

REVIEW OF HOUSING POLICY.

**Presented to the States on 30th July, 1985
by the Housing Committee.**



**STATES OF JERSEY
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SUMMARY OF THE REPORT

INTRODUCTION

1. The responsibility of the Housing Committee is to ensure that those with an appropriate claim to a right to lease or purchase private dwelling accommodation in the Island are adequately housed. This implies that the Committee has three main duties -

- (a) to exercise demand control;
- (b) to assist those who cannot afford adequate accommodation; and
- (c) to ensure that the supply of housing is adequate enough to meet the demand.

DEMAND CONTROL

2. The level of demand control will need to be related to the extent to which the Island is prepared to make land and finance available for the provision of additional dwellings.

3. On the basis that the present policies continue, it is estimated that 2,200 additional dwellings will be required by the year 1994.

There are, however, two factors which at present are unknown -

- (a) the financial and environmental costs of providing 2,200 additional dwellings (Part II of the Island Plan Review); and
- (b) the rate of growth of the population since 1981, when the application of the Regulation of Undertakings and Development (Jersey) Law, 1973, as amended, was relaxed in relation to the establishment or extension of businesses by local residents. This will not be known until the results of the 1986 Census become available.

4. If further controls become necessary, there is little that the Committee can do to reduce the rate of growth in the number of local households.

5. The areas in which further controls could be exercised are related either directly or indirectly to the rate of net immigration. They are -

- (a) the control of the occupation of accommodation which is not presently subject to control, e.g. inherited property, staff accommodation, lodgings, etc.;
- (b) the application of the provisions of the Regulation of Undertakings and Development (Jersey) Law, 1973, as amended, more stringently in order to reduce the rate of creation of new job opportunities; and
- (c) the exercise of tighter control over the number of 'wealthy' immigrants.

6. If these further controls do become necessary, it is important that both areas of control be tackled simultaneously. For this purpose it is recommended that enabling legislation be introduced now, to give the Committee the power to control the occupation of all types of dwelling accommodation.

7. Due to the level of demand control exercised, the use of price control to prevent an escalation in property prices in real terms, to the extent that they go beyond the reach of local residents and fall into the hands of either 'wealthy' immigrants or essential employees, is no longer necessary and should be discontinued. This will enable transactions between local residents to be exempted from the provisions of the Law on a conditional basis.

HOUSING SUBSIDIES

8. The Committee believes that it should continue to encourage owner/occupation by the provision of subsidised mortgage finance. However, it should be recognised that

there is a relationship between the extent to which mortgage finance is subsidised, and funds are made available for house purchase, and the price of property because of the influence of easier mortgages on the level of demand.

9. For the foregoing reason, the minimum rate of interest payable on a States' Loan should be increased from 3 per cent to 4 per cent.

10. At present, rent subsidies are only available to States' tenants and to those in receipt of Parish Welfare. It is estimated that there are up to 3,600 families living in private, unfurnished, rented accommodation who would qualify for a rent subsidy if they were States' tenants. It clearly makes economic sense to subsidise these tenants in their existing accommodation, rather than to face the additional capital cost of providing substantially more States' rental accommodation. Provided that the necessary safeguards can be formulated to prevent possible abuse of the system by both tenants and landlords, the Committee proposes that rent subsidies should be made available to tenants of unfurnished, rented accommodation in the private sector.

THE SUPPLY OF HOUSING

11. The supply of housing should reflect demand pressures, both in terms of the overall number of dwellings and, also, the types of dwellings and tenure required. The extent to which this can be achieved will depend upon -

- (a) land availability, which will not only affect the overall number of dwellings which can be provided, but, also, the types of dwellings which, in turn, will have implications for tenure; and
- (b) the financial status of those generating the demand, in relation to acquisition and development costs which, in turn will be affected by the degree to which mortgage and rent subsidies are available.

12. The proposals to be put forward by the Island Development Committee in Part II of the Island Plan Review will, undoubtedly, be aimed at limiting the amount of open land required for the provision of new housing. This implies that -

- (a) outworn commercial land should be redeveloped to meet housing need - this cannot be achieved if the development is undertaken by the private sector;
- (b) more effective use must be made of the existing housing stock by encouraging the conversion of larger dwellings into flats; and
- (c) the latent and future demand for owner/occupation, which the Committee wishes to encourage, cannot be satisfied solely by the building of freehold dwellings as we know them today.

13. To enable the Committee to concentrate its financial resources towards the development of outworn commercial land and other difficult sites which are not an economic proposition for the private sector, and to meet the latent and future demand for owner/occupation, it will be necessary -

- (a) to exempt from rent control, developments of new flats and new flats created by the conversion of larger dwellings;
- (b) to extend rent subsidies to tenants of unfurnished accommodation in the private sector; and
- (c) to amend the Loi (1880) sur la Propriété Foncière, as amended, as a matter of urgency, to provide either for the sale of flats on an individual freehold basis and/or for the mortgageability of a Registered Contract of Lease. This amendment is absolutely necessary if the demand for owner/occupation

is to be met without taking large areas of open land upon which to build freehold dwellings as we know them today. The facilities of the States' Loan Scheme would then be made available to those who cannot initially afford to pay a commercial rate of interest on a loan.

LODGING HOUSES AND PRIVATE LODGINGS

14. The administration of the Lodging Houses (Registration) (Jersey) Law, 1962, should be transferred from the Tourism Committee to the Housing Committee. The Housing Committee would then prepare a separate report, covering the provision and the control of lodgings, and incorporate proposals to prevent the exploitation of those who live in them.

REPORT

INTRODUCTION

1. The Committee has undertaken a complete review of its policies and objectives in the light of current circumstances and to ensure the most efficient use of states' financial and manpower resources. The Committee reaffirms that its principal objective must be -

"to ensure that those with an appropriate claim to a right to lease or purchase private dwelling accommodation in the Island are adequately housed."

2. The principal objective implies that the Committee has three main duties -

- (a) having regard to the housing shortage and the limited opportunity to increase the housing stock, to limit the number of persons who can acquire a claim to a right to lease or purchase private dwelling accommodation in the Island, i.e. to exercise demand control;
- (b) to assist those who cannot afford accommodation adequate to their needs and, possibly, to assist those who aspire to become owner/occupiers; and
- (c) to ensure that the supply of housing is adequate to accommodate all those who have, or will acquire, the right to purchase or lease private dwelling accommodation.

DEMAND CONTROL

3. The level of demand control will need to be related to the extent to which the Island is prepared to make land and finance available for the provision of additional dwellings. However, the actual demand for additional housing will be influenced by different factors -

- (a) the growth in the number of local households;

- (b) increasing affluence - a greater ability to afford better accommodation;
- (c) the rate of creation of new job opportunities which influences the rate of net immigration; and
- (d) the extent to which existing private dwelling accommodation has been, or can be, removed from the local pool and be occupied by people who do not possess residential qualifications.

4. The following factors will influence the growth in the number of local households -

- (a) those born in the birthrate bulge years of 1961-1964 have now reached the age of marriage and family creation. This is evidenced by the birthrate statistics -

1981	857
1982	865
1983	884
1984	930

- (b) the desire on the part of young people to leave home and to live independently;
- (c) a higher proportion of the elderly living on their own;
- (d) the substantial increase in the divorce rate and the breakdown of marriages;
- (e) local residents living abroad, being attracted back to the Island as a result of better job opportunities; and
- (f) those who acquire local residential qualifications under the old 'ten year' rule.

5. Increasing affluence leads not only to young people seeking to live independently of their parents, but to an increasing demand for owner/occupation. This will have serious implications for environmental considerations if this demand can only be met by building freehold dwellings, as we know them today.

6. The rate of creation of new job opportunities will have a significant influence on the demand for additional housing. Given the low level of unemployment, a large proportion of new jobs will, inevitably, be filled by immigrants.

Thus, from a housing point of view, additional job opportunities mean more immigrants and an increased demand for housing, either directly by essential employees or, indirectly, through those living in lodgings requiring additional services (e.g. medical staff). It must be remembered that those living with relatives or living permanently in hotels, also generate an additional demand for services, and, thus, indirectly increase the level of demand for housing.

7. There are two categories of dwelling accommodation. Firstly, that which is subject to a condition of consent under the Housing Law, specifying the classes of persons by whom it may be occupied and, secondly, that which is not subject to such a condition. There is a significant number of dwellings which fall into the second category. These dwellings can be occupied by lodgers, tourists, personal guests, or by an employee of the owner, provided that a tenancy is not created.

8. Likewise, the acquisition of property by inheritance does not involve a transaction for the purposes of the Housing Law. Thus, anybody who inherits property can occupy it, irrespective of whether or not it was previously subject to an occupation condition attached to a consent. Following, in particular, from the high level of immigration in the mid-1960's, there is a substantial number of properties which will be inherited, in years to come, by people without residential qualifications.

The estimated level of demand

9. On the basis that present policies, in relation to the creation of new jobs and the implementation of housing controls, are intended to limit the growth in the population to not more than 250 persons per year, it is estimated that 2,200 additional dwellings will be required by the year 1994. There are, however, two factors which, at present, are unknown -

- (a) the financial and environmental costs of providing 2,200 additional dwellings (Part II of the Island Plan Review); and
- (b) whether the rate of growth of the population has been consistent with the States' policy to limit the total population to 80,000 persons. For example, the rate of growth since the application of the Regulation of Undertakings and Development (Jersey) Law, 1973, as amended, was relaxed in 1981, against the background of a concern for the level of unemployment, in relation to the establishment or extension of businesses by local residents, will not be known until the results of the 1986 Census become available.

The options for further demand control

10. The Committee has, therefore, considered at length what action could be taken if, for either or a combination of both the foregoing factors, when they become known, controls need to be tightened. The Committee's conclusions are as follows -

The increase in the number of local households

- (a) The major factors which will influence the increase in the number of local households were identified in paragraph 4. Whilst the rate of increase in the numbers of the elderly living on their own is likely to decrease

(although the absolute number will continue to grow), this will be more than offset by the substantial increase in the divorce rate and in the number of breakdowns of marriages.

Coupled with the increase in the number of young people leaving home to live independently, this will generate the greatest proportion of the demand for additional housing in the foreseeable future. Indeed, these factors alone will generate a demand for at least 1,000 additional dwellings over the next ten years. It would be difficult to discriminate against young local residents who want to establish their own home independently of their parents. Likewise the Committee cannot deprive the separated or divorced spouses of local residents of their right to occupy what was, or still is, the matrimonial home.

- (b) There are two classes of persons who retain their residential qualifications, even if they leave the Island for an extended period of time -
- (i) those born in the Island and who lived in the Island for any aggregate period of ten years; and
 - (ii) children of locally qualified residents, where the children have themselves lived in the Island for any aggregate period of ten years.

The Committee believes that it is right that those born in the Island and who have lived in the Island for ten years should be residentially qualified for life. However, it is considered to be wrong that the children of local residents, who choose to come to the Island later in life, should acquire full

residential qualifications after ten years residence. This right should be restricted to those children who were under the age of 18 (or 20?) years when they came to the Island with their parents, or were under the age limit when their parents came to the Island but were in receipt of full-time education elsewhere and, who joined their parents immediately after completion of their education. When such a child acquires residential qualifications, he should not be deprived of them through subsequent actions of his parents which are beyond his control, as can be the case at the present time;

- (c) the most significant amendment to the Housing Regulations in recent years was the abolition of the right to lease, after ten years continuous residence, for those whose period of residence began after 1st January, 1980.

The Committee reaffirms that this restriction is absolutely essential if sufficient housing is to be made available to accommodate bona fide local residents.

Posters are now exhibited and leaflets are available in the Social Security Department, which draw attention to this restriction.

Thus, all immigrants who register for Social Security, or who attend the Job Centre, are made aware that, if they decide to remain in the Island they do so in the knowledge that they will not acquire any rights to housing unless they become engaged in approved essential employment. The Committee believes that this policy is defensible and that there is no obligation to grant such persons any housing rights. If further controls became necessary, the Committee would not consider the introduction of retrospective legislation, to prevent those whose period of residence in the

Island began before the 2nd January, 1980, from qualifying under the old ten year rule.

Increasing affluence

The increase in the demand for owner/occupation, resulting from the increasing affluence of the community, does not affect the overall demand for housing, but has implications on the supply side and is dealt with in the next chapter.

The rate of creation of new job opportunities

The effect of the rate of creation of new job opportunities on the demand for housing is set out in paragraph 6. A given number of jobs requires the same given number of people to do them. Given the low level of unemployment, a large proportion of new jobs will, inevitably, be filled by immigrants. Much has been said recently about the control of immigration and the control of people living in lodgings. There is no point in considering such controls if there are vacant jobs and no local residents to fill them. In such a climate controls could only lead to -

- (a) employers bidding for available labour - the consequences of which are self-evident; and
- (b) following from (a), an increase in the number of ex-patriates with residential qualifications returning to the Island, who would generate a far greater demand for additional housing than the potential immigrants who would be kept out by the controls.

It must also be stressed that the abolition of the ten year rule might be less defensible if the right to work, or the right to occupy lodgings in the Island were the subject of a Permit, unless such a Permit was only valid for a period of less than five years and not renewable. In other words, it would be difficult to argue that a person was sufficiently essential to the Island's social or economic well-being,

that he justified the grant of a Permit to work and/or to live in lodgings, but that he should never be entitled to any rights to housing.

The conclusion to be drawn from the foregoing is that, if further control becomes necessary to reduce the level of net immigration of employed persons and their families, it should be directed towards the rate of creation of new job opportunities.

Control of the occupation of the existing housing stock

There is a significant number of dwellings which are not subject to a condition of consent under the Housing Law, specifying the classes of persons by whom they may be occupied. These dwellings can be occupied by lodgers, tourists, personal guests, or by employees of the owner, provided that a tenancy is not created. Likewise, there must be a large number of dwellings which will be inherited and be occupied by people without residential qualifications. These factors have been allowed for in estimating the number of new dwellings which will be required in the next decade. If further controls become necessary, it would be difficult to argue that the rate of creation of new job opportunities should be reduced, to the detriment of the economy, whilst a significant amount of dwelling accommodation, which could house local residents or essential employees is, or will become, available for occupation by persons without residential qualifications, including those not in work.

In view of the delay between the decision to enact new legislation and the time that it comes into force, it could be prudent to enact new legislation now to give the Committee the discretionary power to control the occupation of all dwelling accommodation in the Island, which legislation could be brought into force by Act of the States, if, and when, it became necessary. It is envisaged that such legislation would provide a blanket control with

a provision for the States, by Regulations, to exempt from such control any class of dwelling accommodation where, for the time being, control was not considered to be necessary. The Law would give the Committee the power to control lodgings, staff accommodation, 'granny' flats, inherited property and all other types of dwelling accommodation. If the States felt that, for the time being, it was not necessary to control, for example, the occupation of lodgings or inherited property, then it could, by Regulations, exempt lodgings from control. The important point is that the power of control would exist and, if and when it became necessary, could be implemented without delay.

The Law would probably provide for the issue of Residence Permits and, provided that lodgings were exempted from control, the system could be implemented without any increase in staff. However, the control of lodgings would be much more complicated, for the following reasons -

- (a) almost all the persons who live in lodgings are either in employment, or are the dependants of people who are in employment. It follows that the criteria for the grant or refusal of Residence Permits would be similar to those used at present in relation to essential employees and to those which would apply in the case of Work Permits. However, if the problem is the level of net immigration and the resultant demand for housing, then Residence Permits would be more advantageous than Work Permits because they would also apply to non-employed immigrants;
- (b) for the reasons previously stated, if Residence Permits were issued for a period in excess of four or five continuous years, then the abolition of the ten year rule might be less defensible;

- (c) any system of controls which did not link the right to live with the right to work in the Island would be almost impossible to administer. However, as the criteria for the issue of Residence Permits would be the same as those for the issue of Work Permits, they could be used in the same way as Work Permits. In other words, it could be made an offence for anybody to employ an immigrant who did not possess a Residence Permit. It seems unlikely that anybody would seek to remain in the Island if they were unable to work;
- (d) there would also be the need to control the non-employed and it would be an offence for anybody to accommodate such a person who did not possess any Residence Permit.

However, as we do not have frontier controls, there will need to be a time period during which it would not be an offence for somebody to occupy accommodation without a Permit. A period of three months would appear appropriate and it would facilitate the accommodation of bona fide tourists and personal guests in private households without the requirement for a Permit; and

- (e) to make the controls complete and effective, it would be necessary to restrict the occupation of accommodation registered under the Tourism Law to bona fide tourists, however they may be defined.

Wealthy immigrants

In accordance with States' policy, the Committee grants between fifteen and twenty consents each year to wealthy immigrants, depending upon the level of demand and the availability of suitable properties for purchase. In considering whether or not the numbers should be further reduced, the following points must be borne in mind -

- (a) the types of property which wealthy immigrants are permitted to purchase are those for which there is little or no demand by local residents;
- (b) the typical 1(1)(k) property does not lend itself to conversion into smaller units of accommodation and very few have an alternative use; and
- (c) the loss of Tax income if the number of new immigrants was reduced.

The Committee is of the opinion that the policy of letting in fifteen to twenty immigrants a year in the present climate is about right. If, however, that climate changes and further controls became necessary, then it would not be unreasonable to restrict further the numbers of wealthy immigrants.

Price control

11. Price control is an element of demand control in that it is intended to prevent an escalation in property prices in real terms, to the extent that they go beyond the reach of local residents and fall into the hands of either 'wealthy' immigrants or essential employees, by virtue of the latter's superior purchasing power. The use of price control for any other purpose would be 'ultra vires' the existing Housing Law. The Committee now controls strictly the number of persons who are granted consent to purchase, either as 'wealthy' immigrants or as essential employees. Thus, if the present level of demand control is maintained, the purchasing power of 'wealthy' immigrants and essential employees will not lead to a general escalation in property prices. Indeed, the indications are that the pressure on prices in the middle and at the lower end of the market is due, principally, to the amount of subsidised mortgage finance which is presently available. If the amount of subsidised mortgage finance is maintained, there is no doubt that the removal of price control would, initially, lead to an increase in prices in the lower and middle regions of the housing market. This cannot, now, lead to excessive

pressures by either 'wealthy' immigrants or essential employees because of the level of demand control exercised and as, therefore, these properties would be purchased by local residents, price control would no longer serve any lawful purpose. The price of property is a function of supply and demand in the marketplace, and the extent to which supply might be increased and how the level of demand might be related to that supply, which would stabilise property prices, is discussed in the next chapter.

12. The discontinuation of the use of price control in relation to transactions between local residents could avoid the need for application to be made to, and for consent to be granted by the Committee before such transactions can proceed. The amendments to the Regulations necessary to implement such a procedure will be brought before the States in the near future.

HOUSING SUBSIDIES

13. Before considering the supply of housing, it is relevant to consider the financial status of those who will be generating the demand for it. For example, the demand for owner/occupation will be influenced, to a great extent, by the availability of subsidised mortgage finance. The demand for States' rental accommodation, which will affect the level of States' capital expenditure, will depend to an extent upon whether or not rent rebates are made available to private sector tenants.

The demand for owner/occupation

14. The Committee is concerned, principally, with the level of demand generated by potential first-time buyers. There can be no doubt that this demand would be reduced considerably if the States' Loans Schemes were abolished. The present situation is that the level of demand exceeds, by far, the supply of suitable properties to purchase. This leads to nothing more than a great deal of frustration

amongst potential purchasers and to an escalation in property prices. Even with the exercise of price control, there have been very few existing properties available under the Basic States' Loan limit of £42,500 and relatively few between that figure and the Supplementary States' Loan limit of £55,000. The majority of properties sell at £42,500, or at a figure close to £55,000. This is purely a function of the relationship between the subsidised purchasing power of potential buyers and the lack of availability of sufficient properties, but it also demonstrates the ineffectiveness of price control.

15. The Committee believes that it should encourage owner/occupation, but if frustration and an escalation in property prices are to be avoided, it is important that the number of potential first-time buyers is related more closely to the availability of properties to purchase than is the case at the present time. In simple terms, there is no point in giving 3,000 families the financial ability to purchase if there are only 1,000 suitable properties available.

16. The immediate reaction to the foregoing will be that the supply of properties to purchase should be increased and proposals to this end are discussed in the next chapter. Nevertheless, it will be some time before the supply can be increased to the level required and, in the interim, it will be necessary to remove some of the purchasing power from the market. To this end, the Committee makes two proposals -

- (a) the minimum rate of interest under the Basic States' Loan Scheme should be increased from 3 per cent to 4 per cent; and
- (b) the Supplementary States' Loan Scheme should be abolished.

The implications of increasing the minimum rate of interest are indicated in the following table -

Weekly income to borrow £39,500

<u>Age</u>	<u>3 per cent</u>	<u>4 per cent</u>
	£	£
25	132	154
30	142	163
35	155	176
40	175	195
45	204	224

If, as proposed in the next chapter, the supply can be increased by the mortgageability of leaseholds (i.e. the sale of flats, which should be cheaper) those precluded from borrowing £39,500 due to the increase in the minimum rate of interest, would be able to borrow -

<u>Age</u>	<u>Weekly Income</u>	<u>Maximum Loan</u>
	£	£
25	132	33,900
30	142	34,400
35	155	34,800
40	175	35,500
45	204	36,000

17. The maximum rate of interest under the Loans Scheme is 10 per cent and this cannot be varied once a loan has been granted. This is less than the rate of interest which the Committee is having to pay to finance the Scheme. The objective of the Scheme must be to subsidise people when they cannot afford to pay a commercial rate of interest; there is no need to subsidise

people when they can afford to pay a commercial rate of interest. There are many people, for example, repaying loans at 6½ per cent maximum interest, where repayments are less than £25 per week but where incomes have increased to over £200 per week. These people could now well afford to be repaying the balance of their loans at a commercial rate of interest. It is proposed, therefore, that future loans should carry a variable maximum rate of interest at a level to be determined, from time to time, in consultation with the Finance and Economics Committee.

18. The maximum value of a dwelling which can be purchased under the Basic Loans Scheme is currently £42,500, and under the Supplementary Loans Scheme, £55,000. The Committee proposes that, having abolished the Supplementary Loans Scheme, the Basic Loans Scheme should be available for the purchase of all properties up to a value of £55,000. Coupled with this should be a maximum loan of £40,000. Loans would only be available to first-time purchasers, or to persons who sell their existing property (including a leasehold flat) to a first-time purchaser at a price within the Loans limit.

The benefits from the foregoing approach are -

- (a) that those who have saved more will be able to pay more and would, thus, take their rightful place at the head of the queue;
- (b) property prices will become more realistically related to normal market forces, instead of being affected by an artificial price limit; and
- (c) land prices would soon find their own level; the limitation being that land identified for loan developments must be developed with houses to a defined minimum standard and the houses must be sold to persons qualifying for a loan. The cost of subsidies, by way of off-site service and abnormal site development costs, would be avoided. The present practice, whereby developers bid a high price for land in order to secure an option for its purchase,

in the knowledge that the Committee will determine a lesser price to pay, would cease. This practice convinces a landowner that his land is worth the price bid and he often will not sell at the lower figure and, unless the States are prepared to purchase the land compulsorily, the land remains undeveloped for a long period of time. In the future, developers would have to be much more cautious in their approach; the ability of first-time purchasers to pay much over the existing Basic Loans limit would not be great. The alternative, and the course of action favoured by both the Island Development Committee and the Housing Committee, is that all land for States' Loan development should be acquired by, and be developed by the Committee.

Rent subsidies

19. At present, rent subsidies are only available to States' tenants and to those in receipt of Parish Welfare. States' tenants with average income pay approximately one-fifth of that income in rent and this is reduced to approximately one-sixth for those at the lower end of the income scale. The difference between the proportion of income and the rental value of the property is written off as a subsidy.

20. Many cases have arisen where applicants for States' rental accommodation are paying quite realistic rents in the private sector, which account for 30 per cent, 40 per cent and, sometimes, over 50 per cent of their incomes. The Economic Adviser has estimated that there could be up to 3,600 families living in private unfurnished rented accommodation, who would qualify for a rent subsidy if they were States' tenants. The indications are that a good number of these families are suffering great hardship and the next logical step in the redistribution of incomes must be to extend rent subsidies to the tenants of unfurnished rented accommodation in the private sector. The cost has been estimated at £2.7 million per annum if there was a

maximum take-up but, in practice, the level of take-up would be likely to be substantially less at around 50 per cent to 60 per cent. Thus, the cost would probably be of the order of £1.35 million to £1.62 million per annum.

21. Formulating the parameters of any such scheme, and providing the necessary safeguards to prevent abuse, either by landlords or by tenants, would take a great deal of thought and time. The Committee is, therefore, asking the States first to support such a scheme in principle, so as to avoid a great deal of time and effort being otherwise wasted. The administration of a scheme would require four or five more staff, additional office space and a computer system. Full details would be given in a subsequent report.

22. If a private sector rent rebate scheme is not introduced, there will be a continuing high level of demand for States' rental accommodation. The loan charges, maintenance and management costs for a States' rental dwelling amount to approximately £4,000 per annum. On top of this, the rent subsidy still has to be paid. Furthermore, if tenants were subsidised in the private sector, the States would have the benefit of the use of the money which would otherwise be tied up in States' housing. The lack of a private sector rent rebate scheme also has implications for the supply of housing, as will be seen from paragraph 28(b).

THE SUPPLY OF HOUSING

23. The supply of housing should reflect demand pressures, both in terms of the overall number of dwellings and, also, the types of dwellings and tenures required. The extent to which this can be achieved will depend upon -

- (a) land availability, which will not only affect the overall number of dwellings which can be provided but also the types of dwellings which, in turn, will have implications for tenure. Land in the town area, for example, can only be economically developed with flats which, at the present time, would not help to meet the demand for owner/occupation; and

- (b) as stated in the previous chapter, the financial status of those generating the demand in relation to acquisition and development costs which, in turn, will be affected by the degree to which mortgage and rent subsidies are available.

24. The proposals to be put forward by the Island Development Committee in Part II of the Island Plan Review will, undoubtedly, be aimed at limiting the amount of open land required for the provision of new housing. This implies that -

- (a) outworn commercial land should be redeveloped with the type of housing which is in the greatest need;
- (b) more effective use must be made of the existing housing stock by encouraging the conversion of larger dwellings into flats; and
- (c) the latent and future demand for owner/occupation which the Committee wishes to encourage cannot be satisfied solely by the building of freehold dwellings, as we know them today.

25. To meet the objective of the Island Plan to provide a proportion of the additional housing requirement by the conversion of large houses into flats and by the redevelopment of outworn commercial land with residential accommodation, a substantial capital investment will be required. If that capital investment is not made, then that part of the Island Plan will fail.

26. The redevelopment of outworn commercial land for residential purposes is, in general, not a viable proposition for the private sector, unless a significant proportion of the dwellings provided are not restricted to occupation by local residents. In any event, any accommodation provided for local residents will not meet the needs of those in the middle and lower income groups, with whom the Committee is most concerned. It is clear that the redevelopment of

outworn commercial land, to meet the requirements of the Island Plan, can only be undertaken at public expense. This will require such a substantial capital investment that the Committee will need to look to the private sector to provide the additional flats from the conversion of larger dwellings.

27. The private sector will only acquire larger dwellings and convert these into flats if an economic return can be obtained on the capital invested. The private developer can obtain a return on his capital either by 'selling' the flats and taking a profit, or by retaining them and letting them at an economic rental. There are, however, several factors which militate against his ability to do either -

- (a) the underlying threat of rent control - the economics of building flats to rent are exceedingly marginal and show a return of only 6 per cent to 6½ per cent on the capital invested. The underlying threat, however unreal, that this margin could be further reduced by the intervention of the Rent Control Tribunal is sufficient to discourage many potential investors from taking the risk;
- (b) the inability of those in need to pay an economic rental;
- (c) the sale of flats by share transfer is not generally favoured. This is reflected in the fact that the majority of financial institutions will not lend more than 50 per cent of the purchase price; and
- (d) by virtue of the provisions of the Loi (1880) sur la Propriété Foncière, as amended, flats cannot be sold on an individual freehold basis, nor can a loan be registered as a charge against a Registered Contract of Lease. Thus, the only alternative to the sale of flats by share transfer is the sale of a Registered Contract of Lease and this is limited to those persons who have the cash available to purchase the lease. These are

not the persons whom the Committee is most concerned to help.

28. If the private sector is to play its part in the provision of additional rental accommodation and in increasing the proportion of housing stock available to meet the demand for owner/occupation, then the following action will need to be taken -

- (a) new developments of flats and additional flats created by the conversion of larger houses should be exempted from the provisions of the Dwelling-Houses (Rent Control) (Jersey) Law, 1946, as amended. If this action is not taken, then the supply of these flats will be extremely limited;
- (b) there would be no point in encouraging the private sector to provide more rental accommodation, if those for whom it is required cannot afford to pay an economic rental. This reinforces the Committee's view that rent subsidies should be made available to private sector tenants; and
- (c) the latent and future demand for owner/occupation will only be met if flats can either be sold on an individual freehold basis, or if a loan can be registered as a charge against a Registered Contract of Lease. It is believed that the amendment to the Loi (1880) sur la Propriété Foncière, as amended, to facilitate either or both of these procedures, will not only increase the supply of flats but it is imperative if the demand for owner/occupation is to be met. It is known that there is a number of developers, as opposed to property investors, who would welcome the opportunity to acquire and convert larger houses and to build new flat developments for a reasonable profit. This can only realistically be achieved if the Foncier Law is amended and if subsidised

mortgage finance under the States' Loan Scheme is made available for the purchaser of Registered Contracts of Lease.

29. The Committee is confident that, if the foregoing action is taken, it can concentrate its resources towards the redevelopment of outworn commercial and other difficult sites, which would not be an economic proposition for the private sector if the resultant development is to meet housing need.

LODGING HOUSES AND PRIVATE LODGINGS

30. The Committee believes that it is not possible to determine the degree of control which needs to be exercised over lodgings until such time as the States have considered this Report, together with the Immigration Report prepared by the Policy Advisory Committee. In the interim, the Committee recommends, with the support of the Tourism Committee, that the administration of the Lodging Houses (Registration) (Jersey) Law, 1962, should be transferred to the Housing Committee.

31. If the Committee becomes responsible for the control of lodgings, it will subsequently prepare a full report, covering all aspects of the provision of lodging accommodation and setting out proposals to avoid the exploitation of those who live in them.