

2.6 Deputy A. Breckon of St. Saviour of the Minister for Treasury and Resources regarding the proposed sale of the former Sunshine Hotel site:

In R.1/2007 Members are notified of the Minister's intention to sell the former Sunshine Hotel site and cottage for £2.1 million. Would the Minister inform the Assembly whether a purchase price of £1.975 million in 1999 plus ongoing associated costs represents best use of public funds against a proposed sale price of £2.1 million in 2007 and how such a transaction fits within the States social housing policy?

Senator T.A. Le Sueur (The Minister for Treasury and Resources):

My Assistant Minister, Deputy Le Fondré, deals with property matters and I would ask that he would help to report over this question and a subsequent one on property.

Deputy J.A.N. Le Fondre (Assistant Minister for Treasury and Resources):

To take the last part of the question first, the transaction does still comply with States social housing policy because it requires first-time buyer accommodation to be built on the site and for the site to be used for first-time buyer accommodation in perpetuity. With regard to the cost, I think I would agree with the inference that this does come at a price. I can confirm my understanding that the development cost of the site was likely to be hugely expensive for social rented housing to the extent that it was finally not felt to be a viable proposition. Accordingly I understand that the Housing Committee of the day felt that this was the most effective option remaining to them while keeping the purpose of the site consistent with the original aims when acquired and the property was transferred to Property Holdings for disposal, with the funds being paid back into the Housing Development Fund.

2.6.1 Deputy A. Breckon:

In the original question I did ask for associated costs. If I may prompt the Assistant Minister and perhaps give him a few clues to what I was looking for? I would be looking for something like the demolition and site stabilisation and security cost, professional fees associated with planning and design. I wonder if he could apply his mind to that, Sir?

Deputy J.A.N. Le Fondre:

The Deputy did not ask for a quantification of those costs but I will not say I am pleased to inform him because it is a substantial sum of money. The total additional cost for demolition, design and planning fees in the period since acquisition have totalled in the order of £650,000.

2.6.2 Deputy A. Breckon:

In view of the figures that the Assistant Minister has just revealed, I did ask if it was the best use of public funds and therefore, again, Sir, I will probably give him a prompt. Is it the best use of public funds that we in fact lose about £1 million on this deal?

Deputy J.A.N. Le Fondre:

We are not losing about £1 million on the deal. Broadly speaking, as you can see, £2.1 million against £1.975 million is an immediate difference of plus, roughly, £100,000 or something. The second point is that during the period between 1999, when the property was acquired, and approximately a year and a half afterwards, the States received an additional, I think it was £125,000 in terms of a licence fee, because I believe the hotel continued to operate. That said, it is still a substantial sum of money. The point being, Sir, that my understanding is that the view was taken, in light of the experiences on certain other rather expensive sites, that in terms of trying to achieve the housing policy aim - which was to provide additional category A housing - the best way was for the States to effectively cut its losses and put it out to open tender, which was achieved. We took the highest price available on the site and to put a condition on the development of that site which does meet the criteria required. That is my understanding, Sir, and I await any further questions.

2.6.3 Deputy J.G. Reed of St. Ouen:

Could the Assistant Minister explain why was this property is not included in the 2007 Property Plan?

Deputy J.A.N. Le Fondre:

Yes, Sir, because I asked the same question. Again my understanding is because it was acquired from funding from the Housing Development Fund and the funds are going back into the Housing Development Fund and therefore it is was not originally a part of the property holding portfolio.

2.6.4 Deputy of St. Ouen:

Could the Assistant Minister explain to this House first of all what the Housing Development Fund is for and how much is currently in its balance?

Deputy J.A.N. Le Fondre:

I cannot tell you off hand the exact balance at present. I will be delighted to find out the information and return it back to the Deputy. My understanding again of the Housing Development Fund was that it was originally acquired - okay, my understanding, but again I would like to confirm it with the Deputy - it was used to essentially create land banks and provide subsidies and generation of housing sites but I think I would refer that question probably more appropriately, to give a better answer, to perhaps the Housing Minister.

2.6.5 Deputy S.C. Ferguson:

Would the Assistant Minister tell us what the market value of such a site is and therefore how much the hidden subsidy that is going into this social housing?

Deputy J.A.N. Le Fondre:

I think, Sir, I would have to say that the market value of the site as it currently stands is £2.1 million, because that is what people are prepared to pay for it.

2.6.6 Deputy G.P. Southern:

Would the Assistant Minister undertake to return to the House with figures that account for the 7 years of interest foregone and inflation built into the figures to reveal the true value of this transaction?

Deputy J.A.N. Le Fondre:

I am sure, Sir, we can provide the calculations that the Deputy seeks with not too much difficulty and I will ask my officers to do so.

2.6.7 Deputy J.J. Huet of St. Helier:

Well, I am sure it is quite a simple question, really, Sir, but I am wondering why we ever bought the property in the first place?

Deputy J.A.N. Le Fondre:

I think it was before my time, Sir, is the short answer and I think you would have to refer to - I am guessing - the Minister for Housing at the time. I see it was in accordance with then States policy.

2.6.8 Deputy R.G. Le Hérissier:

Would the Assistant Minister confirm, that having studied the papers, that the property was grossly over-valued and could he furthermore assure us that he now has put procedures in place so this kind of gross over-evaluation will never occur again?

Deputy J.A.N. Le Fondre:

The difficulty in terms of gross over-evaluation I would have to look back at papers because you are looking at market conditions at the time and obviously at the time, and even now, you do not

buy these type of things for an investment return at the end of the day. The site was bought as it was and is now being sold as a cleared site for a limited, certain type of development. So, you could maybe add that part of the price that we have paid is the price for limiting what can go on that site in terms of category A housing in the future. Other than that, yes, I too would have reservations if we did something similar to that again and if procedures are not in place, they will be shortly.

2.6.9 Deputy J.A. Martin:

It is my reservation, Sir, that we will be doing something similar to this again, because we are told by the Housing President, Sir, that we need 400 sheltered housing and here we have a perfect site. There is a bus at Havre des Pas and Green Street, every trip 20 minutes. We own it. We have sat on it for 7 years losing... my question is, will the Assistant Minister please take this back to the Minister who considers this for sheltered housing as we already own it and we really need this type of housing. We do need first-time buyer homes but I would suggest the site is more suitable and urgently more needed for sheltered housing. Would the Minister not agree? Thank you, Sir.

Deputy J.A.N. Le Fondre:

I think at that stage, Sir, I think we are starting to veer into housing policy areas, which I am afraid I will have to defer to the Minister for Housing. My understanding was that it was felt that category A first-time buyer housing was also appropriate for the site.

Deputy T.J. Le Main:

Sir, the Housing Minister would not support that at all.

2.6.10 Deputy J.B. Fox:

Yes, Sir, I was on Planning when this one went through and it was a brown field site and there was an urgent need for first-time buyer housing, *et cetera*. In the ensuing period the world has changed and certainly the Island has changed and the question now I would like to ask is, is there more value in the site if its initial first-time buyer status is redefined to category B or whatever and if so would it not be an idea for the Assistant Minister and the Minister to re-examine bringing back to the States a new proposition so that can be considered by the House. Thank you, Sir.

Deputy J.A.N. Le Fondre:

I think, again, Sir, we are on the verge of changing housing policy. My understanding is that the aim of the site was for category A housing and in this instance it was deemed to be for first-time buyers. Yes, of course, if it was an open development it would be worth more money but that would have been against the housing policy at the time and the point being is that we have gone out to tender on it, Sir.

2.6.11 Deputy A. Breckon:

In earlier answers the Assistant Minister said: "A view was taken." He said it was the best way to proceed and he said: "We decided to cut our losses." Can he tell the House, Sir, whose decision that is?

Deputy J.A.N. Le Fondre:

Obviously I have relied upon the advice of my officers and they obviously discussed it with Housing and, as we said, it has been in liaison with the Minister for Housing because obviously it is linked into the Housing Development Fund.

Deputy A. Breckon:

The answer, Sir, was...?

Deputy J.A.N. Le Fondre:

Relying on the advice of my officers and in conjunction with the Minister for Housing.

Deputy A. Breckon:

The answer, Sir, is...?

The Deputy Bailiff:

Who took the decision? Did you take the decision, Minister, or did ...?

Deputy J.A.N. Le Fondre:

I have signed-off on the decision to sell on the advice of my officers and in conjunction with their discussions with the Minister for Housing.

Deputy A. Breckon:

Can I thank the Assistant Minister for his answer, Sir, at the third time of asking?

Deputy J.A.N. Le Fondre:

Sorry, Sir, I was possibly misunderstanding the question. Thank you, Sir.