

# **STATES OF JERSEY**



## **JERSEY HOMEBUY: A NEW FORM OF ‘SHARED EQUITY’ HOUSING – WHITE PAPER**

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**Presented to the States on 29th January 2008  
by the Minister for Planning and Environment**

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**STATES GREFFE**

Planning and Environment Department  
**White Paper**



30 January 2008

*mebuy*: a new form of 'shared equity' housing

### **PURPOSE OF CONSULTATION**

To gauge public opinion on *Jersey Homebuy*, a 'Shared Equity' type proposal to make some first-time buyers homes available to approved applicants at a 35% discount.

**CONSULTATION PAPER EMBARGOED UNTIL 00.01 hrs, 30 Jan 2008**

**DEADLINE FOR RESPONSES**

26 March 2008

### **SUMMARY/QUESTIONS TO CONSIDER**

The Minister for Planning and Environment is proposing the introduction of *Jersey Homebuy*, a scheme which aims to provide a new form of affordable housing, in addition to social rented housing.

The key proposals are:

- *Jersey Homebuy* properties would be available to qualifying first-time buyers at a discounted rate, initially set at 35%.
- A system of financial means testing, known as a gateway, would be set up to identify qualifying first-time buyers. This would be managed by the Housing Department in a similar way to its existing waiting list for States rental accommodation.
- Buyers would purchase a 100% of the property for just 65% of the first-time buyer market value. If they sell it on, the sale would have to be to a first-time buyer who would then pay 100% of the prevailing first-time buyer value. The seller would take away 65% of the sale proceeds and the other 35% would be paid to a not-for-profit body that would re-invest the money into more affordable housing provision
- A not-for-profit recognised provider of affordable housing would receive and administer the remaining sales proceeds which would be re-invested into other affordable housing.
- The Island Plan 2002 is amended so *Jersey Homebuy* can be applied to a proportion of the properties to be built on the three remaining sites allocated for affordable housing in the Island Plan 2002 and any future sites allocated for affordable housing. The Minister for Planning and Environment would determine what proportion of those properties are available as *Jersey Homebuy* and social rented housing based on evidence from the Housing Needs Survey. (Note, in the Island Plan 2002 these affordable housing sites are referred to as H2 sites).

The Minister for Planning and Environment would appreciate your comments on the proposed scheme including the following questions:

1. Should the Island Plan 2002 be amended to make provision for *Jersey Homebuy* on remaining allocated H2 housing sites?
2. Is *Jersey Homebuy* the right mechanism for delivering more affordable housing? Or should the Planning and Environment department be looking at other mechanisms?
3. Is the format of the proposed scheme workable and will first-time buyers find it easy to access?
4. What form should the not-for-profit administering body take?

**SEND COMMENTS TO**

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| Minister for Planning and Environment<br>South Hill<br>St. Helier<br>JE2 4US | Tel: 01534 445508<br>e-mail: <a href="mailto:jerseyhomebuy@gov.je">jerseyhomebuy@gov.je</a><br>Fax: 01534 445528 |
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**This consultation paper has been sent to the following individuals/organisations:**

- Mortgage lenders
- Jersey Bankers Association
- Jersey Law Society
- Law Officers Department
- Social Housing Landlords (Jersey Homes Trust/Christians Together/Les Vaux Housing Trust/Community Homes Ltd.)
- Developers (Dandara, GR Langlois, Alpine Estates, JF Marret & Son)
- Jersey Citizens Advice Bureau
- Association of Jersey Architects
- Royal Institute of Chartered Surveyors - Jersey Branch
- Jersey Estate Agents Association
- Public Consultation register

# Consultation Paper

## *Jersey Homebuy: a new form of 'shared equity' housing*

### **Executive Summary**

This paper proposes the introduction of a form of 'shared equity' housing, adapted to meet the requirements of Jersey Law.

The report sets out the following:

- The need for new forms of affordable housing, in addition to social rented housing;
- A framework to introduce a scheme called *Jersey Homebuy*, which would make first-time buyer homes available to qualifying purchasers at a 35% discount; and
- The necessary planning policy amendments to introduce this scheme.

The key proposals are that:

- The Island Plan 2002 be amended to enable the application of the Jersey Homebuy approach on the remaining allocated H2 housing sites;
- Qualifying purchasers are identified by the Minister for Housing, having regard to the applicant's financial resources;
- Jersey Homebuy properties are made available at a 35% discount to qualifying purchasers; and
- The discounted percentage becomes payable to a recognized provider of affordable housing when the purchaser sells the property, to be re-invested into affordable housing provision in Jersey.

## 1. Introduction

Affordability is one of the greatest problems facing Islanders hoping to get onto the housing ladder. With house prices currently increasing rapidly, there is an urgent need to provide a wider range of affordable housing solutions. This report proposes the introduction of a new form of affordable housing, which will provide additional opportunities for those that cannot currently afford a home in the open market. The report focuses on broad principles, as a number of specific future products meeting these principles may arise.

Broadly, households seeking to meet their housing needs fall into 3 categories: those who can afford a loan on a property at full market rates; those who cannot and are eligible for social rented property; and a band in between. This band can be defined as those in need of 'intermediate housing'. To offer a definition:

*Intermediate housing is affordable housing for people with incomes too great to be eligible for social rented housing but also unable to afford property, even with a loan, on the cheapest equivalent first-time buyer home.*

This paper uses the term 'intermediate housing' rather than shared equity housing, in order to avoid possible misunderstanding. Short of a fundamental change of Jersey property law, shared equity in the sense in which the expression is used in the United Kingdom, cannot happen here. Shared ownership is possible but, as a form of affordable housing provision in Jersey, is commercially unrealistic. This paper proposes an appropriate scheme which would achieve broadly the same outcome as shared equity housing does in the U.K.; namely to provide access to home ownership for those that cannot afford to purchase at the full market price.

The term 'Jersey Homebuy' is used in this report to describe a potential range of products that could fulfil the need for intermediate housing, whilst being deliverable through Jersey law. Jersey Homebuy housing can be defined as follows:

Jersey Homebuy is housing where the purchaser buys the whole property, but initially pays only such part of the first-time buyer full market price as may be determined by the Minister. The legal arrangements regulating the unpaid balance of the full market price must be approved by the Minister. The property must remain in the first-time buyer market in perpetuity.

The introduction of intermediate housing, including Jersey Homebuy housing, would have clear social and economic benefits for the Island. In addition to meeting the housing needs of many young Islanders, it helps to reduce the public requirement to provide and maintain social housing.

An estimated 20% of those on the first-time buyer waiting list might only be able to access market housing through the suggested new arrangements. In addition, we know from the States Housing Property Plan that there is a significant number of existing States tenants that could use these arrangements to move into home ownership. This would free up a number of existing social housing units for new tenants.

## 2. Background

2.1 In 2005, the Housing Department estimated that 160 families on the States loan waiting list had insufficient income to be able to afford a first-time buyer house and anecdotal evidence from several first-time buyer developers suggests a steady increase in that number. To assist the Island Plan review, a Housing Needs Survey has been carried out. Early in 2008, the published results will provide accurate information on housing need across all sectors. This section reports in more detail on the 2005 work, which is the most recent available evidence, in advance of the current Housing Needs Survey.

2.2 In early 2005, the Housing Department (now the Population Office) carried out a complete review of its 'First-Time Buyer List' in an effort to establish a more realistic understanding of demand. The list confirmed that 800 individuals and families needed homes, broken down as follows:

| Applicant Type               | Number     |
|------------------------------|------------|
| Single Person*               | 436        |
| Couple, no children          | 124        |
| Family, one child            | 111        |
| Family, two or more children | 129        |
| <b>Total</b>                 | <b>800</b> |

\*includes some single applicants with common-law partners, who do not possess residential qualifications and those in full-time University education

(Source: Planning for Homes 2006)

2.3 Although the list is now over 2½ years old and some 250 first-time buyer homes have been developed since then, this provides evidence of a significant latent demand for first-time buyer homes.

2.4 Particular attention was paid to the issue of affordability and information was sought on the income of applicants. The findings are summarised below:

### Estimated Household Income: First-Time Buyer Waiting List, 2005

| Income Band | Number of Households |                 |       | % |
|-------------|----------------------|-----------------|-------|---|
|             | Single Applicant     | Joint Applicant | Total |   |

|                   |            |            |            |              |
|-------------------|------------|------------|------------|--------------|
| £0 – £20,000      | 119        | 4          | 123        | 18.8         |
| £20,001 – £30,000 | 178        | 48         | 226        | 34.6         |
| £30,001 – £40,000 | 57         | 82         | 139        | 21.2         |
| £40,001 – £50,000 | 18         | 75         | 93         | 14.2         |
| £50,001 – £60,000 | 4          | 50         | 54         | 8.3          |
| £60,001+          | 2          | 17         | 19         | 2.9          |
| <b>Total</b>      | <b>378</b> | <b>276</b> | <b>654</b> | <b>100.0</b> |

(Source: Planning for Homes 2006)

2.5 These income details suggest that, in 2005, a significant proportion of the 800 applicants on the waiting list would not be able to fulfil their aspirations to purchase a property in the foreseeable future. Some 19% of the households on the list had an annual income totalling less than £20,000; well over half of the households (53%) had an annual income of less than £30,000; and approximately three-quarters had an annual income of less than £40,000. ‘Planning for Homes 2006’ attempted to put these figures into perspective, by comparing the declared incomes of those on the list with the net income they would require to finance a 95% loan on a typical 3-bedroom first-time buyer house. At least 20% of those on the list were unlikely to be able to afford any form of new build. Possibly only 18-20% were likely to be able to afford a 3-bedroom house. It is clear that affordability remains a serious issue.

2.6 The last Planning for Homes report envisaged that the affordability issue would worsen for first-time buyers, as a result of recent increased activity in the housing market. For example, the price of a 3-bedroom first-time buyer home at Clos des Charmes, St. Peter, which were all recently sold ‘off plan’, was £300,000. This compares to the £250,000 figure used in the 2005 Housing Department study. The average price is more than ten times current average annual earnings, which in June 2006 was about £28,000 per annum (Source: Index of Average Earnings, States of Jersey Statistics Unit).

### **3. The requirement for a policy for intermediate housing**

3.1 Currently, we do not have an enabling policy for an element of intermediate housing as a component of overall affordable housing. In part, this has been because of difficulties in developing a suitable legal model for this approach under Jersey land law.

3.2 Shared ownership is known to Jersey law. However, purchasers of property will inevitably need to borrow and lenders will wish to secure the loan on the property. It is a matter of doubt whether a loan can be secured on a share of a property and it is also unlikely that a lender would be prepared to offer a loan secured on a

share of a property.

3.3 The Minister intends to introduce a report and proposition to make an interim amendment to the Island Plan, which would include within the definition of Category A housing a form of intermediate housing which is considered compatible with Jersey law: Jersey Homebuy. Within the current 45% allocation for affordable housing, it would allow for a split between social rented and Jersey Homebuy housing based on available evidence of need and supply.

3.4 It is important to define the policy aims of Jersey Homebuy in broad terms, as new models may become available during the lifetime of the revised Island Plan. An acceptable approach has been agreed with the Housing Department. Appendix 2 sets out a proposed framework for the operation of the model.

#### **4. The proposed Jersey Homebuy model**

4.1 An array of intermediate housing products is now available, especially in the U.K. They have the common theme of being cheaper than open market housing, but achieve this through a variety of mechanisms. The two common elements are that: the purchaser pays less than 100% of the market price of the property; and there is a form of 'gateway' to ensure that those eligible are unable to purchase housing in the unrestricted open market. Terms vary in relation to arrangements for repairs and maintenance and provisions for what happens when the purchaser sells the property.

4.2 This section outlines a proposed approach to the provision of intermediate housing which could be applied on the remaining H2 sites and, potentially, carried forward to new developments on rezoned sites. It is proposed to call this scheme 'Jersey Homebuy', as it is similar to the U.K. HomeBuy intermediate housing scheme.

4.3 Under the proposed approach, the purchaser buys the property outright but only pays a percentage of the total first-time buyer market price at the time of purchase. What happens to the remaining (deferred) percentage will be regulated by arrangements approved by the Minister for Planning and Environment, as explained below. In reality, it is anticipated that most owners of Jersey Homebuy properties will retain the property for a long period, given that their personal circumstances would need to change substantially to enable them to move to a property at full market price. However, should, the purchaser sell the property at any future time, the sale must be to a first-time buyer who would pay the full prevailing first-time market value.

4.4 Where a site is zoned for Category A housing, the Minister for Planning and Environment would

determine the proportion of the units that are first-time buyer homes, social rented housing or Jersey Homebuy housing, based on an assessment of needs at the time (which is to be set out by the Minister in Supplementary Planning Guidance). He would also give direction as to the level of discount to be provided for the Jersey Homebuy housing. Initially, the discount is to be set at 35% of the first-time buyer price.

4.5 On completion of the scheme, the affordable housing elements are delivered through one of two mechanisms (or a combination of the two):

- The developer sells the property to an affordable housing provider (in practice the States or a Housing Trust) who will provide rented housing to ‘qualifying persons’ (i.e. those qualifying for affordable housing); or
- The developer sells the property to an appropriate body to administer their sale under the Jersey Homebuy scheme to persons qualifying for Jersey Homebuy housing in accordance with the model outlined in Appendix 2.

4.6 The Minister would place a restriction on the occupation of the Jersey Homebuy dwellings until the developer transfers the designated Jersey Homebuy units to a recognised provider of affordable housing. This could, for example, be a public body, a Parish, a Housing Trust or other approved organisation. There would be a requirement that this be a not-for-profit organisation, with the eventual profits from receipts of deferred payments to be reinvested in affordable housing provision.

4.7 Ensuring that intermediate housing is made available to those who need it and not those with the means to buy on the first-time buyer market will be fundamental to the success of any scheme. There will need to be some form of means test which applicants would need to be subject to in order to qualify.

4.8 The Housing Department operates an existing means testing system for access to States rental accommodation and in providing nominations to the Housing Trusts and it is considered feasible for this existing process to be modified to provide a complete ‘Gateway’ to affordable housing including social rented accommodation and intermediate housing.

4.9 To qualify as eligible for intermediate housing, purchasers will need to satisfy the Minister for Housing that they genuinely cannot compete to purchase in the first-time buyer market. Some bar in terms of maximum income is required; otherwise Jersey Homebuy homes might in practice be no more affordable than ordinary first-time buyer housing. The proposed model set out in Appendix 2 explains how such a gateway might work. Ir

selling the intermediate homes on a site, the developer will be required to ensure that those units are only sold to those applicants who can demonstrate that they have been approved as eligible by the Minister for Housing.

**An example of how Jersey Homebuy could operate in practice:**

Applicant *T* has an income of £900 p.w. (£46,800 p.a.) and having been means tested through the gateway is approved as being eligible for intermediate housing.

The home he wishes to buy is valued at £400,000 and being a unit categorized for intermediate housing is subject to a 35% discount on the first-time buyer value, bringing the purchase price down to £260,000.

*T* buys the property outright, but only pays 65% of the first-time buyer value at this stage. Over 25 years, *T*'s monthly mortgage repayments on a loan of £260,000 will be (at current rates) £1,675 per month, which reduces significantly after allowing for mortgage interest tax relief.

Say, after 10 years, *T* decides to sell the property. *T* must sell to a recognised first-time buyer who will pay 100% of the prevailing first-time buyer value. *T* receives 65% of the proceeds from the sale, minus the outstanding mortgage principal and fees; the authorized body holding the second charge receives the other 35% of the sale proceeds.

## 5. Available sites

There are currently 3 remaining H2 sites which could include Jersey Homebuy in the short term:

- **Site H2 (1) Fields 848, 853 and 854, Bel Royal, St. Lawrence**– development permission has been granted for 102 dwellings and planning obligations drafted to deliver 56 firsttime buyer and 46 social rent dwellings. The first phase of the development is currently under construction.
- **Site H2 (8) Fields 190, 191 and 192, La Rue de la Sergente, St. Brelade**– a planning application is currently being considered for 16 first-time buyer and 13 social rented dwellings.
- **Site H2 (10) Field 873, St. Lawrence**– a draft planning brief has been prepared identifying a possible yield of 8 first-time buyer and 6 social rented family dwellings.

## 6. Financial and manpower implications

The setting up of a gateway scheme will have some financial and manpower resources, but they can be accommodated within the current resources of the Housing Department.

**Proposed amendments to the Island Plan 2002**

It is proposed to make the following changes to the Island Plan 2002, in order to provide for the provision of Jersey Homebuy housing on the remaining H2 housing sites:

- (i) That a new paragraph 8.18a is added to the Island Plan:

*There is also a need for intermediate housing which addresses the need of those with incomes too great to be eligible for social rented housing, but who are unable to afford to buy the cheapest first-time buyer home even with the assistance of a loan. In order to meet this need, a category of housing will be introduced which will enable first-time buyers who fall within this range to buy first-time buyer properties without initially paying the full first-time buyer price. There will be appropriate arrangements for the repayment in due course to the vendor of the balance of the purchase price.*

- (ii) That in paragraph 8.19 of the Island Plan the words ‘**Intermediate Housing –including Jersey Homebuy Housing**’ are added between ‘States, Parish and Housing Trust Rental Housing (including sheltered housing)’ and homes for First-Time Buyers.’

- (iii) That the final paragraph of policy H1 be deleted and replaced as follows –

**Developers of sites designated in the Plan specifically for the construction of Category A housing in Policy H2 will be required by the Minister for Planning and Environment to provide first-time buyer homes, intermediate housing and social rented housing in such proportions of the total number of dwellings provided on each site as the Minister shall determine, having regard to the most recent available evidence on housing need and housing supply.**

**Interim provision of Jersey Homebuy on remaining H2 sites: Requirements for proposed schemes**

- A2.1 The Minister for Planning and Environment will require developers and/or affordable housing providers involved with the remaining Island Plan H2 sites to enter into a planning obligation to deliver a mix of first-time buyer dwellings and social rented or Jersey Homebuy dwellings. In the case of Jersey Homebuy dwellings, the Minister for Planning and Environment will require the developer to transfer the units to a suitable body who will administer their sale under an appropriate Jersey Homebuy scheme, which is required to include the necessary legal safeguards for the purchasers.
- A2.2 The detailed specification of the Jersey Homebuy scheme, including the requirements to be incorporated in the planning obligation agreement with the developer, will be set out by the Minister in Supplementary Planning Guidance. This policy statement will be updated on a regular basis in the light of the results of the latest Housing Needs Survey.
- A2.3 First-time buyer properties will be either unclassified first-time buyer properties, for which there will be no discount, or Jersey Homebuy properties, for which the discount will initially be 35%. There will be appropriate arrangements for the repayment in due course to the administering body of the balance of the purchase price for Jersey Homebuy properties.
- A2.4 The Minister for Housing will maintain a register of Jersey Homebuy purchasers. Any first-time buyer will be entitled to apply to the Minister for Housing to be entered in the register. Acceptance for the Jersey Homebuy scheme will be determined by the Minister for Housing having regard to the applicant's financial resources. The decision of the Minister for Housing will be open to review by the Minister for Planning and Environment.
- A2.5 The Minister for Planning and Environment will determine in respect of any of the sites to which this policy refers what proportion of the dwellings to be constructed on the site shall be:
1. unclassified first-time buyer accommodation. Such accommodation will be able to be sold at full first-time buyer price to any first-time buyer, whether on the register or not; and
  2. Jersey Homebuy accommodation, which will initially be available at 35% discount to a qualifying Jersey Homebuy purchaser.

# Proposed Affordable Housing Allocation Gateway

