

STATES OF JERSEY

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LE COIN FLATS, ANN STREET, ST. HELIER SALE TO THE JERSEY HOMES TRUST

**Lodged au Greffe on 17th February 2004
by the Housing Committee**

STATES GREFFE

PROPOSITION

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

- (a) to approve the sale of Le Coin Flats, Ann Street, St. Helier to the Jersey Homes Trust for the nominal sum of £10, and otherwise on such terms and conditions as may be agreed by the Finance and Economics Committee, for the redevelopment of 7 x one-bedroomed, 14 x 2-bedroomed and 2 x 3-bedroomed flats, with associated parking and amenity facilities;
- (b) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the Public of the Island.

HOUSING COMMITTEE

- Notes:
1. The Environment and Public Services Committee granted planning permission for the scheme on 28th March 2003.
 2. The Finance and Economics Committee supports the sale of the freehold of the Le Coin Flats to the Jersey Homes Trust for the nominal sum of £10. The Committee agrees to provide a maximum sum of £100,000 development subsidy, to be made available from the Housing Development Fund. The Committee also recognises the opportunity cost of not achieving a capital receipt for the land, however, as the site was acquired for social housing development purposes, its alternative market value would not be realised. The Committee expects anticipated growth in rent rebate payments, resulting from the proposal to be met from within the Housing Committee's existing cash limits, and notes that the transfer is in accordance with the Housing Committee's strategy to encourage, where appropriate, the private sector to engage in the provision of social housing.

REPORT

Introduction

The current site contains an early 1960s building comprising 16 x 2-bedroomed flats on 4 storeys. The building is of typical construction for the time; single glazing, cold bridges, timber flat roof, nature of construction, age and dilapidation all of which contribute to a building with serious problems. Outbuildings include a number of single-storey tenant sheds and limited parking and amenity facilities.

The estate was identified a number of years ago as being suitable for redevelopment by a housing trust given the lack of alternative public funding. However, it was agreed that if these sites were to be transferred, they would be with vacant possession. All of the tenants have been re-housed in alternative social rented accommodation.

The Scheme

The Housing Committee commissioned Axis Mason, Architects to prepare a feasibility study for the redevelopment of the site. The approved scheme comprises a new 4storey building with integral parking and improved amenity facilities. The accommodation will include 7 x one-bedroomed, 14 x 2-bedroomed and 2 x 3 bedroomed flats.

The scheme has been designed to allow for possible further expansion along Ann Street. The Jersey Homes Trust is currently undertaking a development of social rented accommodation known as Clement Court, further along Ann Street.

Jersey Homes Trust

The Jersey Homes Trust is an association incorporated under the provisions of the Loi (1862) sur les teneures en fidéicommis et l'incorporation d'associations for the purpose of providing residential accommodation to persons in need.

The Trust is now a major provider of social rented accommodation in the Island, with recent housing completions at – Victoria Place on the Waterfront, Parkside in Pierson Road, and John Wesley Apartments in Cannon Street.

The contract of sale will include previously agreed clauses which restrict the future use of the site for social rented accommodation and place restrictions upon the onward sale of the property.

Funding

The funding for this project will follow precedent. The Jersey Homes Trust will borrow the capital funding from the private sector, to be repaid over a maximum period of 25 years, subject to the necessary Letters of Comfort being issued by the Finance and Economics and Housing Committees. An interest subsidy will be paid by the States to the Trust on any interest paid above 4% over the period of the loan.

The intention is to sell for the nominal sum of £10, as the anticipated rental income stream will not cover the full cost of the development. A copy of a Debt Redemption Model is attached to this proposition, which gives an indication of the costs of the project. It is for guidance purposes only, as final costs will not be known until detailed design has been completed and tenders received. The detailed financial arrangements are subject to the final approval of the Finance and Economics Committee. The Housing Development Fund will fund any interest and capital development subsidies.

Conclusion

It will be evident to Members that States' capital funding for this and other similar housing developments is not readily available, given the enormous demands on the public purse. However, the Committee needs to ensure that the social rented housing stock is properly maintained and where necessary improved. The Housing Committee has a unique opportunity to achieve this by using private sector funding. Housing Trusts have been very

successful in providing social rented accommodation in the recent years and, they continue to be committed to carrying this policy forward, with the support of the Housing Committee on other urban development sites and those sites rezoned in the 2002 Island Plan.

The proposition, if approved, will not have any manpower implications for the Committee, but will affect its revenue budget with regard to the payment of rebate on some, or all of the new units, estimated to be in the sum of £103,084 per annum.

Name of Scheme : Le Coin

Rental Projections

Type of Units	Number of Units	Initial Fair Rents £	Annual Rental Income £
3 Bed Flats	2	200	20,800
2 Bed Flats	14	175	127,400
1 Bed Flats	7	140	50,960
Totals	23		199,160

Capital Investment

	£
Contract Works	3,716,083
Land and legal costs	8,810
Finance Costs	141,600
Savings & Development Subsidy	(160,000)
Total	£3,706,493

Parameters

Investment Fund Interest Rate	4.00%
Capital Fund Interest Rate	Variable
Overall Interest Rate	
Annual Inflation Rate	3.50%

Expenses as a Percentage of Rentals	
Agents Fees	5.00%
Service Charges	3.00%
Maintenance	7.00%
Voids	3.00%
Total	18.00%

Year	Rentals £	Interest £	Expenses £	Net Income £	Loan Balance £	States Subsidy £	Assumed Borrowing Rate
2004	199,160	148,260	35,849	15,051	3,691,442	73,829	6.00%
2005	206,131	147,658	37,104	21,369	3,670,072	73,401	6.00%
2006	213,345	146,803	38,402	28,140	3,641,932	72,839	6.00%
2007	220,812	145,677	39,746	35,389	3,606,543	72,131	6.00%
2008	228,541	144,262	41,137	43,142	3,563,402	71,268	6.00%
2009	236,540	142,536	42,577	51,426	3,511,975	70,240	6.00%
2010	244,818	140,479	44,067	60,272	3,451,703	69,034	6.00%
2011	253,387	138,068	45,610	69,709	3,381,994	67,640	6.00%
2012	262,256	135,280	47,206	79,770	3,302,224	66,044	6.00%
2013	271,435	132,089	48,858	90,487	3,211,736	64,235	6.00%
2014	280,935	128,469	50,568	101,897	3,109,839	62,197	6.00%
2015	290,768	124,394	52,338	114,036	2,995,803	59,916	6.00%
2016	300,944	119,832	54,170	126,942	2,868,861	57,377	6.00%
2017	311,477	114,754	56,066	140,657	2,728,204	54,564	6.00%
2018	322,379	109,128	58,028	155,223	2,572,981	51,460	6.00%
2019	333,662	102,919	60,059	170,684	2,402,297	48,046	6.00%
2020	345,341	96,092	62,161	187,087	2,215,210	44,304	6.00%
2021	357,428	88,608	64,337	204,482	2,010,727	40,215	6.00%
2022	369,938	80,429	66,589	222,920	1,787,808	35,756	6.00%
2023	382,885	71,512	68,919	242,454	1,545,354	30,907	6.00%
2024	396,286	61,814	71,332	263,141	1,282,213	25,644	6.00%
2025	410,156	51,289	73,828	285,040	997,174	19,943	6.00%
2026	424,512	39,887	76,412	308,213	688,961	13,779	6.00%
2027	439,370	27,558	79,087	332,725	356,236	7,125	6.00%
2028	454,748	14,249	81,855	358,644	(2,408)	(48)	6.00%

Initial Rental as a percentage Capital Invested	5.37%	Total States Subsidy	1,251,846
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Note:

The Debt Redemption Model is an indication of the Trust's ability to repay the loan for the development where the interest rate payable by the Trust is capped at 4%. The Model assumes an average uplift in rents of 3.5% per annum over the period. The States through the Housing Development Fund meets the interest charges above 4% and the Model illustrates the cost to the States if the effective borrowing rate is 6% over the period.

