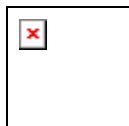


FORMER POSTAL HEADQUARTERS SITE, MONT MILLAIS, ST. HELIER: SALE TO JERSEY HOMES TRUST

**Lodged au Greffe on 22nd February 2000
by the Housing Committee**



STATES OF JERSEY

STATES GREFFE

180

2000

P.21

Price code: B

PROPOSITION

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

- (a) to approve the sale to the Jersey Homes Trust of the freehold of the former Postal Headquarters site, Mont Millais, St. Helier, for redevelopment as social rented housing, for a nominal sum to be agreed by the Finance and Economics Committee;
- (b) to authorise the Attorney General and the Greffier of the States to pass the necessary contracts on behalf of the States.

HOUSING COMMITTEE

- Notes:
1. The Planning and Environment Committee supports this proposition.
 2. The Finance and Economics Committee supports the sale of the former Postal Headquarters site, Mont Millais, St. Helier to the Jersey Homes Trust for a nominal sum. The Committee recognises that the transfer will provide a subsidy in terms of the opportunity cost of not achieving a capital receipt for the land. However, as it has always been the intention to use the site for social housing development purposes, its value would never be realised and the subsidy referred to is a notional one. The Committee further believes that the transfer of the site to the Trust is in accordance with its policy of taking every opportunity to encourage the private sector to engage in the provision of social housing.

REPORT

Introduction

The provision of social rented housing in the urban area is not possible without considerable financial subsidy by the States. Historically, the States has developed many sites, for example the Continental site (Liberation Court) and the OTC site (Les Jardins du Soleil) at great expense and provided social rented housing at a cost which could not be funded from the rental income generated.

Housing Trusts have proved that given a site to develop they can produce high quality social rented housing in good time and within budget. Recent examples include the Christian Science development in St. Saviour's Road, and the Belle Vue, Les Quennevais project (90 dwellings) which, it is worth noting, is on programme and well within budget.

The Housing Committee continues to support the use of Housing Trusts to develop sites for social rented housing and therefore proposes, subject to States approval, to transfer the former Postal site to the Jersey Homes Trust for a housing development as set out below.

The Scheme

The former Postal Headquarters site was first identified as a site suitable for social rented housing in the Island Plan. The site was vacated by the Committee for Postal Administration at the end of 1996. It is extremely disappointing that the development of this site has been delayed on more than one occasion because of disagreements as to how it should be redeveloped.

The current scheme, approved by the Housing and Planning and Environment Committees, comprises a mixed development of 45 houses and flats - 27 three-bedroom houses, four two-bedroom houses, 12 two-bedroom flats (four of which are duplex apartments) and two one-bedroom flats, together with external landscaped areas and a small play centre for young children.

It has been designed to meet the requirements of those persons most in need of family-sized accommodation. The design also reflects the difficulties of developing what is effectively a quarry site, together with the planning restrictions imposed; in particular, the height restrictions in effect over parts of the site.

The Planning and Environment Committee has agreed to transfer the administration of the land to the Housing Committee (P.203/99). This proposition will need to be adopted by the States before consideration can be given to the sale of the land to the Jersey Homes Trust.

Funding

The funding of this housing development will follow precedent set by other trust developments. Accordingly, the Jersey Homes Trust will borrow privately from the banks to finance the development, to be repaid over a maximum period of 25 years, subject to the usual Letters of Comfort being issued by the Housing and Finance and Economics Committees. An interest subsidy will be granted to the Trust on any interest paid above four per cent over the period of the loan.

The former Postal site at Mont Millais is not an easy site to develop and it is anticipated that the rental income stream from the completed dwellings will perhaps not completely cover the buildings and associated costs. There is therefore little prospect of a residual valuation which would allow the Trust to pay more than a nominal sum for the land. This is no different to the situation in which the States will find itself when developing the sites at, for example, Albert Pier and Le Coie Hotel, although in these cases a substantial development subsidy is likely to be required over and above a nil land value.

If tenders for the Postal site are such that the Trust cannot repay the loan over a period of 25 years, a development subsidy will be required from the Housing Development Fund. The detailed financial arrangements will be agreed with the Finance and Economics Committee in due course.

Housing Trusts

The former Postal Headquarters site was identified by previous Housing Committees as a site suitable for redevelopment by the Jersey Homes Trust to provide social rented housing.

The Housing Committee, in support of the current States' policy of encouraging private sector involvement in providing social rented housing, is delighted that so many people are prepared, as members of Housing Trusts, to give freely of their time, their expertise and commitment in order to help the Housing Committee move towards its goal of ensuring that Island

residents are properly housed in secure and affordable accommodation. There is an enormous task ahead if the shortfall in the provision of social housing is to be met.

The Housing Committee recognises, however, that some members of the public and some fellow States members are concerned about certain aspects of Housing Trusts and their role in the provision of social rented housing; and the possible deficiencies of the Loi (1862) sur les teneures en fidéicommis et l'incorporation d'associations (the Trusts Law). These concerns were specifically aired at the Housing Trust Seminar organised by the Housing Committee in April 1999. It was generally agreed at that seminar that some form of regulatory framework is required, which will safeguard the future interests of tenants, trustees and the States, while at the same time being acceptable to the banks and other lending institutions on which the Trusts depend.

The Housing Committee believes that new legislation should be introduced which will establish a regulatory authority which, *inter alia*, will have a general power to supervise the operation of Housing Trusts.

The principle aims of the new Law will be to -

- (1) safeguard the financial position of the States;
- (2) ensure that social housing targets are met;
- (3) safeguard the interests of tenants;
- (4) safeguard the position of Trustees;
- (5) ensure that funds are used prudently and cost-effectively;
- (6) ensure the probity of Trusts.

However, the preparation of new legislation can be a lengthy process. Therefore, as an interim measure, and in order not to delay critical housing projects, the Housing Committee intends that, unless already covered by a previous agreement, legally binding agreements will be entered into by the Housing Committee and each Trust whenever a property transaction takes place between the two parties, or where the States are subsidising a transaction which may not involve the transfer of public land.

These separate legally binding arrangements will cover the following matters -

- (1) the maximum rents that may be charged by the Trust - future rentals will not exceed the fair rents set by the Housing Committee for like-sized accommodation;
- (2) nomination rights for new dwellings will be 80 per cent from the Housing Committee and 20 per cent from the Trusts. The Committee is prepared to allow a degree of flexibility with future void properties, although in practice the vast majority of these will be occupied by persons who would otherwise have to be housed in States rental accommodation;
- (3) tenant consultation policy - each Trust will have to satisfy the Committee (or future regulator) that it has an appropriate tenant consultation policy in place that will meet the needs of tenants. The introduction of a Tenant Charter is being actively considered.

Each separate Contract of Sale will cover the following matters -

- (1) restrictions on the future use of the land/property for social rented housing (or in some cases for first-time buyers) - the contract for sale will require that the land/property can only be used for social rented housing. This restriction was imposed most recently on the land at Belle Vue, St. Brelade, upon its sale by the States to the Jersey Homes Trust;
- (2) restrictions on the onward sale of the land/property - the contract of sale will state that should the trust wish to either sell the land/property or cease to manage it for the specific purposes of social rental accommodation, it must in the first instance offer the property for sale to the public of the Island, valued on the basis of social rented housing.

The possibility of there being no housing need at some time in the future and the consequence that Trusts might simply accrue funds that could not be spent, has also been addressed. The Jersey Homes Trust will be making amendments to its Constitution, which will be consistent with the requirements of the 1862 Law but which will also anticipate the passing of the

Law. The constitutional changes will establish the principle, the intention and the responsibility of Trustees to pay surpluses to the States. The new Law will correct any perceived shortcomings in the present arrangements and ensure accountability in the matter.

This reflects the reality that any such surpluses will not arise until after the end of the loan repayment period - 25 years in most cases. The detail of these arrangements will be approved by the Housing and Finance and Economics Committees, the Law Officers Department and the Jersey Homes Trust. All amendments to the Trust's Constitution will be registered before the Royal Court.

Conclusion

The development of the Postal site has been delayed for too long. As a consequence, those persons in the greatest housing need in the Island continue to be housed in inadequate accommodation. Every month of delay adds further to the cost of the project. The Committee has already written off some £200,000 in abortive fees alone because of decisions taken which have affected the development of this site. Subject to the approval of the transfer of land, the Jersey Homes Trust will go out to tender in February 2000, in order that building work can start on site as soon as possible after the completion of the second phase of the enabling works contract in March 2000.

The Committee believes that, with the existing legal arrangements which govern the operation of Housing Trusts, together with the interim measures mentioned above, the introduction of a new regulatory framework to safeguard the future interests of tenants, trustees and the States, there should be no reason to delay the transfer of this site to the Jersey Homes Trust. It must be in everyone's interest that these homes are built and occupied without any further delays.

1st December 1999

Name of Scheme: Postal RevisedRental projections

<i>Type of units</i>	<i>Number of units</i>	<i>Initial fair rents £/week</i>	<i>Annual rental income £</i>
1 bed flats	2	120.00	12,480
2 bed flats	8	152.00	63,232
2 bed m'ettes	4	152.00	31,616
2 bed houses	4	175.00	36,400
3 bed houses	27	192.00	269,568
<i>Totals</i>	45		413,296

Capital investment

	<i>£</i>
Scheme costs	8,386,133
Development subsidy	(700,000)
<i>Total</i>	7,686,133

Parameters

Housing Association interest	4.00 per cent
Housing Committee interest	4.00 per cent
Overall interest rate	8.00 per cent
Annual inflation rate	3.50 per cent

Expenses as a percentage of rentals

Agents' fees	5.00 per cent
Service charges	3.00 per cent
Maintenance	7.00 per cent
Voids	3.00 per cent
<i>Total</i>	18.00 per cent

<i>Year</i>	<i>Rentals £</i>	<i>Interest £</i>	<i>Expenses £</i>	<i>Net income £</i>	<i>Loan balance £</i>	<i>States subsidy £</i>
0			0		7,686,133	
1	413,296	307,445	74,393	31,458	7,654,675	307,445
2	427,761	306,187	76,997	44,577	7,610,098	306,187
3	442,733	304,404	79,692	58,637	7,551,461	304,404
4	458,229	302,058	82,481	73,690	7,477,771	302,058

5	474,267	299,111	85,368	89,788	7,387,983	299,111
6	490,866	295,519	88,356	106,991	7,280,992	295,519
7	508,046	291,240	91,448	125,358	7,155,634	291,240
8	525,828	286,225	94,649	144,954	7,010,680	286,225
9	544,232	280,427	97,962	165,843	6,844,837	280,427
10	563,280	273,793	101,390	188,097	6,656,740	273,793
11	582,995	266,270	104,939	211,786	6,444,954	266,270
12	603,400	257,798	108,612	236,990	6,207,964	257,798
13	624,519	248,319	112,413	263,787	5,944,177	248,319
14	646,377	237,767	116,348	292,262	5,651,915	237,767
15	669,000	226,077	120,420	322,503	5,329,412	226,077
16	692,415	213,176	124,635	354,604	4,974,808	213,176
17	716,650	198,992	128,997	388,661	4,586,147	198,992
18	741,733	183,446	133,512	424,775	4,161,372	183,446
19	767,694	166,455	138,185	463,054	3,698,318	166,455
20	794,563	147,933	143,021	503,609	3,194,709	147,933
21	822,373	127,788	148,027	546,558	2,648,151	127,788
22	851,156	105,926	153,208	592,022	2,056,129	105,926
23	880,946	82,245	158,570	640,131	1,415,998	82,245
24	911,779	56,640	164,120	691,019	724,979	56,640
25	943,691	28,999	169,864	744,828	(19,849)	28,999

Initial rental - percentage of capital invested	5.38 per cent	Total States subsidy	£5,494,240
---	---------------	----------------------	-------------------