

STATES OF JERSEY

r

DRAFT HOUSING (GENERAL PROVISIONS) (AMENDMENT No. 25)(JERSEY) REGULATIONS 200

**Lodged au Greffe on 27th February 2007
by the Minister for Housing**

STATES GREFFE



Jersey

DRAFT HOUSING (GENERAL PROVISIONS) (AMENDMENT No. 25) (JERSEY) REGULATIONS 200

REPORT

Population Office

Housing Regulations –Further Reduction in Qualifying Period

1. In 1980, as a means to curb increasing pressure on housing and employment, the States agreed to remove the right of anyone taking up residence in the Island being able to qualify for controlled housing by virtue of residence alone. The intention was that the lack of ever becoming eligible for secure housing would act as a deterrent to newcomers settling in the Island.
2. Due to the continued availability of employment and the lack of locally qualified persons to meet that need, inward migration continued with many individuals settling in the Island, many forming personal relationships and bringing up families. By the mid-90s this mass of new residents, some having built up strong local connections and many having Jersey-born children, gave rise to the two-tier class of resident – those who were eligible for housing and relevant subsidies, and those who were not, although contributing fully to the Tax and Social Security regimes.
3. In 1995 the States considered that this was unacceptable, and agreed to establish a new twenty year residential period with effect from 2000, i.e. establishing a twenty year residence rule. By the time that came into effect there was a general consensus that a twenty year period to gain qualifications was far too long, and in January 2001 the States agreed to reduce the qualifying period by one year, and that further reduction should take place in stages until a period of fifteen years was reached. That situation was achieved by December 2003.
4. The Migration Policy was approved by the States in June 2005 (P25/2005) and stated in its introduction:

“The issue of inward migration has been tackled by the States over many years, going back to the surge in the Island’s population following the Second World War. The measures introduced to regulate migration have included successive variations on the Housing (Jersey) Law 1949, and the 1970 Housing Regulations and, in more recent years, the Regulation of Undertakings and Development (Jersey) Law 1973. These have been the mainstay of policy for many years and, whilst they have served the purpose in the past, there is a need to modernise and improve the approach in response to increasing social inequity, changing patterns of migration and to ensure that Jersey businesses remain competitive in the wider economic environment”.
5. As part of reducing social inequity, the Migration Policy envisaged a reduction in the housing qualification period to ten years as soon as practical, and in any event by 2010. This eventual reduction to 10 years is also important in providing greater consistency and simplicity, as it will be aligned with a 10 year qualifying period for local employment (under the current Regulation of Undertakings and Development (Jersey) Law 1973, the qualifying period is 5 years).
6. In accordance with these principles, the States had already agreed in May 2005 to a reduction in the length of the qualifying period from 15 to 14 years. In February 2006, a further one year reductions to 13 years was agreed.
7. While it is quite clear within the Migration Policy that a 10 year qualifying period is the objective, it is equally clear that the change should be gradual, and be must take close account of conditions in the

housing market.

8. In making an assessment of housing market conditions, reference is had to 'Planning for Homes 2006', the 'Fourth Quarter 2006 House Price Index', and 'The Annual Review of the Economy' produced by the States Economic Advisor.

1. Planning for Homes 2006, 'Key Findings'

Current Market Position

Local estate agents have pointed to a turn around in the local housing market over the last year. After several years of uncertainty and static prices, they now regard the market as buoyant and have reported a strong surge in activity and a considerable rise in property transactions. This is largely put down to a return of confidence and a more optimistic outlook among potential buyers, following an upturn in the economy.

This change in circumstances is born out by data from the Population Office and the 'House Price Index'. Lease applications and home purchases made between 1st January and 1st October 2006 are up 14% and 19% respectively on the same period in 2005. There has also been a small but steady rate of increase in property prices during 2004 (3%), 2005 (3%) and the first half of 2006 (4%).

The oversupply of apartments caused by the unprecedented surge in development during 2002 and 2003 has now largely worked its way through the market.

Overall Land Availability Position

In overall terms, the current housing land availability situation for the period to the end of 2009 remains reasonably healthy and the figures themselves do not present grounds for any large-scale release of additional land at this time. However, this takes no account of future demand associated with the Island's aging population, Strategic Plan policies to increase home ownership and proposed new Housing Department policies.

In the 'qualified sector', housing completions and known outstanding commitments (e.g. existing planning permissions, developments under construction, and opportunities for development in the built-up area and on sites zoned specifically for Category A housing purposes) appear sufficient overall to meet identified requirements for the period 2005 to 2009, under the most likely housing qualification / migration scenarios.

The small apparent shortfall in supply of around 100 homes, which might occur should the qualification period be reduced to 10 years and average immigration levels reach 200 households per annum, could be more than offset by the potential yield from existing and new Category B consents that have yet to commence.

Affordability

Affordability remains a serious issue particularly for those in lower income groups who have aspirations to purchase their home. If these aspirations are to be realised it will require an increase in the availability of more affordable first-time buyer homes.

The promotion of shared equity in the Strategic Plan and the impending Housing Department's '10 Year Property Plan' offers a way forward. However, the review of the Island Plan also provides an opportunity to consider introducing planning policies to secure affordable housing through the day to day planning system (i.e. via the use of Planning Obligation Agreements).

Conclusion

On balance, the evidence suggests that the current housing land availability situation is fairly healthy. With a few notable exceptions, it would appear that the overall supply of new homes is generally sufficient to meet identified overall requirements for new homes up to the end of 2009. However, there are no grounds for complacency. Although the Island Plan has generally been successful in ensuring a sufficient supply of new homes to meet the community's needs, the impending review will need to consider new strategic policies and changing housing policies, as well

as specific sectoral requirements such as: 'sheltered homes'/homes for the elderly; affordable homes; and shared equity. Presumably it will do so in a manner that ensures development needs are properly reconciled with requirements to protect and enhance the local environment.

In the interim, there are grounds for releasing some additional land specifically for meeting identified requirements for 'sheltered homes'/'last time homes' extending beyond 2009, as a matter of urgency. This will be complemented by proposals for providing such accommodation in the social rented sector, as set out in the Housing Department's '10 Year Property Plan'. Any other release of land for housing purposes would need to be fully justified in the best interests of the community (e.g. to secure much needed community facilities, or to meet the Strategic Plan objective of increasing home ownership levels, through the provision of affordable homes). In anticipation of this, the Department of Planning and Building Services has been carrying out detailed feasibility work on potential sites and consulting with various parishes and should soon be in a position to bring forward an initial rezoning proposition for States' debate.

The commitment in the Strategic Plan to encourage more home ownership and promote the concept of shared equity, also suggests there might be merit in altering the tenure requirements applicable to certain sites already or soon to be zoned for Category A purposes.

Last, but not least, the evidence on land availability would suggest that there may be an opportunity for the Housing Minister to consider whether to pursue a further one year reduction in the housing qualification period, once he has investigated the likely outcome and satisfied himself that it will not cause undue problems for the housing market.

Extract from section 7, "Comparing known housing supply with requirements for homes"

...in broad terms, the housing completions to-date combined with known outstanding commitments will more than match estimated total requirements for new homes up to the end of 2009, if the '13-Year Rule' is maintained, under the various migration assumptions.

Should the qualification period be reduced by 1 year per annum to 10 years, there should also be sufficient new homes in the pipeline to meet estimated requirements in most likely migration scenarios. However, the figures do point to a small shortfall of around 100 homes assuming average migration levels of 200 households per annum over the 5 year period up to the end of 2009. It would be reasonable to assume that any such shortfalls can easily be addressed in the period, given that the figures take no account of the potential contribution of existing Category B consents which have yet to commence, or which will be granted during the next year or so.

2. Jersey House Price Index-fourth quarter 2006 (Statistics Unit)

Overall mix-adjusted Index

The Jersey House Price Index measures the combined average price of 1-and 2-bedroom flats and 2-, 3- and 4-bedroom houses.

In considering house prices, longer term analysis is more informative than looking at movements between specific quarters, which can be influenced by a range of factors. Figures 1 and 2 illustrate that the mix-adjusted average price of dwellings in Jersey, as measured by the Jersey House Price Index, was essentially stable during 2002 and 2003 and then underwent a small rate of increase of around 3% per annum in 2004 and 2005. The latest year, 2006, has seen an increase of about 6.5% on 2005, indicating that price growth is now progressing at a higher rate.

Overall, house prices have increased by 13% between 2002 and 2006, lower than the overall increase seen in the RPI (16%) and in Average Earnings (18%) over the same period.

The mix-adjusted average price for the latest quarter was 7% higher than that recorded for Q4 2005 (corresponding to £25,000).

Figure 1 - Jersey House Price Index (Average for 2002 = 100)

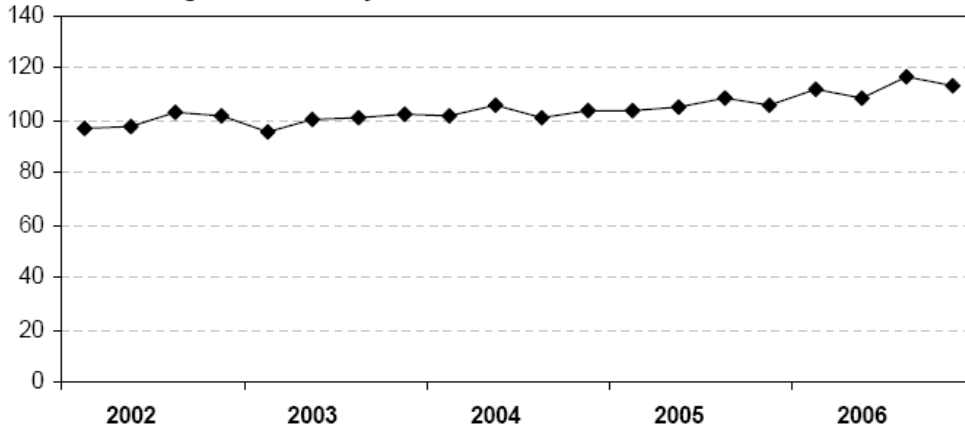
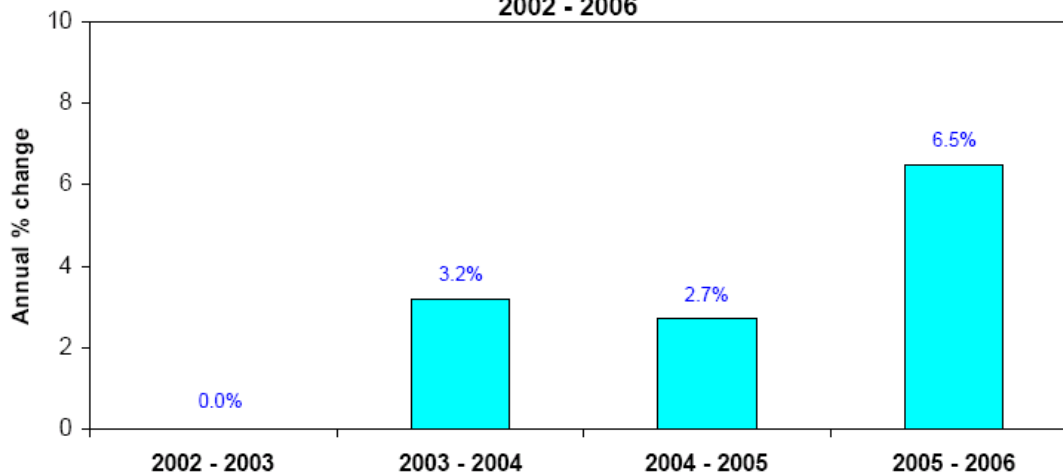


Figure 2 - Annual % Change in average (mix-adjusted) price
2002 - 2006



On a **quarterly** basis, between Q3 and Q4 2006, the Jersey House Price Index decreased by about 3%. Although the trend has been upward during recent years, the Index has fluctuated on a quarterly basis. The index value in Q4 2006 is above that seen in Q1 and Q2. Such fluctuations occur as a result of the actual characteristics of individual properties sold within each property type in a given quarter as well as seasonal factors. This further reinforces the importance of taking annual changes as the key indicator.

3. A REVIEW OF THE JERSEY ECONOMY, 2006 (Economic Advisor)

Pick-up in house prices

House prices have fluctuated more than usual over the last few quarters and have increased by 6% so far in the year. The trend for the past few years has been one of stable growth at about 2.5% per annum but recent figures suggest the rate of price growth may now be progressing at a higher rate but still below that in other jurisdictions such as Guernsey and the UK. This presents a huge contrast to the rates of house price growth witnessed in the late 1990's (average 18% per annum 1996-1999). Earnings growth has outstripped house price growth in the past few years at just under 4% per annum, pointing to some gradual improvements in affordability. If house prices continue to rise above the trend, any recent improvements in affordability will be eroded away.

The house price to earnings ratio in Jersey fell from 12.7 in 2003 to 12.3 in 2006. This is a slight

improvement, but the figure remains high compared with the UK where the ratio is 6. The best way forward for Jersey will be to ensure average earnings rise because of productivity improvements while house prices are kept in check by continuing to balance supply with demand. House price stability helps to keep inflation low and therefore maximises the potential for economic growth.

9. As quoted, Planning for Homes 2006 indicates, that “should the qualification period be reduced by 1 year per annum to 10 years, there should ... be sufficient new homes in the pipeline to meet estimated requirements in most likely migration scenarios”.
10. Planning for Homes 2006 also states that any decision on reducing house qualifications should not take place if it will cause “undue problems for the housing market”. While the various above extracts present a picture of increased activity in the housing market, any reduction in qualification periods will be gradual – one year at a time – with each incremental reduction in the qualifying period bringing only slight increases in activity, and therefore a minimal impact on the housing market.
11. The reduction in the qualification period to 13 years enabled 47 additional purchases to be made, out of a total market volume in 2006 of 2,039 purchases (consents issued). This equates to 2.3% of total market volumes, or to put it another way, the reduction in qualification periods to 13 years added 2.4% to market volumes in 2006. A further reduction in the qualifying period to 12 years would produce an expected *maximum* of an additional 40 – 80 purchases. Such volumes are expected to have a marginal impact on prices. Over the longer perspective, since January 2001 the qualification periods have gradually been reduced from 20 years to the 13 years prevalent today, and this has added 542 additional households, an increase in the order of 2% of total households.
12. The 2001 census records for all residents when their period of residence commenced, and this helps get some estimate of likely additional qualifiers as a result of a reduction in the qualification period to 13 years. Taking the census data, and experience of recent reductions, it is estimated that a reduction in qualification periods to 12 years would produce an expected maximum of 140–190 additional households entering the qualified housing sector. *It should be noted that these are existing residents of the Island, already occupying accommodation.*

Financial implications

13. In 2006, 19 households qualifying as result of the reduction to 13 years claimed Private Sector Rer Subsidy. Assuming a similar take up applies, a further reduction to 12 years could be expected to cost in the region of £60,000 – 80,000. Income Support will have some bearing on these costs, although it is considered unlikely that costs would be higher.
14. In terms of States rental housing stock, the 13 year reduction in qualification periods resulted in an additional 7 people entering States Rental Housing in 2006. No expectation exists that a further reduction to 12 years will have anything other than an effect of a similar order.

Conclusions

15. In view of all the evidence to date it is felt that a further reduction by one year can be recommended now, as the expectation is that any impact would be minimal. This would be another step in meeting the objectives of the Migration Policy, and in particular, reducing inequities in relation to access to accommodation.
16. **It must be remembered that the effects of the additional qualifiers only relate to a one year addition – all these applicants would qualify anyway in one year’s time under the current 13 year rule.**
17. There are no manpower implications that flow from this proposal.

REDUCTION IN HOUSING QUALIFICATION PERIODS 2001 to 2006: STATISTICS

The States has on 7 occasions in the last 6 years approved a reduction in the residence required for newcomers to the Island to obtain Housing qualifications. The tables below show the effect of the changes on the Housing market in terms of additional demand to lease and purchase, new households claiming rent rebate and additional households accepted for social rented housing. The first table shows both persons qualifying and consents granted. The most relevant figures are those for consent granted as these reflect Households which, with a previously non qualified head of household, now occupy a unit of Housing controlled property.

TABLE 1– EFFECT OF REDUCING RESIDENTIAL QUALIFICATIONS PERIOD SINCE 2001

CONTINUOUS RESIDENCE	DATE AGREED BY STATES	TOTAL ADDITIONAL QUALIFIERS	ACTUAL HOUSING CONSENTS
19 Years	18th January 2001	122	64
18 Years	14th February 2002	124	52
17 Years	18th November 2002	90	25
16 Years	24th June 2003	131	49
15 Years	9th December 2003	277	106
14 Years	17th May 2005	312	117
13 Years	22nd February 2006	271	136
	TOTAL	1327	542

TABLE 2 – NEW QUALIFIERS WHO PURCHASED ACCOMMODATION

CONTINUOUS RESIDENCE	PURCHASERS	APARTMENT	HOUSE
19 Years	22	10	12
18 Years	14	6	8
17 Years	9	3	6
16 Years	23	10	13
15 Years	27	12	15
14 Years	45	14	31
13 Years	47	19	28
TOTAL	187	74	113

TABLE 3 – NEW QUALIFIERS WHO LEASED ACCOMMODATION

CONTINUOUS RESIDENCE	LEASES	CLAIMING RENT REBATE
19 Years	41	4
18 Years	37	4
17 Years	15	1
16 Years	24	5
15 Years	73	16
14 Years	63	4
13 Years	82	19

TOTAL	335	53
--------------	------------	-----------

TABLE 4– NEW QUALIFIERS WHO APPLIED FOR STATES RENTAL ACCOMMODATION

CONTINUOUS RESIDENCE	HOUSED IN STATES RENTAL	APPLIED FOR STATES RENTAL
19 Years	1	5
18 Years	1	3
17 Years	1	3
16 Years	2	8
15 Years	6	12
14 Years	9	20
13 Years	7	7
TOTAL	27	58

Explanatory Note

These Regulations reduce, from 13 years to 12 years, the period for which a person who has no housing qualifications must be continuously resident in Jersey in order to attain such qualifications.



Jersey

DRAFT HOUSING (GENERAL PROVISIONS) (AMENDMENT No. 25) (JERSEY) REGULATIONS 200

Made

[date to be inserted]

Coming into force

[date to be inserted]

THE STATES, in pursuance of Articles 14 and 21 of the Housing (Jersey) Law 1949^[1], have made the following Regulations –

1 Regulation 1 amended

In Regulation 1 of the Housing (General Provisions) (Jersey) Regulations 1970^[2], in paragraphs (1)(f) and (7), for the words “13 years” there shall be substituted the words “12 years”.

2 Citation and commencement

These Regulations may be cited as the Housing (General Provisions) (Amendment No. 25) (Jersey) Regulations 200- and shall come into force 7 days after they are made.

[1]

chapter 18.315

[2]

chapter 18.315.50