4	689
Four-bed house	6	65	13	28	1	113
5 or more-bed house	1	4	1	4	1	11
Other / None	0	0	2	7	554	563
Total	185	2,976	582	1,984	825	6,552

Table 38: Income Support claims by tenure and property types as at 31 December 2013

Source: - Social Security Annual report 2013

Further analysis of these 1,984 households might reveal to what extent these households could be considered 'life time renters'. This information might logically lead to a policy decision as to what extent their housing (and social support) needs would be best met by a long term affordable or social rented landlord. This would be valuable analysis in helping to set out the long term Housing Strategy.

Taken further, analysis of the current tenure of these low income households might lead to a useful debate as to the appropriate tenure mix of Jersey's housing stock¹⁹ and in particular the relative sizes of the private and social housing stocks. The significant size of the private rented sector as shown in the table below and the number of low income households claiming Income Support in this tenure might suggest that there is significant leakage of the housing component of Income Support which benefits private landlords. A better strategy might be to increase the size of the Social Housing Sector where, particularly in the case of Andium Homes, income support payments are at least paid against an asset owned by the Public.

¹⁸ [Social Security Annual Report 2013](#)

¹⁹ [Jersey in Figures 2014](#)

Table 12.1 Tenure of private households, 2001 and 2011, excluding vacants

	Number of dwellings, 2011	2011 percent	2001 percent
Owner-occupier	22,574	54	51
States, housing trust or parish rent	5,656	14	14
Qualified private rental	7,806	19	22
Staff, service or tied accommodation	1,274	3	
Registered lodging house	652	2	
Lodger paying rent in private household	1,070	3	13
Other non-qualified accommodation	2,563	6	
Total	41,595	100	100

Source: - Jersey in Figures 2014

A Housing Stock (all Tenures) which meets the needs of Islanders

Jersey's population is ageing and household sizes are shrinking. To meet the needs of Islanders homes must be of appropriate size, economic to run, sustainable and accessible and adaptable as occupants' age.

Technical Guidance Document Part 8 'Access & Use of Buildings' issued by the Minister for Planning & Environment under The Building Bye-laws (Jersey) 2007 imposes minimum requirements for all new homes to be accessible and adaptable. These requirements are laudable and clearly provide opportunities for occupants to continue to live independently as their needs change over time, subject of course to their being mechanisms available to fund any essential adaptations later. It does not necessarily follow that every home built to these standards will meet the needs of people with severe disabilities and there will still be a requirement for an appropriate number of purpose designed fully disabled adapted homes such as the unit presently being constructed by Andium Homes as part of its Le Squez Phase 3 redevelopment.

The need for such homes is not limited to the affordable rental sector and owner occupiers might also need access to such accommodation either through purchase or by the significant adaptation or extension of an existing home. There is certainly no reason why Andium Homes cannot be providing assistance to such people.

Flexibility

The supply of housing and the tenure of homes which islanders aspire for is sensitive to wider economic conditions and in particular the availability of mortgage finance and other factors affecting affordability and confidence set out earlier. These factors do tend to move in cycles and can change significantly over a relatively short period as was seen between 2002 and 2008 when a number of sites approved in the Island Plan 2002 were developed.

The 2002 Island Plan was extremely successful in facilitating the delivery of family homes in particular, so much so that by 2008 when the last sites were developed the demand for social rented 3 bedroom homes has significantly reduced and had been replaced with a demand for affordable 3 bedroom houses for purchase. In essence the demand remained largely the same in terms of households needing a home it was just that affordability and the Homebuy initiative meant that the purchase of a home became achievable by households who traditionally might have become lifetime renters. It is important that in setting out long term objectives for the supply of homes that there is some flexibility in tenure between affordable rental and affordable purchase which allow providers to target homes at those in the greatest need. We note that this point was discussed by Mr Shepley in his report on

the 2014 revision of the 2011 Island Plan referred to earlier where at paragraph 4.65 in reference to the proposed tenure split for the H1 & H5 sites, he said, ' A variety of objections to this policy was put forward. It was suggested for example that it would create social problems, though without detail as to how this might happen. That it did not give sufficient incentive for home ownership, that rental and private housing should be kept apart, that Parishes should be given more flexibility (we deal with this later), and that various other figures (50/50 or 55/45) would be preferable. Many of the representations were predicated on the belief that the commercial sector would be unable to sustain such a tenure split (Mr Morris and Mr Cotillard made this point), but Deputy Green indicated that it would inevitably be a social housing provider that developed the sites.

We were not convinced by any of these arguments and we did not feel that they were evidence-based. We felt that the proposed split was well-founded. However there was another issue, which was that the tenure split should be in Supplementary Planning Guidance (SPG) rather than in the Plan itself. Mr Thorne was one who made this argument, based on the idea that it would be necessary to change the ratio from time to time and it would be easier to do so if it were outwith the Plan itself. This is an attractive argument. But the Minister took the view that he needed to be certain that he could enforce it through a policy stated in the adopted Plan; an SPG statement would be too weak. There are pros and cons here, and we understand the inflexibility which is created by the current intention. On balance, however, we consider that, in view of the reservations about the policy expressed by Parishes and other respondents, the Minister will indeed need to have the strength of the adopted Plan behind him if he is to be able to ensure that there is adherence to this ratio. We therefore recommend no change.'

The Need for Other Tenures

We have already set out that Andium Homes provides a popular and successful Deferred Payment (Shared Equity) Scheme, and intends to continue doing so. We have also explained that with adequate new supply this scheme could be extended to offer more homes for sale each year and that these homes could also be offered to Key Workers, subject to there being a clear definition and Key Worker Strategy.

An extended deferred payment scheme could seek to increase the level of deferred payment offered or could include a 'Top up, Deposit Loan' which would aim to bridge the affordability gap for buyers, there would in essence be two loans on offer by Andium Homes.

The first a Deferred Payment up to a maximum of 25% (subject to means testing) of the property value which is only repayable when the property is next conveyed; and

The second a Deposit Loan of a maximum of 10% of the property value which is repaid at a fixed interest rate over a 10 year period

The States undertook a pilot Deposit Loan Scheme in 2013/14. Although it was considered by many as successful, it required the States to provide capital to lend to buyers and so this new proposal by Andium Homes would remove that potential cost from the tax payer.

Andium homes is also keen to establish an equity release scheme for existing home owners. There are a number of valid reasons for this:-

1. This would provide a means of incentivising occupiers of family homes to downsize when the family have moved on; and
2. Reduce running and maintenance costs for older people
3. Recycle family homes back into the property market for occupation by another family

4. Provide a mechanism for older people who may be 'asset rich but cash poor' to have access to some of the equity in their home which would be left over after they purchased a smaller property from Andium Homes, whilst still having the security of their own home

SUMMARY

During this submission Andium Homes has made a number of comments which are intended to be constructive and to assist in this important review of housing supply. These comments can be captured in a few key points:-

1. A new Housing Strategy is of utmost importance. Such a document will enable Affordable Housing Providers to operate in a coordinated manner. This will enable innovation, site acquisition and new development.
2. The assessment of housing supply should start with a clear understanding of the current housing stock, across all tenures, its suitability for use and sustainability in terms of the extent to which it can be relied upon as supply in the medium to long term. This then needs to be augmented with sufficient new supply to meet all identified housing needs.
3. Supply assessments need to take into account the objectives of the Housing Strategy (point 1 above) and the aspirations in terms of affordability, home ownership, meeting the needs of life-long renters, Key Worker Strategy and the extent to which the States wants individual States Department's operating residential accommodation which may not be a core function and which may not demonstrate optimal efficiency.
4. Monitoring of supply and demand should be published at least annually and this should include an appraisal of the success of the policy objectives in the Island Plan.
5. There is strong demand for significant development of additional affordable homes, if funding and land can be made available. This new supply could be targeted to achieve a number of policy objectives:-
 - a. Realignment of the current housing stock so that it better meets the needs of existing and future clients
 - b. Facilitate the sale of some less core stock on an extended Deferred Payment Shared Equity Scheme
 - c. Allow the implementation of a Key Worker Housing Strategy
 - d. Allow access to Affordable Housing to be extended to groups who presently do not get access minimising the leakage of Income Support benefit into the private rented sector
6. There are inherent risks in having an Island Plan Policy which rezones the absolute minimum amount of former agricultural land necessary; or even less than is required, as was the case in 2014. This makes the approved sites so valuable in terms of supply that the land owners and developers are presented with an incentive to hold out for best price and there are no additional policy levers to create an incentive for early development. This leads to inevitable delays in the delivery of homes. Whilst the Island Plan makes provision for compulsory purchase where land owners do not come forward with development proposals in a timely manner there would appear to be little appetite for this degree of intervention.

7. Policies such as Island Policy E1 – Protection of Employment Land and Policy HE1 Protecting Listed Buildings and Places, are necessary to ensure that the overall provision of employment land is maintained at an appropriate level. However to ensure that Policy E1 does not act as a significant disincentive or barrier to regeneration in urban areas it needs to recognise that significant new land is being given over to, albeit new, employment uses (Esplanade Quarter) and this should allow the release of previous employment land to housing. The States might consider putting in place additional Supplementary Planning Guidance, in the form of a Master Plan for the whole of the Town to identify key redevelopment zones where it might then relax the requirements of Policy HE1 and in particular Policy E1. The West of Town should be considered a priority.
8. There is a need to ensure that all new affordable homes created, particularly those developed on H1 and H5 sites are preserved as affordable homes in perpetuity and priority needs to be given to establishing an appropriate legal mechanism which must be established prior to the first home being available for sale.

ANDIUM HOMES LIMITED
JUNE 2015



The Mortgage Shop

Kerrie Carlyon Cert FRS, Cert C&BS
Director and Senior Mortgage Adviser



Monthly Bulletin

Forward to a friend



01/06/2015

THE MORTGAGE SHOP FOLLOWS THE MARKET ON A DAILY BASIS AND IS ALWAYS ABLE TO OFFER UP TO THE MINUTE ADVICE ON THE BEST RATES AND TERMS THAT ARE AVAILABLE.

BASE RATE COUNTDOWN

When will the Bank of England Base Rate start to rise?

Interest rates are not now expected to rise until the start of 2016 at the very earliest, but more likely in the summer of that year. In fact some areas of the market are pricing a rise in base rate in the latter part of 2015, following recent comments by the Bank of England confirming that no hasty decision will be made in the short term.

BASE RATE OR TRACKER RATE?

During the past month mortgage interest rates have fallen even further - consider a tracker or discount rate but do remember that when this is reviewed at the end of its term the fixed rates that will then become available are likely to be higher than they are at present.

THE JERSEY MARKET

The increased activity that we saw at the beginning of this year seems to be continuing. There are fortunately no signs of overheating, as there is still sufficient new stock to replace properties that have recently been sold. The most noticeable increase in sales seems to be in the sector of the market from £600,000 to £850,000, as well as in the upper bracket of £1.25 million plus. This would suggest that many buyers have now regained their confidence after years of putting their lives on hold, which is great news indeed! Asking prices are still negotiable in some cases, although it would seem that the opportunity to bargain is coming to an end with some of our clients now having to pay the full asking price to secure a purchase.

STOP PRESS! CHANGES IN LENDING CRITERIA JUST ANNOUNCED

All local lenders are now having to follow stringent new regulations that have been introduced in the UK. Unfortunately this means the levels of lending that until now have been available have been reduced. These changes will affect most potential borrowers with immediate effect.

To find out more pop in to The Mortgage Shop any weekday between 12 - 2 to take advantage of our FIVE MINUTE REVIEW. This now covers advice on Retirement Planning and Investments as well.

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Type	Deposit	Rate	
Tracker	40%	1.34%	
	20%	1.99%	
100% Guarantor	N/A	5.24%	
Discount variable	40%	0.99%	
Fixed	40%	5 Year	1.99%
		2 Year	1.24%
	20%	5 Year	2.99%
		2 Year	1.99%
	15%	5 Year	3.29%
		2 Year	2.29%
10%	2 Year	3.29%	

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	25%	2.79%
Fixed	25%	2.79%

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