

# Housing Policy Development Board



## Final Report - Covering Note

16 October 2020

Chief Minister,

1. On 11 September 2020, the Housing Policy Development Board (“the Board”) was reconvened after the enforced hiatus caused by the coronavirus public health crisis. The Board had been nearing the completion of its work prior to lockdown in March, having reviewed a final draft of the Board report, prepared by Altair, the external consultant appointed to support the Board’s work. Given the unprecedented and ongoing economic impact of Coronavirus, the Board felt it necessary to have an opportunity to discuss the impact on Jersey’s housing market and to assess whether the crisis had materially changed any of the recommendations put forward in the Board’s draft Final Report since it was last considered in February 2020.
2. To that end officers, drawn from the Economics Unit, Statistics Jersey and Island Plan Team, were invited to present to the Board evidence from their respective competencies on the impact of coronavirus and to aid the deliberations of the Board.
3. A final meeting was held on 16 October 2020 to confirm the final position of the Board and to conclude its work.
4. The Board’s discussions at those two meetings are recorded in detail in the minutes of the meetings.
5. The Board agreed that, despite the disruption caused by coronavirus, the draft Final Report prepared by Altair (as at March 2020) nevertheless remained broadly relevant, even though Altair had concluded its work in March and was no longer involved with the Board to update the Draft Report. The Board noted that in some key areas it was important to update the draft Final Report with information that was not available when the report was prepared. Added content is clearly indicated within the document using blue text.
6. The Board therefore agreed that a slightly amended version of the March 2020 Report should be submitted to the Chief Minister together with this Covering Note.
7. This Covering Note sets out the broad conclusions and captures the Board’s assessment of the continuing relevance or otherwise of each of the recommendations in the draft Final Report (set out in detail in the table below).

## Board Conclusions

- *The recommendations set out in the Board’s draft Final Report continue to remain relevant in the wake of the coronavirus public health crisis;*
- *Available data shows a significant drop in local housing market activity during the lockdown period, with signs of recovery post-lockdown;*
- *It is too early to know what the long-term impact of coronavirus on the local housing market will be. Activity in the housing market is influenced by a range of factors, including employment levels, income levels and migration, all of which come with a high degree of uncertainty at the present time.*
- *However, it remains the case that a shortfall of housing supply relative to high demand remains a significant challenge inherent to Jersey’s housing market. The Board is therefore of the view that a government-sponsored strategy to deliver a significant number of new homes should be at the forefront of the island’s housing policy over the next decade. This housing delivery programme should be coordinated with policies set out in the Bridging Island Plan (and subsequent Island Plan), as well as the release of surplus government-owned sites for housing where appropriate.*
- *The Board is particularly concerned by challenges around affordability within Jersey’s housing market. As such, the Island Plan should articulate policies designed to boost the supply of affordable housing. Complementary to this is the need to introduce policies to improve affordability across the rental sector and increase the opportunities for people to access social rental and assisted purchase.*

## Review of HPDB Draft Final Report Recommendations

Recommendation	Board Comment	Board Decision
<p><b><i>S1. Strategic alignment of GoJ delivery bodies:</i></b></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-owned 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 &amp; Environment (IHE) has been included in the Government Plan (2021-2024).</p> <p>The Board recommends that this new function should work with Government departments, arm’s length bodies and Housing Trusts, to ensure that there is a clearly understood strategic plan to allocate government resources (including land) and support to the appropriate delivery organisation to provide for an increased and consistent supply of housing, with an emphasis on the provision of affordable units. The new function should also work with the planning authority to ensure that new sites are brought forward for development within appropriate planning guidelines and at a pace</p>	<p><b><u>RETAIN</u></b></p>

	that can be delivered by available construction resources.	
<p><b><u>S2. Government borrowing and cross-subsidy to fund additional new housing supply:</u></b></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 for new affordable unit developments.</p> <p>However, the Board believes government support may be required to access sites (from surplus government-owned sites or from the open market) in order to enable affordable housing providers to acquire sites and deliver affordable housing on a viable basis.</p> <p>The Board also considers that the provision of additional affordable units could be cross subsidised by supporting housing providers to include open market developments in their overall development portfolios in line with the overall strategic co-ordination envisaged in S1 and the delivery strategy set out in S4.</p> <p>However, the Board has some reservations as to whether it is appropriate to recommend that Andium Homes, as an affordable housing provider, should apply a cross-subsidy model. It considers that the wording in Recommendation S2 in the draft Final Report should be amended to include the words '<i>if necessary</i>'. The slightly amended text will read as follows:</p> <p><i>The GoJ and/or its delivery agents should borrow funds, underpinned by a cross-subsidy model if necessary, to finance Policy Intervention S4, following appropriate modelling.</i></p> <p>The Board noted the strong connection between S2 and S4 (see S4).</p>	<b><u>AMEND</u></b>
<p><b><u>S3. The use of Compulsory Purchase powers for both site-assembly and to discourage 'land banking':</u></b></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 to avoid zoned sites being traded at inflated values prior to government acquisition and emphasised that compulsory purchase should be seen as an option of 'last resort' if negotiations failed. Countries across Europe regularly use compulsory purchase powers. Compulsory purchase powers should be sought for sites</p>	<b><u>RETAIN</u></b>

	identified for rezoning as part of the Island Plan process.	
<p><b><u>S4. Delivery of new homes across a range of tenures and need groups:</u></b></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. The Board noted that S4a was the element currently being worked on by the Island Plan team.</p> <p>The Board noted that over 7,000 additional units will be required by 2030 if inward net migration remains at +1,000 per annum. The Board considers that the private sector would supply approximately 2,000 of these units, in line with private sector delivery over the last ten years.</p> <p>The Board recommends that GoJ should seek to support GoJ delivery agents and housing trusts in the development of up to 5,000 units, including an estimated 1,740 open market units and 3,260 affordable units by 2030.</p> <p>The Board noted that this recommendation is closely connected with S2, which envisages the use, if necessary, of open market sales and rentals as part of the overall funding package for affordable developments.</p> <p>The Board also noted that this recommendation is closely connected with S1, which proposes a much clearer strategic co-ordination role to support the delivery agents and housing trusts in the development of new sites.</p> <p>The Board acknowledged the overarching role of the Bridging Island Plan and the next Island Plan in creating the planning framework within which these developments would be facilitated.</p> <p>The completion of this programme would increase affordable housing stock from the current level of 5,500 units to over 9,100 units by 2030. This would have a significant impact on the housing market.</p>	<b><u>RETAIN</u></b>
<p><b><u>S5. Encouraging 'rightsizing' to improve the availability of family sized accommodation:</u></b></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 rightsizing would 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</p>	<b><u>REMOVE</u></b>

	S5 should be removed from the summary of the report.	
<b><u>P1. Rezoning of land for specific residential classes:</u></b>	The Board agreed that each of the Planning Recommendations (P1-P3) still stood and made the following additional remarks:	<b><u>RETAIN</u></b>
<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>	P2: The Board clarified the recommendation to confirm that it relates to the creation of additional residential units in areas where this is currently restricted. This relates mainly to rural areas and the Green Zone. Under this recommendation it would be possible to convert a large domestic dwelling in the Green zone to create a small number of smaller units.	<b><u>RETAIN</u></b>
<b><u>P2. Encouraging conversion of large residential dwellings into multiple homes:</u></b>	P3: The Board noted that a Bridging Island Plan would be proposed to cover 2022-2024. The Board confirmed that it recommended that an affordable housing contribution should be part of the Bridging Island Plan.	<b><u>RETAIN</u></b>
<i>Planning policy, including the 2021 Island Plan, should encourage the conversion of large residential homes into multiple homes.</i>		
<b><u>P3. Affordable Housing Contribution:</u></b>		
<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>		
<b><u>R1. Utilising GoJ legislation to improve security of tenure and tenant rights:</u></b>	The Board confirmed this recommendation and the need to focus on measures to protect the rights of tenants and ensure appropriate security of tenure provisions exist so that the private rented sector is a desirable long-term housing option for islanders.	<b><u>RETAIN</u></b>
<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>		
<b><u>R2. Rent stabilisation:</u></b>	The Board confirmed this recommendation and noted that funding for a project to investigate rent stabilisation policies has been included in the proposed Government Plan (2021-2024).	<b><u>RETAIN</u></b>
<i>Rent stabilisation legislation and a Rent Commission or Board to monitor and decide on annual rent increases should be introduced.</i>		
<b><u>R3. Reform social housing allocations policy (expanding the current Gateway)</u></b>	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.	<b><u>RETAIN</u></b>
<b><u>R4. Investigate reform of social rent setting:</u></b>	The Board agreed that this recommendation should be amended.	<b><u>AMEND</u></b>
<i>Findings from a separate review into social rent reform (currently underway) should be awaited and responded to</i>	The Board noted that there were a range of options available to governments to support the cost of affordable housing where homes are	

<p><i>with consideration to the wider objectives of the policy package</i></p>	<p>available to rent or buy below market value. This has been achieved to date in Jersey through land transfers, loan guarantees and social housing rental income. The Board recommends that all of these policies should continue to be used.</p> <p>Other options include cross subsidy (see S2) and a development levy (recommended in P3). A range of tax measures to support additional spending were considered but not recommended.</p> <p>Including market sales and rentals in future developments is an option to assist delivery agents in providing additional affordable units. An affordable housing contribution from private developers is estimated to support the provision of an additional 400 units over the 10-year period.</p> <p>The Board acknowledged that social rental incomes currently play a significant role in the funding of social housing and alternative funding routes would be required to support the ambitious delivery programme and the ongoing maintenance of existing units if the income from social rental properties was set at a lower level.</p> <p>However, the Board was strongly minded to challenge the current maximum level of social rents, set at 90% of market value and concluded that Recommendation R4 should be amended as follows within the Board Report:</p> <p><b><i>R4. Strong support for reform of social rent setting: The existing '90%' social rents policy is considered too high and has potential adverse effects on tenants and the housing market. It should, therefore, be changed in order for social rents to be set and maintained at affordable levels for tenants, whilst taking account of the need to maintain a sustainable funding model for investment in social housing.</i></b></p>	
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8. As the table above sets out, the Board was content that the recommendations in the draft Final Report remain relevant in the wake of Coronavirus. The most significant changes made by the Board was the addition of a qualifier to the recommendation on cross-subsidy (R2) and to

strengthen the language of its recommendation concerning the affordability of social rent (R4). The redrafted Recommendations are set out as follows in the Final Report:

- **S2. Government borrowing and cross-subsidy to fund additional new housing supply:** *The GoJ and/or its delivery agents should borrow funds, underpinned by a cross-subsidy model if necessary, to finance Policy Intervention S4, following appropriate modelling.*
  
- **R4. Strong support for reform of social rent setting:** *The existing '90%' social rents policy is considered too high and has potential adverse effects on tenants and the housing market. It should, therefore, be changed in order for social rents to be set and maintained at affordable levels for tenants, whilst taking account of the need to maintain a sustainable funding model for investment in social housing.*

9. The Board is pleased to be able to submit this covering note alongside our Final Report for your consideration. The Final Report is a testament to the extensive work undertaken by Altair in supporting the Board.