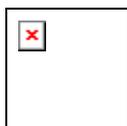


SOCIAL RENTED AND FIRST-TIME BUYER HOUSING: PROPOSALS FOR FUTURE FUNDING

**Lodged au Greffe on 25th May 1999
by the Housing Committee**



STATES OF JERSEY

STATES GREFFE

175

1999

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Price code: C

PROPOSITION

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

1. to approve, in principle, the establishment of a Housing Development Fund, to be managed by the Finance and Economics Committee;
2. to authorise the Housing Committee, subject to the approval of the Finance and Economics Committee, to utilise the Housing Development Fund to provide sufficient dwellings, both directly and indirectly, through Housing Trusts, to meet the need for both social rented and first-time buyer housing identified in the Housing Committee's report and proposition "Housing Strategy 1998-2003" (P.201/98) and subsequently updated in the report "Planning for Homes" (R.C.10/99);
3. to agree that Westley Court (formerly Gas Works Site 'E') and Westley Lodge should be retained in public ownership; and
4. to rescind sub-paragraph (d) of their Act dated 26th July 1995, so that the property Maison Le Fondré (formerly known as 9-11 Don Road, St. Helier) should not be sold to a Housing Trust.

HOUSING COMMITTEE

- Notes:
1. The Finance and Economics Committee comments are to follow.
 2. The Establishment Committee comments are to follow.
 3. The Policy and Resources Committee comments are to follow.

REPORT

1. Introduction

- 1.1 The Housing Strategy Report (P.201/98) proposed making maximum use of Housing Trusts and private sector finance to provide the majority of the required additional units of social rented housing up to 2003 and to meet the funding of development subsidies and some direct development by the Committee by raising up to £60M. from the sale of stock to Housing Trusts.
- 1.2 The Committee has decided to withdraw paragraph 4 of the proposition (P.201/98) relating to sale of stock, and proposes an alternative strategy for funding the provision of the required dwellings which will allow the Committee to carry out more development directly and increase, rather than reduce, the rental stock managed by the Committee. The involvement of Housing Trusts will, however, continue to be an important part of the strategy.

2. Housing need

- 2.1 The Housing Strategy Report, in September 1998, outlined the considerable requirement for additional social rented and first-time buyer housing, and this requirement was recently updated in the document "Planning for Homes" (R.C.10/99). The latter report identified an estimated social rented housing requirement of 1,140 units in the period 1999 to 2003, of which funding has only been agreed for 288 units, leaving a shortfall of 852 units for which funding is not identified (details in Appendix A).
- 2.2 The requirement in "Planning for Homes" for first-time buyers is estimated at 800 additional dwellings over the same period.

3. Sites

- 3.1 Within the overall requirement for additional dwellings up to 2003 the Housing Strategy Report noted that by mid-1998 suitable sites had not been identified or acquired to provide 970 of the social rented dwellings and 400 of the first-time buyer dwellings. This shortfall in land requirement has been updated in "Planning for Homes" and has resulted in an estimated outstanding land requirement for 621 dwellings for social rented housing and 356 dwellings for first-time buyers.
- 3.2 The issue of where these sites are to be found is critical both in terms of timescale and funding for the development programme. If some sites which can be easily and quickly developed are provided through rezoning, the timescale for producing what is required will be reduced and the target of 1,140 new dwellings to rent and 800 for sale may be achievable. The cost of providing dwellings on appropriately selected rezoned sites can be one-third less than providing the same dwellings on an urban site.

4. Cost - social rental requirement

- 4.1 Some social rented housing developments are currently in progress and others have approval in principle for funding. However, there is no funding yet agreed to provide 852 of the dwellings required as shown in Appendix A, Table 3.
- 4.2 The cost of providing these dwellings will vary according to site location and difficulty, as well as specification but, assuming that the majority of three and four-bedroom houses are provided on rezoned suburban sites, the total requirement will be about £118M. (see Appendix B), £51M. in 1999 and £67M. in 2000. If, however, all dwellings are provided within the urban area (albeit this may be impossible in terms of land availability and timescale) the total cost could escalate to £162M. based on current prices.

5. Cost - first-time buyer requirement

- 5.1 Again, the cost of provision will depend on the type of site made available. For example, first-time buyer houses were recently sold at St. Mary on a rezoned site for £140,000, with no development subsidy required from the States. If all first-time buyer dwellings have to be provided in the urban area the costs will be much higher and inevitably substantial development subsidies (write-offs) will be required from the States. To provide the 356 dwellings required in the urban area the write-off is estimated to be in the order of £18 million if one assumes a typical sale price to a first-time buyer of £120,000 for a two-bedroom flat and £160,000 for a three-bedroom house. These prices are taken from the Belle Vue development and will vary in the future.

6. **Funding already agreed for 1999-2003**

- 6.1 The Committee is currently undertaking a number of refurbishment projects, such as the final phase of the refurbishment of Nicholson Park (Wilkes Gardens), that are funded from the Capital Fund where funding has already been agreed or agreed in principle. The Committee's refurbishment programme for the years 1999-2003 is shown in Appendix C of this report. Unfortunately, this programme will not contribute any additional units, and the refurbishment programme will actually result in a small reduction in the total number of units over the period to 2003. The new/refurbished properties will, however, provide far superior accommodation to those that they have replaced.
- 6.2 Housing Trusts are also currently undertaking a number of projects which will deliver a substantial number of units, including those at Belle Vue, within the next eighteen months. The Committee believes that Housing Trusts should continue to progress projects with which they have been closely involved in the past, such as the development of Cannon Street, the former Postal site at Mont Millais and La Motte, Grouville. The Committee has requested, and has been granted, funds from the capital programme to cover the interest subsidies for these projects for the period to 2003 and it is therefore assumed that these projects will continue as Trust projects and that funding will be obtained largely from private sources.
- 6.3 Table 2 of Appendix A shows the total number of units that are due to be completed by the end of 2003, either by the Housing Committee through monies voted from the capital programme or by Housing Trusts with the support of an interest subsidy, where the funding has been agreed or agreed in principle. The total number of completions due by 2003 which are currently funded is 288.

7. **Meeting the funding shortfall**

- 7.1 The Committee clearly has a major problem in obtaining funding of between £122 million (including Westley Court etc.) and £166 million for rental accommodation, and up to £18 million for first-time buyers. The present system of obtaining capital funds and agreeing revenue cash limits does not lend itself easily to looking at a project on a whole life basis. The Committee believes that the answer to funding this substantial development programme is to set up a Housing Development Fund which would allow the Committee to utilise funds raised by the Finance and Economics Committee in the short term, to be repaid from the rental income of the developments over the longer term. The net cost to the States will be the total of development subsidies and interest subsidies which are required to make each project viable.
- 7.2 The Committee is intending to proceed on the basis that Housing Trusts carry out some developments and the Committee others, but if the Committee wished to fund the whole of the building programme for 852 units from the Housing Development Fund it could do so provided a large enough facility was made available. The greater the involvement of Housing Trusts the lower will be the overall facility required by the Committee. Once agreed with the Finance and Economics Committee it would be that Committee's role to decide on the source of funds.
- 7.3 In raising funds, there are many options which could be considered including direct external borrowing, re-financing the Dwelling Houses Loan Fund and the issue of Government Bonds. The Housing Committee would be responsible for the provision of the dwellings with each individual site acquisition and development project to be approved by the Finance and Economics Committee. On completion of each development, the Housing Committee would be responsible for ensuring that rentals received, less administrative charges and maintenance provision, were paid into the Housing Development Fund over a set number of years to clear the debts.
- 7.4 The Committee recommends a repayment period for each project of no more than twenty-five years, for reasons of prudence. Committee rentals are well below those in the private sector and because of this factor and the set repayment period it may be necessary to obtain some funds from the capital programme to ensure that projects are repaid within the agreed time period. It is recommended that the same funding arrangement is used for the Housing Development Fund as is currently applied to Housing Trusts. Under this arrangement the Committee would apply for an interest subsidy each year which would fund all interest over four per cent charged to the Fund. Clearly, if interest rates fall, the funds required will reduce, but alternatively, if interest rates rise, the funds required will increase.
- 7.5 However, even with an interest subsidy, virtually all projects developed within the urban area will not be financially viable with a twenty-five year repayment period. In these cases a development subsidy will also be required, and this factor has a huge impact on the net cost to the States.

7.6 Assuming that some sites will be rezoned, a development subsidy for the urban sites of between £10-15 million is still likely to be needed to achieve the rental programme, but if no sites are rezoned the development subsidy may increase to between £55-60 million.

7.7 With regard to first-time buyer dwellings, once again the Committee could use the Housing Development Fund when carrying out development direct, although in this case the difference between sale price and development cost will determine whether or not a development subsidy is required. If all first-time buyer dwellings are provided on rezoned sites it is unlikely that there will be any requirement for development subsidy and little need for Committee intervention in terms of carrying out development directly.

7.8 The Committee believes it is more likely, and more appropriate, that some urban sites should be utilised for first-time buyers, in which case a development subsidy will be inevitable. If one assumes that 25 per cent of first-time buyer requirement will be provided in the urban area, about £4.5 million will need to be allowed for development subsidy.

7.9 The Committee recommends the setting up of a Housing Development Fund as a flexible means of funding the housing development programme. The initial facility required will, as described above, be between £51-77 million, less the cost of any developments carried out by Housing Trusts. In addition, a provisional allocation will need to be agreed with the Finance and Economics Committee which is sufficient to support the net cost of the proposed development programme. This sum would cover development subsidies and interest subsidies for the period up to 2003, following which interest subsidies would remain payable, initially at a rate of about £4 million annually, reducing steadily over the twenty-five year term.

8. **Westley Court, Westley Lodge and Maison Le Fondré**

8.1 On 30th November 1993, the States adopted a proposition of the then Housing Committee (P.177/93) to redevelop the old Gas Works 'Site E' (Westley Court) and the refurbishment of Westley Lodge. The States authorised the Finance and Economics Committee to make available bridging finance which would enable the development to proceed. The accompanying report recommended that upon completion the accommodation would be sold to a Housing Trust and the borrowings repaid to the Finance and Economics Committee.

8.2 On 26th July 1995, the States adopted a proposition of the then Housing Committee (P.92/95) to redevelop Nos. 9-11 Don Road. The States again authorised the Finance and Economics Committee to make available bridging finance in order for the development to be known as Maison Le Fondré to proceed. The States also specifically approved the sale of the completed development to the Les Vaux Housing Trust and it was agreed that the proceeds of sale would be used to repay bridging finance.

8.3 Previous Housing Committees had agreed in principle to the sale of the three properties to the Les Vaux Housing Trust and all residents were made fully aware of the likelihood of transfer to a Trust before being signed up as licensees of the Committee. However, the present Committee, having received representations from the States Tenants' Action Group, has decided that it wishes to retain ownership of the property and has advised the Les Vaux Housing Trust accordingly.

8.4 As the land acquisition costs for the developments have been met from capital allocations and some of the bridging finance costs have been offset by surpluses arising from other bridging finance projects, the net outstanding debt is approximately £4.5 million in total for the three projects.

8.5 The Committee requests the States to rescind its decisions that Westley Court, Westley Lodge and Maison Le Fondré be sold to Housing Trusts and confirm that these developments should be retained by the Committee and funded through the Housing Development Fund described above.

9. **Manpower implications**

9.1 The Housing Strategy Report, paragraph 6.7, page 81, comments that the proposal to transfer stock from the Committee to Housing Trusts and to rely on Trusts to provide most of the additional dwellings required, would result in a reduction in manpower requirements for the Committee. In terms of the Island manpower requirements the effect would be neutral as any decrease in Committee requirements would be offset by increased manpower requirements for Housing Trusts.

9.2 The present Committee has decided not to proceed with the sale of Liberation Court, St. Thomas' Villas, Westley Court, Westley Lodge and Maison Le Fondré, all of which had been agreed in principle by the previous Committee.

The cleaning of these estates is currently carried out by two temporary staff who will need to be added to the permanent establishment should these estates be retained.

9.3 The Committee's intention not to utilise Housing Trusts to the same degree as suggested in the Housing Strategy by the previous Committee will result in a requirement for additional permanent staff. For example, if half the additional dwellings required for rental are retained by the Committee it is estimated that up to four additional manual workers and two civil servants will be required.

9.4 The implications for additional manpower to administer the rent subsidy schemes remain constant whether the Committee retains the social rented stock or it is managed by a Housing Trust.

**Social rented housing requirement
Completions required by year**

Table 1

Year	1-bed.	2-bed.	3-bed.	4-bed.	Total
1999	13	124	(3)	5	139
2000	84	42	80	6	212
2001	109	94	89	17	309
2002	113	73	86	4	276
2003	80	66	58	0	204
Total	399	399	310	32	1,140

**Social rented housing requirement
Completions by year, with funding method agreed, including
“in principle”**

Table 2

Year	1-bed.	2-bed.	3-bed.	4-bed.	Total
1999	13	124	(3)	5	139
2000	2	20	39	0	61
2001	17	70	4	2	93
2002	5	(16)	6	0	(5)
2003	0	0	0	0	0
Total	37	198	46	7	288

**Social rented housing requirement
Completions by year, no funding method yet agreed**

Table 3

Year	1-bed.	2-bed.	3-bed.	4-bed.	Total
1999	0	0	0	0	0
2000	82	22	41	6	151
2001	92	24	85	15	216
2002	108	89	80	4	281
2003	80	66	58	0	204
Total	362	201	264	25	852

**Social rented housing requirement
Completions by year with no funding method yet agreed**

1. Funding required in 1999 to commit to projects due to be completed 2000/2001 -

1-br.	2-br.	3-br.	4-br.	Total units	Total cost*
174	46	126	21	367	£51 million

2. Funding required in 2000 to commit to projects due to be completed 2002/2003 -

1-br.	2-br.	3-br.	4-br.	Total units	Total cost*
188	155	138	4	485	£67 million

3. Net funding required for Westley Court, Westley Lodge, Maison Le Fondré if not sold to a Housing Trust - **£4.5 million.**

Total funding requirement - **£122.5 million**

*Assumes vast majority of three and four-bedroom houses are provided on rezoned sites.

No site costs assumed for sites already in States ownership where funding already provided through Capital Votes.
Note

If no rezoned sites are provided, i.e. all development is within the urban area, the total costs increase in 1999 to £73 million and in 2000 to £89 million, giving an overall funding requirement, including Westley Court etc., of £166.5 million.

Housing Committee
Refurbishment Programme, subject to Decision Conference Process

1999 allocation - agreed	£
Le Geyt Flats Refurbishment - Phase 4	1,780,000
Le Marais Refurbishment - Phase 2	6,250,000
Rosemount Estate - cladding	250,000
Les Cinq Chênes - doors and windows	800,000
Grasett Park Refurbishment - Phase 2	3,900,000
Housing facilities for the disabled	100,000
Total for 1999	13,080,000
2000 allocation - agreed in principle	
Le Geyt Flats Refurbishment - Phase 5	3,702,500
Elysée Estate - Phase 3	6,731,600
Housing facilities for the disabled	110,000
Total for 2000	10,544,100
2001 allocation - agreed in principle	
Kew Gardens Refurbishment	772,600
Le Geyt Flats Refurbishment - Phase 6	603,700
Housing facilities for the disabled	110,000
Total for 2001	1,486,300
2002 allocation - agreed in principle	
Le Squez Refurbishment - Phase 2	7,852,800
Le Marais Low Rise Refurbishment - Phase 1	4,745,700
Housing facilities for the disabled	110,000
Total for 2002	12,708,500
2003 allocation - to be confirmed	
The Cedars	8,446,600
Le Marais Low Rise Refurbishment - Phase 2	4,063,400
Bas du Mont	2,607,900
Ann Court	3,867,700
Le Coin	2,699,900
Housing facilities for the disabled	110,000
Cottage Homes	380,000
Total for 2003	22,175,500