

Housing Policy Development Board



Minutes of the Housing Policy Development Board Meeting 9 - Friday 11th September 2020, 2pm to 4pm

The meeting was attended by the following members –

Michael De La Haye, Independent Chair (the “Chair”)
Senator Sam Mézec, Minister for Children and Housing
Deputy John Young, Minister for the Environment
Deputy Lindsay Ash, Assistant Minister for Treasury and Resources
Deputy Gregory Guida, Assistant Minister for the Environment
Deputy Carina Alves, Deputy for St Helier
John Le Bailly, Connétable of St. Mary
John Scally, Independent Lay Member

In attendance –

Sue Duhamel, Head of Policy, Strategic Policy, Planning and Performance
Stephen Robinson, Head of Shareholder Relations, Treasury and Exchequer
Ralph Buchholz, Principal Planner, Strategic Policy, Planning and Performance
Greg Boyd, Senior Economist, Economics Unit
Aaron Girardi, Senior Economist, Economics Unit
Matthew Gill, Statistical Officer, Statistics Unit
Jack Norris, Senior Policy Officer, Strategic Policy, Planning and Performance
Timothy Millar, Senior Policy Officer, Strategic Policy, Planning and Performance

Sends apologies

Deputy Kevin Lewis, Minister for Infrastructure

1. Welcome and introduction

1.1. The Chair welcomed everyone to the ninth meeting of the Housing Policy Development Board.

2. Minutes of the last meeting 28th January 2020

2.1. The Minister for Children and Housing (MCH), in relation to Item 4 ‘Housing Policy Development Board Final Report’, requested an amendment to the minutes to reflect the discussion that had taken place on the 90% social rents policy. The Minister noted that he had expressed strong support at the time for reducing the rent level or moving to a different funding arrangement. The Chair agreed that this was a fair reflection of the discussion and that the necessary amendments to the minutes should be made.

2.2. The Chair would then sign the minutes on behalf of the Board once this action had been completed to the satisfaction of the Board.

3. Matters arising from the minutes of the last meeting

There were no matters arising from the last meeting.

4. Impact of Coronavirus on the work of the Board

4.1. The Chair noted that the work of the Board had been suspended in March 2020 owing to the Coronavirus pandemic. With the move to Level 1 of the Safe Exit Framework, the Board had now been able to reconvene and conclude its work. The focus of this Board meeting would, therefore, be to review each of the key recommendations set out in the Board's Final Report and assess whether the impact of the coronavirus had changed any of the recommendations.

4.2. The Chair introduced Government of Jersey ("GoJ") officers from the Economics Unit, Statistics Unit and Island Plan Team to present to the Board on the impact of coronavirus on Jersey's housing market.

4.3. The Board was advised by the Economics Unit and the Statistics Unit representatives as follows:

- There had been 56% fall in property transactions during the second quarter of 2020, compared to the same time last year. The housing market had rebounded more quickly than expected, partly because the lockdown was shorter than originally anticipated. The Fiscal Policy Panel's (FPP) central forecast stated that total annual transactions would be 20% lower than last year.
- Property prices were forecast to remain flat over the next two years, but this is highly uncertain.
- Jersey's Fiscal Policy Panel (FPP) medium-term forecast was that growth in property prices would be in line with inflation. The number of transactions would remain flat. But they are not forecasting a significant correction in previous growth rates. This is their central forecast, and subject to a greater than usual level of uncertainty.
- Downward earnings (including finance sector bonuses) and reduced inward migration caused by coronavirus were expected to have a negative impact across the economy, including on the housing market.
- It was argued that while you might often expect a substantial degree of spare capacity to open up in a recession, it's not clear that this will happen in the construction sector in the current downturn, as the wider Government Group capital programme remains substantial.
- Bank lending in the housing market was re-starting but there may be a slowdown in the first-time buyer market if banks continued to limit lending at high loan-to-value ratios. Whilst demand was still high, affordability continued to be a problem.

4.4. The Board expressed an interest in the availability of freehold and share transfer transactions data, noting anecdotal evidence of a high number of transactions at high prices within the local property market. The Board wished to understand whether recent high demand was inflating prices or if it was in fact being driven by a subset of people who had not been affected economically by the impact of Coronavirus. The Board was advised that share transfer transactions data for the third quarter of 2020 would not be available until later in the autumn when the Q3 Jersey Housing Price Index was released. The supply of spare housing stock had diminished over the last decade; the Housing Needs Survey had identified a latent demand. People were now waiting longer in order to save larger deposits before purchasing a property.

4.5. The Chair noted his interest on the impact on earnings caused by Coronavirus. The Board was advised by the Economics Unit that 2021 bonuses in the finance sector were likely to be restrained; and average earnings were forecast to be flat. Statistics Jersey flagged its annual Average Earnings

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Survey, which included a sectoral breakdown of earnings. The most recent Average Earnings (June 2020) had looked at how certain sectors had been differently impacted by Coronavirus. Earnings in the finance sector had increased but the hospitality and agriculture sectors had seen a reduction. The Board, however, noted that an insufficient amount of survey work had been carried out on the differential impact of Coronavirus on earnings amongst different groups in Jersey.

4.6. The Chair concluded that there were currently no definitive answers on the impact of Coronavirus on the local housing market. However, it was clear that there remained significant supply and affordability challenges in Jersey's market, and many of the recommendations of the Board remained pertinent. Uncertainty regarding the overall impact of Coronavirus on the housing market should not, therefore, prevent the Board from proceeding with its recommendations to the Chief Minister, but the timescale for the delivery of some of the recommendations may change subject to economic conditions.

5. Housing supply

5.1. The Board was advised by the Island Plan Team on housing supply rates as follows:

- Since 1986 the average supply of new homes in Jersey has been 400 units per annum. However, there had been a significant increase towards the end of the current 2011-2021 Island Plan period as a result of the delivery of Category 'A' affordable housing on former Government-owned sites and sites rezoned for the purpose of social rental and assisted purchase.
- Higher than projected inward migration over the current Island Plan period meant that supply had not kept pace with the potential demand for housing. Accordingly, the Island Plan Review Team has worked with Statistics Jersey, the Economics Unit and colleagues in Strategic Policy, Planning and Performance and other government departments in order to ensure that the planning assumption is informed by available evidence and trends - particularly about population dynamics and changes to the demographic profile of our community - and, where appropriate, the anticipated impact of future government policies.

5.2. The Board observed that a number of parish authorities were actively working to identify housing need in their parishes. The Connétable of St. Mary noted that he had evidence of parishioners who fell between minimum and average earnings were finding it difficult to secure a deposit to purchase a property, which was further compounded by high rents. The Connétable observed that there would be a need to increase the supply of housing through the potential release of agricultural land within the next Island Plan. The Chair observed that this was consistent with one of the recommendations of the Board's Final Report.

5.3. The Board was advised by the Island Plan Team that the next Island Plan would also consider measures such as the maintenance of residential spatial standards in St. Helier; a strategy for releasing surplus government-owned land to deliver new housing; and options for cross-tenure developments.

5.4. The Board noted that a Bridging Island Plan (the "BIP") was being planned to cover 2022 -2024. The BIP needed to place a greater emphasis on delivering additional sites for housing utilising surplus government-owned land, which had the potential to make a sizeable contribution towards delivering new housing supply. The Chair emphasised the requirement for a strategy to

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release and make use of government-owned sites for housing would be a central recommendation of the Board's final report.

5.5. The Board discussed increasing affordable housing development. The following points were made by Board members:

- The ability of the housing providers to self-fund new developments depended on land being supplied at low/no cost. If they had to compete in the open market, then they would not be able to access available land. It needed to be easier for Andium Homes to access sites for development. But this type of proposal tended to get bogged down with planning issues. Political will would continue to pose the greatest challenge.
- Policy H3 - requiring private developers to build a certain percentage of social housing within housing developments - should be part of the next Island Plan; the GoJ would need to present a strong case that policy H3 was economically viable.
- The GoJ should give land to housing providers on the proviso that homes built had to remain first-time buyer homes in perpetuity. The Board was advised that any site that had been re-zoned for social housing was required to go through the Affordable Housing Gateway. This ensured affordability in perpetuity and had been an element of the last two Island Plans.
- If share-transfer continued to dominate land use, prices would continue to be driven up. Rules should be introduced to regulate the types of development built on land.
- The 'right of pre-emption' was a policy option i.e. if a first-time buyer wanted to sell their affordable home, they would first have to offer government the property at a formula price.

6. Review of Recommendations of the Board's Final Report

6.1. The Board noted that at its previous meeting Altair had tabled a Draft Final Report for consideration. It was noted that the original contract with Altair had now come to an end and that Altair was no longer engaged. It had been agreed that due of Coronavirus issues, Altair would not be re-engaged to support the Board in its final two meetings.

6.2. The Board wished to record its thanks to Altair for its valuable support over the last year.

6.3. The Chair led the Board through a review of each of the twelve recommendations made in the Draft Final Report. This was to determine if the recommendations remained relevant in the context of the Coronavirus pandemic and its potential impact on the housing market.

Recommendations of Draft Report	Board Comment
<p><u>S1. Strategic alignment of GoJ delivery bodies:</u></p> <p><i>A GoJ estate strategy should be created which sets out how public land should be used for housing. The GoJ should also provide an overarching residential delivery and management strategy for GoJ-backed housing organisations such as Andium and JDC, which also encompasses its relationship with the housing trusts.</i></p>	<p>The Board agreed that this recommendation stood. The Board noted that funding for a new strategic co-ordination function within Infrastructure, Housing & Environment (IHE) has been included in the proposed 2021 Government Plan.</p>

<p><u>S2. Government borrowing and cross-subsidy to fund additional new housing supply:</u></p> <p><i>The GoJ and/or its delivery agents should borrow funds, underpinned by a cross-subsidy model, to finance Policy Intervention S4, following appropriate modelling.</i></p>	<p>The Board believes that GOJ delivery agents and other social housing providers are able to access sufficient external borrowing to support development costs.</p> <p>However, the Board believes government support is required to access land (from surplus government-owned sites or from the open market) in order to enable housing providers, including Andium Homes and the housing trusts, to acquire sites and deliver housing on a viable basis.</p>
<p><u>S3. The use of Compulsory Purchase powers for both site-assembly and to discourage 'land banking':</u></p> <p><i>The GoJ should use existing Compulsory Purchase powers to unlock sites for new development as part of Policy Intervention S4.</i></p>	<p>The Board agreed that this recommendation still stood. Government should always reserve this right and not simply leave things to the market. Countries across Europe regularly use compulsory purchase powers. Compulsory purchase powers should be sought for sites identified for rezoning as part of the Island Plan process.</p>
<p><u>S4. Delivery of new homes across a range of tenures and need groups:</u></p> <p><i>A significant GoJ-backed development programme should be mobilised, following an appropriate feasibility study.</i></p> <p><i>4a. The GoJ should conduct a feasibility study and modelling on the required levels of additional housing delivered by GoJ.</i></p> <p><i>4b. The GoJ should establish an initial draft of its development programme, showing consistent supply for the next ten years and engage with the construction market as part of a feasibility study into the increased housing delivery proposed in this report.</i></p> <p><i>4c. The GoJ should maintain, and modify if necessary, a single existing Affordable Ownership product which should be extended to Housing Trusts and should be formally constituted in legislation, to leverage the £10m of funding earmarked in the 2021 Consolidated Fund.</i></p>	<p>The Board agreed that all elements of this recommendation stood.</p> <p>The Board noted that S4a was the element currently being worked on by the Island Plan team.</p> <p>There was a note of caution expressed with respect to S4b - only once sites had been identified was it possible to attach clear plans.</p>

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<p><u>S5. Encouraging 'rightsizing' to improve the availability of family sized accommodation:</u></p> <p><i>GoJ delivered personal support and advice service for 'rightsizers' should be introduced.</i></p>	<p>The Board noted that whilst this recommendation continued to be appropriate, the current lack of smaller affordable units suitable for downsizing could restrict the efficacy of this policy in the short term. The Board determined that whilst the detail underpinning the recommendation should be retained within the body of the Altair report, recommendation S5 should be removed from the summary of the report.</p>
<p><u>P1. Rezoning of land for specific residential classes:</u></p> <p><i>Planning policy, including the 2021 Island Plan, should use expanded rezoning as a tool to help enable the delivery of priority housing tenures.</i></p>	<p>The Board agreed that each of the Planning Recommendations (P1-P3) still stood.</p>
<p><u>P2. Encouraging conversion of large residential dwellings into multiple homes:</u></p> <p><i>Planning policy, including the 2021 Island Plan, should encourage the conversion of large residential homes into multiple homes.</i></p>	
<p><u>P3. Affordable Housing Contribution:</u></p> <p><i>Planning policy, including the 2021 Island Plan, should introduce an Affordable Housing Contribution to mandate a minimum proportion of new supply as affordable.</i></p>	
<p><u>R1. Utilising GoJ legislation to improve security of tenure and tenant rights:</u></p> <p><i>Security of tenure and tenants' rights should be enhanced by reviewing, amending or creating new legislation and enforcing changes made through a resourced programme.</i></p>	<p>The Board confirmed the need to focus on measures to protect the rights of tenants and ensure appropriate security of tenure provisions exist to ensure that the private rented sector is a desirable long-term housing option for islanders.</p>
<p><u>R2. Rent stabilisation:</u></p> <p><i>Rent stabilisation legislation and a Rent Commission or Board to monitor and decide on annual rent increases should be introduced.</i></p>	<p>The Board confirmed this recommendation and noted that funding for a project to investigate rent stabilisation policies has been included in the proposed 2021 Government Plan.</p>

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<p><i>R3. Reform social housing allocations policy (expanding the current Gateway)</i></p>	<p>The Board confirmed this recommendation and noted that policy work to review eligibility for social housing was included in the Gateway review that is currently underway.</p>
<p><i>R4. Investigate reform of social rent setting:</i></p> <p><i>Findings from a separate review into social rent reform (currently underway) should be awaited and responded to with consideration to the wider objectives of the policy package</i></p>	<p>The Board had a substantive debate on whether the wording of recommendation R4 was too neutral and should be stronger. MCH believed it was time for the social rent policy to prioritise affordability over income generation.</p> <p>The Chair queried whether changing R4 to come down strongly on one side was within the scope of the Board report. MCH noted that he had received correspondence from landlords that indicated the current 90% market rate social rent policy was being used as a benchmark to set private sector rents. MOE believed that there was no longer justification for keeping the 90% rate as interest rates had fallen since the policy was agreed in 2013.</p> <p>The Head of Policy (SPPP) flagged that a review of the 90% rent policy (whether it could be reduced as a percentage) was underway at Andium Homes. This was due to conclude in late September 2020. There was a case for not finalising the recommendation until the Board had had the opportunity to consider the outcome of the review.</p> <p>The Chair concluded that it was important to capture the unease felt about the 90% rent policy within recommendation R4. Head of Policy (SPPP) undertook that policy officers would prepare three different versions of R4 for the Board - ranging from 'less neutral' to strongly in favour of changing the current rent policy. The Board would then express its preference and a change to R4 would be made at the next meeting.</p>

6.4. The Chair summed up that it was encouraging that the recommendations of the Board's Draft Final Report continued to be relevant. The next steps would be to make some minor alterations to Draft Final Report and produce a covering note that stated the Board had re-convened to assess the impact of coronavirus on its recommendations.

7. Date of next meeting

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7.1. The Board agreed that the final meeting of the Board would take place in approximately one calendar month. Two weeks prior to the next Board meeting the covering note for the Board's Final Report would be circulated for review before being finalised at the Board meeting.

7.2. There being no further business, the Chair declared the meeting closed.

Signed:
Chair

Date:

Minutes agreed for publication –

Signed:
Chair

Date: