

STATES OF JERSEY



AFFORDABLE HOMES IN THE SOUTH HILL DEVELOPMENT (P.69/2021): COMMENTS

**Presented to the States on 21st July 2021
by the Minister for Treasury and Resources**

STATES GREFFE

COMMENTS

Background

The Regeneration Steering Group gave approval in April 2019 for SoJDC to re-develop the South Hill site and, in accordance with P.73/2010, asked the Environment Minister to produce a Development Brief.

The Development Brief was issued by the Environment Minister as Supplementary Planning Guidance in October 2020 and was itself the subject of public consultation. The Development Brief sets out the following with regard to residential use:

"The redevelopment of the site for residential use would provide an outstanding opportunity to create a very special living environment and would introduce a use with vitality and vibrancy which would help to enliven this area and contribute to the residential regeneration of St Helier. The potential use of the site for residential development is supported by the South West St Helier Planning Framework, which identifies the location as a key opportunity site. In considering the development of South Hill the Revised 2011 Island Plan sets out the need for housing, especially affordable homes. The use of States-owned land to help meet the need for affordable homes is a clear policy objective of the current Island Plan. The Plan explicitly states that where public land is to be released during the plan period its potential to help contribute to the provision of affordable homes should be a primary consideration. The Plan does, however, qualify this by stating that the extent to which all or some States-owned sites contribute to meeting this need will be determined through agreement between respective Ministers and have regard to the public benefit to be derived from other forms of development on these sites. The Minister for the Environment, therefore, considers that this is a premium, high value site where – if it is to be redeveloped for a residential use - the potential to secure maximum return in the release of this public asset should be secured. There are other public sites planned to be released for redevelopment which will better contribute to the provision of affordable homes."

SoJDC are advancing their plans for the South Hill site in accordance with the Development Brief which currently provide for 153 Open Market (Category B) apartments.

Part (a) of the Proposition

The principle of prohibiting foreign buy-to-let investors at the initial point of pre-sale by SoJDC was agreed for the Waterfront Development in advance of the lodging of, but formalised by the States Assembly decision on P.165/2020 and the Company adopted this approach with regard to sales on the Horizon development at an early stage after only four units (out of 280) had been sold off-plan to foreign purchasers.

I am assured that SoJDC has committed that the South Hill site will be structured as Flying Freehold, as opposed to Share Transfer. This will mean that (i) the default occupancy restrictions under the Control of Work and Housing (Jersey) Law 2012 which preserve Qualified accommodation for occupation by persons with appropriate residential status, will apply, and (ii) any purchaser will need to be in possession of a valid Registration Card, or will otherwise require the consent of the Chief Minister at the time of purchase of the unit in question.

P.73/2010 requires SoJDC to secure a significant level of pre-sales before committing to the construction of a residential development. This level of pre-sale is significantly in excess of lenders requirements and SoJDC requires early commitments from both owner occupiers and buy to let investors in order to meet this pre-sale hurdle.

To prevent the properties from ever being let out is highly restrictive. There are clear concerns as to the impact that a proposal such as that set out in the Proposition would have on the development value (especially if the intention is to restrict the properties in perpetuity). It would also be relevant to consider how this would work in practice given (i) lending institutions may be reluctant to lend against properties if they are so restricted, which would not only suppress value but could also significantly restrict the market to those who don't need third-party finance, and (ii) people's personal circumstances are not static, and may well change in the period between signing up to buy a unit and completion of the development – or indeed after they have purchased.

If the proposal is to restrict the properties from being let in perpetuity, the measure would be unprecedented in Jersey and will be very difficult to police. It will significantly impact the sales value of the units to such an extent as to threaten the viability of the entire development with the end result being significant redesign to the current proposed development, significant re-design costs, planning risk and a significant time delay to the delivery of the much needed supply of new residential stock at a time when housing supply is critical.

I would therefore urge Members to reject part (a) of the Proposition.

On the basis that part (a) of the Proposition is rejected, part (b) of the Proposition becomes redundant.

Part (c) of the Proposition

The Proposition states, under the **Financial and manpower implications**, section that “*no political steer has been given to the SoJDC as to what their application should include*”. Self-evidently, the fact that SoJDC are advancing their plans in accordance with a published Development Brief following public consultation there has been a political steer.

The States established Andium Homes as its key delivery vehicle of Affordable (Category A) homes for rent and sale, whilst SoJDC was set up to be the States property development arm, with a focus on commercial development (office and residential). Andium’s Strategic Business Plan (“SBP”) provides for the delivery of an additional 3,000 Affordable (Category A) residential units over the same period to 2030. At present, Andium Homes are in the process of delivering 2,400 Affordable units with further potential sites identified enabling Andium to be confident that they will achieve the 2030 target. The Affordable Housing Gateway currently has demand for 900 social rental and 1,400 affordable purchase units. Whichever measurement one uses, the OAHN report or the current Gateway demand, Andium’s SBP delivers more supply than the current projected demand, which provides scope for a widening of the Housing Gateway criteria as suggested in the Proposition.

The requirement and delivery of Affordable Homes is set out in the draft bridging Island Plan (“the Island Plan”). The Island Plan highlights a requirement for 4,150 homes (up to the end of 2025) with the split being up to 1,500 affordable homes and up to 2,650

open market homes. The Island Plan goes on to reference that there are 625 affordable homes currently under construction or benefit from planning permission, 425 affordable homes will be delivered from government-owned sites over the plan period that includes the Ambulance Station, The Limes, Le Bas, St. Saviour's Hospital (part), Westaway Court and the La Motte Street offices and approximately 450 affordable homes could be delivered from the rezoned sites over the plan period. In addition, Andium Homes has entered into a forward commitment with a third-party developer to acquire an additional 405 residential units for Affordable (Category A) from the redevelopment of four hotel sites (subject to the necessary planning consents being secured). It is therefore clear from the above that the number Affordable homes required in the Island Plan will be exceeded.

The Island Plan also sets out 150 open market (Category B) units to be provided from Government-owned sites and this represents the proposals in respect of the South Hill site. There is presently a significant supply demand imbalance in the housing market and it is critical that the open market (Category B) homes continue to be delivered in line with the Island Plan requirements. There is a risk that diverting more stock away from the Open Market will intensify the supply demand imbalance and result in further increases in house prices with the effect of pushing home ownership in the open market out of reach for more local households.

I am assured that SoJDC recognises the need to deliver homes for First Time Buyers and encourage home ownership. On both its College Gardens and Horizon developments, SoJDC instigated a deposit payments scheme for First Time Buyers. This ensured that new homes could be reserved with only a £2,000 upfront payment and a commitment to pay the balance of the 10% deposit over the build period. To date, via this scheme, SoJDC has assisted 125 First Time Buyers on to the Open Market (Category B) property ladder. I am further assured that this scheme will likewise be available for the homes on the South Hill development.

SoJDC is also in dialogue with Government about a Shared Equity scheme that can further support eligible First Time Buyers. SoJDC is conscious that with the recent rises in house prices there will be an increasing number of local households that are being priced out of the open market and yet may earn too much to be eligible for the Andium Homebuy scheme. These households are currently forced into the private rental market. SoJDC is in discussions with my Department and the Strategic Housing Unit with regard to introducing a new Shared Equity product that will provide assistance towards home ownership for households with incomes above the Andium limits. This new scheme needs to align with Government policy and if this can be agreed, SoJDC is looking at ways that this could be applied to all of its developments (including South Hill).

I am assured that the Minister for Housing and Communities will continue to work closely with Andium Homes, and the other Housing Trusts, to support and inform the design and delivery of affordable homes in the Island, pursuant to the publication of his Housing Action Plan.

I would remind Members that P.73/2010 includes the fundamental requirement that SoJDC's projects must be financially viable and privately fundable and SoJDC's projects provide for the delivery of public infrastructure as part of the development - this enhances the sense of place and creates new communities.

Members should note that, at South Hill, SoJDC is proposing to fund the regeneration of the children's playpark and, in partnership with the Parish of St. Helier, has run a children's design competition that will inform the content of the new playpark. The development also includes a new footpath and pedestrian crossings, and a café and public WCs will be incorporated in one of the new buildings. SoJDC is also targeting the development to achieve BREEAM Outstanding as well working towards Passivhaus certification. All of these components add cost to the scheme and the late requirement to introduce a significant number of affordable units will negatively impact the viability of the scheme and destabilise the funding equation and will result in a redesign to the current proposals that will add significant design cost, planning risk and a delay to the delivery of the development.

The delivery of future housing for the needs of all Islanders is supported by the creation of value on such developments as South Hill. Where appropriate, I believe it is prudent to maximise value creation through the development of Category B Housing, as envisaged at South Hill, which enables funds to be realised and spent elsewhere. Profits generated on the sale of units will ultimately only be able to be utilised in accordance with the provisions of P.73/2010.

On this basis of the above factors and the fact that the inclusion of affordable housing on the South Hill development would be in contravention of the Development Brief, I would urge Members to reject this part of the Proposition.

On the basis that part (c) of the Proposition is rejected, part (d) of the Proposition becomes redundant.

Statement under Standing Order 37A [Presentation of comment relating to a proposition]:

These comments were submitted to the States Greffe after the noon 15th July 2021 deadline, as set out in Standing Order 37A, due to multiple work commitments by the presenting Department.