



# BILLET D'ÉTAT

WEDNESDAY, 12th DECEMBER, 2007

XXV  
2007

1. Housing Department – 2006 Survey of Guernsey's Housing Needs, p. 2401
2. Housing Department – Social Housing under the Corporate Housing Programme: Development Plan for the Period 2008-2012, p. 2429
3. Housing Department and Environment Department – The Use of Planning Covenants in Guernsey, p. 2449
4. Housing Department – Corporate Housing Programme – Progress against the 2007 Action Plans, p. 2583

# ***B I L L E T D ' É T A T***

---

## **TO THE MEMBERS OF THE STATES OF THE ISLAND OF GUERNSEY**

---

I have the honour to inform you that a Meeting of the States of Deliberation will be held at **THE ROYAL COURT HOUSE, on WEDNESDAY, the 12<sup>th</sup> DECEMBER, 2007,** at 9.30am, to consider the items contained in this Billet d'État which have been submitted for debate by the Policy Council.

**G. R. ROWLAND**  
Bailiff and Presiding Officer

The Royal Court House  
Guernsey  
9 November 2007

## **HOUSING DEPARTMENT**

### **2006 SURVEY OF GUERNSEY'S HOUSING NEEDS**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

26<sup>th</sup> September 2007

Dear Sir

#### **Executive Summary**

1. This report highlights the key findings of the 2006 Housing Needs Survey and analyses the changes in the local housing market since the first Survey of Guernsey's Housing Needs was carried out in 2001.
2. The 2006 Housing Needs Survey was carried out by Opinion Research Services through 1,512 detailed interviews in people's homes, in order to:
  - i) identify and quantify housing needs and demands and understand how such needs have changed over the five year period between Surveys;
  - ii) establish a socio-economic profile of those most likely to have difficulty meeting their housing needs without some form of assistance;
  - iii) obtain accurate information to allow the Housing Department to recommend the quantity and type of housing required to meet the recognised needs;
  - iv) assist in identifying opportunities to make better use of the existing housing stock;
  - v) provide sound information on the local housing position to assist in the administration of the Housing Control Law.
3. This report assesses the current and future needs for housing in all tenures over the forthcoming five year period, and discusses how such need can be delivered.
4. The main findings of the Survey are:

- Guernsey has a dynamic housing market. Over one in ten households moved in the 12 months preceding the Survey. Almost half of these were movements within the private rented sector;
- of those 3,678 households that were assessed as living in unsuitable housing, 212 had a real housing need and would need to move home to resolve their unsuitability problems;
- there is a need to more closely align accommodation with the health needs of individuals;
- only 26.8% of households are technically matched to a property that provides enough bedrooms for their household needs. Under-occupation is a recognised problem and people aspire to have more space than they actually need;
- **the demand for homes is higher than supply;**
- **across all tenures, there is a shortage of one and two bedroom accommodation, which accounts for 78% of the total demand for new homes.**

5. With regard to social housing, the report recognises that:

- **There is a need to provide a further 20 units of social rented housing each year. The majority of these homes should be one bedroom units**

This will be achieved through the Social Housing Development Programme 2008-2012, which the Department will deliver in partnership with the Guernsey Housing Association.

6. In relation to the Intermediate Housing Market, the report recognises that:

- **50 new homes in the intermediate housing market are required each year.**

The Housing Needs Survey identifies a need for a range of Partial Ownership properties to be provided, from one- to four-bedroom units, but acknowledges that there is a particular requirement for Partial Ownership family homes with three bedrooms.

Making further homes available in the Intermediate Housing Market is important in order to provide the community with a range of housing options. The intermediate housing market provides for those who cannot afford market rents, but who can afford more than social housing rents and are thus ineligible for the Housing Department's accommodation.

This will also be achieved through the Social Housing Development Programme 2008-2012.

7. The report also acknowledges:

- **that there is a potential ‘surplus’ of accommodation in the private rented sector, which is offset against the requirement for new homes for outright purchase.**

However, this surplus will only be created if the supply of owner-occupied dwellings satisfies the demand for that tenure. **If there is a shortfall in owner-occupied accommodation, then there will not be the capacity for tenants in the private-rented sector to move to their desired tenure and the surplus of rented accommodation will not materialise.**

- that the private rented sector plays a key role in providing accommodation for those emerging households and for those tenants leaving the social rented sector.

8. With regard to the owner occupied sector, the report acknowledges that:

- **There is a requirement for a further 260 homes for outright purchase each year. The majority of new homes provided should be small units of accommodation, with one or two bedrooms.**

9. The findings of the 2006 Housing Needs Survey show a **net housing requirement of 340 new homes per annum**, almost doubling the basic requirement for new homes identified in the 2001 Housing Needs Survey of 179 homes each year.

**10. This report recommends that the Strategic Land Planning Group should review the current strategic target for the creation of new homes and take a view as to whether it should be amended in the light of the findings of the 2006 Housing Needs Survey.**

**11. It also recommends that, through the Strategic Land Use Planning Group, specific annual targets should be set for each tenure, based on the profile of needs identified in the Survey.**

## **INTRODUCTION**

12. This States Report summarises the key findings of the Island’s second Housing Needs Survey that was carried out by Opinion Research Services during May and June 2006.

13. The objectives of the Survey were to ensure that accurate and up-to-date information is available upon which to base strategic housing and planning policy, to ensure that such policies fully reflect the needs of the community.
14. The 2006 Housing Needs Survey was carried out in order to:
  - identify and quantify housing needs and demands and understand how such needs have changed over the five year period between Surveys;
  - establish a socio-economic profile of those most likely to have difficulty meeting their housing needs without some form of assistance;
  - obtain accurate information to allow the Housing Department to recommend the quantity and type of housing required to meet the recognised needs;
  - assist in identifying opportunities to make better use of the existing housing stock;
  - provide sound information on the local housing position to assist in the administration of the Housing Control Law.
15. This States Report analyses the findings of the Survey in detail and identifies the implications of the results on current housing and planning policy, and how the information gathered can be used to guide future policy over the next five years.
16. A copy of the full survey results prepared by Opinion Research Services has been published as a separate report.

## **BACKGROUND**

17. Through the Corporate Housing Programme<sup>1</sup>, the States of Guernsey has recognised the need for an authoritative system to be in place for collecting and collating information upon which to base housing policy. This includes data that relates to the quality, availability and affordability of housing across all tenures.
18. Action Area F of the Corporate Housing Programme - one of the six Action Areas designed to reflect the diversity of effort that is required to translate the agreed Housing Strategy into action - focuses on the overarching need for reliable data.

---

<sup>1</sup> The Corporate Housing Programme was agreed by the States in February 2003 and provides a practical framework for implementing the States Housing Strategy. See: States Housing Authority and States Advisory and Finance Committee *'The Development of a Housing Strategy and Corporate Housing Programme'* – Billet d'État II 2003.

19. This is important to ensure that the Housing Department and other 'lead departments' with responsibilities under the Corporate Housing Programme, have access to well-defined market research into the local housing position.
20. Since the results of the 2000/1 Survey of Guernsey's Housing Needs were considered by the States in May 2002<sup>2</sup>, the obligation to undertake a second Survey, and subsequent Housing Needs Surveys at regular intervals of five years, have been included in the annual Action Plans for the Corporate Housing Programme.
21. The 2002 report examined a number of options for setting a new annual strategic planning target for the provision of additional homes, based on the information gathered from the 2001 Survey.
22. The States agreed that this target should be set at 300 new homes per year, in order to address the mismatches in the supply and demand for accommodation and to provide sufficient housing to enable movement within the market, to help to ensure a better 'fit' between housing availability and the type of homes that were demanded.
23. This has remained the current benchmark target for the provision of new dwellings since 2002.
24. Paragraph 91 of this report recommends that the Strategic Land Planning Group be tasked with reviewing the strategic target in the light of the findings of the 2006 Housing Needs Survey.

### **OBJECTIVES OF THE SURVEY**

25. At a **strategic level**, the 2006 Housing Needs Survey was carried out in order to:
  - provide up to date, key information to assist with the identification and formation of new policies and to guide the implementation of Corporate Housing Programme workstreams for the next five years;
  - monitor and review the effectiveness of the States Housing Strategy/Corporate Housing Programme against strategic objectives over the five year period since the first survey was undertaken in 2000/1;
  - review the strategic target for the annual provision of new homes, ensuring that land use planning policies provide for sufficient housing to be created to meet strategic targets.

---

<sup>2</sup> States Housing Authority – 'Survey of Guernsey's Housing Needs' – Billet d'État IX 2002.

26. At a **policy level**, the information provided by the 2006 Housing Needs Survey will be used to:-
- guide the Housing Department and the Guernsey Housing Association's long-term development plan for social housing in the Island from 2008 to 2012, with particular regard to the need for supported accommodation (e.g. sheltered housing) and measures to support the intermediate housing market (e.g. Partial Ownership).<sup>3</sup>
  - support any new policies with regard to planning covenants/agreements.<sup>4</sup>
  - justify decisions to postpone the development of Housing Target Areas<sup>5</sup>, but to retain these important sites for housing for the future;
  - provide data in support of policy measures affecting the private rented sector in Guernsey, in relation to the quality and affordability of accommodation.
27. The information from the 2006 Housing Needs Survey will then enable the States, through the Corporate Housing Programme, to plan appropriately for the years ahead, and provide valuable data for the review of the Urban Area Plan.
28. Finally, on an administrative level, the findings of the 2006 Housing Needs Survey will be used by the Housing Department in its administration of the Housing Control Law.

## **CARRYING OUT THE SURVEY**

### **Opinion Research Services**

29. Opinion Research Services (ORS) was engaged by the Housing Department to carry out the 2006 Housing Needs Survey.
30. Opinion Research Services is a limited company operating from the University of Swansea and works exclusively with public agencies and local authorities to undertake a wide range of quantitative and qualitative studies. The company was therefore extremely experienced to carry out the Housing Needs Survey.
31. Opinion Research Services also carried out the first Survey of Guernsey's Housing Needs for the former Housing Authority in 2001.

---

<sup>3</sup> A separate report on the Social Housing Development Programme is submitted for consideration by the States in conjunction with this report;

<sup>4</sup> A separate report on Planning Agreements from the Environment Department and the Housing Department is submitted for consideration by the States in conjunction with this report;

<sup>5</sup> There are five designated Housing Target Areas in the Urban Area; Belgrave Vinery, La Vrangue, Pointues Rocques, Salt Pans and Franc Fief.

## **Survey Methodology**

32. The Survey was carried out through detailed personal interviews in people's homes. Households were identified through random probability selection of postal addresses and a total of 1,512 interviews were conducted during May and June 2006.
33. Appendix A of the report from Opinion Research Services is a technical report which outlines the Survey methodology in detail.

## **THE RESULTS**

34. The final report from Opinion Research Services on the 2006 Housing Needs Survey is published separately with this States Report: it is a substantial document which includes detailed data covering the full range of housing and related socio-economic issues.
35. The report from Opinion Research Services is broken down, as follows:
  - **Section 1 - Introduction** - setting the strategic policy context of the Survey.
  - **Section 2 - The existing housing stock** – including property types and tenures, the condition of local housing, details of shared and communal establishments, etc.
  - **Section 3 - The socio-economic context** – population and demographics, migration and emigration, household structure, health problems within households, care needs and how they affect housing requirements, and household income, earnings and debt in relation to the different tenures.
  - **Section 4 - The active housing market** – assessing affordability, relative house prices and rents, market trends, emerging households and household moves, and modelling the housing market to predict future needs.
36. It is not intended to reproduce the findings of the 2006 Housing Needs Survey in detail in this States Report. Rather, this report will highlight the data that is significant in relation to the overall demand for new homes and will examine the findings from Section 4 of the report from Opinion Research Services.
37. Consideration is firstly given to the social context of the Survey and changes since 2001.

## THE CONTEXT OF THE SURVEY

### Population

38. Since the first Survey of Guernsey's Housing Needs, the Island's population has increased from **59,807 in 2001** (2001 Census results) to **61,029 in 2006** (as estimated by the Social Security Department.)<sup>6</sup>

**This represents an increase of 1,222 persons over a period of five years; or 244 persons each year.**

### The Local Housing Market

39. The table below summarises the changes in the composition of the local housing market by tenure, between 2001 and 2006.

**Table 1 – Composition of the local housing market into tenures**

Tenure	Census 2001		2006 Housing Needs Survey		% Change
	Number of households	%	Number of households	%	
Owned outright	16,275	71.8	9,847	41.2	<b>2.7</b>
Owned with a mortgage			7,958	33.3	
Rented privately	4,248	18.7	3,873	16.2	<b>-2.5</b>
Social rented <sup>7</sup>	2,141	9.4	2,222	9.3	<b>0.1</b>
<b>TOTAL</b>	<b>22,664</b>	<b>99.9</b>	<b>23,900</b>	<b>100.0</b>	

40. The above shows that there has been an increase of 1,530 owner occupying households during this period, from 16,275 households in 2001, to 17,805 households in 2006; this represents an average increase of 306 households each year.

**Three-quarters of all households (75%) are owner-occupiers (owned outright or with a mortgage.)**

<sup>6</sup> Please note that the figures quoted are from two different data sources and are therefore subject to their own error factors.

<sup>7</sup> Includes social rented properties provided by both the Housing Department and the Guernsey Housing Association, and Partial Ownership properties by the Guernsey Housing Association.

41. With regard to the private rented sector, the above figures demonstrate that there has been a reduction in the number of households available for private rent, from 4,248 in 2001 to 3,873 in 2006, which represents a reduction of 375 units of accommodation over a five year period.
42. The social rented sector has increased from 2,141 households in 2001 to 2,222 households in 2006. This is mainly due to the Guernsey Housing Association's development of social rented units and Partial Ownership homes, offset by the rationalisation of the Housing Department's stock.

### Number of Households

43. The table above shows that the total number of households increased from **22,664 in 2001** to **23,900 in 2006**.

**This represents an increase of 1,236 households over a period of five years, or an average increase per annum of 247 households.**

44. The 2001 Census found that the average number of persons per household across the owner occupied, private rented and social rented sectors was 2.51 persons.
45. Applying this average to calculate the approximate number of additional households for the increase in population (1,222 persons), would mean that in the region of an additional **487 households** were accommodated in the Island in 2006 compared with 2001. This represents an average increase of **97 households per annum**.
46. However, the results of the 2006 Housing Needs Survey show that there has been an **increase of 1,236 households** during the five year period between surveys, from 22,664 (2001 Census) to 23,900 (2006 Housing Needs Survey).
47. This suggests a much higher average **increase of 247 households** each year.
48. The increase in total household numbers since 2001 is supported by an increase in the number of addresses in the Postal Address File, which was used by Opinion Research Services to identify households to take part in the Survey.
49. Looking at the above purely in numerical terms – a population increase between 2001 and 2006 of **1,222** and an increase in the number of households during this period of **1,236** – would suggest that the increase in population has been made up primarily of single person households.
50. Whilst the changes are likely to be more subtle than this, it is feasible that the last five years has seen a trend towards more one person and couple households

as newly emerging households, and that this has accounted for an increase in overall household numbers.

## **DETAILED FINDINGS**

51. This report will consider the following in detail:

- housing market trends;
- resolving housing unsuitability and identifying those households in housing need;
- supported accommodation and care needs;
- supply and demand factors;
- “mismatches” between supply and demand; and
- the future requirements for housing in the social, intermediate and private sectors.

### **i) Housing Market Trends**

52. The Survey considered the projected flows of housing need, demand and supply, and found that the biggest single element in the housing market is movement from *within* the market, i.e. of those households moving from one dwelling to another. This leads to the conclusion that Guernsey has a *dynamic housing market*.

**Over one in ten established households (11% or 2,537 households) had moved within the 12 months preceding the Survey.**

53. By comparison, the 2001 Survey of Guernsey’s Housing Needs found that there were 1,239 established household moves within the Island in the preceding 12 months, which represented 6% of the total number of households. The increase to 2,537 household moves in 2006 is therefore a significant shift and is indicative of a very busy period in the local housing market.

54. Whilst these internal movements have a neutral effect on the overall numerical housing requirement – they neither take up nor provide any additional dwellings – such movements do have a significant effect upon the type, size and tenure of accommodation that is both available and needed.

55. The mobility of households was found to vary depending on the tenure of property, with high mobility in the private rented sector, compared with the relatively low mobility of owner occupying households.

ii) **Unsuitable housing and housing need**

**A total of 3,678 households were assessed as living in unsuitable housing. This represented 15% of all established households in Guernsey.**

56. The Survey found that young adults (aged 15 to 24 years), households with young children (in particular those under 5 years of age) and those older persons aged between 70 and 74 years, were most likely to live in unsuitable housing.

57. **Over one quarter, or 27%, of single parent households and 24% of groups of adults with dependent children live in unsuitable housing.**

58. The main problems associated with unsuitability of housing were found to be:

- Overcrowding;
- Sharing facilities;
- Home too difficult to maintain;
- Need for support;
- Condition of dwelling or amenity problems;
- Family reasons e.g. separation from partner, to join other household members to provide care and support;
- Tenancy/mortgage under notice; and
- Accommodation too expensive.

59. **However, it was found that not all households would need to move home to resolve the problems identified.** Using in-situ solutions, resolving overcrowding and carrying out repairs, the majority of housing need could be overcome. (Full details are provided on pages 67 to 70 and in Appendix B of the full report on the 2006 Housing Needs Survey.)

**Nevertheless, 212 unsuitably housed households would remain. They need to move to resolve their housing problems and cannot afford to buy or rent market housing. *They have a real housing need.***

60. This has implications for future provision of homes, on the supply and demand for accommodation and on the required housing mix. (This is discussed further below.)

iii) **Supported accommodation and care needs**

**Of those households in a housing need, 13% were as a result of needing additional support within the home.**

61. The Survey found that:
- 9.5% of all Guernsey residents, or 5,689 persons, were reported as having health problems;
  - as some of the individuals with health issues resided in the same household, 5,090 households, or 21% of the total number of households, contained at least one member with a health problem;
  - of those persons with a health problem, 75% (4,242) were able to support themselves, 6% (380) required daily or overnight care and support, 14% (789) required regular care and support, and 5% (278) required permanent 24 hour care and support;
  - of those residents who did require care, 91% (1,321 persons) felt that they were already having their needs met;
  - however, 7% (96 people) needed more care services;
  - a further 2% (30 people) needed to move to an alternative form of accommodation, such as sheltered accommodation or a residential home.
62. The findings of the Housing Needs Survey also reinforce the links between housing and health:
- of the 23% (5,090) of households that contained someone who had a health problem, 21% felt that this affected their housing needs;
  - 72% felt that their requirements were already being met;
  - **however, 28% considered that their homes were not currently adequately adjusted to the health problems of household members. This represented just over 1% of all households in Guernsey.**
63. The most common health issues were found to relate to general mobility in the home, climbing stairs and other age-related issues requiring personal support, such as assistance with bathing and showering, and with the preparation of food.
64. The research also demonstrates a clear relationship between tenure, ill health, age and income, and reinforces the need for a joined-up approach to housing and

health. In many instances, health problems were found to affect housing requirements and inadequate housing was found to exacerbate such problems.

65. The Survey highlights the need to provide purpose-built accommodation that is designed to meet the changing needs of older persons, with support services available to enable older people to remain independent and within their home and communities for as long as possible. (More information can be found on pages 30 to 38 of the full report on the 2006 Housing Needs Survey.)
66. The Housing Department is currently working with the Health and Social Services, Social Security and Treasury and Resources Departments, to develop an integrated housing, care and support strategy for older people. This strategy will look at, among other things, the Island's future needs for residential care, 'extra care' housing and sheltered housing, and will also review the funding arrangements for each of these types of provision.

iv) **“Mismatches” between supply and demand**

67. The term “mismatch” is applied to those households:
  - a) who would prefer to occupy a dwelling of a different tenure, e.g. to purchase their own home rather than rent;
  - b) who are under-occupying or over occupying their current homes;
  - c) who wish to emerge from an already established household, i.e. they do not yet have their own separate unit of accommodation; and
  - d) who are mismatched by the cost of their accommodation and their ability to pay (i.e. affordability).
68. At the lower end of the market, affordability of accommodation is often the main reason why newly established households or those concealed households<sup>8</sup> are mismatched by what their current household provides and what they actually need.
69. However, for those long-established households who purchased their property some time ago, and for those households where affordability is not the main concern, under-occupation and a desire for more space significantly impacts on the ability to address mismatches in supply and demand within the market. The findings of the Survey in this regard are quite significant, as discussed below.

---

<sup>8</sup> The term 'concealed household' refers to those persons living with family and friends due to a lack of alternative accommodation options. They wish to move into their own accommodation and form their own household, but this is out of their reach. Adult children continuing to live in the family home is an example of this.

- **Under-occupation and overcrowding**

70. The 2006 Housing Needs Survey found that 6,402 households (27%) were living in a property which provided the correct number of bedrooms for their household requirements.

**This means that, at the time the data was collected, 73% of all households were technically mismatched between the needs of their households and what their property provided.**

71. The Survey questioned household perception and compared subjective views with an objective comparison of household structure and the number of bedrooms available within properties. (More information can be found in Appendix B of the full report.)

72. This revealed that:

- 571 households (2%) were living in technically over-crowded conditions with too few rooms;
- of those 571 households, 213 considered that their home was ‘about right’;
- 17,950 households considered that their property was ‘about right’, but 13,214 of these were actually under-occupying by a factor of at least one bedroom;
- 16,928 households (71% of the total number of households) were living in a property that provided more bedrooms than were needed to meet the housing requirements of their household;
- **2,741 households (16%) of those 16,928 under occupying households were under-occupying their properties by a factor of 3+ bedrooms. This represented 11% of the total number of households in Guernsey;**
- as many as 1,600 of those who were already under-occupying their homes felt that they had too few rooms available; and
- 63 households had 3+ bedrooms more than they actually needed but still felt that they needed more space.

73. It is clearly evident from the above that many households have more space than they need to meet the basic requirements of their households, but yet aspire to have larger properties.

74. In this regard, it is important to note that whilst, through Tenancy Reviews, the Housing Department is able to manage its stock to ensure it is occupied efficiently, it is not possible to socially engineer owner-occupied and private rented housing in the same way, as households are able to exercise choice over their accommodation.
- v) **Supply and demand**
75. In addition to those internal movements within the housing market, Opinion Research Services made an assessment of the elements of supply and demand in assessing the overall additional housing requirement.
76. **Demand factors** – a requirement for additional dwellings – comprise:
- **Immigrant households** – new households to Guernsey. This figure is taken from trend figures for the 12 months preceding the Survey of those households whose previous home was outside of the Island; and
  - **Hidden or ‘emerging’ households (newly forming households)** – those persons becoming households for the first time (leaving the parental home, for example.)
77. As would be expected, emerging households were found to be dominated by single persons (40%) and couples without children (41%).
78. The nature of emerging households is reflected in the summary of future housing requirements, which suggests that **78% of the provision for new homes should be one and two bedroom units**. More details are provided in paragraphs 98 to 102 of this report.
79. **Opinion Research Services calculated that the projected household formation rate would be 489 households each year**. This was based on recent trend figures for the 12 months prior to the Survey, and included newly forming households from those already established households in the Island. The figure was reached using a combination of results from the Survey, as described in Appendix I.
80. This does not imply that 489 new dwellings are required each year to meet the projected formation rate. Demand factors are balanced, to an extent, by housing supply.
81. Of all those emerging households, the majority (68%) were found to enter the private rented sector, 21.4% purchased their own property and 11% entered the social rented sector.
82. **Supply** – dwellings becoming available - comprise:

- **Household dissolutions/deaths** – those households identified as moving to live with another household, or into communal housing, or otherwise no longer requiring an independent home; and
- **Out-migrants** – this figure is based on the results of the Survey for those households questioned who were expecting to leave the Island within 12 months.

83. Table 2 below compares supply and demand factors, and contrasts the figures from the 2001 Survey with 2006. The figures quoted are annual figures.

**Table 2 – The demand and supply of housing in 2001 and 2006**

<b><u>Demand:</u></b>	<b>2001</b>	<b>2006</b>
Established household moves	1,239 (5.4% of all households)	2,537 (10.4% of all households)
In-migrants	200*	442**
Emerging households	375	489^
<b>TOTAL DEMAND</b>	<b>1,814</b>	<b>3,468</b>

<b><u>Supply:</u></b>	<b>2001</b>	<b>2006</b>
Established household moves	1,249 (5.5% of all households)	2,537 (10.4% of all households)
Emigration	275	345.6 <sup>+</sup>
Household dissolution	111	245.8 <sup>++</sup>
<b>TOTAL SUPPLY</b>	<b>1,635</b>	<b>3,128.40</b>

<b><u>NET SUPPLY/DEMAND</u></b>	<b>179</b>	<b>340</b>

(rounded up)

\* 2001 Census data

\*\* Based on the findings of 2006 Housing Needs Surveys (Figure 65, page 61 of the ORS report.)

^ Household formation rate based on the average of the households emerging and those households that had someone leave in the 12 months preceding the Housing Needs Survey (see paragraph 4.3.6, page 63 of the ORS report and Appendix A).

+ Those expecting to leave the Island in the next 12 months (Figure 74, page 66 of the ORS report.)

++ Deaths/dissolutions (Figure 83, page 75 of the ORS report.)

84. **Based on the findings of the 2006 Housing Needs Survey, the above shows a net housing requirement of 340 new homes per annum, almost doubling the basic requirement for new homes identified in the 2001 Housing Needs Survey of 179 homes each year.**

### **REVIEWING THE STRATEGIC TARGET FOR NEW HOMES**

85. Following consideration of the findings of the 2001 Survey of Guernsey's Housing Needs, the States agreed a strategic target of providing for 300 new homes per annum.
86. This target exceeded the minimum number of new homes identified by the 2001 Survey of 179 new dwellings per annum, in order to provide a surplus that would facilitate movement within the market and address the mismatches in supply and demand. The revised target of 300 new homes replaced the former strategic target of 250 new dwellings per annum and remains the current planning target.
87. This target has been incorporated into the States' strategic planning policies and most recently into the Government Business Plan<sup>9</sup>, with Strategic Policies 1 to 9 relating to the Housing Requirement.
88. Strategic Policy 1 of the Government Business Plan states that:
- “Arrangements will be put in place through the Detailed Development Plans to ensure that provision is effectively made to meet the annual requirement for the creation of new homes as established through regular Housing Needs Surveys and reviewed through the Strategic Land Use Plan.”*
89. The strategic target is therefore intended as a flexible target that can be reviewed and adjusted accordingly, through the Strategic Land Use Plan, to meet the potentially changing demand for new homes, as identified through regular Housing Needs Surveys.
90. With this in mind, the Housing Department has refrained from making a recommendation in this States Report to amend the strategic target.
91. **Instead, the proposal is for the Strategic Land Planning Group to review the strategic target and take a view as to whether it should be amended in the light of the information from the 2006 Housing Needs Survey, whilst**

---

<sup>9</sup> Policy Council – Government Business Plan 2007 (Policy & Resource Plan) – Billet D'État XVIII 2007

**also bearing in mind that planning policies would need to be adjusted accordingly to meet the needs identified.**

92. **Furthermore, as explained in paragraphs 98 to 102 below, the Housing Department also recommends that the Strategic Land Planning Group be directed to set specific annual targets for each tenure, based on the profile of needs identified in the Housing Needs Survey.**
93. The above two objectives are coupled with the need for an effective mechanism to be established to monitor the number of new homes built each year. In this respect, it is important to understand that Strategic Policy 1 quoted above relates to the grant of permissions for new residential development and not to the physical construction of new homes, because there is no mechanism to force a landowner to convert planning permission into a new dwelling.
94. The effectiveness of the planning system in meeting the strategic target is currently monitored on a quarterly basis with an annual review by the Environment Department.
95. The Environment Department monitors the number of new homes with planning permission at any one time and measures the take-up rate by carrying out site checks to see if development has commenced. The Environment Department's monitoring system is not intended to measure the actual number of new homes completed in a given period.
96. However, the Housing Department is of the view that an effective system for the collection of data on the number of new homes constructed each year should be established to examine whether housing requirements, as highlighted by the findings of regular Housing Needs Survey, are effectively being provided for.
97. This is touched upon again below in paragraphs 134 to 139, which highlight the ongoing need to ensure the availability of data to monitor key housing variables and the actions being taken by the Policy Council's Policy and Research Unit to provide information on the local housing market.

### **THE REQUIRED HOUSING MIX**

98. **It is important to understand the required housing mix identified by the Survey, and to acknowledge that much is already been done through the Corporate Housing Programme and through planning policies to meet this need.**
99. The different tenures of housing are classified as follows:

- **Social rented housing** – for those households who cannot afford to purchase or rent without some form of financial subsidy from the States, housing association, or another provider.
  - **Intermediate housing** – for those households that are able to afford more than social rents, but are unable to afford to rent market housing, based on lowest quartile market prices; and
  - **Market housing** – for those households who are able to afford to buy or rent market housing (i.e. in the private sector)
100. Using the data gathered from the Survey, the housing market model used by Opinion Research Services concluded that the overall net requirement for additional dwellings of 1,698 over the next five years, or 340 per annum, should be provided in the following sectors. Table 3 below also gives an indication of the size of homes that are needed.

**Table 3 – Gross housing requirements by sector**

(This is a reproduction of Figure 85 on page 76 of the ORS report.)

Housing requirements	Type of Housing				
	Owned	Rented	Intermediate	Social	All Sectors
<b>Gross requirement</b>					
1 bedroom	1,315	557	42	320	2,234
2 bedrooms	2,474	512	29	363	3,377
3 bedrooms	1,819	386	165	153	2,523
4+ bedrooms	1,639	391	13	29	2,072
<b>Total</b>	<b>7,247</b>	<b>1,847</b>	<b>249</b>	<b>864</b>	<b>10,206</b>
<b>Net requirement</b>					
1 bedroom	1,194	-560	42	258	933
2 bedrooms	891	-441	29	-93	385
3 bedrooms	117	-102	165	24	205
4+ bedrooms	464	-261	13	-40	176
<b>Total</b>	<b>2,666</b>	<b>-1,364</b>	<b>249</b>	<b>148</b>	<b>1,698</b>
<b>Net requirement - annualised</b>					
1 bedroom	239	-112	8	52	187
2 bedrooms	178	-88	6	-19	77
3 bedrooms	23	-20	33	5	41
4+ bedrooms	93	-52	3	-8	35
<b>TOTAL</b>	<b>533</b>	<b>-272</b>	<b>50</b>	<b>30</b>	<b><u>340</u></b>

101. In pure numerical terms, this shortfall could be addressed by building an additional 340 new dwellings per annum in the above tenures. However, there is also a need to eliminate the “mismatches” in the supply and demand for properties across tenure, size and price of dwellings, as already discussed, and to ensure that properties are built to meet the identified demand for one- and two-bedroom accommodation, as shown above.

**Accordingly, the Housing Department believes that the Environment Department’s planning policies should, where possible, encourage the development of accommodation that will meet the identified need for one and two bedroom units.**

102. In addition, through the Policy Council’s Strategic Land Planning Group, the findings of the 2006 Housing Needs Survey should be used to establish strategic targets by tenure to meet the profile of housing need identified by the Survey.

### **MEETING THE IDENTIFIED HOUSING NEEDS**

103. In anticipation of these targets being set, the paragraphs that follow outline the action already being taken to meet the needs identified.

- **Social rented housing**

104. The 2006 Housing Needs Survey identified a requirement for an additional 30 new homes in the social rented sector each year.
105. In particular, the Housing Need Survey findings confirm that there is a shortfall of one bedroom homes, as already acknowledged by the Department, and indicate that there is a slight oversupply of two bed and four bedroom properties in the social rented sector.
106. A separate States Report from the Housing Department entitled “Social Housing under the Corporate Housing Programme: Development Plan for the period 2008 - 2012”, which has been submitted for debate by the States in conjunction with this report, outlines how the Housing Department and the Guernsey Housing Association plan to meet this need through a building programme for the period 2008 to 2012.
107. The build programme specifically aims to provide smaller properties, predominantly for older people, that will help to address under occupation of the Housing Department’s three and four bedroom homes.
108. Full details of the proposed redevelopment and building projects that will provide social rented and intermediate market housing are provided in Section 3 of the accompanying report.

109. The Housing Department and the Guernsey Housing Association recognises that effectively meeting the Islands need for social housing goes much further than purely, in numerical terms, providing enough homes. A combination of measures are needed to ensure that social housing is used in the most effective way and that households are matched to a property which meets their requirements.
110. An ongoing programme of Tenancy Reviews will help to ensure the most efficient use of the Department's stock.
111. In the interim period between the 2006 Housing Needs Survey being carried out and the time of writing, Tenancy Reviews have made 59 properties available to those households on the waiting list and for those existing tenants transferring within the stock. A number of tenants have also chosen to leave their home voluntarily ahead of their tenancies being reviewed, making further properties available.
112. Accordingly, whilst the Housing Needs Survey identifies a requirement for a further 30 properties in the social rented sector each year, the tenancy review process has made in the region of 75 homes available, which would not have been included in the calculations in the report by Opinion Research Services.
113. On an ongoing basis, it is envisaged that approximately 10 tenancy reviews each year will result in a Notice to Quit being issued, thereby making further homes available for those with a real need for social housing.
114. Deleting this figure of 10 units from the 30 additional social rented units as recommended by the 2006 Housing Needs Survey, means that 20 additional units of social rented accommodation should be provided annually to meet demand.
115. The Housing Department considers that it is appropriate to delete those properties becoming available as a result of tenancy reviews, as for each property vacated in this way, one less property needs to be provided (and therefore built) to meet the needs of a household on the waiting list.
116. However, it is not considered appropriate to rework Table 3 above to accommodate this change, as a displaced household will require a home, and so this does not affect the overall need for accommodation (albeit that those tenants displaced could heighten the need for homes in the intermediate housing market or in the private rented sector.)
  - **The Intermediate Housing Market**
117. The intermediate housing market provides for those persons who cannot afford to purchase or rent housing in the private sector without some form of direct or

indirect financial help, but who are ineligible for States' or nominated Guernsey Housing Association accommodation.

118. It, therefore, comprises of those properties that are:
- **rented from the Guernsey Housing Association at sub-market levels with no direct rent subsidy.**
  - **provided for purchase, either in whole or in part, with some form of subsidy from the Guernsey Housing Association or another provider, e.g. Partial Ownership.**
119. 75% of the Guernsey Housing Association properties are available for the Housing Department to nominate tenants based on their need for social housing. The remaining 25% are available to those persons on the Guernsey Housing Association waiting list.
120. Units made available for Partial Ownership are counted separately for the purposes of applying these percentages.
121. The Guernsey Housing Association's Partial Ownership Scheme gives the purchaser the opportunity to buy a share of between 40% and 80% of their home and pay a reduced rent to the Association on the remainder.
122. Increasing the number of properties available under the Partial Ownership scheme is a key feature of the building programme and is core to the effective delivery of the States Housing Strategy, with regard to ensuring that a range of housing options are available.
123. It is also a crucial element in the Tenancy Review process outlined above, as of the pilot scheme of 10 Partial Ownership properties at the Guernsey Housing Association's Roseville development, completed during 2006, nine of the properties were purchased by former social housing tenants and the remaining unit was purchased by a household on the Guernsey Housing Association's waiting list.
124. Currently there are approximately 100 households registered on the waiting list for Partial Ownership with the Guernsey Housing Association (although the income of these households has not yet been assessed to find out if Partial Ownership is a feasible option based on their circumstances.)
125. The schedule of new developments outlined in paragraphs 24 to 29 of the report on the Social Housing Development Programme for the period 2008 to 2012, shows that there are plans to make available a further 49 properties under the Partial Ownership scheme.

126. The building programme also identifies that 30% to 40% of the homes to be provided on the redeveloped Grand Bouet estate will be made available as Partial Ownership, thereby providing in the region of 70 to 80 new homes for purchase in this way.

- **Private Rented Sector**

127. The 2001 Housing Needs Survey identified a potential surplus of 318 properties in the private rented sector and the 2006 Survey revealed that had been slightly eroded, to a potential surplus of 273 properties.

128. However, this surplus will only be created if the supply of owner occupied dwellings satisfies the demand for that tenure. **If there is a shortfall in owner occupied accommodation, then there will not be the capacity for tenants in the private rented sector to move to their desired tenure and the surplus of rented accommodation will not materialise.**

129. The Housing Department will be continuing to work with the recently formed Guernsey Private Residential Landlords Forum to see how the private rented sector can be sustained and improved.

- **Market housing**

130. The results of the 2006 Housing Needs Survey show that there is a demand for a further 260 properties in the owner occupied sector each year. This is the net demand for market homes, which takes into account the identified potential surplus of accommodation in the private rented sector.

131. In 2001, the Housing Needs Survey found that there was a need to provide 459 properties for owner occupation, which was offset against a surplus of 318 properties in the private rented sector. A net increase of 141 owner occupied units of accommodation was therefore needed at this time (together with an additional 38 properties in the social rented sector).

132. The new figure of 260 new homes for outright purchase highlights the continued need to build new units of homes and, most importantly, for ensuring that they are the right type and size to meet demand.

133. Again, the Survey identifies a need for smaller homes for outright purchase, with one or two bedrooms.

### **THE ONGOING NEED FOR RELIABLE HOUSING DATA**

134. The information provided by five-yearly Housing Needs Surveys is extremely valuable in understanding and monitoring trends in the local housing market. Maintaining a five yearly schedule of Surveys will, over time, help to build up a picture of the changes in the local housing market.

135. However, the relative infrequency of this overarching survey, highlights the need for additional data to be collected and monitored on an ongoing basis.
136. As the 'lead' department for Action Area F of the Corporate Housing Programme, the Policy Council's Policy and Research Unit has responsibility for ensuring that data is available upon which to effectively monitor the local housing market and the effect of housing and planning policy.
137. The Government Business Plan commits the Policy Council to undertaking further research regarding the availability of data to monitor key housing variables and acknowledges that whilst work is in progress, this should be pursued as a priority.
138. The Policy Council has recently agreed that a part-time member of staff be recruited on a two year contract to take forward this initiative, working with States Departments and private sector bodies, to assemble and report on the relevant data. Funding for this post has been provided by the Housing Department through the Corporate Housing Programme Fund.
139. One of the priorities for the Policy Council's Policy and Research Unit, and for the part-time Housing Research Officer, will be to establish a more effective monitoring system for determining the number of new dwellings constructed each year.

### **CONCLUSIONS**

140. The 2006 Housing Needs Survey provides a raft of information that will be extremely useful to inform the direction of the Corporate Housing Programme.
141. This information has been incorporated into the "Social Housing under the Corporate Housing Programme: Development Plan for the period 2008 - 2012", which is submitted for consideration with this report on the Housing Needs Survey.
142. Most importantly, the 2006 Housing Needs Survey identifies a need for the States, through the Corporate Housing Programme, to continue its efforts in all areas to provide new homes.

### **RECOMMENDATIONS**

143. The States is asked to:
- i) note the findings of the 2006 Housing Needs Survey;

- ii) direct the Strategic Land Planning Group to review the current strategic policy for the creation of new homes and set specific annual targets for each tenure, taking into account the profile of needs identified in the Survey;
- iii) agree that, as a priority, there is a need to collect information on the local housing market to facilitate the ongoing monitoring of housing related statistics covering all tenures, as outlined in Action Area F of the Corporate Housing Programme;
- iv) agree that the next Housing Needs Survey should be carried out in 2011 and, thereafter, at intervals of not more than five years,

Yours faithfully

D Jones  
Minister

**APPENDIX I****2006 HOUSING NEEDS SURVEY****Calculating the Annual Household Formation Rate**

1. The annual household projected formation rate was obtained through the data collected from two questions asked in the Housing Needs Survey.
2. Firstly, the Survey results showed that there were **218 concealed household** moves from established households within Guernsey (see Figure 65, page 61 of the ORS report.)
3. However, the Survey also found that 441 households had emerged to establish an independent household in Guernsey in the previous 12 months. A further 637 had joined others to create a new household in the Island, pairing with at least one other emerging household, thereby creating an additional 319 households.
4. Taken together, these figures suggest that as many as **760 new households** were formed in the 12 months preceding the Survey (see Figure 70, page 63 of the ORS report).
5. This is much higher than the 218 household moves that were identified as concealed households within the Island and had moved from living with family and friends in the preceding 12 months.
6. Whilst it is expected that the above figures – of those 218 households forming in the past 12 months and those 760 newly emerging and pairing households – would be closer than they are, in the absence of knowing which figure is the more ‘real’, it is appropriate to use the average to determine the annual projected formation rate of **489** households.
7. This is based on the following reasoning.
8. Both figures were determined from the Survey and so in that respect they are accurate.
9. However, if it is assumed that 218 is an underestimate of what is ‘real’, and 760 is an overestimate, it is reasonable to use the average to set the middle ground:
  - **218 households**, when grossed up, means that 0.92% of the total number of households (23,900 households) emerged as new households in the 12 months prior to the Survey.

- Applying this rate means that it would take over 108 years for all households to form, which is considered too long.
  - Using the figure of **760 emerging households**, when grossed up, means that 3.18% of all households left an established household. Applying this rate would mean that it would take about 31.5 years for all households to form. This is considered too short.
  - The average of the above figures – **489** – means that 2.05% of households emerged or had someone leave. It would therefore take about 48.5 years for all households to form. This is believed to be a reasonable representation, if households are considered to form when individuals are in their mid-twenties and dissolve when they are in their mid-seventies.
10. A +/- 1.5% margin of error of the results away from the average result is statistically acceptable. This is broadly shown by the underlined percentages above, from the lowest percentage – 0.92% - representing 218 households, to 3.18%, which represents 760 emerging households.
  11. Therefore, whilst the difference between 218 households and 760 households appears to be quite large, the difference between 0.9% and 3.2% “feels” much smaller.
  12. Another way of looking at these figures is to consider that all results from the household survey should be accurate to within +/- 2.5% points @ 95% confidence. Where the split in the result is biased towards one answer (e.g. 10% : 90% rather than 50% : 50%), this margin of error will reduce to +/-1.5% points.
  13. Considering these figures in the context of a 1.5% point margin of error, given the two results it can be stated that:
    - Statement A: in relation to the result of 3.2%, it is 95% confident that the true result lies between 1.7% and 4.7%
    - Statement B: in relation to the result of 0.9%, it is 95% confident that the true result lies between 0.0% and 2.4%
  14. Given that the two figures are representing the same group of households, it can be concluded that the true result must be at least 1.7% (on the basis of statement A) and cannot be any more than 2.4% (on the basis of statement B). Therefore, the best estimate for the result is the midpoint of these two figures – i.e. 2.0% – which, when grossed up, represents 489 households.
  15. The Housing Department is therefore satisfied that the results of the Survey are accurate for a sample Survey of this nature.

**(NB The Opinion Research Services Report, which accompanies this States Report, is published separately.)**

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

I.- Whether, after consideration of the Report dated 26<sup>th</sup> September, 2007, of the Housing Department, they are of the opinion:-

1. To note the findings of the 2006 Housing Needs Survey.
2. To direct the Strategic Land Planning Group to review the current strategic policy for the creation of new homes and set specific annual targets for each tenure, taking into account the profile of needs identified in the Survey.
3. That, as a priority, there is a need to collect information on the local housing market to facilitate the ongoing monitoring of housing related statistics covering all tenures, as outlined in Action Area F of the Corporate Housing Programme.
4. That the next Housing Needs Survey shall be carried out in 2011 and, thereafter, at intervals of not more than five years.

## HOUSING DEPARTMENT

### SOCIAL HOUSING UNDER THE CORPORATE HOUSING PROGRAMME: DEVELOPMENT PLAN FOR THE PERIOD 2008-2012

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

14<sup>th</sup> September 2007

Dear Sir

#### **Executive Summary**

1. The purpose of this report is to update the States on the considerable progress that has been made by the Housing Department in addressing the issues identified in its report that was considered by the States in October 2005<sup>1</sup>.
2. It also sets out proposals that include a timetable and funding mechanism that will enable the Department to:
  - Complete the rationalisation of its housing stock and address the replacement of the last of its estates that are uneconomic to retain and refurbish.
  - Continue and complete the modernisation and upgrading of the remainder of the housing stock that is being retained.
  - Address the under-occupation of larger family houses by older couples and single people, by building suitable properties that match their requirements and are in the area where they have developed links and associations over the years of their tenancy.
  - Increase the size of the social housing stock to meet the needs identified by the 2006 Housing Needs Survey.
  - Continue to provide a supply of Partial Ownership properties that provide alternative tenure choices for first-time buyers and tenants displaced under Tenancy Review procedures.

---

<sup>1</sup> “Social Housing under the Corporate Housing Programme: Towards a Plan for the Period 2006-2008” Billet d’État XV, 2005.

## **SECTION 1 - INTRODUCTION**

3. In December 2004, the States agreed, under Action Area C of the Corporate Housing Programme, that there was a requirement:

*“[To] establish a long-term programme of housing development to meet housing needs, by prioritising for development: (i) sites in the ownership of the Housing Department; and (ii) sites in States and/or private ownership that may be developed in accordance with the provisions of the Urban Area Plan and the existing and draft Rural Area Plan.”*

4. In October 2005, the States considered a complex report that was the first step towards the development of that programme. It set out proposals for how the Housing Department could best manage and maintain its own housing stock and provide grant funding for new social housing development to ensure that the needs of both current and future tenants were met in the most cost-effective way. It, however, cautioned that unless significant fundamental changes were accepted and implemented there was a real danger that the Corporate Housing Programme would founder and ‘wither on the vine.’

5. The States by endorsing the report accepted:

- That the States’ housing stock was not balanced, resulting in an inefficient and wasteful use of a very valuable asset.
- That there were high levels of under-occupation of family houses, mainly by older people, that if correctly addressed would result in a surplus of 3 bedroom houses.
- That there was an acute shortage of 1 bedroom properties, particularly properties suitable to the needs of those older tenants that were under-occupying the larger properties that were desperately required to house families from the waiting list.
- That a considerable number of Housing Department properties had reached, or were nearing, the end of their useful life and were not suitable to meet future housing needs.
- That these ‘unfit’ properties should either be demolished to make way for new development or sold off with the proceeds being retained within the Corporate Housing Programme Fund and used to assist the funding of new social housing development to replace them.
- That the rolling programme of modernisation of the States’ housing stock should continue until all of the remaining properties were able to provide modern facilities.

- That funding certainty would be required over the longer term in order to achieve economies of scale for both stock improvement and new development.
  - That the funding of rent rebates for both States and Guernsey Housing Association nominated tenants should be divorced from the main capital allocation to the Corporate Housing Programme Fund, and funded from General Revenue.
  - That in order to minimise capital costs to the States, for the foreseeable future that housing associations should build, own and manage all new build social housing.
  - Those replacement properties should be in the right geographical location.
6. Having considered that report, the States accepted that the Housing Department would:
- Through rationalising its housing stock, reduce the size of the States' housing stock to approximately 1,800 dwellings.
  - Carry out further in-depth analysis to establish which further properties would eventually become surplus to requirements.
  - Revise the rolling estate improvement programme to move away from large-scale refurbishment, and instead focus on modernising and improving properties that were to be retained.
  - Formulate and agree a development programme with the Guernsey Housing Association that would rectify the shortfalls identified and provide a flow of new properties that would be used to eradicate the under-occupation of the States' housing stock.
  - Prepare proposals for the long-term redevelopment of the Grand Bouet estate, which was nearing the end of its useful life.
  - Report back to the States as soon as possible with a detailed asset management and development plan that would address all of the issues that had been highlighted in the report.
7. This report will provide an update on the significant progress that has been made in addressing the issues identified in the 2005 report. It goes on to put forward a 5 year development plan that will address all of these issues, and shows that the plan can be implemented within the funds that are available.

## **SECTION 2 – THE STATES’ HOUSING STOCK**

### **Rationalisation**

8. Following on from the approvals given by the States in 2005 to rationalise the housing stock, all of the tenants that were living in the properties and estates identified as being uneconomic to refurbish or surplus to requirements at that time have been rehoused and the properties have either been sold, are being marketed for sale, or have been transferred to the Guernsey Housing Association for demolition prior to redevelopment. The proceeds from sales have been transferred into the Corporate Housing Programme Fund and are being used to assist in the grant funding of new developments by the Guernsey Housing Association.
9. The Department has also now completed an in-depth analysis of the remainder of its stock with a view to identifying any further properties that are not economical to modernise or that are unsuitable to meet future housing needs. A small number of incompatible properties have been added to the previous list and will be marketed as they become vacant; these are listed in Appendix 1.
10. In addition, the analysis has revealed that a small estate of 10 x 2 bedroom houses built in the early part of the 1930s at **Mont Arrivé** are in need of urgent, but costly refurbishment. They are of similar construction and size to the properties at Petit Bouet, which were previously declared to be uneconomic to retain and were unsuitable to meet the future profile of social housing need. An initial survey of the site by the Guernsey Housing Association has revealed that, subject to planning permission from the Environment Department, redevelopment of this site could provide 20 smaller properties suitable to the needs of older tenants currently under-occupying larger family accommodation in the area.
11. **The Department is seeking States’ approval to commence consultation with the tenants of these properties with regard to their future housing options, with a view to transferring the properties to the Guernsey Housing Association for demolition and redevelopment as set out above.**

### **Improvement and Modernisation**

12. The 2005 Report highlighted the fact that the continuation of the estate improvement programme for the housing stock was essential if the Housing Department was to retain a stock of socially rented housing that would continue to meet current and future social housing needs. The report proposed that once all of the pre-War properties had been fully refurbished, that the focus would shift to modernising and updating the remainder of the housing stock.
13. The major refurbishment programme of the older housing stock was completed at the end of 2006. A total of 133 pre-War dwellings are now providing modern

accommodation and their lifespan has been extended by at least 50 years.

14. The emphasis has now been refocused on modernising and updating the rest of the housing stock and, to this end, a rolling modernisation contract has been issued to install central heating and insulation, and rewire and re-roof the remainder of the older housing stock. This will be followed by a programme to update the bathrooms and kitchens, which should see the whole of the States' housing stock upgraded to an appropriate standard by the end of 2012.

### **Stock Utilisation**

15. The 2005 States Report revealed that detailed analysis of the profile of existing tenants of States' housing had shown that the stock was under-utilised and not balanced, resulting in:
  - High levels of under-occupation, predominantly by older people.
  - An over-supply of 3 bedroom houses.
  - A considerable under-supply of suitable 1 bedroom units.
  - A number of tenants in occupation who were no longer in need of social rented housing.
16. The report advised that in order to address this, the Department would:
  - Implement the Tenancy Review process, to ensure that States' housing: (1) was only occupied by tenants that could not afford to access any other tenure; (2) that those remaining were occupying a property of a size that was suited to their needs.
  - Ensure that the building programme undertaken by housing associations was restricted to the type and size of properties that would address the under-occupation issue.
  - Only retain and modernise properties that would continue to meet identified future social housing needs.
17. The Tenancy Review process was implemented in 2006. Since then 79 tenants whose income was sufficient to support alternative tenures have been required to leave their States' property. All of these have successfully obtained accommodation in the private sector. A further 52 tenants who were under-occupying family accommodation have thus far been identified under this process; and they are being moved to smaller properties more suitable to their needs, as suitable properties become available. The properties freed up as a result of this process are being used to house applicants from the waiting list, which has correspondingly reduced in size (see paragraphs 46-47 below).

18. In addition, as stated earlier in this report, a thorough analysis has been carried out of the housing stock to ensure that only properties that are suitable to meet future housing needs are retained and upgraded.
19. The proposed development programme that has been agreed with the Guernsey Housing Association to provide new and replacement social housing is described in the next section of this report. It has been targeted to address directly the imbalance in the States' housing stock, and will deliver a supply of smaller properties that will enable the Department to continue to reduce the high level of under-occupation that exists in its housing stock at present.

### **SECTION 3 – THE SOCIAL HOUSING BUILDING PROGRAMME**

#### **The Role of the Guernsey Housing Association**

20. The Guernsey Housing Association was set up in 2002 to work in partnership with the Housing Department to deliver quality, affordable social housing. Its development programme is funded by a combination of a private borrowing facility of £28 million arranged through the Royal Bank of Scotland International (RBSI), together with direct grant funding from the Department as part of the Corporate Housing Programme (via the States Housing Association Fund<sup>2</sup>).
21. To date the Association has provided 168 units of accommodation at a capital cost to the States that is far less than if the Department had undertaken the development itself.
22. The early schemes developed by the Association required States' grant funding averaging 70% of the overall development costs. However, now that the Association has 168 units of housing in management, this has produced a rent stream income that has enabled them to service the repayments for a much higher level of private borrowing. As a result the level of States' grant for subsequent schemes has significantly diminished with, for example, the new development at the old Bus Garage site in the Bouet, currently under construction, requiring States' grant funding of only 37.5% of the cost of acquisition and development of the site. Future schemes outlined later in this report will be delivered with a States' grant level of 25% or less, including sustainable elements (see paragraphs 39-41 below).
23. The investment of higher levels of States' grant to enable the Association to build the early schemes has resulted in the Department not only being able to put forward a robust social housing development programme that will allow the demolition and replacement of tired, worn out estates with new properties that will serve the social housing needs of the Island well into the future, but also to

---

<sup>2</sup> This fund draws monies to pay grants to the Guernsey Housing Association from the Corporate Housing Fund.

switch the bulk of the funding of that programme from the taxpayer to commercial borrowing.

### **Schedule of New Developments**

24. The Department has been working closely with the Guernsey Housing Association over the last 12 months to agree and put forward a 5 year development programme that would adequately provide for the social housing needs identified by the 2006 Housing Needs Survey.
25. The majority of the proposed schemes will be built on land that is within or adjoining the management of the Department, or is within the ownership of the Guernsey Housing Association.
26. The Housing Department considers that there is sufficient land available to meet known social housing need for the next 5 years, and sees no immediate need to develop any of the five Housing Target Areas (HTAs). However, it is important that these should be held in reserve to enable them to be brought forward when required for social housing development in the future.
27. In this regard, it should be noted that, in line with the Housing Needs Survey findings, the proposed development programme seeks to provide a range of social housing options that includes Partial Ownership. The Partial Ownership Scheme was launched last year at the Guernsey Housing Association's Roseville development where 10 units of accommodation were sold to Partial Ownership purchasers. 9 of the purchasers were States' tenants who were being required to leave their tenancies as they were no longer eligible for States' housing accommodation.
28. The Guernsey Housing Association currently has a waiting list of 100 applicants who have expressed an interest in future Partial Ownership schemes. It is therefore proposed to incorporate a percentage of Partial Ownership units in all new major schemes, with the exception of Victoria Avenue, which is specifically targeted at providing suitable smaller accommodation for older tenants that are currently under-occupying the larger family units of States' accommodation.
29. The major schemes set out below form the bulk of the development programme:
  - **Hougue a la Perre** (formerly the Bus Garage). This scheme, which is under construction, will provide 75 units of 1 and 2 bedroom accommodation. 30 of these units will be available for purchase under the Partial Ownership scheme.
  - **Victoria Avenue.** This scheme will be constructed on the site previously occupied by 46 States' houses and flats, which have now been demolished. 8 three bedroom houses have been retained and are being

refurbished by the Association for sale under the Partial Ownership scheme. The remainder of the site will provide 57 new units of predominantly 1 and 2 bedroom bungalows, which will be used to house older tenants currently under-occupying family houses.

- **Grand Bouet Estate.** The States agreed when considering the 2005 report that this estate needed to be demolished and redeveloped before 2010, as it would be impossible to maintain the properties in habitable condition beyond that date. The estate will be demolished in three phases: the first phase is timetabled to commence at the beginning of 2009.

Owing to the estate's proximity to the Pitronnerie Road industrial estate, the Strategic Land Planning Group is exploring the possibility of re-designating the areas of this estate due to be redeveloped under phases 2 and 3 as a Strategic Industrial Reserve. This is subject to a suitable alternative site (or sites) being identified to accommodate the replacement properties within the proposed timescale for redevelopment. In the meantime, the tenants currently occupying phase 1 are being consulted and arrangements are being made to re-house them elsewhere.

It is proposed to replace the existing dwellings with a mixed tenure development that will include properties for Partial Ownership purchase.

- **Mont Arrivé.** This scheme, mentioned earlier in this report, will provide up to 20 units of smaller accommodation suitable to the needs of older people currently under-occupying family houses.
- **Petit Bouet.** As agreed by the States in 2005, the Petit Bouet estate is being sold off as part of the rationalisation of the States' housing stock. However, it is proposed that 10 of these properties will be sold to the Guernsey Housing Association at a price that will enable them to be refurbished and sold to Partial Ownership purchasers.

30. All of the above schemes are sited in the Urban Area; however, a detailed analysis of the profile of the tenants who are currently under-occupying family houses has revealed that a considerable number of these people are occupying properties on estates in the Rural Area. Many of these people have lived in the Rural Area for a number of years and during this time have developed links and associations accordingly. They are naturally unwilling to be rehoused in the Urban Area, away from the communities with whom they associate themselves.
31. The exception policy (RH2) of the Rural Area Plan provides an opportunity to build new social housing in the rural areas, subject to certain criteria being met<sup>3</sup>.

---

<sup>3</sup> The full RH2 policy reads as follows: "*Proposals for the erection of social housing will only be considered where: a) the site is suitable, having regard to its characteristics and*

32. The Department has identified a number of small areas of land within its management, together with land in private ownership that has been offered to the Guernsey Housing Association, that relates to existing States' housing estates in the parishes of St Sampson's, St Andrew's, St Martin's, St Saviour's and Castel. All of these areas have older tenants under-occupying family houses who are requesting alternative accommodation in these neighbourhoods, but the frequency of the availability of this type and size of accommodation in these vicinities is very limited within the existing social housing stock.
33. From staff level discussions with the Environment Department, the Housing Department is aware that, notwithstanding policy RH2, there is likely to be some resistance to building in the Rural Area, when planning applications for suitable social housing on these sites are submitted. However, the Housing Department is of the view that the high levels of under-occupation of social housing in these areas cannot be properly addressed unless suitable alternative accommodation can be provided in the communities where these tenants have lived for most of their lives.
34. **The Department is, therefore, asking the States to reaffirm support for the principle of developing small additions to existing social housing estates in the Rural Area, where the need has been clearly established and they meet the requirements of policy RH2.**
35. The first of these small, Rural Area schemes concerns a field at Ville Amphrey, St Martin's, adjoining the Saumarez Mill estate. The Guernsey Housing Association has submitted a planning application for a development of 13 bungalows on this site and, at the time of writing, was awaiting a response from the Environment Department.
36. An outline of the proposed development timetable for the major schemes is attached at Appendix 2. This has been drawn up having regard to the need to operate within the constraints of the local building industry. Although the funding is in place to be able to commence development on a number of sites, there is a danger of over-heating the industry with a resultant significant rise in the building costs if too many large schemes are commissioned together. With this in mind, it is not proposed to start the redevelopment of the Grand Bouet estate until the Bus Garage scheme is completed in 2009.
37. However, it is considered that there is capacity within the industry for some smaller schemes adjacent to existing States' housing estates to be commissioned

---

*neighbouring land-uses and is, or can be, integrated into the existing built environment; b) the site is within or would round off existing States-controlled housing or is well related to one of the designated Rural Centres; c) the development would be of a scale and design appropriate to the rural setting; and, d) adequate provision is made for the protection of the rural character of the site and appropriate measures for the general environmental enhancement of the locality. The erection of new housing in Areas of High Landscape Quality will not be permitted".*

alongside some of the larger schemes.

38. All of the rural schemes are small developments, and the build could be undertaken by smaller contractors. This would enable these schemes to be constructed at the same time as the larger developments. The Department, therefore, proposes to continue to work with the Association to bring forward these small developments in the Rural Area to complement and supplement the major schemes in the Urban Area.

#### **Sustainability and environmental impact of the development programme.**

39. The Guernsey Housing Association is jointly regulated by the Housing and the Treasury & Resources Departments. A framework agreement exists to assist with this regulatory role, requiring all development activities of the Association to be controlled and monitored closely.
40. The Housing Department fully supports eco-friendly development and appreciates the benefits that this can bring both to tenants, by way of savings on utility bills, and the environment, by the use of energy saving initiatives in the building process. It has, therefore, instructed the Association that all future developments must incorporate sustainable solutions.
41. In response to this, the Guernsey Housing Association has commissioned the Building Research Establishment (BRE) to advise them in drawing up the specification for the redevelopment of the Victoria Avenue estate. Early indications are that, by incorporating sustainable technology into the design and build specification for this scheme, an energy saving of 64% over the 2002 Building Regulations (currently adopted in Guernsey) can be achieved.

#### **SECTION 4 – MEETING AND ASSESSING SOCIAL HOUSING NEED**

42. The starting point for any plan to develop social housing is accurately to determine the level of housing need.
43. The prime means of assessing housing need is via a Housing Needs Survey. The first survey in Guernsey was carried out in 2000/01. The information gained at that time was incorporated into the States Housing Strategy, and has influenced the development of social housing to date.
44. Housing need data, if not constantly monitored and updated, quickly becomes out of date and unreliable. In recognition of this a new Housing Needs Survey was carried out in 2006. The information gained from that survey has been analysed and a Report outlining the outcomes is due to be considered by the States at the same meeting as this report.
45. The 2006 Survey revealed that 20 additional social rented units and 50 intermediate market units are required to be built every year over the next 5

years, if the needs identified in the Housing Needs Survey are to be adequately met. The proposed development plan, if adopted, will deliver these requirements.

46. The planning of the development programme has also taken account of the other prime indicator of social housing need - the waiting list statistics. The States' waiting list has fallen steadily over the last five years, mainly due to the flow of new properties that have come on stream from the Guernsey Housing Association and the implementation of the Tenancy Review policy that has freed up properties that were occupied by people able to afford other tenures. This is shown in Table 1 below.

**Table 1 – Number of People on States' Housing Department Waiting List**

<b>Year</b>	<b>Total Number of People- on the Waiting List</b>
2002	174
2003	187
2004	148
2005	122
2006	102
30 June 2007	92

47. This list is then broken down into the size of unit required, which is shown in Table 2 below. (NB All these persons on the waiting list are eligible for States' rental accommodation or nomination to rental units provided by the Guernsey Housing Association.)

**Table 2 – Breakdown of current States' Housing Department Waiting List (as at 30 June 2007)**

<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>	<b>Total</b>
26	43	21	2	92

48. The Guernsey Housing Association also maintains an independent waiting list for people who are ineligible for States' rental accommodation or for nomination to the Association for its rental accommodation<sup>4</sup>. These people are housed in the 25% of its properties that the Association retains for this purpose. A breakdown of these 120 applicants in terms of the size of housing required is shown below at Table 3.

<sup>4</sup> Tenants nominated to the Guernsey Housing Association are eligible for a rent rebate, which reduces their rent payable. Non-nominated tenants of the Guernsey Housing Association are not eligible for a rent rebate.

**Table 3 – Breakdown of current Guernsey Housing Association  
Waiting List (as at 30 June 2007)**

<b>1 Bedroom</b>	<b>2 Bedroom</b>	<b>3 Bedroom</b>	<b>4 Bedroom</b>	<b>Total</b>
85	21	14	0	120

49. Close analysis of these statistics supports the findings of the 2006 Housing Needs Survey, that there is an urgent requirement for smaller units of 1 and 2 bedroom accommodation to form the greater percentage of the new build programme. This is reflected in the proposed development programme, where the majority of the social rented dwellings being built will be 1 and 2 bedroom.
50. The 2006 Housing Needs Survey has reinforced the links between housing and health. Initial findings would indicate that older people on low incomes in social housing are the most likely to suffer ill health. Built form – or the type of housing they occupy - has most impact on people who suffer age-related disorders or mobility problems, and can enhance problems associated with long-term conditions, such as respiratory or heart conditions.
51. All of the units of accommodation that will be delivered by the proposed development programme are general needs housing, and are not intended to meet the special accommodation and care needs of some of the older tenants and waiting list applicants that can be more adequately met by the provision of sheltered or supported social housing.
52. Currently there are only 38 units of sheltered housing managed by the Housing Department, at Maison Le Clement and Courtil Jacques. The proposed development plan set out in this report has taken no account of the specialised housing needs of older people, although all of the smaller units that will be built under this development programme are designed on ‘lifetime homes’ principles, in that they are built to ‘mobility’ standards and have the flexibility to be able to cope with the changing needs of tenants as they advance through the ‘ageing’ process.
53. The Housing 21 “extra care” scheme at Rosaire Court, completed late in 2006, is but the first step towards meeting more specialised needs. Further developments of this nature are awaiting the outcome of a review currently being undertaken into the housing and care needs of older people in the Island, with the intention of producing a report next year on a proposed Older Persons’ Care and Support Housing Strategy, covering both the public and private sector. Amongst other things, it is proposed that this will set out the specialised accommodation that should be available to meet older people’s accommodation needs and will include a range of provision from assisted living, to sheltered housing, through “extra care”, to residential care.

**SECTION 5 – FUNDING THE MAINTENANCE AND DEVELOPMENT OF SOCIAL HOUSING**

54. The previous report to the States in 2005 highlighted the need for long-term funding certainty if the Department was:
- To manage and maintain its housing stock effectively using a rolling programme of improvement and updating,
  - Address the high levels of under-occupation; and
  - Ensure that the correct mix of social housing stock was available to continue to meet the needs of those unable to provide their own housing solutions.
55. The report put forward, and the States agreed, recommendations that would provide this funding certainty. These included:
- Agreeing to the sale of incompatible properties and surplus estates.
  - Crediting the proceeds of these sales to the Corporate Housing Programme Fund, for the purpose of funding new development of suitable alternative properties.
  - Directing the Treasury & Resources Department to liaise with the Housing Department to find a way of implementing the previous States' resolutions with regard to refunding the value of rent rebates for both States' tenants and States' nominated tenants to the Guernsey Housing Association.
56. The Housing Department is pleased to advise the States that :
- The sale of incompatible properties thus far has enabled £2.4m to be credited to the Corporate Housing Programme Fund. The proceeds that are expected from the sale of the remainder are likely to add a further £8.5m to this figure.
  - In the 2007 Interim Financial Report, Treasury & Resources stated:
 

*“4.18 The Housing Department and Treasury and Resources Department are both firmly of the view that a more appropriate long-term funding mechanism would be for the Housing Department’s annual revenue budget to be increased to take into account the Rent Rebates granted to tenants (both those in States Houses and those nominated tenants in the Guernsey Housing Association’s properties).*”

*4.20 Therefore, as a transitional measure, the Rent Rebates granted to tenants will be funded by transfer to the Corporate Housing Programme Fund from the Housing Department's revenue budget but with a cap of £7.5 million in 2008 and £8.0 million in 2009. This is a significant move in securing the future funding of the Corporate Housing Programme. ”*

57. Together with the significant reduction in the level of States' grant funding that is required for future schemes to be built by the Guernsey Housing Association, these measures have enabled the Department to put forward this ambitious development and maintenance programme.
58. Appendix 3 of this report clearly sets out the budget requirements to deliver the development and maintenance programme that has been set out in this report between 2008 and 2012. It shows the estimated income the Department will receive from direct rent payments, and from revenue payments for rent rebates, together with sales receipts from the sale of incompatible properties. It also shows the expenditure that will be required to continue the modernisation of the housing stock and the grant payments that will be required to be paid to the Guernsey Housing Association to part fund the development programme.
59. The grant calculations to the Guernsey Housing Association have been made on the assumption that the States will contribute 25% of the scheme development costs. These calculations are based on the tender prices recently received for the Hougue a la Perre scheme, projected forward with annual RPI increases assumed at 4% per annum.
60. The balance carried forward at the bottom of the budget chart at Appendix 3 shows a surplus each year between 2008 and 2012. However, it must be remembered that: (1) the figures do not include any grant that will be necessary to fund the development of smaller schemes in the Rural Area; and (2) now that the decision has been made to fund the value of rent rebates from general revenue, there will no longer be an annual capital allocation made to the Corporate Housing Programme Fund. Therefore the anticipated surpluses represent monies available to fund existing or planned CHP initiatives, which include "key worker" housing initiatives and a development programme for specialised housing for older people.
61. In the meantime, the Housing Department is continuing to work with the Guernsey Housing Association to develop even more cost-effective ways of funding future developments. At present the grant is released in instalments throughout the build period of each new development, with the bulk being paid on practical completion of each scheme. This results in the Association having to use their borrowing facility with the RBSI to fund its developments at a time when there is no rental income stream to service that borrowing. The Housing Department considers that it may be more prudent for the States to issue temporary grant that would fund the payment of the contractor through the

building period. The temporary grant would be repaid on completion when the units were let, when the resultant rental income would fully meet the repayment costs of the borrowing. It is likely that if a satisfactory method of achieving this could be agreed that the percentage of grant required could be reduced even further. This is a matter that the Housing Department will be discussing with the Treasury & Resources Department in more detail.

62. In addition, in order to speed up the decision-making process in future, it would be preferable for the Housing and Treasury & Resources Departments, as joint regulators of the Guernsey Housing Association, to have more autonomy to make decisions relating to both the transfer of land and the methods of injecting grant funding to the Association, without needing to report back to the States on each occasion. The States would be kept informed instead through the annual progress report on the Corporate Housing Programme. **It is therefore proposed that the States agrees that Treasury and Resources Department be given delegated power to agree further transfers of land and changes in the methods of grant funding to the Guernsey Housing Association (or any other approved housing association).**

## **SECTION 6 – CONCLUSIONS**

63. In the 2007 Interim Financial Report, Treasury and Resources stated:

*“4.10 The Housing Department is continuing to take significant steps to reduce the demand for States capital funding to provide new social housing, in particular by its relationship with the Guernsey Housing Association and Housing 21. Within the last year, properties for rental and partial ownership have been completed at Roseville and La Chaumiere and an “extra care” housing scheme for the elderly at Rosaire has been developed.”*

64. This report clearly demonstrates why Treasury and Resources acknowledges and appreciates the fact that the Housing Department continues to lead the way in delivering major capital projects at an ever decreasing cost to the “public purse”.
65. The Department has not only implemented the proposals that were agreed by the States in 2005 but also demonstrated that by combining income received from the rationalisation of the housing stock with reduced levels of States’ grant required to fund new development, it can deliver a comprehensive 5 year Social Housing Development Plan that will by 2012 see:
- The States’ housing stock modernised, balanced and “fit for purpose” to continue to meet social housing need into the future.
  - The last of the Housing Department’s run down estates demolished and replaced with new purpose-built properties that will more adequately meet the housing needs of future generations.

- The implementation of a new building programme by the Guernsey Housing Association, using sustainable technology, that will meet all of the social housing needs identified in the 2006 Housing Needs Survey, as well as delivering significant energy savings to both tenants and the environment.
- Through good stewardship, the majority of the funds for the Plan's building programme being met by private funding, thereby creating opportunities to provide funding for other Corporate Housing Programme initiatives (such as "key worker" housing and specialised housing for older people), which would otherwise not be able to be taken forward because of restraints on States' capital funds.

## **SECTION 7 - RECOMMENDATIONS**

66. The States is asked:

- (i) to accept the Social Housing Development Plan for 2008-2012 put forward in this report;
- (ii) to reaffirm their support for some social housing development to be undertaken in the Rural Area on land that relates to existing States' housing estates where the requirements of policy RH2 are met;
- (iii) to agree that the Treasury and Resources Department be empowered to approve the transfer of the Mont Arrivé and Grand Bouet estates to the Guernsey Housing Association for demolition and redevelopment;
- (iv) to agree that in future the Treasury and Resources Department be empowered to agree transfers of land or properties administered by the Housing Department to approved housing associations for the purposes of redevelopment to meet identified housing needs;
- (v) to agree that the Treasury and Resources Department be empowered to agree the methods of grant funding developments undertaken by approved housing associations.

Yours faithfully

D Jones  
Minister

**LIST OF INCOMPATIBLE PROPERTIES TO BE SOLD****APPENDIX 1**

<b><u>Property name &amp; type</u></b>	<b><u>No. of Units</u></b>	<b><u>Occupied/Vacant</u></b>
<b>1 Newington Place</b>	1	Vacant
Semi - subdivided into bedsits	6	Vacant
<b>Old Farm, Rougeval</b>		
Maisonette: 2 bedrooms Flats:1 bedroom	3	Vacant
<b>2 Carlton Place</b>		
Flats:1 & 2 bedrooms	4	Vacant
<b>8 College Street</b>		
End Terrace house: 3 bedrooms	1	Occupied
<b>Baubigny Arsenal</b>		
Flats: 1, 2 & 3 bedrooms.	8	7 Occupied
<b>Les Islets Arsenal</b>		
Flats: 1 bedroom	4	3 Occupied

**PROPOSED TIMETABLE OF DEVELOPMENTS****APPENDIX 2**

<b>Main Schemes</b>	<b>Proposed Number of units and type</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>
Bus Garage	75 units of 1 & 2 bedrooms (including 30 Partial Ownership)	■	■	■		
Victoria Avenue	57 bungalows of 1 & 2 bedrooms		■	■		
Grand Bouet	200 units of mixed size (likely to include 30% Partial Ownership)			■	■	■
Mont Arrivé	20 units likely to be bungalows		■			
<b>Partial Ownership</b>						
Victoria Avenue	8 refurbished semis (3 bedrooms)	■				
Petit Bouet	10 refurbished semis and terraced units (2 bedrooms)		■			

**BUDGET CHART****APPENDIX 3**

	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Balance Brought Forward (Surplus)/Deficit	(6,800)	(12,570)	(20,185)	(22,830)	(23,382)	(23,821)
<b>Income</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
Rental Income - Net of Rent Rebates	(7,300)	(6,000)	(6,000)	(6,000)	(6,000)	(6,000)
Treasury & Resources General Revenue Transfer	(7,000)	(7,500)	(8,000)	(8,400)	(8,800)	(9,200)
Incompatible Housing Stock Sales	(2,900)	(6,500)	(1,500)	0	0	0
Interest Receivable	(500)	(500)	(500)	(500)	(500)	(500)
<b>Total Income</b>	<b>(17,700)</b>	<b>(20,500)</b>	<b>(16,000)</b>	<b>(14,900)</b>	<b>(15,300)</b>	<b>(15,700)</b>
<b>Expenditure</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
Staff Costs	1,250	1,315	1,380	1,450	1,525	1,600
Supplies and Services	220	229	238	248	258	268
Contracted Out Work	50	50	50	50	50	50
Consultants Fees	230	230	230	230	230	230
Other Expenditure - Utilities	50	52	54	56	58	60
Housing Stock Maintenance and Enhancements	8,200	8,528	8,869	9,224	9,593	9,977
Rent Rebates GHA	600	1,000	1,000	1,500	1,500	1,500
Document Duty Grants	50	150	150	150	150	150
NCH Youth Housing Project Grant	380	395	411	427	444	462
Insurance, Rates and Taxes	900	936	973	1,012	1,053	1,095
<b>Total Expenditure</b>	<b>11,930</b>	<b>12,885</b>	<b>13,355</b>	<b>14,348</b>	<b>14,861</b>	<b>15,392</b>
End of Year Balance (Surplus)/Deficit	(12,570)	(20,185)	(22,830)	(23,382)	(23,821)	(24,129)
<b>Housing Association Grants-Proposed Schemes<sup>5</sup>:</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>
	<b>Estimate</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>	<b>Budget</b>
Bus Garage	2,700	0	1,100	0	0	0
Victoria Avenue	0	2,200	0	0	0	0
Grand Bouet	0	0	4,000	4,000	0	0
Mont Arrivé	0	400	400	0	0	0
<b>Total Grant Costs - Proposed Schemes</b>	<b>2,700</b>	<b>2,600</b>	<b>5,500</b>	<b>4,000</b>	<b>0</b>	<b>0</b>
End of Year Balance, after HA Grants (Surplus)/Deficit	(9,870)	(14,885)	(12,030)	(8,582)	(9,021)	(9,329)

<sup>5</sup> Excludes funding for proposed schemes in the Rural Area

+ These surpluses are earmarked to fund existing and planned Corporate Housing Programme initiatives, including “Key Worker” housing initiatives & a development programme for specialised housing for older people (see paragraph 60).

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department supports the proposals.)**

The States are asked to decide:-

II.- Whether, after consideration of the Report dated 14<sup>th</sup> September, 2007, of the Housing Department, they are of the opinion:-

1. To accept the Social Housing Development Plan for 2008-2012 put forward in that Report.
2. To reaffirm their support for some social housing development to be undertaken in the Rural Area on land that relates to existing States' housing estates where the requirements of policy RH2 are met.
3. That the Treasury and Resources Department be empowered to approve the transfer of the Mont Arrivé and Grand Bouet estates to the Guernsey Housing Association for demolition and redevelopment.
4. That in future the Treasury and Resources Department be empowered to agree transfers of land or properties administered by the Housing Department to approved housing associations for the purposes of redevelopment to meet identified housing needs.
5. That the Treasury and Resources Department be empowered to agree the methods of grant funding developments undertaken by approved housing associations.

**HOUSING DEPARTMENT**  
**and**  
**ENVIRONMENT DEPARTMENT**

THE USE OF PLANNING COVENANTS IN GUERNSEY

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

13<sup>th</sup> September 2007

Dear Sir

**Executive Summary**

1. This report sets out the Housing and Environment Departments' findings, conclusions and recommendations following detailed investigations into the potential use of planning covenants and other mechanisms to deliver land use planning objectives generally and, more specifically, to help achieve strategic housing objectives.
2. The report concludes that the introduction of planning covenants could help to deliver additional housing to meet social and intermediate housing needs, together with other land use planning objectives.
3. In relation to housing, however, the Departments are recommending that, initially, planning covenants should only be used to secure social and intermediate housing provision on strategic sites designated as Housing Target Areas (HTAs).
4. The use of planning related 'fiscal' measures, such as development tariffs or land betterment taxes are also considered, but are not recommended for adoption on planning or housing grounds, although it is acknowledged that their principles may be worthy of further investigation by the Treasury and Resources Department and/or the Policy Council's Fiscal and Economic Policy Steering Group.

**Background**

5. Following consideration of a policy letter from the Housing Authority reporting

on the Island's first Housing Needs Survey<sup>1</sup>, the States resolved *inter alia*:

*“To direct that the Authority, in conjunction with the Island Development Committee, reports to the States on the results of their investigations into the suitability of Planning Covenants as a means of producing lower cost homes, ...”*

6. In that policy letter it was noted that in other jurisdictions the existence of planning covenants (also known as planning agreements) was commonplace. For example, planning covenants are used to make acceptable development which would otherwise be unacceptable in planning terms, and to secure binding agreement between the planning authority and the owner/developer that a proportion of the site will be developed, usually by a housing association, with affordable housing, i.e. housing designed to meet social and intermediate market needs. Typically the proportion of the site devoted to such housing would be related to the needs identified through a Housing Needs Survey.
7. The Authority noted that as the UK equivalent of planning covenants had been successfully used as a means of providing a proportion of affordable housing in residential developments, it was intended that the Authority and the Island Development Committee would jointly review their possible use for this purpose in Guernsey.
8. However, the States was advised that the use of planning covenants was a complex and controversial matter (with application beyond purely residential developments) and, therefore, it would be inadvisable to place too much reliance on them as solution to the housing problems identified by the Island's first Housing Needs Survey.

### **Introduction**

9. In accordance with the 2002 States Resolution, one of the workstreams agreed under Action Area B of the Corporate Housing Programme was for the Housing and Environment Departments to investigate, and report to the States, the potential for the use of planning covenants and other mechanisms to secure additional contributions from developers towards land use planning policy objectives in general, and in particular towards the development of affordable housing to meet social and intermediate needs. **(NB Throughout this report there are references to “affordable housing”: in the Guernsey context this means social rented housing, Partial Ownership or any other scheme reliant on some form of subsidy to assist persons unable to afford to rent or purchase outright in the general housing market.)**
10. In the UK, planning covenants (more commonly referred to as “planning agreements” or “section 106 agreements”) have been widely used since 1991. In

---

<sup>1</sup> “Survey of Guernsey's Housing Needs” Billet d'Etat IX, 2002.

the Guernsey context they would mean the States entering into a legal agreement with an applicant for planning permission that would govern the subsequent implementation of the granting of that permission (as opposed to the Environment Department applying planning conditions).

11. In the UK, planning agreements have been instrumental in:
  - Securing the provision of various housing tenures (e.g. social rented, shared ownership, key worker) on private development sites where, without the agreement, such housing would not have been developed.
  - Effecting land assembly/ transfer, i.e. land ceded to a third party such as a statutory undertaker or a housing association.
  - The provision by the developer of off-site infrastructure, e.g. improvements to a nearby road junction or installation of a wastewater pumping station.
  - The provision by the developer of off-site community services, e.g. a new bus route; or affordable housing; or environmental improvements, e.g. habitat restoration.
  - The collection of financial contributions from developers that assist with the provision of services and facilities (including affordable housing).
  
12. However, the current arrangements in the UK have attracted considerable criticism. These include:
  - accusations that on the one hand planning permission is being bought and sold, and on the other that developers are being held to ransom;
  - concern that planning agreements can be time consuming and expensive to prepare and thereby can delay development;
  - that planning agreements give members of the public the impression of deals done behind closed doors.

**Provision for Planning Covenants to be introduced in Guernsey**

13. The introduction of the Land Planning and Development (Guernsey) Law 2005 provides the States with an enabling power to introduce the use of planning covenants; but it is important that any such system is introduced with caution in order to avoid any unintended consequences and the pitfalls experienced elsewhere, and to ensure that it is tailored to local circumstances.

### **The ERM report**

14. Bearing the above in mind and because of the complexity of the issue, in November 2004, Environmental Resources Management (ERM) was commissioned by the Housing and Environment Departments to carry out a feasibility study into the use of planning covenants to deliver affordable housing and other objectives in the Guernsey context.
15. ERM are a specialist consultancy based in the UK that has considerable experience in this field. They concluded the study and published their final report in 2006, a copy of which is attached at Appendix 1.
16. The ERM study is divided into 3 main parts:
  - Part A provides an overview of the study, describes the background and methodology that has been applied, and examines the local demographic and economic context in which it has been applied.
  - Part B presents the planning findings, and describes and analyses a range of options that may be employed to secure key planning policy objectives. These options include ‘fiscal’ measures, such as development tariffs or land betterment tax, as an alternative to planning covenants. It then focuses on detailed advice and recommendations on the way these options could be used and implemented.
  - Part C examines in detail how planning covenants could be used to support the Corporate Housing Programme, by providing a range of options for delivering affordable housing through the planning system. It explores the effect and impact that this may have on land values, and puts forward proposals on the quota and mix that would be required to achieve the desired outcome without unbalancing the Guernsey housing market.

### **Summary of study findings**

17. The ERM study reached the following general conclusions:
  - Through the development plans process, the States should decide which services and facilities it wants to secure through the planning system over the time period of the Detailed Development Plan (referred to as Development Plans in the 2005 Land Planning and Development Law) and then apportion the total need to the developments likely to come forward during that period.
  - The States should, wherever possible, use planning conditions rather than planning covenants to regulate the implementation of planning permissions.

- There are some limited circumstances, where planning covenants rather than planning conditions should be used. These are when the permission requires:
  - a transfer of an interest in land (such as to the States or a housing association); or
  - to secure a financial payment, or payments to the States (for example, to meet the expenses incurred in undertaking public works as a consequence of the development or for some other public purpose related to the development); or
  - to provide linkages between sites (for example, to require a certain activity to cease on one site before the use of another site can commence); or
  - to deal with particularly complex arrangements between parties; or
  - to impose positive obligations upon a landowner (for example, to rectify a problem as a prerequisite to permission being granted, or to manage a natural habitat in a particular way in perpetuity).
- Wide application of planning covenants would place heavy demands on staff resources to establish associated policy documents, guidance notes and appeal procedures; and, thereafter, to operate and update complex systems of quotas and appraisals, and to deal with appeals.

18. In respect of using planning covenants to assist with housing provision, ERM concluded that:

- At the present time, there is little scope for seeking significant planning and affordable housing contributions from commercial development, although any direct local impacts (such as traffic increases or flood risk) should be mitigated as part of good planning practice. The situation, however, should be kept under review in order to determine if and when the volume and value of commercial development had reached levels which would make planning contributions worthwhile.
- It would be feasible to require private residential developments to make a contribution towards meeting community needs for infrastructure and other services (such as public transport provision), and/or towards affordable housing.
- If the contribution was restricted mainly to the provision of affordable housing, residential developments of five or more dwellings could fund the on-site provision of up to 30% affordable housing units, provided

that no more than 10% was social rented (the remaining 20% being intermediate housing, such as Partial Ownership).

- For private residential developments of between two to four dwellings, financial contributions could be sought in lieu of on-site provision.
- Setting a target of 30% with a development scheme threshold of 5+ units would yield approximately 44 dwellings per year, with financial contributions in lieu of on-site provision of around £1.55 million.
- The introduction of a blanket policy that applied planning covenants universally to all residential development could lead to delays in the planning process, discourage essential development, act as a disincentive for brownfield developments including sub-divisions and conversions, divert development attention towards greenfield sites, and promote types of developments and densities that failed to match housing needs.

### **The Departments' conclusions**

19. Having considered the outcomes of the ERM study both departments have concluded that, at this stage, the use of planning covenants should be generally restricted to seeking developer contributions to fund essential infrastructure improvements necessitated by a specific development, where such improvements cannot be secured through the imposition of planning conditions.
20. Before planning covenants can be used more widely, a clear policy framework is required, which will need to be guided by the Strategic and Corporate Plan (or Strategic Land Use Plan) and set out in the Development Plan or Outline Planning Brief (also referred to as Local Planning Briefs in the 2005 Land Planning and Development Law). Any policy about which services and facilities to include and the order of priority will take into account an assessment of needs, the scope and extent of planned facilities, and the costs of provision/contributions that particular forms of development will be able to 'afford'.
21. In relation to affordable housing, the departments consider that planning covenants should not be universally applied to all private residential developments, because the impact of such complex procedures across the board would cause delays in the planning process and could have perverse consequences for the housing market without any substantial gain in terms of the amount of affordable housing provided.
22. However, the two departments do see merits in applying planning covenants to secure affordable housing on strategic sites already designated as Housing Target Areas (HTAs). Such limited application would mean that, for the time being, brownfield housing developments, subdivisions and conversions would remain exempt.

23. This approach would have a number of advantages:
- The HTA designation applies to ‘greenfield’ sites that are reserved for potential future housing development, if needed. Therefore, the application of planning covenants would not act as a disincentive to brownfield development.
  - There is a clearly prescribed mechanism for the release of HTAs through the development plans process, which involves the preparation of a formal amendment in the form of an Outline Planning Brief (or Local Planning Brief) with a public Planning Inquiry and a States’ decision.
  - This selective approach would allow the planning covenant concept to be tested in a well-defined and limited set of circumstances. This would enable staff to build up and develop their skills and knowledge in the drafting, application and implementation of planning covenants, and then to review and monitor the effectiveness of the system. Once the system had been tested in this controlled and limited application, an informed decision could then be made whether there was benefit in extending and applying the process more widely.
  - Rather than having to prescribe complex schedules with affordable housing targets and thresholds in the Development Plans, the appropriate developer contribution for HTAs, including the affordable housing target, together with the mix of housing tenure and the type of units required, could be determined instead in the Outline (or Local) Planning Brief when it was prepared.
  - This approach would retain greater flexibility in determining the proportion of affordable housing in the HTA. Having regard to up-to-date housing needs assessments (through, for example, a Housing Needs Survey and information on housing costs and land markets), and a development appraisal, the Outline (or Local) Planning Brief could specify higher proportions of affordable housing (up to 100%) as long as the development remained sufficiently viable to provide incentives for the development of the site.

#### **Alternative or supplementary fiscal measures**

24. Over the past decade, there has been a complex and ongoing debate in the UK about scaling down the application of planning agreements and introducing, in prescribed circumstances, an efficient system of betterment tax or development levy that would allow the Government to receive a portion of the uplift in land value that accrues to a landowner as a result of granting planning permission.
25. ERM considered the use of planning related ‘fiscal’ measures, such as development tariffs, impact fees or land betterment taxes as an alternative, or in

addition, to planning covenants, but did not recommend them. The reason for this is because they require complex systems of valuation and exemptions, and suffer from substantial avoidance.

26. The Housing and Environment Departments accept this recommendation, not least because these measures go beyond securing the provision of housing to meet social and intermediate needs, which can be achieved through planning covenants.
27. Further, as these are primarily revenue raising measures, it is considered that it would be a matter for the Treasury and Resources Department and/or the Policy Council's Fiscal and Economic Policy Steering Group to decide whether to explore the principles in more detail, in order to decide if there is any merit in pursuing consideration of elements of these measures in Guernsey.

### **Resource implications**

28. The ERM study confirmed that the implementation and maintenance of planning covenants would have significant staffing implications for the Environment Department. The introduction of fiscal measures would also be extremely resource hungry.
29. However, by restricting the use of planning covenants to HTA sites, the demands on staff would be considerably reduced and focused on specific sites. Accordingly, it is not intended that any additional staff be employed to apply planning covenants to HTA sites.

### **Recommendations**

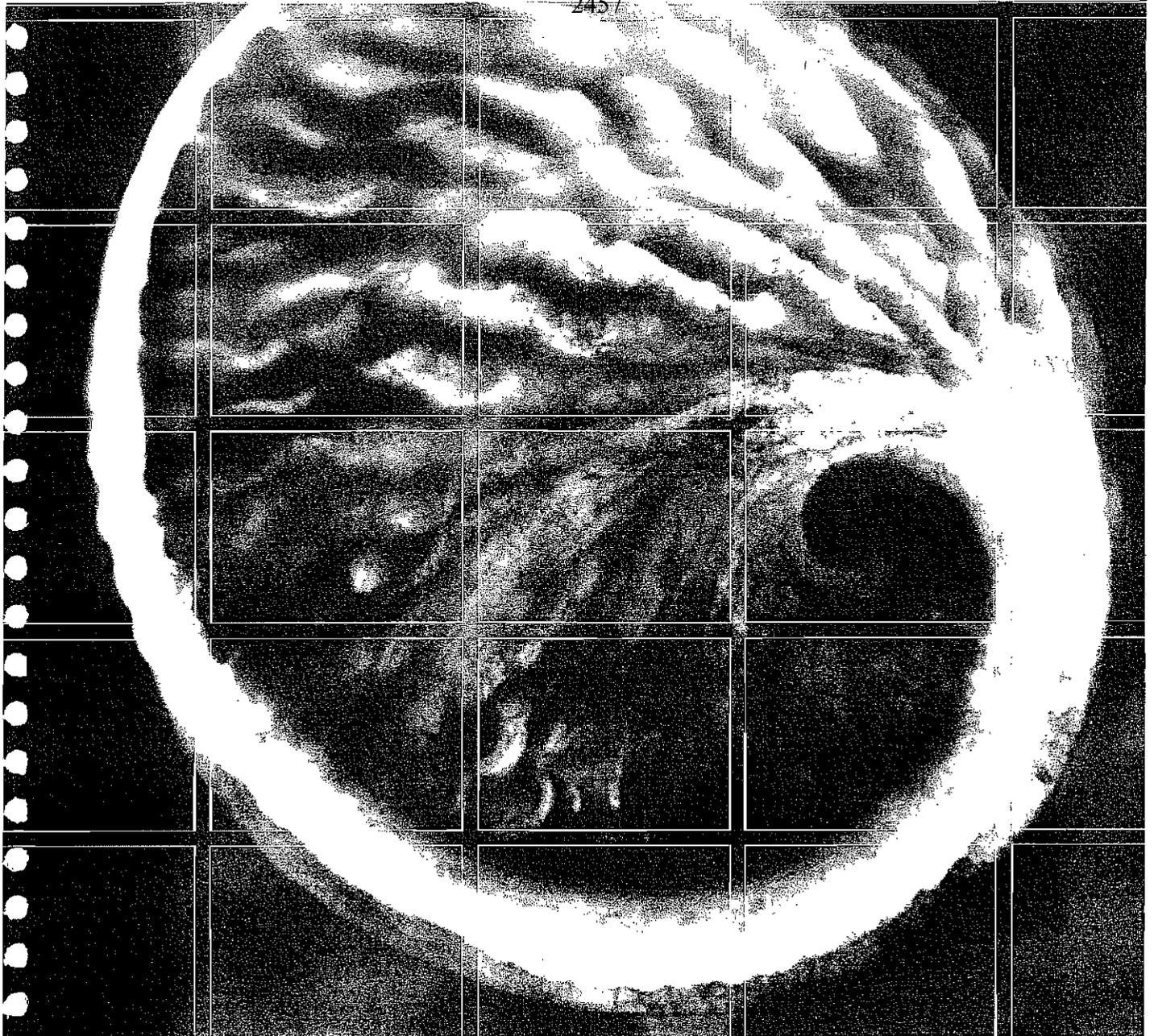
The Housing and Environment Departments recommend the States as follows:

- i) to note the limited circumstances in which planning covenants will be used as set out in this report;
- ii) to direct the Housing and Environment Departments to develop the mechanism by which planning covenants can be applied to the Housing Target Areas, for application as and when required.

Yours faithfully

D Jones  
Minister  
Housing Department

D De Lisle  
Minister  
Environment Department



# The Use of Planning Covenants and Related Measures in Guernsey

Final Report

February 2006

[www.erm.com](http://www.erm.com)



States of Guernsey

## The Use of Planning Covenants and Related Measures in Guernsey

February 2006

Reference 0024273

Prepared by: Helen Absalom, Ian Gilder, Chris Marsh  
(ERM) and Mark Challis (Bircham Dyson Bell)

For and on behalf of Environmental Resources Management
Approved by: <u>IAN GILDER</u>
Signed: <u>Ian Gilder</u>
Position: <u>HEAD OF PLANNING</u>
Date: <u>27 FEBRUARY 2006</u>

This report has been prepared by Environmental Resources Management the trading name of Environmental Resources Management Limited, with all reasonable skill, care and diligence within the terms of the Contract with the client, incorporating our General Terms and Conditions of Business and taking account of the resources devoted to it by agreement with the client.

We disclaim any responsibility to the client and others in respect of any matters outside the scope of the above.

This report is confidential to the client and we accept no responsibility of whatsoever nature to third parties to whom this report, or any part thereof, is made known. Any such party relies on the report at their own risk.

## CONTENTS

## PART A: INTRODUCTION

1	INTRODUCTION	1
1.1	PURPOSE OF THE STUDY	1
1.2	TERMINOLOGY AND DEFINITIONS USED IN THIS REPORT	1
1.3	THE NEED FOR PLANNING COVENANTS	3
1.4	STRUCTURE OF THIS REPORT	3
2	SOCIAL AND ECONOMIC CONTEXT	5
2.1	DEMOGRAPHIC CONTEXT	5
2.2	ECONOMIC CONTEXT	6

## PART B: PLANNING COVENANTS AND OTHER MEASURES

3	PLANNING CONDITIONS, COVENANTS AND OTHER MECHANISMS	11
3.1	INTRODUCTION	11
3.2	THE NEW PLANNING SYSTEM	11
3.3	THE SCOPE FOR USING PLANNING COVENANTS AND OTHER MECHANISMS	12
3.4	THE USE OF PLANNING CONDITIONS AND PLANNING COVENANTS	18
3.5	THE USE OF STANDARD CHARGES (SECURED BY CONDITIONS OR COVENANTS)	26
3.6	PLANNING-RELATED FISCAL MEASURES	28
3.7	EVALUATION OF OPTIONS FOR DELIVERING PLANNING OBJECTIVES	32
3.8	CONCLUSIONS FROM THE OVERALL EVALUATION	38
4	DEVELOPING THE GENERAL USE OF PLANNING COVENANTS	41
4.1	INTRODUCTION	41
4.2	USING PLANNING CONDITIONS AND PLANNING COVENANTS	41
4.3	POLICY AND PROCEDURES FOR IMPLEMENTING PLANNING COVENANTS	43
4.4	DEVELOPING CONTRIBUTIONS SCHEDULES AND STANDARD CHARGES	45
4.5	PROCEDURES FOR DEALING WITH APPLICATIONS SUBJECT TO PLANNING COVENANTS	46
4.6	DRAFTING PLANNING COVENANTS	46
4.7	MONITORING AND ENFORCEMENT	48
4.8	RESOURCE IMPLICATIONS	48

## PART C: AFFORDABLE HOUSING

5	HOUSING NEED AND SUPPLY AND THE ECONOMICS OF DEVELOPMENT	51
5.1	HOUSING NEED	51

5.2	<i>HOUSING SUPPLY</i>	52
5.3	<i>DEVELOPMENT ECONOMICS AND THE POTENTIAL FOR AFFORDABLE HOUSING AND OTHER PLANNING CONTRIBUTIONS</i>	54
6	<i>OPTIONS FOR DELIVERING AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM</i>	61
6.1	<i>INTRODUCTION</i>	61
6.2	<i>DELIVERING A SUPPLY OF SITES FOR AFFORDABLE HOUSING</i>	61
6.3	<i>RAISING FINANCIAL CONTRIBUTIONS FOR AFFORDABLE HOUSING</i>	72
7	<i>CREATING A PACKAGE OF MEASURES FOR DELIVERY OF AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM</i>	79
7.1	<i>INTRODUCTION</i>	79
7.2	<i>STATES MANAGEMENT AND RESOURCES</i>	79
7.3	<i>HOUSING STRATEGY AND ASSESSMENT OF NEEDS</i>	80
7.4	<i>PLANNING POLICY STATEMENTS</i>	81
7.5	<i>THE LIKELY YIELD FROM AN AFFORDABLE HOUSING POLICY</i>	84
7.6	<i>HOW A PRIVATE SECTOR CROSS SUBSIDY WORKS IN PRACTICE</i>	85
7.7	<i>RENEWAL OF STATES HOUSING</i>	86
7.8	<i>ADVICE ON PERMISSIONS AND PLANNING COVENANTS</i>	86
7.9	<i>MONITORING AND SECURING DELIVERY</i>	87
8	<i>CONCLUSIONS AND RECOMMENDATIONS</i>	89
<i>Annex A</i>	<i>The Role of the Corporate Housing Programme and Other Non-Planning Contributions in Delivering Affordable Housing</i>	
<i>Annex B</i>	<i>The Economics of Development and the Potential for Affordable Housing and other Planning Contributions;</i>	
<i>Annex C</i>	<i>Affordable Housing: Examples of Policy and Practice from Other Countries; and</i>	
<i>Annex D</i>	<i>Calculating In-Lieu Financial Contributions.</i>	

**Part A**

**Introduction**

## 1 INTRODUCTION

### 1.1 PURPOSE OF THE STUDY

Environmental Resources Management (ERM), assisted by Bircham Dyson Bell (BDB), was commissioned in November 2004 by the Environment and Housing Departments of the States of Guernsey to address the potential for using planning covenants to deliver affordable housing and other objectives. The ability of the States to enter into planning covenants with applicants for planning permission is an important new power, which has been introduced as draft clause 23 of the Land Planning and Development (Guernsey) Law 2005, now before the Privy Council for approval.

Specifically, the two main purposes of this study are to:

- consider the ways in which planning covenants and other mechanisms might be used in future to deliver land use planning policy objectives generally; and
- investigate the feasibility of using planning covenants and other mechanisms to help achieve the affordable housing objectives of the Housing Strategy and Corporate Housing Programme and to evaluate the relative costs and benefits of different approaches.

### 1.2 TERMINOLOGY AND DEFINITIONS USED IN THIS REPORT

For convenience, the draft Land Planning and Development (Guernsey) Law 2005 is referred to as the 'Planning Law 2005'.

'**Planning covenants**' will usually be agreements, enforceable by both parties, between the States and an applicant for planning permission, which will govern the subsequent implementation of the permission. The legislation allows for applicants to create a covenant unilaterally, although this is likely to be rare.

In the UK, '**planning obligations**', (more commonly called **planning agreements**) have existed for many years, but have only become widely used since the early 1990s.

'**Affordable housing**' is a concept that is often misunderstood. In this report (and in the housing and planning professions in Guernsey) it is used to describe housing that is made available to people who cannot afford the full price of houses to purchase or rent available within the local market. In Guernsey to date, affordable housing has principally been '**social rented**' housing, mostly provided by the Housing Department but also, more recently, by the Guernsey Housing Association (GHA). With the creation of the GHA

in 2002, there has also been some provision of '**intermediate housing**'. This is affordable housing for those ineligible for or who choose not to apply for social rented housing. While there is a continuum of affordability levels within the intermediate housing sector, it is helpful to consider two main and very different groups. There are those with low incomes who, while ineligible for social rented housing, can only afford sub-market rental housing for which they will not be entitled to a rent rebate. The second main group wanting intermediate housing has higher incomes and comprises those who aspire to home ownership but cannot afford prices on the local market. They may be living in social rented housing but, more typically, will be in private rented accommodation or living with other family members.

There are two main types of intermediate housing: '**intermediate rented housing**' and shared ownership. The States is finalising the legal basis of the latter, described as '**partial ownership**', where part of the equity is owned by the household, usually with a mortgage, and part by a public body such as the GHA, for which the household pays a rent.

In the past, a small amount of affordable housing has been provided by developers through the use of restrictive land covenants, where land has been sold to the developer by the States on condition that some of the homes are sold at a discount to the full local market value. This mechanism has only provided a one-off discount to the first occupiers who have then, generally, been able to sell on at full market value.

The States population policy dictates that only those who are residentially qualified, or who have been granted a housing licence under the Housing Control [Control of Occupation] and Right to Work Laws are able to live in controlled accommodation on the Island. As a result the majority of jobs on the Island are filled by locally qualified residents. Where there is a need to employ labour from outside to supplement the Island's labour force in specialist areas, these '**essential workers**' are granted a housing licence to enable them to take up residence in local market accommodation, typically for up to five years.

The term '**essential workers**' should not be confused with '**key workers**'. This is an affordable housing term used to describe workers performing low to moderately paid jobs in sectors where the high cost of housing is making recruitment and/or the retention of staff difficult, and where this is having adverse impacts on service delivery. Many key workers in Guernsey are also essential workers as they are immigrants staying in Guernsey under housing licences, but there are other key workers who are Guernsey born.

This study focuses on the provision of affordable housing '**in perpetuity**', ie over the long term, and on ways that it can be delivered through the planning system. This is intended to supplement any direct provision by the States or GHA on sites which they already own or can acquire on the open market.

## 1.3

*THE NEED FOR PLANNING COVENANTS*

The timing of this report coincides with a period of fiscal tightening being felt across States' departments and affecting investment in States' and GHA housing, public infrastructure, health, education and other services. This comes as a response to a period when public expenditure has been rising faster than income growth. Furthermore, in 2008, fiscal income is likely to be cut by about 15 % with a major review of Corporation Tax. Budgets can therefore be expected to get even tighter if the general population is not to face major increases in personal taxation and/or cuts in public services.

A number of factors have led to the commissioning of this study which explores the potential for the development industry and land owners to contribute to community infrastructure and affordable housing through the planning system through planning conditions, planning covenants or other mechanisms. The budgetary squeeze, the opportunity presented by the Planning Law 2005, the affordable housing need identified in the Housing Needs Survey, 2001, and an acknowledgement of some of the difficulties with planning agreements experienced in mainland UK were perhaps the key factors.

There is also evidence that Guernsey-born residents are emigrating and are ceasing to return to the Island (for example following education elsewhere). However, the overall population of the Island continues to grow. While there may be other factors behind these demographic shifts, the price of housing in Guernsey is likely to be playing some part. This strengthens the need to explore all opportunities for providing affordable housing.

It is common in the UK, and in many other developed countries, for developers and landowners, through the planning system, to make contributions to meeting affordable housing needs and funding measures to mitigate the impacts of new developments, for example on infrastructure and local services. There is a perception, particularly held by developers in the UK, that planning obligations are complex and difficult to negotiate and lead to delays in the grant of planning permission. Arrangements to streamline planning obligations or replace them with other simpler arrangements are being pursued in the UK. In any case, there is every reason why any system introduced in Guernsey should be tailored for local circumstances and learn from experience elsewhere.

## 1.4

*STRUCTURE OF THIS REPORT*

This report is divided into three parts. The remainder of **Part A** sets out an overview of the challenges to be addressed and the background to the study, in particular the demographic and economic context (set out in *Section 2*).

**Part B** presents the planning findings with an analysis of a range of options to secure key planning policy objectives in *Section 3* and our more detailed advice on the use of these measures and their implementation in *Section 4*.

**Part C** addresses the second purpose of the study concerning housing. Housing need and supply and an analysis of the economics of house building are summarised in *Section 5*. A range of options for the delivery of affordable housing through the planning system is set out and evaluated in *Section 6* with a presentation of our recommendations on approach and implementation in *Section 7*.

**Part D** sets out our overall conclusions and recommendations in *Section 8*.

There are four annexes to this report:

- *Annex A: The Role of the Corporate Housing Programme and Other Non-Planning Measures in Delivering Affordable Housing;*
- *Annex B: The Economics of Development and the Potential for Affordable Housing and other Planning Contributions;*
- *Annex C: Affordable Housing: Examples of Policy and Practice From Other Countries; and*
- *Annex D: Calculating In-Lieu Financial Contributions.*

## 2 SOCIAL AND ECONOMIC CONTEXT

### 2.1 DEMOGRAPHIC CONTEXT

#### 2.1.1 *Population Growth*

Guernsey's population was the highest ever recorded in 2001 at nearly 60,000. <sup>(1)</sup> This represented an average increase of over 200 people per year since the previous census in 1996, but growth of less than 100 people per year over the decade 1991 to 2001. The 1990s therefore saw relatively modest population growth compared with the 1960s and 1980s when it grew by average rates of around 600 people per year and even the 1970s when it grew by nearly 200 people per year.

The population growth between 1996 and 2001 coincided with a period of economic growth, similar to that recorded between the censuses in 1986 and 1991, though the later period of economic growth was not accompanied by a similar increase in employment.

#### 2.1.2 *Immigration and Emigration*

Immigration and emigration were both high between 1996 and 2001 which is unusual for a period of economic growth. Immigration was higher, and net immigration (ie the difference between immigration and emigration) accounted for 57% of population increase over this five year period. However, over the decade, the 100 or so additional people per year was due to natural increase <sup>(2)</sup>, primarily explained by greater life expectancy, as the net immigration in the second half of the decade simply cancelled out net emigration between 1991 and 1996 <sup>(3)</sup>. Net immigration in the 1980s, on the other hand, was high at around 5,000, many of whom have remained on the Island.

Between 1996 and 2001, in addition to (gross) emigration being unexpectedly high for a period of economic growth, there was also an increase in the emigration of Guernsey residentially qualified and a reduction in returning Guernsey-born residents, both in absolute terms and as a proportion of immigrants, than in any intercensal period in the last 25 years <sup>(4)</sup>. Between the two dates there was no change in the number of Guernsey residentially qualified persons, despite the population increase, the difference being accounted for by people living in Guernsey under housing licences.

Limited career opportunities are likely to have been a key factor but increasing house prices has been one of the factors which has discouraged the return of

(1) Population 59,807, 2001 Guernsey Census

(2) Birth rates have actually fallen over recent years, shown by a decline in the 0-9 age group between 1996 and 2001

(3) 2001 Guernsey Census

(4) 2001 Guernsey Census

Guernsey-born residents and encouraged emigration from the Island at a time of economic growth. Young people may be less likely to return to Guernsey following higher education on the mainland when there are lower cost locations elsewhere, even with loans to First Time Buyers and the low cost of capital on the island.

### 2.1.3 *Household Size*

Guernsey has an increasing number of single people living alone, with others (eg single parents) and as cohabiting couples. The fall in household size, now at 2.51, has slowed in part due to an increase in the average number of people per dwelling in private rented households <sup>(1)</sup>. This suggests an element of concealed households (or forced sharing) and is likely to reflect, in part, high housing costs as there is no shortage of private rented accommodation. The Housing License system also plays a part in encouraging sharing as short term license holders are not permitted to occupy a dwelling in their own right.

### 2.1.4 *The Corporate Housing Programme*

The role of the Corporate Housing Programme (CHP) and other existing measures to deliver affordable housing is summarised in *Annex A*. This provides the context within which any new measures to facilitate the supply of affordable housing will operate. While there are clearly a number of effective programmes under the CHP, a gap still exists, particularly for intermediate housing, creating an opportunity for the use of planning covenants or other mechanisms to secure contributions through the planning system.

## 2.2 *ECONOMIC CONTEXT*

### 2.2.1 *Overview - National Income and Economic Structure*

Guernsey's economy sustained growth in GDP between 1996 and 2001. Since then it has been relatively stable, with losses in 2002 made up in 2003 <sup>(2)</sup> <sup>(3)</sup>.

It is essentially a tertiary economy, with 77% of employment (86% of GDP) in services, 13% in primary activities (2% of GDP) and 10% (12% of GDP) in manufacturing or secondary activities <sup>(4)</sup>.

The financial sector dominates as the largest and fastest growing sector. It directly accounts for 23% of employment, 35% of GDP and 65% of the export economy <sup>(5)</sup>. It also underpins the vibrant service sector and supports construction. Guernsey's traditional economic sectors of horticulture and

(1) 2001 Guernsey Census

(2) 2004 Sustainable Guernsey

(3) The decline in 2002 was due to factors affecting world financial markets such as the September 11th terrorist attacks and poorly performing stock markets

(4) 2001 Guernsey Census; 2004 Guernsey Facts and Figures

(5) Budget Report, 2005.

tourism are in long term decline and now account for just 2% and 8% of employment respectively <sup>(1)</sup>.

### 2.2.2 *Employment*

Employment in Guernsey rose by 1,600 between 1996 and 2001, and by 2,100 over the decade <sup>(2)</sup>. The growth in the second half of the decade was principally achieved through immigration, with three quarters of new jobs filled by the non-Guernsey born. Activity rates have also been steadily increasing due to increasing numbers of women entering or remaining in the labour force.

Guernsey has a labour force in employment (including self employment) of 32,293 of whom 58% are Guernsey born and 42% are non-Guernsey born. This compares with 60% of the labour force being Guernsey born in both 1991 and 1996 <sup>(3)</sup>.

Apart from a small potential increase through activity rates, employment growth will remain dependent on immigration as long as the number of school leavers is equivalent to the number of retirees, as at present. Unless there is employment contraction, the Island is likely to become more dependent on immigrant labour (the 'essential workers') from 2012 when the first post war baby boomers reach retirement age.

### 2.2.3 *Unemployment*

Unemployment remains low, despite a rise to around 200 in 2004/05, from about half this level earlier in the decade. It was high during the mid 1980s, when it peaked at around 900 in 1984, and again in the early 1990s when it reached about 600.

### 2.2.4 *Average Earnings (and GDP/head)*

GDP per capita was around £23,200 in 2003, 25% above the level in the UK (at around £18,600) but significantly below Jersey where it was £33,600 <sup>(4)</sup>.

Overall average earnings show a similar differential with the UK (though slightly smaller at 17%). This was around £29,500 in Guernsey in 2003 compared to £25,200 in GB (New Earnings Survey, 2003) <sup>(5)</sup>.

### 2.2.5 *Fiscal Position*

With the Budget Report of 2005, it became apparent that, while the States' financial position is not unhealthy, it is now coming under pressure from on-

(1) 2001 Guernsey Census; also estimated to account for 1.2 and 5.5% of GDP in 2003, quoted in 2004 Guernsey Facts and Figures

(2) 2004 Guernsey Facts and Figures

(3) 2001 Guernsey Census

(4) 2004 Sustainable Guernsey. NB. slight methodological differences mean comparisons should be treated with caution

(5) 2004 Sustainable Guernsey

going increases in revenue expenditure and demands on capital expenditure that are growing faster than the States' income. This is starting to drain capital reserves <sup>(1)</sup>.

In recent years, the demand for capital expenditure, especially for affordable housing, schools, health care facilities and general infrastructure, has been unprecedented. Whilst only modest increases in some indirect taxes were made in 2005, the Budget Report urges all States Departments to exercise self restraint if significant tax increases, possibly accompanied by cuts in public services or increased charges for the use of services, are to be avoided in future years.

The timing of such pressures is particularly unwelcome in the light of the States' proposed Corporate Tax Strategy. As a response to increasing competition from other financial centres and a need to take account of international standards, the States proposed in 2002 to reform the Corporation Tax regime, with changes due to come into effect in 2008. Outline proposals are that this be abolished for most industries and set at 10% for certain companies licensed by the Financial Services Commission (the 'Zero-Ten' model). Other financial centres have adopted similar strategies.

The States finances were strong when these changes were initially proposed. Annual budget surpluses were enabling reserves to mount to cushion the loss of fiscal revenue under the proposed new regime, estimated at £45 million <sup>(2)</sup> or 15% of States' income (the so called '2008 Black Hole'). This position has now substantially changed with the growth in States' expenditure squeezing finances.

### 2.2.6 *Future of the Financial Services Sector*

The long term future of offshore and cross-border financial centres has been shaken by OECD (and others') moves to abolish what it terms 'harmful tax practices'. Guernsey and Jersey are among 35 'tax havens' with harmful tax practices listed by OECD but are also declared as co-operative jurisdictions as they meet international standards on the exchange of information on criminal tax matters.

Initial moves by the OECD, the EU and various financial bodies, were to improve supervisory and disclosure standards, essentially to reduce money laundering and the funding of terrorist activities. Guernsey and Jersey have made a commitment to improve the transparency of their tax and regulatory systems and to establish effective exchange of information for tax matters with OECD countries. They are seeking to find the appropriate balance between the right to privacy and the need to assist foreign law enforcement agencies.

(1) 2003 was the first year since formation of the capital reserve in 1994 when the balance at the end of the year was less than at the beginning, 2005 Budget Report

(2) Pricewaterhouse Coopers, 2004

The proposed reforms to the Corporation Tax regime in 2008 will address other 'harmful' practices in extending the benefits of the tax regime to residents as well as non-residents. The existence of a zero or low tax regime is not deemed harmful in itself.

Guernsey and Jersey are urging the OECD and other bodies to bring about a global level playing field in international standards before any further changes are made to the regulation of cross-border financial services, in order to safeguard their competitive positions.

### 2.2.7 *The Construction Sector*

The exertion of downward pressure on States' capital spending echoes the advice of States economists who consider that the construction sector is overheating causing tender price inflation and failures to complete projects on schedule. The Board of Industry's report and policy letter on the construction industry <sup>(1)</sup> found that local building costs were already significantly higher than elsewhere and warned that unrestrained capital expenditure by the States would further overheat the sector. The Econometric Model developed as a result of the Board of Industry's report confirmed the limited capacity of the construction industry, even with imported labour, and stressed the need to prioritise and timetable States' projects carefully to ensure they offer value for money and can be completed on time.

(1) Billet d'Etat VI, April 2002.



**Part B**

**Planning Covenants and Other Measures**

### 3 *PLANNING CONDITIONS, COVENANTS AND OTHER MECHANISMS*

#### 3.1 *INTRODUCTION*

This section sets out the proposed changes to planning legislation and practice in Guernsey, in particular the introduction of planning covenants. We have examined the circumstances in which planning covenants could be used and evaluated their potential against other mechanisms, such as development tariffs, impact fees or betterment taxes. In this part of the report, we consider all of the potential uses of planning covenants, which includes the delivery of affordable housing, but the focus is on the general use of covenants. Specific advice on their application to affordable housing is set out in *Part C, Sections 5 to 7*.

#### 3.2 *THE NEW PLANNING SYSTEM*

##### 3.2.1 *The Introduction of Planning Covenants*

The introduction of planning covenants is an important new provision which is part of the fundamental changes to the planning system proposed in the reform of the primary law, the Island Development (Guernsey) Law 1966-1990. The draft Land Planning and Development (Guernsey) Law 2005 (described hereafter as the Planning Law 2005) has been approved by the States and submitted to the Privy Council for ratification. It will be amplified in Ordinances, of which we have seen drafts of the Control of Development (General Provisions) Ordinance 2005. This deals with, among other things, the use of planning conditions.

Clause 23 of the Planning Law 2005 provides the legal basis for covenants, which, to a great extent, will resemble planning obligations and agreements as they have applied in the UK since 1991. In due course, taking account of this study, an Ordinance covering planning covenants will be made.

##### 3.2.2 *Other Proposed Changes in the Planning Law 2005*

There is an established tradition in Guernsey of taking a pragmatic approach to public law reform, seeking only to introduce measures when the effectiveness of existing legislation so requires and drawing on best practice not only from the UK but other European jurisdictions.

At present, planning permissions, subject to conditions, are used to secure planning objectives in almost all cases in Guernsey. We are aware that there have been one or two informal or 'gentlemen's agreements' with developers that have successfully achieved off-site delivery of housing but these are dependent on goodwill and, as we understand it, are not enforceable at law.

The Planning Law 2005 will make other important changes to the planning system, relevant to this study. These include introducing the presumption that planning decisions will be made in accordance with policies in the development plan, changes to the appeals process and the enforcement of planning control. The use of conditions is being codified by Ordinance. In our advice, we have taken account of these emerging changes to the planning system.

### 3.3 *THE SCOPE FOR USING PLANNING COVENANTS AND OTHER MECHANISMS*

#### 3.3.1 *Introduction*

We take a broad view of the scope of the planning system, with it potentially able to secure contributions towards the provision of housing, community infrastructure and services by developers in a way that has not, to date, been implemented in Guernsey. In the UK, for example, planning permissions, subject to conditions and/or covenants, are routinely used to:

- ensure delivery of development as approved;
- regulate future use/activity/maintenance;
- provide on-site affordable housing.
- effect land assembly/transfer;
- provide off-site infrastructure;
- provide off-site community services/affordable housing/environmental improvements;
- collect financial contributions to services or facilities (including affordable housing);

In our experience, these purposes or objectives cover the full range that might be considered in Guernsey. To date, planning permissions have really only been used in Guernsey to deliver the first two of these. There is considerable interest in the ability of these mechanisms to deliver affordable housing and there are examples of cases where a mechanism to transfer land or make off-site provisions of infrastructure or community facilities would have been useful. The opportunity now exists to use planning covenants more broadly to secure the full list of objectives, and subject, of course to such requirements not affecting development viability.

In order to ensure that any alternatives to the use of planning conditions and/or planning covenants are properly considered, we have devised a shortlist of those alternatives as the basis for the evaluation:

- **Planning Conditions:** these are already routinely used in Guernsey, attached to planning permissions. Their use could, as necessary, be extended to deal with other aspects of planning control, which has happened in the UK;

- **Planning Covenants:** at their simplest, these are civil agreements between the States and an applicant for planning permission, by which both parties covenant to do certain things. They are used alongside permissions, granted subject to conditions; and
- **Standard Charges:** the States could set standard charges per unit of development for certain infrastructure or community services, which could be levied on the grant of planning permission. A planning condition or a covenant would normally be used to secure the payment. Standard charges or formulae are being increasingly used in the UK as part of planning covenants to overcome some of the criticism of purely negotiated covenants.

The other mechanisms evaluated can be described as 'planning related fiscal measures':

- **Development Tariffs:** these are an extension of the concept of standard charges and have been examined in detail for application in the UK. They would normally be levied instead of using planning covenants;
- **Impact Fees:** these are used in some jurisdictions, notably the USA, and are formulaic, often complex, charges intended to reflect the impact that a development will have on the environment or service requirements; and
- **Land Betterment Taxes:** these have been attempted several times in the UK, most recently in 1975 to 1982, as the Development Land Tax. They are normally general taxes on the increase in land value that results from the grant of planning permission, for example, for housing on an agricultural or greenfield site. The UK Treasury is reviewing the potential for the 'Planning Gain Supplement', essentially a betterment tax.

Much of the debate in the UK about all of these measures has been concerned with whether developments should only be resolving the direct impact that they have on the environment, infrastructure or community facilities or addressing more widely defined 'community needs'. One of the reasons for this debate is that the UK legislation and practice is, with the exception of affordable housing, directed towards resolving impacts. This leads to prolonged analysis and negotiation, before granting permission, about the extent of spare capacity in public services. It is the convention in the UK that developments are able to take up any spare capacity without making a financial contribution or provision in kind.

*Table 3.1* summarises the ability of the various mechanisms to deliver against the broad objectives defined above. The limitations on planning conditions and covenants shown in the table are those which apply in practice (and in some cases, for legal reasons) in the UK. It shows that planning covenants complement planning conditions, as the latter are best suited to on-site issues and not, for example, to collect financial contributions. The lower half of the

table shows the similarity of the three types of 'planning-related fiscal measures' in meeting the objectives.

**Table 3.1** *Scope of Planning Conditions and Other Mechanisms to Deliver Land Use Planning Objectives*

Mechanism/Objective	Ensure delivery as approved	Regulate future use/activity/maintenance	Deal with land assembly/transfer	Provide off site infrastructure	Provide off site community services/housing/environmental improvements	Collect financial contributions to services	Provide on site affordable housing
Planning Conditions	Yes	Yes	No	No*	No*	No	Yes
Planning Covenants	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Standard Charges	No	No	No	Limited	Yes	Yes	Yes (provide finance only)
Development Tariffs	No	No	No	Provide necessary finance	Provide necessary finance	Provide necessary finance	Provide necessary finance
Impact Fees	No	No	No	Provide necessary finance	Provide necessary finance (where requirement is impact based)	Provide necessary finance (where requirement is impact based)	Not strictly an impact based contribution
Land Betterment Tax	No	No	No	Provide necessary finance	Provide necessary finance	Provide necessary finance	Provide necessary finance

\* Grampian conditions can be used, stating, for example, that development cannot proceed until certain off site works are completed

### 3.3.2 *Financial Constraints on Planning Permissions and Covenants*

The land use planning system exists both to promote desirable development and to regulate (or prevent) aspects of development which have unacceptable adverse effects. Both the Guernsey and UK systems are essentially permissive, although, in England and Wales, the Government has, in the Planning and Compulsory Purchase Act, 2004, signalled a distinctive shift to greater support for 'publicly desirable' development over the 'protection of private property interests'.

Under both systems, it is recognised that the primary focus of development control should be to ensure high quality and appropriate development, which minimises the adverse impacts on neighbours' amenity and the wider environment.

However desirable and legitimate it might be to use development to fund public services, including the provision of affordable housing, such an approach will be self-defeating if the level of contributions or taxes required is so high that development ceases to be viable (and landowners have no incentive to develop or redevelop their property assets).

In the UK, it is now common for developers of large schemes to seek to argue that a development will not be viable if all of the requirements of the planning authority are met (including contributions to affordable housing and other community facilities). These disputes are often only resolved by the use of independent development appraisal experts (who have confidential access to the developers' own financial appraisal). It is very difficult, either on a scheme by scheme basis or generally, to identify the minimum level of 'residual land value' that will be acceptable to landowners, since all vary in their circumstances or expectations. It is certainly true that, if meeting all of the planning authority's requirements reduces the residual land value of a development site to a negative or even small positive level, the owner will, in almost all cases, keep the land rather than proceed with development.

We explore, in *Section 5*, the economics of development in Guernsey and assess the extent of contributions whether to the public services, amenity or affordable housing that could be sustainable.

### 3.3.3 *Deciding Priorities for Planning Contributions*

The decision about which contributions to seek through one or other planning mechanism is essentially a political one, but there are a few points worth noting.

#### *Mitigating Direct Impacts*

Some developments will create direct impacts in the vicinity of the development, for example by increasing traffic on local roads or visually

affecting a sensitive landscape. The mitigation of such direct, local impacts should be considered as a priority.

#### *Impact versus Need*

Besides identifying and mitigating local direct impacts, we consider that much of the 'impact versus need' debate that continues in the UK, in relation to planning agreements, can be by-passed in Guernsey. The reasoning is three-fold:

- As an Island state with a controlled immigration policy, it is more difficult to argue that developments create impacts for many of the services considered to be impact based elsewhere, as housing developments typically largely involve a redistribution of population rather than enable an increase. (The exception is commercial development that could lead to an increase in essential employment, and therefore immigration, but such development could equally also contribute on a need basis that would be common to all types of development);
- Basing contributions on overall need, rather than development impact, avoids the potential inequities of allowing one developer to avoid making a particular type of contribution because of the availability of spare capacity in the system (eg in local school places) that will not be available to a subsequent developer; and
- It is simply not necessary in Guernsey which doesn't have national planning guidance or the history of legal challenges in the courts that has made this such a complex topic in the UK.

We recommend that Guernsey makes a political decision about how any of the necessary increases and qualitative improvements in services and facilities should be funded, and then if it is the political will that the planning system makes a contribution, the justification should generally be based on the need, rather than on development impact.

In the UK, it has become the convention to seek planning contributions towards a range of rather broadly defined 'population related' impacts such as education and health, together with affordable housing. Authorities differ in the priority given to these competing claims for a share of the development surplus, with some giving primacy to affordable housing needs, before contributions towards some of the population related impacts such as health and open space. Most authorities decide that contributions towards other 'community needs' such as public transport, public art and sports strategies, should have the lowest priority.

There are a number of reasons why the system has evolved to give some primacy to affordable housing, which could otherwise be funded through general taxation. These are that:

- where development land is scarce, allowing private sector development to take place utilises land that could otherwise be used for affordable housing;
- it is the large increase in prices in the housing sector that has fuelled much of the affordable housing need. Landowners have benefited from large land value increases (and to some extent developers have made windfall profits) at the expense of those households on low to moderate incomes. There is therefore a sort of 'rough justice' (or equity) in responding to a need created by what has happened in the development sector (together with economic forces such as the availability of money); and
- affordable housing contributions are also typically greater than other sorts of planning contributions (the possible exception being transport improvements), so they have a greater potential to take advantage of significant increases in land values.

### 3.4 **THE USE OF PLANNING CONDITIONS AND PLANNING COVENANTS**

#### 3.4.1 **The Use of Planning Conditions**

The established practice and guidance in the UK (see Circular 11/95) is that planning conditions should be used to regulate development, whenever possible, rather than a planning covenant or agreement. The circular summarises six tests which should be met by planning conditions. These are that any condition should be:

- necessary;
- relevant to planning and to the development to be permitted;
- enforceable;
- precise; and
- reasonable in all other respects.

The Draft Control of Development Ordinance 2005 for Guernsey addresses the same issues in slightly different words. It states that '*conditions must relate to the development for which planning permission is granted, to the planning considerations in the Ordinance and to the land concerned, subject to exceptions set out below. Conditions must be reasonable, proportionate, clearly expressed and capable of being enforced*'.

Implicitly, the Ordinance accepts that conditions will only be applied if they are necessary. Otherwise the criteria are essentially the same although we would question whether restricting conditions '*to the land concerned, subject to exceptions*' is either helpful or indeed necessary.

Our overall advice is that the States should seek to follow the UK practice in this regard and that, whenever possible, conditions should be used rather than a planning covenant.

The convention in the UK has been that the use of positive planning conditions has been restricted to development within the application site or to activities which are likely to be under the control of the applicant/landowner or his successor in title. Over time, there has been increasing use of so-called 'Grampian' type planning conditions. These are conditions which prevent, for example, the development being commenced (or brought into use) until the applicant has discharged some other obligation (for example, constructed or paid for some highway improvements).

On occasion, a 'Grampian' condition is used to require the applicant to enter a planning covenant. This enables the permission to be granted, but prevents implementation until that planning covenant has been signed.

This is an unusual approach and most UK planning authorities adopt a two stage procedure. Applications, when a planning covenant is needed, are considered by Committee, which makes a 'resolution to grant subject to the completion of an agreement'. Agreed Heads of Terms are then negotiated into a full agreement. The planning permission is only granted once the planning agreement has been signed or sealed.

The use of 'Grampian' type conditions has significantly extended the scope of planning permissions to regulate or deliver off-site infrastructure or services, including the making of financial contributions. However, when it comes to establishing the level of contributions, a Grampian-type condition lacks the flexibility of a negotiated agreement.

In the UK, planning conditions are not used to require the transfer of land, for example, from an applicant to the local authority, although the Planning Act does not expressly prohibit this. Planning obligations or agreements are used in the UK for this purpose, although again, the legislation does not expressly provide for this.

### 3.4.2 *The Use of Planning Covenants*

The Planning Law 2005, in Section 23, permits the States to enter into planning covenants. This power is, in essence, the same as that in S106 of the Town and Country Planning Act, 1990, in England and Wales.

The fundamental distinction between conditions and covenants is that the former are imposed by the planning authority, with little or no consultation with the applicant. The applicant can appeal against a condition. The latter are mutual civil agreements, by which the parties covenant to undertake certain actions (or not permit certain activities). They are enforceable by all of the parties, although normally it is the planning authority which has the greatest interest in monitoring and enforcement.

Normally there will only be two parties to a planning covenant, the applicant and the States. There could be additional parties, for example, another

landowner or another public body. The Planning Law 2005 also appears to allow for covenants to be made unilaterally, by the applicant.

There are certain other legal limitations to planning covenants which are discussed below. In the UK, planning agreements are used to secure a wide range of objectives. They have been criticised, particularly by developers for:

- creating uncertainty;
- taking too long to negotiate (and hence delaying the start of development);
- requiring the developer to do things which, strictly speaking, extend beyond the 'necessity' tests; and
- making the development unviable (or severely reducing the profit and/or land value that can be achieved).

We have been extensively involved in the UK in researching ways to streamline the negotiation of planning obligations and to establish whether there is substance in the concerns of developers. Our conclusions are that there are simple practical ways to overcome many of their concerns, for example, by the use of clear policy statements, early negotiation of the requirements, the use of formulae or other arrangements to standardise the contribution or other requirements and by the use of model clauses in agreements.

ODPM, in July 2005, issued a new Circular, 05/2005, to give guidance on planning obligations. In December 2005, it commenced a consultation on 'Planning Gain Supplement', which would be a system of taxation based on likely land value gains from development. The latter remains controversial and even the Government acknowledges that it could not be introduced before 2008, at the earliest.

For other forms of planning obligations, Circular 05/2005 repeats the five criteria, usually referred to as the 'necessity tests' which have long governed planning obligations. These are that any obligation has to be:

- necessary;
- relevant to planning;
- directly related to the proposed development;
- fairly and reasonably related in scale and kind to the proposed development; and
- reasonable in all other respects.

The Circular makes it clear that the practice of requiring affordable housing to be provided as a planning obligation on permissions for market housing or other development is legitimate, despite the fact that this is a wider community need which is not directly related to the proposed development.

In practice, particularly in places where development pressures and values are high, planning authorities have been negotiating obligations which do go well beyond the strictly definable impacts of the development. Apart from affordable housing, developers have generally been prepared to accept these.

The Circular provides some support, albeit ambiguous in places, for practices which will simplify the negotiation of planning obligations. These include:

- The use of contributions frameworks or schedules of standardised charges to apply to particular forms of development;
- Arrangements to pool charges from different applications to fund local infrastructure; and
- In certain circumstances, it would be legitimate for planning authorities to secure contributions to pay for infrastructure already provided or 'gaps in existing provision'.

These all erode the previous stance, that planning obligations are designed to deal with the 'impacts' of a development and that, if there is spare capacity in an existing services (eg spare places in a local primary school), the developer should not be asked to contribute to that service.

In Guernsey, our advice is based on a understanding of which parts of the UK system work successfully (and which do not). In our view, many of the main difficulties in the UK system of planning agreement can be avoided by common sense and the selective application of best practice from UK local authorities.

### 3.4.3 *'Sufficient Interest' in the Land*

In the UK, planning agreements can only be entered into by those who have a 'sufficient interest' in the land. In Guernsey, the Planning Law 2005, Section 23 (1) has the same intention, referring to owners of land.

Ordinarily, planning permissions enure for the benefit of the land to which they relate, as reflected in Section 18(2) of the Planning Law 2005. If planning covenants are to be an effective means of controlling development in the face of changing land ownership, including the fragmentation of ownership, then they too will need to 'run with the land' to which they relate.

The term 'owner' is left undefined in the Planning Law 2005, presumably on the basis that this is a matter of common sense but might generally be construed as referring to a freeholder. In England and Wales, one who enters into a planning obligation must be 'interested' in the land at issue. The extent of the interest necessary has troubled the courts occasionally and has been given a wide interpretation, such that it could include licensees and owners of options.

If the term 'owner' is allowed a wide interpretation, then clearly more categories of 'owner' would be in a position to enter into planning covenants. Difficulties arise, however, in enforcing covenants against successors of those with limited interests. Plainly it would be unreasonable for those with lesser interest to impose obligations upon those with superior interests and for some limited interests, such as an option to purchase, there may be no successor to that interest. As a result, most authorities in England and Wales tend to insist that the main obligations in a planning agreement are given by the freeholder, as other interests can come and go and, indeed, be manipulated so as to avoid liability.

#### **3.4.4 *Using Planning Conditions or Covenants to Transfer Land***

The fundamental distinction between planning conditions and covenants is that conditions are imposed by the planning authority, whereas covenants are entered into by way of the developer's (or other party's) own free will, albeit in the context of a negotiation prior to the grant of planning permission, that the authority has power to withhold in the absence of such agreement.

Because the Guernsey planning system, as in the UK, separates land use planning from land ownership considerations, we do not consider that it would be appropriate for the States to unilaterally impose conditions that call for a transfer of land. This should be something required only with the land owner's agreement.

In the UK, planning agreements are used to facilitate land transfers required in connection with planning permissions. Whether this is considered acceptable in Guernsey is in part a political decision, but we note that Section 23 of the Planning Law 2005 does not explicitly provide for covenants to transfer land. However, planning covenants could legitimately be framed in a negative way, as in the UK, so to restrict something taking place on land pending a land transfer. Unilateral covenants entered into by the landowner are less appropriate than agreements where a transfer of land is involved, as the recipient of the land ought to assent to its receipt.

#### **3.4.5 *Using Planning Conditions or Covenants to Secure Financial Arrangements***

Similar considerations apply where developers or others are being required to make payments or enter into other financial arrangements as part of the planning process. In England and Wales, the guidance advises against conditions requiring payments, but planning agreements are used for this purpose. There are two main reasons for this:

- even though payments may facilitate steps being taken to overcome legitimate obstacles to the grant of permission, there is concern that such arrangements come too close to offending the basic principle that planning permissions must not be bought or sold; and

- because planning permissions are concerned with land use, payments of money (or other financial arrangements) are only appropriate in cases where there is agreement to the arrangement by the developer (or other party).

### 3.4.6 *Using Planning Conditions or Covenants to Secure Off-site Arrangements*

'Grampian' style planning conditions are used in the UK, to require off site infrastructure to be provided before either the development is carried out or occupied.

Such conditions are expressed in a negative way in accordance with the general principle that planning conditions should not require developers to take positive action, but can prevent them from taking action or using land in a particular way, until certain requirements have been fulfilled.

We see no reason why Grampian style conditions should not be used effectively in Guernsey, although a separate agreement may be needed to deliver the subject of the condition, such as highway improvements.

### 3.4.6 *Enforcement of Planning Conditions*

The enforcement mechanisms proposed in the Planning Law 2005 mean that, unlike in the UK, a breach of planning control constitutes a criminal offence per se as would a failure to adhere to a compliance notice under Part V. While instituting criminal proceedings to enforce breaches of planning control as a matter of first resort may be unattractive as a general approach, use of the compliance notice procedure, allied with the interim notice procedure, should be sufficient to overcome any concerns.

In the UK, the relatively recent Breach of Condition Notice (BoCN) procedure, introduced in 1991, has assisted the enforcement of planning controls in that:

- there is no appeal against the notice itself; and
- a breach of a BoCN is a criminal offence, dealt with in the magistrates' court – usually not an attractive prospect for those prepared to flout planning controls.

The BoCN procedure was introduced to deal with some shortcomings of the enforcement notice procedures at the time, principally the ability of those in breach to 'play the system' by lodging an appeal against an enforcement notice, thereby suspending its operation pending the resolution of that appeal.

Enforcing breaches of planning control using the Planning Law 2005 should be an easier prospect than enforcing planning covenants, which require resort to the usual contractual remedies and do not of themselves amount to a breach of planning control.

### 3.4.7 *Enforcement of Planning Covenants*

Under Section 24 of the Planning Law 2005, planning covenants are enforceable not only by the Department but also by persons expected to be benefiting from the covenant or by organisations named as having enforcement rights for the purpose of that covenant. UK planning law only specifically confers enforcement powers on local planning authorities, although other parties may be able to use contract law.

Whereas a compliance notice under Part V of the Planning Law 2005 can be directed towards a breach of condition, or development carried out without planning permission, a planning covenant is akin to a private agreement between the parties. A failure to adhere to the terms of a planning covenant is not a breach of planning control as defined in Section 48(2) in the same way that a breach of a planning agreement in the UK is not sufficient to allow an enforcement notice to be issued. Accordingly a breach of its terms is not sufficient to allow the compliance notice procedure to be used, a procedure which, incidentally, includes powers for the Department to itself carry out works required at the owner's expense and enter land by force if needs be.

In short, a breach of planning control allows the States to bring the force of criminal law against those in breach, whereas a breach of a planning covenant must rely on civil remedies.

### 3.4.8 *Summary of Advantages of Planning Conditions over Planning Covenants*

Broadly speaking, planning conditions possess the following advantages over planning covenants:

- **easier to standardise than planning covenants:** planning covenants are essentially contracts, which therefore are more likely to require legal advice to draft than planning conditions. Planning conditions may be adapted from model forms, such as those contained in Circular 11/95. Many planning authorities, as well as the States, have developed their own model conditions;
- **no prescribed formalities:** planning covenants, by comparison, must be made by deed and meet other specific statutory requirements;
- **interpretation is more straightforward:** planning covenants, by comparison, are subject to the broader law of contract and may give rise to complex issues of interpretation; and
- **easier and less expensive to enforce than planning covenants:** planning conditions will be easier to enforce than planning covenants in that a breach of a planning condition will amount to a breach of planning control, under Section 48(2) of the Planning Law 2005, whereas a breach of a planning covenant will not. A breach of planning control allows the various processes in Part V of the Law to be brought into play, which as a

matter of administration can be deployed relatively easily, and also allows for resort to the criminal law. In contrast, the measures required to enforce a planning covenant, particularly if litigation is required, will be more cumbersome. There is also some doubt as to the availability of 'specific performance' as a remedy in Guernsey law.

### 3.4.9 *Summary of Main Limitations of Planning Conditions as Against Planning Covenants*

Planning conditions generally possess the following limitations when considered against planning covenants:

- **planning conditions are more susceptible to challenge:** planning covenants are proposed to be subject to a procedure in Section 25 of the Planning Law 2005 under which, only after a five year period (or such shorter period as the Department may allow), application can be made to have them modified or discharged, with a right of appeal to the Planning Tribunal. The grounds for such an application are limited, as the applicant must show that the covenant no longer serves a useful purpose (see Section 25(6)). In practice, therefore, it will be more difficult for a developer to take steps to change a planning covenant than a planning condition, in respect of which rights of appeal arise immediately. In addition, it is likely to be more difficult for a developer (or other party) to argue against the appropriateness of a planning covenant entered into voluntarily;
- **planning conditions are less appropriate for complex situations:** since planning conditions are imposed rather than the result of negotiation or a unilateral 'offer', this makes it inappropriate to impose very lengthy and complex conditions upon permissions, although this not prohibited as a matter of law. Usually, however, where a situation calls for a complex arrangement, some measure of agreement on the part of the developer is likely to be appropriate or necessary. In some situations, it is appropriate to require by condition that a scheme or arrangement be subsequently submitted to and approved by the States and such schemes or arrangements may in themselves be complex;
- **planning conditions are not appropriate to require the transfer of land or the making of payments:** while these measures may be appropriate to meet legitimate planning objectives, requirements of this sort ought not to be imposed unilaterally upon applicants for planning permission; and
- **the use of planning conditions is inappropriate where the planning authority seeks to impose positive obligations relating to land outside the application site.** Such difficulty as may arise on this account can usually be addressed by expressing the requirements of a condition in a negative rather than positive way. Nonetheless, if circumstances were to warrant that, for example, works should be undertaken on land owned by a third party, a planning condition could not be enforced against that third

party whereas a planning covenant could be, provided that person was a party to the covenant.

### 3.5 *THE USE OF STANDARD CHARGES (SECURED BY CONDITIONS OR COVENANTS)*

In the UK, where the number and complexity of planning agreements have been increasing, there has been a steady move towards the use of 'standard charges' or formulae. These are being used both to assess the extent of in-kind contributions, where these can be related to household, population or employment numbers and to assess financial contributions where planning obligations are not being delivered in-kind. In the UK, the approach carries very little weight in negotiations unless the policy and methodology (or formula) has been set out in the development plan or supplementary planning guidance, and subject both to public consultation and, where necessary, public examination.

Examples of obligations that have given rise to standard charges in the UK are presented below.

#### 3.5.1 *Education*

Education contributions are established as the subject of planning obligations on residential development, though not pursued in all cases. They are principally intended to cover the capital costs of providing extra school places though the policy may be worded in such a way that they can be applied to qualitative improvements to an existing school, such as security measures or additional sports facilities.

The basic methodology used is fairly standard and has a strong logic, being based on house sizes, child yields and costs per school place. Some authorities take a more sophisticated approach by also taking account of the type of household likely to occupy the housing.

#### 3.5.2 *Health Facilities*

Though less commonly used than for education, contributions towards health facilities also have a clear logic and the potential for a reasonably robust methodology, based on the resident population of the development.

#### 3.5.3 *Open Space*

It is common practice for residential developments to provide open space to meet the needs of new residents (in areas of open space deficiency). Where that facility cannot be provided on-site, it is normal to pursue off-site provision or improvements to existing open spaces as an alternative. National Playing Fields Association (NPFA) standards are often used in development plans in England and Wales, though there is recognition that these standards may not be fully achievable in densely developed urban areas.

Developers are also required to contribute to the costs of future maintenance. It is relatively straightforward to calculate commuted sums based on the cost of providing and then maintaining different types of open space in accordance with the standards set out in the development plan.

#### 3.5.4 *Transport*

In the UK, developers are routinely required to pay for necessary highway work, such as to improve junctions or relieve other 'bottlenecks' in the highway network. These works, if off-site, are normally subject to an agreement under Section 278 of the Highways Act 1980, under which the highway authority collects the necessary financial contribution and then undertakes the works. It is also common for the planning agreement, for the same development, to require a contribution towards public transport improvements. Public transport contribution methodologies usually seek to:

- establish the overall scale of anticipated development, linked to a public transport accessibility index (PTAL) and the size and number of trips generated by the proposed developments;
- identify and cost a clear package of transport improvements including public transport and pedestrian and cycling measures, which will meet the additional needs generated by the proposed developments; and
- justify developer contributions to specific public transport improvements, both in the short and the longer-term, by 'zoning' the authority's area and proposing a schedule of improvements in each zone.

The development may also be required to contribute separately to local improvements, such as pedestrian and cycling measures in close proximity to the site.

#### 3.5.5 *Affordable Housing*

Affordable housing policies and their execution through planning agreements, usually relate the number of affordable homes required, or the financial payments in lieu of direct provision, to the total number of dwellings to be provided over the life of the plan. To avoid numerous separate negotiations, the policies have to be explicit about whether (and if so how) any public funding or grants should be taken into account. They must clarify whether they expect a developer to contribute the target proportion of affordable housing based on the total amount of development provided, including any development off-site, which is now common practice. This approach is, in effect, a form of standard charge.

### 3.6 *PLANNING-RELATED FISCAL MEASURES*

#### 3.6.1 *Introduction*

We have also evaluated the usefulness of three 'planning-related fiscal measures' as alternatives to the use of planning covenants. It might be possible to introduce development tariffs or impact fees, as being within the powers set out in Section 23 of the Planning Law 2005. This is certainly the view that has been taken in the UK by the Office of the Deputy Prime Minister (ODPM). The third, Land Betterment Tax, is clearly outside the planning legislation and would require new fiscal legislation to bring it into effect.

#### 3.6.2 *Development Tariffs*

This general term is used to mean a fee required for a given quantity of development of each use class, which may be calculated according to the amount of floorspace provided, or, in the case of housing development, the number of dwellings or habitable rooms. It could also be based on the total capital value of a development but this is really a weaker form of land betterment tax, looking at capital value and not the net increase in capital value. It therefore contains many of the disadvantages of such a system and few of the advantages so it is not covered here.

Our description of a basic tariff model has three components:

- creating a tariff report;
- approval and implementation by the States; and
- application of the tariff to individual developments.

##### *Creating a Tariff Report*

In setting tariff levels, the States would need to address two key areas of analysis:

- the potential tariff yield; and
- the cost of meeting need.

With regard to the first key area, it would need to review levels of development activity across the Island, and make a broad assessment of potential tariff yields based on the viability of development in the pipeline.

With regard to the second key area, the States would need to undertake a Community Impacts and Needs Assessment to establish what is required including:

- community needs arising directly as a result of any increase in population and employment accommodated by the planned levels of development;
- affordable housing needs to be met through the planning system;

- contributions to transport investments and programmes; and
- wider community needs on the Island.

We would not expect that tariff payments would be levied to make up for backlogs in provision, for example in affordable housing, though in practice it is difficult to differentiate entirely between newly arising need and backlogs.

The costed needs assessment should then be compared to the estimate of potential tariff yield likely to be generated over the development plan period. A combination of these two factors should enable tariff rates to be set for different uses and tariff zones such that they make a real contribution to meeting community impacts and needs without deterring desirable development.

The different zones would reflect different levels of profitability and could also be devised to secure other planning objectives, such as brownfield development or the regeneration of particular areas. As Guernsey is small and the property markets relatively homogenous, it should be possible to establish just one or two urban zones and a rural zone. Even then it will be a complex exercise requiring both development appraisal skills and value judgements and requiring further thorough operational testing.

Small developments, below a defined size threshold, would need to be exempt from tariffs. Apart from these, all zones and types of use should contribute to the direct impacts arising from new development. However, only the more profitable land uses and zones will make any significant contribution to meeting wider community needs and affordable housing requirements.

The zones, tariff levels and allowances would be presented in a tariff report, supported by policy statements, and would form part of the development plan.

#### *Approval and Implementation of Tariffs*

The tariff report would be part of the development plan, subject to consultation and review at public inquiry. The first round of setting local tariffs is bound to be complex and time consuming because all stakeholders will be on a new learning curve. The process should improve with the benefit of time and practical experience but cannot escape the need for the application of new skills and resources to the planning system.

In common with all other planning-related fiscal measures, the States would have to establish an accounting framework for income and expenditure and a system for distributing monies to service providers. It would also need to monitor development activity to gauge whether the tariff system is meeting community needs over an appropriate timescale.

It is suggested that a formal review of tariffs would need to take place at three year intervals, but that the tariff levels might need to be reviewed more frequently, if they are to relate to market conditions and hence affordability.

#### *Application of Tariffs to Individual Developments*

In theory, the tariff report will define all of the common circumstances met during development. The process of applying credits or waivers will however not be simple, and will need to be subject to further adjustments:

- **Adjustment 1: Existing Floorspace and Changes of Use:** where there are existing buildings on the site, a formula would be applied to take these into account. This would be a form of credit to allow otherwise desirable development to take place, where it would be deterred by a standard tariff.
- **Adjustment 2: Provision in Kind:** where the developer is making provision on site for affordable housing, schools or public open space, an appropriate allowance should be offset against the tariff.
- **Adjustment 3: Extra-ordinary Costs or Other Inability to Pay:** where the development viability is threatened by the tariff fee due, the applicant could go to arbitration, or mediation, for a reduction in the tariff or waiver. This might be due to extra-ordinary costs, such as the remediation of a contaminated site, or it may be because the market conditions or nature of the development are such that returns are very low.

### 3.6.3

#### *Impact Fees*

Impact fees could potentially be charged for each type of obligation according to a standard schedule, making them rather like standard charges, or they could be aggregated and charged according to the type and amount of development, in which case they are more akin to a development tariff. The distinction is that, unlike general tariffs and standard charges, they are expressly related to the impacts of the development and any costs associated with their mitigation. The impact becomes the foundation for the fee rather than the nature and quantity of development as is the case with standard charges and development tariffs.

There would be no requirement to establish the overall yield upfront, as with a tariff approach, as the level of fee would relate to mitigation and compensation costs. However, a set of rigorous methodologies would be required for assessing the extent of impacts particular to each application over an established baseline and to calculate the basic costs of compensation and mitigation measures. By definition, a system of impact fees is not designed to deal with needs such as affordable housing.

When impact fees are in widespread use, as in parts of the USA, they have become highly formalized schedules of payments. Generally, the total fees

payable as a proportion of residential property values are low. There are few, if any, impact fee schemes which include any arrangements for individual rebates, even when these fees may be deterring otherwise desirable development. There are arrangements to waive fees within specific regeneration or enterprise zones.

#### 3.6.4 *Land Betterment Tax / Planning Gain Supplement'*

This third type of planning-related 'fiscal' measure is unlike a development tariff or system of impact fees in that it relates directly to the uplift in land value resulting from the development or grant of permission rather than to its impact.

Although betterment taxes have been tried in England and Wales as part of the planning system on a number of occasions since 1947, they have never become established as part of the system and the last of them, the Development Land Tax, was in force from 1975 to 1982. They are back on the agenda, however, following publication of the '*Barker Review of Housing Supply*' in March 2004. Barker's report (commissioned, it should be noted, by HM Treasury) suggested that a land betterment tax or 'Planning Gain Supplement' (PGS), might be levied alongside a set of relatively minor impact-based charges which would be negotiated with developers. The Chancellor of the Exchequer is due to report on this by the end of 2005.

At first sight, betterment taxes are simple, being based on a percentage of the increase in underlying land value as a result of development. They resemble capital gains and inheritance taxes in that the yield is low when compared with the costs of collection. In practice, they require complex systems of valuation and exemptions and suffer from substantial avoidance, from example, by the transfer of property between owners.

Their principal disadvantages have many similarities to those for other fiscal measures, such as:

- **scope** - should they only apply to undeveloped and/or unused sites and buildings prior to development?
- **point of collection** - should they only be collected when the land is sold or at some earlier stage, eg completion of development?
- **assessing the uplift in value** - the system requires a complex system of 'before' and 'after' valuation and assessment of any 'underlying' rate of increased value, which will be offset;
- **complex arrangements** are needed to minimise avoidance and evasion (for example, by transfers of entire or partial interests); and
- unless the tax rate is low, **desirable developments are likely to be deferred** or delayed.

## 3.7

***EVALUATION OF OPTIONS FOR DELIVERING PLANNING OBJECTIVES***

The list of options for delivering potential planning objectives and their evaluation is presented in *Tables 3.2 to 3.4*.

Table 3.2 Summary of Evaluation of Options for Delivering Potential Planning Objectives

Option	Able to meet which objectives*	Practicality	Able to challenge & enforce	Defensibility / equity
Planning Conditions	1, 2, 7 (possibly 4, 5, 6)	Generally good, does not allow land assembly	Yes	Poor (but universally accepted despite this)
Planning Covenants	1, 2, 4, 5, 6, 7	Good (easier to introduce than alternative new measures)	Limited in English / Welsh system but could possibly be established in Guernsey	Poor
Standard Charges	5, 6, 7, also 4 in limited way	Moderate	Limited in UK system but could be established	Good (more related to impact than viability)
Development Tariffs	4, 5, 6, 7 (provide finance only not delivery in kind)	Moderate	Yes (process of appeal to be established)	Good (some correlation with both viability and impact)
Impact Fees	4, 5, 6, where impact based (provide finance only) not delivery in kind)	Moderate	Yes (process of appeal to be established)	Good (but clearly related to impact rather than viability)
Land Betterment Tax	4, 5, 6, 7 (provide finance only not delivery in kind)	Poor (difficult to administer and resource).	Yes (process of appeal to be established)	Good (but clearly related to impact rather than viability)

## \* Objectives:

1. ensure delivery of development as approved;
2. regulate future use/activity/maintenance;
3. provide on-site affordable housing.
4. effect land assembly/transfer;
5. provide off-site infrastructure;
6. provide off-site community services/affordable housing/environmental improvements;
7. collect financial contributions to services or facilities (including affordable housing);

Table 3.3 Evaluation of Options against Practicality Criteria

Option	Practicality	Simple to administer and resource	Perverse effects	Enable payments to be made
Planning Conditions	Easy to establish system and introduce	Yes	None apparent	No (?)
Planning Covenants	n/a	Moderately, but need development appraisal and negotiation skills	None apparent	Yes
Standard Charges	Yes	Moderately, but need development appraisal and negotiation skills	None apparent	Yes
Development Tariffs	Moderately	Very substantial effort and consultation required to establish basis of tariff	Existing use values would need to be reflected in some way	Yes
Impact Fees	Considerable effort and consultation required to establish basis of fees	Not particularly. Specialist inputs required to assess impacts and development appraisal skills needed to deal with appeals	None apparent	Yes
Land Betterment Tax	Significant effort and consultation required to establish basis of tax	No. Requires significant amount of specialist valuation / development appraisal advice	Costs of remediation of brownfield land would need to be taken into account (ie betterment assessed post remediation)	Yes

**Table 3.4** *Evaluation of Options against Defensibility and Equity Criteria*

Option	Defensibility and Equity			Related to development viability
	Transparent and accountable?	Clarity of expectations	Related to scale of impact	
Planning Conditions	Not particularly, though improved if public has access to planning permissions	Yes, provided discussions held at an early stage in the process	No, but must be reasonable	No
Planning Covenants	Not particularly, though improved if public has access to planning permissions	Yes, provided discussions held at an early stage in the process	No but must be reasonable	No
Standard Charges	Moderately, provided public has access to planning permissions	Yes	Yes, moderately	No
Development Tariffs	Yes	Yes	Not directly but some correlation	Not directly but some correlation through use of zoning. System would need to be designed so not to penalise marginal developments
Impact Fees	Yes	Moderately, (subject to specialist advice on impacts)	Yes	No
Land Betterment Tax	Yes	Moderately (subject to valuation advise that is specialist and time critical)	No	Yes

### 3.7.1 *Conditions and Covenants*

Planning conditions and covenants can be used to secure benefits in kind, ensure delivery as approved and regulate future use and management. In the UK, agreements are also used to facilitate transfers of land and secure financial payments to the planning authority, and we recommend the same approach in Guernsey.

In general, planning covenants are easier to introduce than the alternative measures for capturing planning gain (or meeting planning objectives) ie the 'planning-related fiscal measures'. The combination of planning covenants with a contributions framework set out in policy offers the benefits of clarity of expectations, fairness, transparency and accountability combined with the benefits of a consensus approach and the flexibility of an at least partly negotiated system.

Because of the wider applicability of covenants, and the advantages and disadvantages of conditions over covenants, set out in *Sections 3.3.8* and *3.3.9*, we recommend that both measures are used to deliver different planning objectives and/or in different circumstances. These are set out in *Section 4*.

### 3.7.2 *Standard Charges (Levied Through Planning Conditions or Covenants)*

Standard charges require robust data and involve significant effort to establish. However, once in place they are usually simpler to administer and resource than ad hoc agreements and offer a greater degree of transparency and accountability. They also offer greater clarity of expectations to applicants with implications for transactions between developers and land owners.

The use of standard formulae in assessing the level of contribution strengthens the link between the contribution sought and the scale of the impact or need. The standard charges themselves do not relate to development viability and negotiations would need to take place where an applicant was able to demonstrate that the development could not afford the level of charge implied by the scales.

Provided that the formulae behind the standard charges were based on clear logic and set out in a public document, the system would be transparent and accountable. It would offer applicants clarity of expectations as they could calculate the charges from a simple set of tables.

### 3.7.3 *Development Tariffs*

As with all planning-related 'fiscal' measures, the development tariff is much less able to meet the full range of objectives than either planning conditions or planning covenants. It does, however, meet more of the objectives than impact fees as it can be used to finance community needs such as affordable housing.

As described in *Section 3.5*, they are the most complex of the planning-related 'fiscal' measures to establish but once in place, the simplest to administer and resource at the planning application stage. Development appraisal and valuation skills would be needed only where an application could demonstrate that the tariff threatened development viability.

Provided the methodology behind setting the tariffs were made public, then the system would be transparent and accountable. It would offer applicants a clarity of expectations as they could calculate the tariff from a simple set of tables of charges per unit of each land use.

Besides the complexity involved in setting the tariff fee structure, a further disadvantage of development tariffs are that they are difficult to apply to *sui generis* uses or to open land uses.

#### **3.7.4 Impact Fees**

Impact fees can provide the necessary capital and revenue funding for infrastructure, community services and environmental improvements, both on and off site, where these are not provided in-kind and are required to mitigate impacts. Strictly applied, they can not provide a financial contributions for affordable housing, which is need rather than impact based, though these figures could be calculated according to an appropriate formula and be added on as a supplementary fee.

Significant effort would be required upfront to establish the basis of the fees but without the complexity of a tariff report. Once in place a system of impact fees would require specialist inputs to determine the nature and extent of impacts and development appraisal and valuation skills to deal with appeals from applicants.

Such a system would offer some transparency and accountability. It would also offer some clarity of expectations, though this would only be able to be determined once impacts had been professionally assessed. As such a system is not in any way related to development viability, an appeal process would be needed to ensure that marginal developments were not penalised.

#### **3.7.5 Land Betterment Tax**

Land Betterment Tax appears simple but has numerous disadvantages. By taking the calculation of the tax well outside the planning system, there is the substantial risk that betterment taxes will run counter to planning objectives (such as securing the re-use of existing developed land and buildings). In the UK, ODPM published a consultation paper on 'planning gain supplement' (as recommended by the Barker Review) in December 2005. This raises, but does not answer, the difficult technical and equity questions inherent in a betterment tax.

Many of these arose with earlier betterment taxes (eg Development Land Tax). In our view, PGS could well be quietly abandoned after the consultation or introduced in a very restricted form (eg only on large greenfield sites).

## 3.8

*CONCLUSIONS FROM THE OVERALL EVALUATION*

In this evaluation, we have examined the legal and practical implications of using planning covenants, alongside the grant of planning permissions. Planning covenants can be used for two distinct purposes:

- as a complement (or, in some instances an alternative) to planning conditions, to ensure that a development is delivered in accordance with the States' wishes; and/or
- as a means to secure the provision of (or financial contributions to) infrastructure, community services or affordable housing that would otherwise have to be funded or provided by the States.

Our conclusions in respect of the first of these is that we would advise the States to use planning conditions, wherever possible, but that there are likely to be a limited number of situations, where it will be appropriate to enter into a planning covenant with the site owner and, possibly, other parties. We provide more detailed advice on policy, practice and procedures for this in *Section 4*.

There are three strands to our conclusions in respect of the second broad purpose. At this stage, we are including affordable housing as just one of a range of infrastructure and community services for which the States could seek developer provision or contributions. We recognise that, at present, resolving the provision of affordable housing is seen as a priority by the States. There is, at present, much less interest in securing development provision (or funding) of other infrastructure or community services.

In our view, it would be:

- a radical, costly and controversial decision to proceed with a land betterment tax. It would require new primary legislation and the practical experience of such taxes, in the UK at least, has been frankly unsuccessful. It has not been part of our brief to examine Land Betterment Tax as part of a broader review of fiscal changes which the States may need to consider in the future;
- premature to give further consideration to introducing a full blown system of either impact fees or development tariffs. The former are of no use when considering affordable housing, while the latter are principally intended to secure financial contributions from development; and

- practicable to use planning covenants, allied to a system of contributions schedules or standard charges to deliver affordable housing and other community services or infrastructure. This would be a streamlined version, building on best practice in the UK, which would minimise difficult site by site negotiation.

We explore, in *Section 5*, the extent to which residential and commercial developments could 'afford' additional contributions to community services and infrastructure and/or provide for affordable housing. Our advice on how planning policies and procedures, including planning covenants, could be used for affordable housing, is set out in *Sections 6 and 7*.



## 4 DEVELOPING THE GENERAL USE OF PLANNING COVENANTS

### 4.1 INTRODUCTION

In this section, we provide further advice on the circumstances where planning covenants should be used. This is followed by advice on the policy and procedures for implementing planning covenants, including the necessary Ordinance and, for the longer term, the creation of contributions schedules or standard charges for services other than affordable housing. The section concludes with advice on dealing with applications where covenants are necessary, including negotiation and drafting.

### 4.2 USING PLANNING CONDITIONS AND PLANNING COVENANTS

#### 4.2.1 *Circumstances in Which to use Planning Conditions*

Planning conditions ought to be sufficient and appropriate to secure the majority of additional controls required upon the grant of planning permission for development. They should be used as a matter of first resort. They can be imposed with a minimum of administrative effort and do not require the agreement of the owner or developer. Many authorities in the UK use their own model conditions, developed and refined over the years.

Accordingly, conditions are an appropriate means of dealing with a wide variety of situations, including:

- regulation of matters of detailed design and landscaping;
- controlling the phasing/timing of development;
- regulating hours of operation or opening;
- regulating access to and from the site;
- requiring the remediation of land which is contaminated before it is used for a particular purpose;
- limiting noise emissions from the site;
- allowing archaeologists access to the site;
- to remove permitted development rights that would otherwise apply;
- to regulate the occupation of the development;
- to allow development only temporarily, in appropriate cases; and
- to protect species or habitat.

This list accords with that in the draft Planning (General Provisions) Ordinance.

#### 4.2.2 *Circumstances in Which to use Planning Covenants*

If a matter can be controlled effectively by way of a planning condition, then it is appropriate for a condition to be imposed in preference to seeking control via a planning covenant. Under Part VI of the Planning Law 2005, in Section

68, a right of appeal arises against planning conditions and, as in the UK, it is not appropriate to remove that right of appeal by 'requiring' a planning covenant, where a planning condition would be sufficient.

However, there are a limited number of situations where planning covenants are necessary. These are:

- **in order to provide for a transfer of an interest in land** such as:
  - to a housing association as part of the process for granting planning permission for residential development;
  - to the States such that land can be used as public open space; or
  - to the States for road improvements;
- **in order to provide for a payment of money to the States** in order that it can be used for an appropriate public purpose related to the development in question. Such payments might be for:
  - improvement of public transport provision;
  - highway improvements;
  - environmental improvements including public art and the provision of public open space; or
  - commuted sums for maintenance;
- **where more than one site is involved in a prospective development** and it is appropriate to use a planning covenant to form linkages in terms of activities and obligations between them. For example, it might be appropriate to require certain activities to stop or otherwise be regulated on another site, before the site the subject of the planning application can be used for a particular purpose;
- **generally where the intended arrangements are complex** and require covenants to be given both by the States and by the landowner (or landowners), such that the arrangements can only be accommodated effectively within a planning covenant rather than a planning condition imposed unilaterally by the States;
- **to impose a positive obligation upon landowners**, and particularly in circumstances where a negatively framed condition would not be appropriate, eg to require a particular use to be discontinued as a prerequisite to planning permission being granted; or

- to impose positive maintenance obligations upon a landowner in relation, for example, to woodlands or open space, particularly where such obligations will continue long after the development has been completed and is in use.

If the States decides to require the on-site provision of affordable housing by private developers, a planning covenant is likely to be required, at a minimum, to control the details of the design and transfer of that housing.

### 4.3

#### *POLICY AND PROCEDURES FOR IMPLEMENTING PLANNING COVENANTS*

In order to implement the provisions of the Planning Law 2005, the States will need to make an Ordinance which defines the circumstances and procedures for making a planning covenant.

This will need to include:

- limits on what the States can require (or the applicant offer) to be included in a planning covenant;
- clarification on who should or will normally be parties to a planning covenant (including a further definition of 'owner');
- a list of those aspects of policy regarding planning covenants that should be in the development plan and subject to public examination or inquiry;
- a definition of the process that would be used, in due course, to devise contributions schedules or standard charges;
- whether contributions received are to be hypothecated to particular services or otherwise accounted for by the States;
- that where a planning covenant is required, planning permission will not be issued until the covenant has been signed or sealed;
- reference to a model form of covenant and library of standard clauses;
- procedures for registering or depositing the covenant;
- whether or not the covenant is to be on the planning register (and subject to public scrutiny);
- procedures for enforcing covenants; and
- procedures for amending and discharging covenants.

Rather than the 'necessity' tests used in the UK circular 05/2005, we recommend that the limits are set, in the Ordinance, to be more broadly

inclusive of meeting community needs as defined by the States. The tests could be drafted in the following way:

*'The provisions to be made in any planning covenant shall be:*

- *reasonable;*
- *directed to meeting a community need properly identified by the States and/or mitigating any adverse impact on the environment, amenity or economy that arise from the development to be permitted;*
- *proportionate to the development to be permitted; and*
- *clearly and precisely drafted'.*

It is important that the ways in which planning covenants will be used are subject to an appropriate level of public consultation and scrutiny by landowners and developers. It is clear, from the UK experience, that certain headline requirements should be included in the development plan, such as:

- identifying which services or amenities should be provided on-site (or be subject to developer contributions);
- target percentages for affordable housing provision; and
- housing, open space etc design standards.

We would recommend that other more detailed requirements, for example:

- tenure mix, nomination and management arrangements for affordable housing; and
- contributions schedules, formulae and standard charges

are subject to consultation with key stakeholders and then endorsed by inclusion in a States Report or other report approved by the Environment and Housing Departments. This creates flexibility to amend these arrangements to suit changing circumstances, while ensuring that they are clearly recorded for reference by civil servants, applicants and their advisers.

In general, we remain uncomfortable about a planning system where the planning permission itself, including the conditions attached, is not held on a public register. Until April 2004, planning agreements in the UK were not available for public scrutiny. Indeed, members of the Planning Committee rarely saw anything more than the Heads of Terms or lists of requirements in an application report to Committee. Since April 2004, all obligations made since that date have had to be placed on the planning register. This was a significant step forward in increasing transparency and accountability for planning decisions and we recommend that the States adopts the same approach for planning permissions and covenants.

## 4.4

*DEVELOPING CONTRIBUTIONS SCHEDULES AND STANDARD CHARGES*

The States' position in negotiating planning covenants will be stronger where there is a clear policy basis for the planning contributions sought, especially where this is supported by schedules or contributions frameworks based on clear and logical methodologies. These should be set out in the development plan itself or in a States Report. The use of such frameworks will reduce the need for negotiation, of particular relevance to Guernsey where the parties are known to each other.

In the UK, it is common to base contributions formulae or standard charges on the increase in population (or dwellings) and/or employment that a new development will accommodate. As a small Island state with a controlled immigration policy, much of the house building in Guernsey will redistribute the population rather than accommodate an increase. For example, over the last ten years, there has been a rate of house building of somewhere between 160 and 250 dwellings per annum, yet an average net population increase of just 100 persons per annum.

Generally, we would advise that common sense is used to decide on a list of impacts which need to be met by the developer either as part of the development or by contribution to provision by the States. Typically this list of direct impacts would include reinforcing utility services, resolving traffic impacts, local improvements for pedestrians and cyclists, children's play areas and amenity open space. These should be treated as a priority. In Guernsey, we recommend that for other services, such as larger sports and recreation facilities, education and training, health, community halls and affordable housing, a 'needs based' approach is taken. Any decision about which services to include and any order of priority will have to be based on political judgement, with the obvious proviso that, given the relatively small volume of development and limited overall scope for the amount that could be collected, it makes sense to focus contributions on a short list of high priority services, such as affordable housing.

The key steps in establishing appropriate rates of provision or contributions for each service would be to:

- assess the extent of community needs (e.g. for affordable housing through the Housing Needs Survey);
- identify the extent of physical provision, in terms both of new facilities and major refurbishment of existing being planned (e.g. through States capital programmes). If it is decided to also seek contributions to the future running costs of particular facilities, these will also need to be assessed based on similar existing facilities;
- decide the most appropriate standards or formula to be used to decide provisions/contributions for particular kinds or amounts of development;

- check that when all requirements are taken together, that a typical development will be able to 'afford' the costs of provision/contributions. If it cannot, either the levels of contribution required will have to be scaled back, across all services, or a decision made to prioritise certain services; and then
- consult key stakeholders before adopting the policy and contributions schedule.

#### 4.5 *PROCEDURES FOR DEALING WITH APPLICATIONS SUBJECT TO PLANNING COVENANTS*

It will be important that policies and procedures for planning covenants are fully documented, in order to minimise the need for individual negotiations with applicants.

Experience in the UK suggests that, even with clear policies and guidance, there will need to be internal consultation with key States departments and the Law Officers, when an application is received, which is to be subject to a planning covenant.

In UK local authorities, it is normal, if not best practice, to agree the 'head of terms' for the planning agreement in time for that to be reported to Committee. The negotiation of the details and the drafting of the agreement then take place after the Committee has resolved to grant permission. The result is that average decision times for housing applications end up at around 12 months. Our advice (and that of ODPM) to local authorities is to commence negotiations with applicants as early as possible. In Guernsey, where planning covenants are likely to be simpler and less wide ranging, we believe it should be possible to prepare and agree draft covenants within a shorter decision time. If negotiations start as soon as an application is received, it should be possible to complete simple covenants within a few weeks after the Committee, or officer concerned, has decided that a positive planning decision can be expected.

We also recommend that the States prepare a model planning covenant, with a library of standard clauses. This can draw on model planning agreements or examples from UK local authorities. We have made similar recommendations to ODPM in England and they are considering how best to create a national model agreement. We recommend that the States consult local private sector legal advisers to agree the details of a model covenant.

#### 4.6 *DRAFTING PLANNING COVENANTS*

There are useful lessons to be learnt from the drafting of planning agreements in England, although these may need to be modified to suit drafting practice in Guernsey. In this section, we focus on the general drafting of covenants.

Further advice on incorporating affordable housing is in *Section 7*. Key drafting points to be taken into account are:

- **Format:** planning agreements (or covenants) are usually in the form of a deed, with plans and other technical material attached as schedules.
- **Parties:** the States of Guernsey will normally be one party with all of the owners, including long leaseholders, as the other parties. It is unusual to include other public agencies as parties, even if they have an interest in the outcome of the agreement, but this is not an absolute rule.
- **Types of Covenants:** in order to assist in defining the responsibility for discharging different elements of the covenant, different types of responsibility are often defined e.g. landowner, operator/management and plot covenants.
- **'Trigger' Dates:** it is usual to define these according to events rather than calendar dates e.g. commencement of development or completion of certain works or the 50<sup>th</sup> house or practical completion of the building.
- **Subsidiary Documents:** if necessary, the agreement can require the submission and approval of subsidiary documents, for example, a green travel plan or a management protocol.
- **Review Provisions:** the agreement can contain provisions which allow for the substantive review of requirements, for example, the tenure mix in later phases of a housing development. The procedures for such a review, including dispute resolution, need to be included in the agreement.
- **Defining What is to be Provided and by Whom:** normal good practice in civil contracts should apply. The requirements should be clearly and precisely defined. The buildings that are to be provided, arrangements for approval of design, location, state of completion, handover, maintenance and management should be covered. If works or provision off-site are to be undertaken by the developer these need to be exactly defined and, if the land concerned is not in the control of one of the parties, appropriate fall-back arrangements need to be set out in the covenant.
- **Transfers of Land and Buildings:** the agreement can require the transfer of land or premises, whether freehold or leasehold, to the States or another party. It may be appropriate to draft this as a negative requirement.
- **Financial Contributions or Payments:** the covenant can include the requirement to make specific payments at certain trigger dates or events. If necessary, financial contributions defined in the initial covenant can be subject to appropriate formulae e.g. the Retail Prices Index or Construction Price Index, to ensure that they are adequate when they come to be paid. It is normal to capitalize or commute contributions to running or maintenance costs into a single lump sum payable no later than

completion of the development. This prevents difficulties if the developer subsequently goes out of business.

- **Bonds and Guarantees:** when the agreement includes a requirement for example, for a public body to commission expensive works (to be paid for by the developer), it is usual to require the developer to deposit a bond or other guarantee of payment.
- **'Claw Back':** although we do not anticipate such clauses will be needed in Guernsey, agreements in the UK often contain arrangements for the return of financial contributions to the developer, if the local authority has not spent the contribution on the approved purpose within, say, five years of payment.
- **Discharge or Amendment:** the agreement can contain specific arrangements for discharge or amendment which modify any general provisions in the Planning Law 2005 or any ordinance.
- **Dispute Resolution:** it is usual to include arbitration or other dispute resolution procedures within the agreement, to minimise the risk that the agreement will need to be referred to the courts.

#### 4.7

#### *MONITORING AND ENFORCEMENT*

It is important to monitor the implementation of planning covenants, just as it is with planning conditions. Planning authorities which have large numbers of planning agreements often appoint planning officers with a sole or particular responsibility to advise on the preparation and undertake the monitoring and enforcement of planning agreements.

Financial payments received by the States will need to be dealt with under the States' normal accounting practices. Apart from the requirements for financial probity, there is the need for public (and developer) accountability. If contributions are being 'ring-fenced' or hypothecated for particular services or capital programmes, or the States decides to allow developers to 'claw back' unspent contributions, separate service funds will have to be maintained.

#### 4.8

#### *RESOURCE IMPLICATIONS*

If the States decides to use planning covenants to deal only with a limited range of direct impacts, then the implications for staff resources will be minimal with the main effort required at the start in creating the policy and any necessary guidance.

If, however, a more ambitious approach is taken, with planning covenants used to tap into a significant share of the development surplus value, (for example with a relatively high affordable housing target, a contribution

towards other needs such as education, health and infrastructure, or a combination of the two), then it will at times be necessary to apply valuation and development appraisal skills on individual applications. The bigger the contributions sought in policy, the more often developers/landowners will argue that their particular scheme cannot afford such a contribution without rendering the development unviable.

These valuation and development appraisal skills could be sourced in-house or with consultancy support. For the larger projects, with the more complex appraisals, there may be some benefit in using an independent party who can act as arbitrator or mediator between the States and the applicant. This third party would seek confidential access to the developer's financial appraisals.

Development appraisal is a mechanistic process that can be readily taught to numerate planners, who can be assisted through the use of spreadsheet models, a number of which are available to purchase for this purpose. However, the development cost and especially the value assumptions that feed into the appraisal require professional judgements and access to reliable data. Although the States has a well developed system for assessing building costs, this relies mainly on public sector tenders. Developers are reluctant to share their data on costs and values. For this reason alone, it would almost certainly be necessary to seek external advice. The overall staff and resource commitment for a full scheme would be considerable.



**Part C**

**Affordable Housing**

5 **HOUSING NEED AND SUPPLY AND THE ECONOMICS OF DEVELOPMENT**

5.1 **HOUSING NEED**

5.1.1 **Introduction**

The Housing Needs Survey (HNS) <sup>(1)</sup> produced evidence of an overall shortfall in housing on the Island together with a mismatch between available and preferred tenure, a size mismatch and significant problems of affordability for many of those seeking owner occupation.

Care is needed in interpreting those findings of the HNS which reflect peoples' aspirations rather than homelessness or severe need. The survey is also now several years out of date. The HNS to be commissioned in 2005 should be designed to inform any affordable housing policies in the revised development plans.

5.1.2 **Extent of Affordable Needs**

The 2001 HNS recorded an overall shortage of 179 homes per year, made up of a shortfall of owner occupied and social rented homes and an overprovision of private rented properties <sup>(2)</sup>.

In response to this shortfall, the Housing Authority recommended that the target for new housing provision should be increased from 250 to 300 homes per year for an interim period of three years (2002/3-2004/5). This was intended to provide a sufficient 'surplus' in new provision to cater for the needs of a backlog of potential new households wanting to obtain independent accommodation and to provide some spare capacity to enable a better 'fit' between the size and type of housing that people want and the accommodation available.

Of the identified annual shortfall of owner occupied homes, almost half of the households could not afford a property at the appropriate size-price threshold. Of these households, some 56% stated that they could afford to buy at least 50% of the equity of a partial ownership home and a further 30% could afford to purchase 25% of the equity (together with the costs of renting the remaining portion in each case). While the detailed figures may be questionable, the survey demonstrated that a large portion of the affordable housing need is for 'intermediate housing' for aspiring owner occupiers and that partial ownership is an affordable and achievable option for many of

(1) Guernsey Housing Needs Survey 2000/2001, Opinion Research Services

(2) This surplus would only be created if the supply of owner-occupied dwellings satisfies the demand for that tenure, freeing up the private rented properties. In practice some who aspire to but cannot afford home ownership will occupy the surplus of private rented homes

these households. This is in contrast to the situation in much of southern England.

In addition to increasing the overall housing target, the States decided to introduce partial ownership schemes, to explore the scope and potential mechanisms for the delivery of housing through the planning system (as reported in this study), as well as continuing to provide additional affordable housing through the Guernsey Housing Association (GHA).

## 5.2 *HOUSING SUPPLY*

### 5.2.1 *Planning Policies to Ensure Supply*

The '*Strategic and Corporate Plan*' seeks to ensure that as much new housing as practicable is provided within the existing urban areas and on previously developed land. The rural area only needs to provide 10% of the overall housing target, which will be easily met by existing proposals.

The Urban Area Plan (2002 - 2007) is intended to satisfy 90% of new housing development within the urban area for five years, based on the 2000 '*Strategic and Corporate Plan*' figure of 250 additional new homes each year. To meet this requirement, the Environment Department is to seek to ensure that a two-year housing supply is available at any one time (policy HO1). In so far as is practicable, this will concentrate new build within the Settlement Areas and on previously developed land (policy HO2) and will involve conversion, sub-division and the re-use of existing buildings and upper floors (policies HO4, HO5, HO6 and HO7).

The use of greenfield sites, the Housing Target Areas, will be carefully controlled with site release, through an Outline Planning Brief, only where necessary to ensure supply or when the Environment Department is so directed by the States (policy HO8).

The Urban Area Plan also requires that in the 'Central Areas', proposals for commercial development of more than 2,000 square metres should include an element of residential development wherever this is considered to be appropriate (policy HO3). There is no explicit affordable housing policy but the plan has policies for smaller households, people with mobility impairment and the elderly.

### 5.2.2 *Housing Supply as Indicated by Planning Permissions*

Table 5.1 shows the breakdown of new-build housing by numbers of dwellings per application over the three year period January 2002 to December 2004, including conversions and sub-divisions of existing dwellings but excluding dwellings in the affordable sector.

Table 5.1 *Housing Permissions 2002 to 2004 by Size of Application (Gross)*

Number of New Dwellings per Application*	Number of Applications	Total Number of Units
Single dwellings	199	199
2 to 4	100	231
5 to 9	30	198
10 to 14	5	61
15 to 19	3	53
20 to 24	2	44
25 to 30	2	53
30+	5	188
<b>Average per year</b>	<b>115</b>	<b>342</b>

Source: Environment Department, Forward Planning, May 2005  
\* includes conversions

The figures suggest that over this three year period, gross permissions averaged 342 units per annum. Data on net permissions is not available but it is estimated that there were some 40 demolitions per year.

### 5.2.3 *Housing Completions*

The States does not formally record housing completions at present, but this is an area where action is being taken under the Corporate Housing Programme. Data has been made available for completions of those dwelling units granted permission between January 2000 and December 2004. During this five year period 1,600 units were granted permission of which 797 were completed. This implies a rate of some 160 units gross per year but this is not a reliable average figure as it is likely that other units granted permission before January 2000 were also completed during this period.

### 5.2.4 *Completions and Permissions in the Affordable Sector*

All affordable housing development since 2002 has been undertaken by the GHA on land from the Housing Department (with the exception of the Old Coach station site which the GHA acquired directly). Between March 2000 and 2002, the Housing Department completed one development of 13 flats.

Since 2002, the GHA has built 116 new affordable homes at Delancey Court and Rue des Marais, equivalent to 55 net additional homes as 61 properties were demolished. A further 21 net additional units are expected next year with developments at Roseville and La Chaumiere due for completion by May 2006. This suggests that, in its first four years, the GHA will have delivered nearly 20 net additional units per year. In 2007, this is expected to jump to between 50 and 70 completions with the development of the Old Coach Station site.

### 5.3 DEVELOPMENT ECONOMICS AND THE POTENTIAL FOR AFFORDABLE HOUSING AND OTHER PLANNING CONTRIBUTIONS

#### 5.3.1 Introduction

In this section, we explore the potential for affordable housing and other planning contributions. This has been done by examining the residual land value from residential and commercial developments, under a range of different assumptions about both the costs and values from development. We then examine how different levels of contributions for infrastructure, affordable housing and other community services and facilities are likely to affect development viability. In determining whether or not a particular level of contributions makes a development unviable, we have assumed, based on the existing market in Guernsey, that there is a threshold residual land value of £2.47 million per hectare ( £411,667 per vergee or £1 million per acre), and that, below this level, landowners may be dissuaded from bringing sites forward for development.

Traditionally, landowners' expectations have been far higher, but if a policy is introduced and applied consistently, expectations will fall to a more realistic level as the policy approach gains acceptance. It is also likely that some landowners, even today, are willing to release sites for values below this threshold, especially if the site has a low (or even negative) existing use value.

The details of this analysis are set out in *Annex B*. Development appraisal modelling requires a number of assumptions, any one of which can be 'sensitivity tested'. We have struck a balance between providing a realistic and meaningful number of development scenarios and providing a spread of assumptions to cover uncertainties and enable the findings to be interpreted. The residential development scenarios tested are set out in *Table 5.2*.

**Table 5.2 Residential Development Scenarios**

Series	Developer's Profit	Planning Contributions (Exc Affordable Housing)	Affordable Housing Contributions
1a	25%	None	None
1b	25%	£107 per sq m	None
2a	20%	None	None
2b	20%	£107 per sq m	None
3a	20%	None	100% intermediate housing
3b	20%	None	50% market 50% intermediate housing
3c	20%	None	70% market 30% intermediate housing
4a	20%	None	70% market 20% intermediate 10% social rented housing
4b	20%	None	60% market 30% intermediate 10% social rented housing
4c	20%	None	60% market 20% intermediate 20% social rented housing
4d	20%	None	50% market 30% intermediate 20% social rented housing

In all cases, the appraisals assume a range of sales values on the local market between £4,300 and £6,450 per sq metre and a range of construction costs, for all types of housing, of between £1,600 and £2,420 per sq metre. Professional fees and finance costs are assumed to be on-costs of 10.5% and 7.25% respectively. Factors are also built in for sales costs and marketing. A density of 3,440 sq metres per hectare (573 sq metres per vergee) of residential development is assumed in all cases. Depending on dwelling size, this would provide between 18 and 50 dwellings per hectare (3 and 17 dwellings per vergee). A full discussion of the sources for, and reasoning behind, these assumptions is given in *Annex B*.

We have also briefly explored the potential for planning contributions from commercial development and the impact that a system of contributions will have on mixed use developments.

### 5.3.2 *Residential Development Appraisals*

Series 1 (*Tables B1 and B2*) reflects what is currently a typical level of developer's profit on residential development in Guernsey, a figure that is sometimes even exceeded. While this is therefore a realistic starting point, all other scenarios assume the level of profit falling to a level more normally found in a competitive environment with an average level of development risk, ie 20% <sup>(1)</sup>.

The development appraisals for Series 1a and 2a show that, with development profit at both 25% and 20%, it is only a combination of medium-high construction costs (£2,152-£2,421 per sq metre) combined with low sales values that makes residential development unviable. However, adding a typical levy for planning contributions such as infrastructure and other community services, equivalent to an extra £107 per sq metre of construction costs, makes even moderate cost locations unviable at the higher profit level (see *Tables B2 and B3*).

In Series 3 and 4, affordable housing is required in place of other types of planning contributions. Clearly, in reality, the States might wish to levy contributions for a combination of different facilities or infrastructure, including affordable housing. The selected development scenarios merely simplify the range of possible outcomes.

Series 3a (*Table B5*) assumes that the intermediate housing raises 70% of market values through a combination of sales of shares of partial ownership and capitalised rental streams. *Table B6* onwards adopts a different assumption, more realistic for Guernsey, that each intermediate unit will require an average cross subsidy, from the developer, of £10,000.

<sup>(1)</sup> This is the maximum extent to which the development industry should be affected by the introduction of planning covenants as the remainder of the contributions, if not all of them, will reduce the residual land value ie the landowner's return on the development.

In practice, the level of cross subsidy will vary, depending on the amount of equity purchased and the rental levels payable on the remaining share. We estimate that the range will be from a cross subsidy of around £30,000 per unit where only 25% is purchased and a social rent is paid on the remainder, to a break even position where 50% is purchased (and social rent payable on the remainder), to a position where the developer would make a profit, if, say, 75% is purchased or the rental level exceeds social rents. On balance, £10,000 per unit is a reasonable average figure.

The analyses show that around 30% intermediate housing (70% local market housing) would generally be viable, except in high cost situations, (and without other significant contributions), but that 50% or more would not.

In Series 4, *Tables B8 to B11*, affordable housing contributions are a combination of social rented and intermediate housing, assuming cross subsidies of £60,000 and £10,000 per social rented and intermediate housing unit respectively. The former assumption is based on recent scheme appraisals by GHA. The total levels of cross subsidy, on a typical one hectare (6 verges), 50 unit development scheme, are set out in *Table 5.3*.

**Table 5.3** *Levels of Cross Subsidy on a Typical One Hectare (50 unit) Scheme*

Series	Local Market No.	Intermediate No.	Social Rented No.	Total Cross Subsidy per hectare (6 verges)
4a	35	10	5	£400,000
4b	30	15	5	£450,000
4c	30	10	10	£700,000
4d	25	15	10	£750,000

Series 4a is considered the most realistic of these scenarios, with 70% local market, 20% intermediate and 10% social rented housing. The other scenarios, particularly 4c and 4d, would diminish land values on the majority of sites, such that owners of those sites are likely to be reluctant to bring their sites forward.

### 5.3.3 *Commercial Development*

Unlike the residential market, the commercial property market has generally peaked in Guernsey with major projects like Admiral Park completing, and other schemes such as Leale's Yard already having outline planning permission. The result is a noticeable decline in new projects coming forward especially commercial offices where some comparatively new space has been returned to the market. While some new office space has asking rents approaching £320 per sq metre, most available space is pitched nearer £200 per sq metre and volumes are small. These lower values, if capitalised, are effectively less than those achievable for the same amount of residential development.

We therefore see little scope for significant planning and affordable housing contributions from commercial property at the present time, though any

obvious direct impacts should be mitigated as part of good planning practice. It will be necessary to monitor market trends in case an upturn prompts new projects in the future and the volume and value of commercial property reaches a point where it would be worth levying some charges.

#### 5.3.4 *Mixed Use Development*

At present the States has a policy requiring commercial developments of more than 2,000 square metres in Central Areas to include an element of residential development (policy HO3 of the Urban Area Plan). There are recognised benefits of mixed use developments in central areas, such as their ability to foster vitality, especially outside working hours, and a potential reduction in journeys into work. It is also likely that when the policy was first introduced commercial development was more profitable than housing development so the policy was also designed to encourage residential at the expense of commercial, despite a preference on the part of the landowner/developer to maximise commercial densities on central sites.

With residential now commanding greater returns than commercial development, this policy is, at least in financial terms, acceptable to developers.

However, levying planning contributions is a form of market intervention that could impact upon development activity, at least in the short to medium term, and is subject to the limitations of the market. To levy significant planning contributions on residential development but not on commercial development will tip the scales making commercial development relatively more attractive to developers and landowners than it is at present (though not necessarily to the point where it becomes more profitable than residential development).

In monitoring the volume and value of commercial development activity to determine if and when it becomes expedient to levy significant planning contributions on that sector, attention should also be paid to the relative profitability of the two sectors such that a combination of planning contributions and other planning policies (such as mixed use) can be used to achieve the desired planning objectives.

#### 5.3.5 *Brownfield vs Greenfield Development*

A system of development tariffs could distinguish between greenfield and brownfield development by levying a higher rate of contributions on the former. Also, a betterment tax would, by definition, take higher levels of contribution from the more profitable sites. It might therefore be possible to capture more of the profit/development surplus on these potentially highly profitable sites than would be the case with a system of planning covenants.

However, we do not consider that levying planning covenants threatens a spatial strategy that prioritises brownfield over greenfield development. Given a choice, landowners and developers will always release and/or

develop the more profitable sites first, hence it is the role of planning policy to determine what development is acceptable. If greenfield development is contrary to planning policy then such sites are not threatened by the introduction of planning covenants.

### 5.3.6

#### *Conclusion*

Overall, the modelling exercise demonstrates that, in the case of residential development:

- the combination of affordable housing and other planning contributions will have a marked effect on land values and will, in some scenarios, reduce values to a level below the assumed threshold of £2.47 million per hectare (£411,667 per vergee or £1 million per acre). At times landowners' expectations have been far higher than this, but, if a reasonable policy is adopted, expectations will diminish to a more realistic level. It is difficult to assess this realistic level, but we would expect that development would proceed in due course provided that values are in excess of £1.8 to £2.0 million per hectare (£300,000 to £333,333 per vergee). This would represent a 'new' market for development sites that will take time to adjust;
- predictably, the greater the proportion of affordable housing, and in particular the greater the proportion of social rented housing within the affordable housing total, the larger the reduction in land values;
- Series 4a comprising 70% local market, 20% intermediate and 10% social rented housing with a total cross subsidy of £400,000 per hectare (£66,667 per vergee) represents the most feasible policy approach of those modelled. While low value, high cost developments would not generate sufficient land value to make this option deliverable without public subsidy, most mid to high value schemes would yield sufficient land value to be capable of implementation without any States' subsidy; and
- some schemes would be able to carry additional planning contributions on top of this affordable housing requirement. On balance, however, the affordable housing requirement would need to be lower than 20% intermediate and 10% social rented, if the States chooses also to require contributions towards infrastructure and/or other community services and facilities on those sites.

It is important to be aware that the economics of residential and commercial development change over time. If policies requiring planning contributions are introduced it will be necessary to monitor development activity and the markets to they continue to work as intended. There is little opportunity, at present, for contributions from commercial development where there is neither the value, nor the volume of development, to make such a system worthwhile. However, it will be necessary to monitor the commercial property market and applications to ensure that mixed use policies are not

compromised and to see whether planning contributions could be levied at some point in the future.



## 6 **OPTIONS FOR DELIVERING AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM**

### 6.1 **INTRODUCTION**

The planning system can contribute to the delivery of affordable housing by directly facilitating the supply of affordable homes and sites or by raising financial contributions to fund or subsidise affordable housing units. In *Section 6.2*, the principles of setting affordable housing targets is described. This would be entirely consistent with the spatial strategy in the States' development plans. There are further options, including allocating specific sites for affordable housing and criteria based 'exceptions' policies. These would, in practice, require changes in the spatial strategy in the development plans. In *Section 6.3*, we explore the alternative use of purely financial contributions for affordable housing. This work builds on an analysis of affordable housing arrangements in other jurisdictions, selected details of which are set out in *Annex C*.

In *Section 7*, we recommend the most appropriate options for Guernsey and advise on practical implementation, in more detail.

### 6.2 **DELIVERING A SUPPLY OF SITES FOR AFFORDABLE HOUSING**

#### 6.2.1 **General Affordable Housing Targets**

In the UK, local planning authorities in high value areas set percentage affordable housing targets to be provided as part of mixed tenure residential developments on private sites. Typically the target is applied only to sites over a certain size threshold, usually defined in terms of the site area and/or the number of dwellings proposed.

There is no standard or universally accepted target rate, and it would be for Guernsey to establish an appropriate rate based on housing need and the economics of development. In England and Wales, in high value areas, targets have tended to increase from between 10% and 25% in the late 1990s to between 25% and 30% and occasionally to 50% over the last five or six years. In England and Wales, local planning authorities are required to indicate in their development plans how many affordable homes need to be provided in their plan area, based on up-to-date surveys and other data on local need. They are then required to translate this into a target for mixed tenure sites taking into account supply factors such as the rates of house building and affordable housing re-lets.

In Ireland and the Isle of Man, the targets are generally lower, though the Isle of Man has combined a policy requirement of 25% affordable housing on private sites with a relatively low threshold, applying this to all sites of eight dwellings or more. In Ireland, local planning authorities can only require up

to 20% affordable housing on private sites and developers are compensated by the government at the level of the existing use value (in the case of land), plus development costs (in the case of sites), plus reasonable profit (in the case of houses).

The targets may specify a range of types or tenures of affordable housing, such as a split between social rented and intermediate housing, or may be more specific, recommending target groups, such as key workers or households with special needs.

#### *Thresholds and Small Site Measures*

The current guidance for England and Wales (PPG3, revised 2004) recommends a threshold for on-site provision of not less than 15 dwellings unless it can be demonstrated that a lower threshold can be justified in terms of the size and type of sites likely to come forward and that a significant contribution would be made from these smaller sites.

Some authorities have justified thresholds as low as one or two dwellings, often with a lower level of contribution on smaller sites (a 'stepped threshold').

Research for the Greater London Authority <sup>(1)</sup> found that small housing schemes are generally more expensive to develop than larger ones, especially on schemes below six units, and that these cost differentials are not reflected in higher land values. Whilst not explored in that study, this lends some credence to the notion that targets should be lower on small sites to reflect their lower profitability.

The use of commuted sums on the smaller sites enables the lower profitability of small sites to be taken into account. As with any stepped approach it should also reduce the tendency for developers to design schemes so that they remain just below the affordable housing threshold.

#### *Yields with Different Targets and Thresholds*

'The Strategic Land Use Plan' has set a target of 250 dwellings of all tenures per annum to 2016. If we assume that this target is delivered but not exceeded, then (subject to viability) the various affordable housing target and threshold combinations would yield the numbers of affordable units shown in *Table 6.1*.

(1) Affordable Housing in London, SDS Technical Report, GLA, July 2001, Three Dragons/ Nottingham Trent University.

**Table 6.1** *Affordable Housing Yields with Various Combinations of Affordable Housing Targets and Thresholds (Total Housing: 250 units gross)*

% Target	Threshold							
	0	2+	5+	10+	15+	20+	25+	30+
10	25	20	15	10	8	7	6	5
20	50	40	29	19	16	14	12	9
30	75	60	44	29	25	21	18	14
40	100	81	58	39	33	28	23	18
50	125	101	73	49	41	35	29	23

Source: Based on breakdown of permissions by site size (Table 5.1); Environment Department, Forward Planning, May 2005

*Table 6.1* assumes that the target and threshold would be levied on gross completions, as is common in the England and Wales. It indicates that setting a target of 10% with no threshold would yield about 25 units per year, down to just 5 units per year with a threshold of 30+ units. Setting a target of 50% would yield between 125 and 23 dwellings per year under these circumstances.

The highlighted area of *Table 6.1* shows the yields with a target of between 20% and 30% and a threshold of between two and ten units. This would yield between 19 and 60 affordable housing units per annum, subject to viability.

#### *On-site Affordable Housing*

On-site provision is a practical approach where there is a limited supply of housing sites. It could be effected through the developer building the affordable units and then handing them over to the States or another housing manager, or it could mean that a share of the land 'on-site' is made available to the States to commission affordable housing units for itself. In Guernsey, as in many other localities, there are significant advantages of leaving the construction to established builders who are already on site. We are also advised that the States has a history of managing small numbers of units and even single affordable homes.

The costs of managing lots of single or small numbers of affordable housing units can be reduced by requiring standard fixtures and fittings and possibly even that some aspects of design are standardised.

#### *Off-site Provision*

Even with a presumption in favour of on-site provision, (which we recommend for Guernsey), there may be circumstances in which the States would prefer off-site provision or an equivalent payment in lieu (see *Section 6.3.2*). Where it is accepted that off-site provision is acceptable as an alternative, it is common practice to expect a developer to contribute the target proportion of affordable housing on the total amount of development provided on the two sites. Thus on-site provision of 25% affordable housing

would be equivalent to off-site provision (or a payment in lieu) equivalent to 33% of on-site provision in order to maintain a ratio of 3:1 private market: affordable homes.

#### *Intermediate Housing*

Planning authorities in southern England usually specify that a portion of the affordable housing provided on mixed tenure sites should be intermediate housing. This includes partial ownership but also sub-market rental housing. The latter is important in Guernsey where the intermediate sector includes a small proportion of households with low affordability levels who are not eligible for social rented housing.

#### *Use of Public-Sector Housing Subsidy*

Some authorities in England and Wales have adopted policies which set the target at a level that mixed tenure developments can generally afford without a public sector subsidy on the initial building of the units, through cross subsidy from the open market housing. This is the simplest and most certain approach. Under this arrangement, the Housing Association would pay a price per unit based on what it could raise against the future income stream (see *Section 7.6*).

In many high priced areas in England, developers are able to finance intermediate housing even without any cross subsidy from open market housing as the value of completed units covers their costs of provision. Their ability to do this depends either on the housing being pitched at households whose incomes are close to being able to afford full market value or on them (or their funders) retaining a long term interest in the capital appreciation of the housing.

In Guernsey, we believe that, on many sites, a 'no subsidy' approach would work.

### **6.2.2 *Specific Site Allocations for Affordable Housing in Development Plans***

In Jersey, some greenfield sites have been zoned in the Island Plan for residential development, restricted to the 'first-time buyer/social rented' sectors, termed Category A housing. No land has been zoned for normal market housing (Category B), the demand for which, it is assumed, can be accommodated through infill developments, conversions and redevelopments within the designated built up area.

There is a policy requirement that 55% of Category A housing is for first time buyers and 45% is for the social rented sector. Land zoned in this way is being developed by landowners or, where necessary, will be acquired by the States, in order to ensure that the requirement for Category A homes can be met.

One of the strengths of Jersey's approach is that there are no other sites allocated for housing in the development plan. This makes the allocation more acceptable to landowners, who will be less inclined to compare the potential returns from affordable housing with what they could have achieved with a market housing allocation. It also enables the States to justify their release on a housing need argument, which is more difficult when it can be argued that other (identified) sites should be used to meet those needs. The policy is also acceptable to land owners and developers because, in Jersey, Category A housing makes a reasonable return. For example, currently, a three bed house in the first time buyer market is priced at 84% of the normal (Category B) housing market price.

In Guernsey, a similar policy with the allocation of sites for affordable housing in the development plans, could support the strategy to concentrate 90% of development within the urban area. Substantial brownfield sites and Housing Target Areas could be partly or wholly designated for affordable housing through an Outline Planning brief.

The yield from such a policy depends on the extent of affordable housing allocations and whether they are taken up. Development of the HTAs entirely for affordable housing would yield the approximate numbers of units set out in Table 6.2.

**Table 6.2** *Estimated Housing Capacity of HTAs*

HTA	Approximate Capacity at 37.1 dwellings per hectare (6.2 dwellings per Vergee or 15 Dwellings per Acre <sup>(1)</sup> )
Belgrave Vinery	435
Pointues Rocques	90
Salt pans	90
La Vrangué	70
Franc Fief	177
<b>Total</b>	<b>862</b>

Note: (1) As quoted in source document  
Source: Urban Area Plan, Housing Capacity Study, February 2001

With no cross subsidy from market housing, any sites allocated for 100% affordable housing would only be able to provide for that element of intermediate housing aimed at the higher affordability levels if they are not to need subsidy (or 'gap funding') from the States. Any 100% affordable housing sites providing social rented or intermediate housing at the lower affordability levels would need States' subsidy.

### 6.2.3 *Criteria Based Exceptions Policies for Windfall Sites*

In areas of development restraint, such as rural areas, criteria based exceptions policies identify the types of sites which may exceptionally be developed for affordable housing but which would not ordinarily be released for development. Rural exceptions policies in the UK are, as the name implies, intended to sustain rural communities. Policy RH2 of the draft Rural Area

Plan fulfils a similar function in Guernsey. The Urban Area Plan makes general provision for housing, including affordable housing to meet the Island's requirements. Therefore, there is no justification for an exceptions policy in the urban area.

Rural exceptions policies are commonly used in Scotland. The Highland Plan, for example, states that affordable housing requirements and the maintenance of rural communities can permit exceptions to the general restriction on housing in the countryside. The Fife Plan states that proposals exceeding the housing land requirement will not normally be supported but that they may be where the development is solely for affordable housing and will be meeting an identified local need.

In Australia, 'bonuses' and 'planning relaxations' are used as incentives to encourage provision of affordable housing in designated areas. Developers can be offered additional development capacity for a site through relaxation of height and density restrictions, in return for providing part or whole of the development as affordable housing or for some other community benefit (such as including a community facility in the development). Waverley Council in New South Wales has had a bonus system in place for several years, and Brisbane's City Plan already has some provisions for bonuses to be offered for affordable housing. This mechanism by itself, however, has not produced large amounts of housing, relying as it does on opportunities as they arise. Critics argue that granting of bonuses can compromise neighbourhood amenity and/or rests on an assumption that restrictions are set unnecessarily strictly in the first place.

#### **6.2.4 *Conversion to Housing and Sub-Division of Large Private Dwellings into Smaller Housing Units***

Policies HO4, HO5, HO6 and HO7 in the Urban Area Plan enable the conversion of existing buildings for residential purposes and the sub-division of large private dwellings into smaller units. This increases the number of smaller properties for first time buyers and single people, addressing the size mismatch identified in the HNS and possibly also helping some households to afford market housing who would otherwise be priced out of the market.

If combined with an affordable housing target and a low threshold (such as, for example, just two units) there would also be a small affordable housing yield from such a policy. We have included additional dwellings from subdivisions and conversions in our estimates of affordable housing yield from a targets policy so this is not estimated separately.

#### **6.2.5 *The Role of Planning Covenants***

We have already set out in *Section 3* how and in what circumstances planning covenants are used. They would be appropriate as a way to secure affordable housing, whichever of the options are adopted. Covenants have the advantage that they impose requirements on both parties and it is likely that

the States will have some obligations in respect of the affordable housing, such as providing nominations and agreeing letting protocols. These details can be complex and are best settled in negotiations (even if the overall target is largely non-negotiable) and set out in a planning covenant rather than being imposed unilaterally through conditions.

For exception sites (or 100% affordable housing sites), while the basis for development is set out in development plan policy, the States may also wish to use planning covenants to secure the affordable housing, especially where the site is to be developed by the private sector. For the same reasons, as with affordable housing targets on mixed tenure sites, planning covenants are preferred to the use of conditions due to the complexity and bilateral nature of the obligations to be established.

In the limited circumstances where the land is sold to the applicant by the public sector, the affordable housing element could be brought about using a restrictive covenant on the land title rather than by a planning covenant.

#### 6.2.6

#### ***Evaluation of Planning Policies Delivering a Supply of Sites for Affordable Housing***

A summary of the evaluation is presented in *Tables 6.3 to 6.5*.

Table 6.3 Summary of Evaluation of Planning Options for the Delivery of Affordable Housing Units and Sites

Mechanism/Summary Criteria	Procedural/legal measures required	Practicality (see Table 6.4)	Compatibility (see Table 6.5)	Estimated Yield
Policies leading to direct provision: Targets (On-site)	Planning conditions or planning covenants. Latter preferred due to complexity and bilateral nature of obligations.	Moderate (need valuation and development appraisal skills where target contested)	Good	See Table 6.1
Targets (Off-site)	Planning covenants.	Moderate (need valuation and development appraisal skills where target contested)	Good	See Table 6.1
Allocations for affordable housing in Development Plans	Detailed Development Plan Policy. Likely to also involve planning conditions or covenants (latter preferred) where permission granted to private sector.	Good	Weak, can lead to inappropriate development and contrary to existing policy approach	Depends on extent of allocations and their take up
Criteria based exceptions policies for windfall sites	Detailed Development Plan Policy. Likely to also involve planning conditions or covenants (latter preferred) where permission granted to private sector.	Good	Weak, can lead to inappropriate development and contrary to existing policy approach in Urban Area, though are used in Draft Rural Area Plan	Depends on need and take up of policy

Table 6.4 *Evaluation against Practicality Criteria*

Mechanism	Ease of introduction for affordable housing delivery	Ease with which can be administered/ resourced; skills required on an on-going basis
<b>Policies leading to direct provision: Targets (On-site)</b>	Likely to be unpopular with house builders and owners of sites with development potential. Requires valuation and development appraisal skills to establish but no other significant technical constraints	Valuation and development appraisal skills required where developers contest targets but these can be resourced externally.
<b>Targets (Off-site)</b>	Likely to be unpopular with house builders and owners of sites with development potential. Requires valuation and development appraisal skills to establish but no other significant technical constraints	Valuation and development appraisal skills required where developers contest targets but these can be resourced externally.
<b>Allocations of affordable housing in Development Plans</b>	Could face resistance from owners of identified sites but much less likely if these are the only sites identified in the development plan. Also dependent on extent of reduction in potential residual value from that which would have been earned with private market housing. However may find lots of owners seek site identification in the Plan if likelihood of development on other basis very low. Likely to be resistance from neighbouring land and home owners at Development Plan stage. No significant technical constraints to their introduction.	Relatively simple to administer on on-going basis
<b>Criteria based exceptions policies for windfall sites</b>	Could face resistance from owners of sites with development potential, depending on extent of reduction in potential residual value from that which would have been earned from private market housing and likelihood of obtaining permission for such use. No significant technical constraints to their introduction	Relatively simple to administer on on-going basis (though likely to be resistance from neighbouring land and home owners at time of application if existing land use preferred by neighbours).

Table 6.5 Evaluation against Compatibility Criteria

Mechanism	Relationship with Corporate Housing Objectives	Relationship with Planning Objectives/ Perverse Effects	Relationship with Macro-Economic Objectives to (i) reduce capital expenditure (ii) promote a business-friendly environment
Policies leading to direct provision: Targets (On-site)	Compatible	No perverse effects. On-site provision would foster mixed communities	Compatible
Targets (Off-site)	Compatible	No perverse effects	Compatible
Allocations of affordable housing in Development Plans	Compatible	Affordable housing allocations may be criticised for leading to sites being developed that would not be permitted for market housing. They therefore need very careful consideration and strong justification in terms of housing need. They are strongest where there are no other site allocations in the development plan (as in Jersey).	Compatible
Criteria based exceptions policies for windfall sites	Compatible	Such policies are criticised for leading to sites being developed that would not be permitted for market housing. They therefore need very careful consideration and strong justification in terms of housing need. They are currently used under strict conditions in the Draft Rural Area Plan (policy RH2), but are contrary to policy in the Urban Area.	Compatible

There is likely to be some objection from the development industry to the introduction of affordable housing targets on private sites. The targets would need to be set at a level that enabled a reasonable profit to be made on these sites, ideally without recourse to a housing subsidy.

Once introduced, it would be a relatively simple policy to administer and resource, though development appraisal skills would be required to negotiate with applicants who claim that the target threatens the viability of the development. Such cases could be handled by external advisors with skills in valuation and development appraisal, rather than by relying on in-house staff. This would have the advantage that the external advisor is an independent party who could act as arbitrator.

The policy would support the objectives of the CHP and help to reduce pressure on the States capital programme. The only unintended consequence in planning terms might be an increase in the number of development proposals just under the site size threshold though measures could be taken to avoid this, for example by using a stepped threshold and targets approach or by setting the threshold at just one or two units. On-site provision would foster the development of mixed communities and off-site provision could be an acceptable alternative where there are sound planning or other reasons.

Development of affordable housing on greenfield sites through the application of a rural exceptions policy or the release of one or more HTAs may divert development from brownfield sites closer to the main centres of Town and the Bridge.

Equally, some landowners whose land is directly affected, may resist such a policy if the returns are substantially less than they would earn through development for local market housing. This depends on the financial circumstances including the tenure and type of the affordable housing required and the economics of provision. If the site has no realistic prospect for residential or other development without such a policy, landowners tend to accept the reduced values they can achieve.

Exception policies have potential to contribute to CHP and macro-economic objectives. However, in planning terms, they may be criticised for enabling the development of sites that are not strictly suitable as they run contrary to normally restrictive policies. Experience from other countries, including England and Wales and Australia, suggests that they do not yield significant quantities of affordable housing, though this clearly depends on the detail of the policy.

As a result of this evaluation we develop a hybrid approach, in *Section 7*, that focuses on affordable housing targets to be applied to sites being proposed as 'windfall', but recognises that the States could require up to 100% affordable housing on particular sites which it owns or decides should be developed for affordable housing.

### 6.3 *RAISING FINANCIAL CONTRIBUTIONS FOR AFFORDABLE HOUSING*

#### 6.3.1 *Introduction*

There are a number of different mechanisms to raise finance for affordable housing. These have mostly already been discussed as a general planning-related fiscal measures in *Section 3* and are therefore covered only relatively briefly below in terms of how they apply specifically to affordable housing.

In England and Wales any financial contributions are raised through planning agreements. Under a different legal framework it may also be possible to use planning conditions for such payments but we favour planning covenants or agreements over conditions where financial transactions are involved (see *Section 3*).

#### 6.3.2 *Affordable Housing Targets: Financial Contributions in lieu of Direct Provision*

Planning policy targets may be realised by applicants paying a commuted sum in lieu of on or off-site provision. This is, in effect, a form of standard charge as planning authorities will use a methodology and set of formulae relating to factors such as the total number of private units and the availability of grant to calculate the level of contribution required in each case.

In England and Wales, where the national framework sets a strong preference for on-site provision, a financial payment is only acceptable in lieu of direct provision in exceptional circumstances and where there are sound planning reasons. It would possible to devise a policy framework in Guernsey that required financial contributions or was more neutral about direct provision or equivalent payments.

The potential yields from such a policy are similar to those shown in *Table 6.1*, provided, of course, that sites are available for these numbers of units to be delivered and a delivery mechanism is available.

#### 6.3.3 *Housing Impact Fees*

Impact fees do not sit comfortably next to affordable housing requirements as it is difficult to argue that developments create a need for affordable housing. The strongest line of argument in the case of residential development, where the land supply is restricted, is that private housing developments take up land that could otherwise have been developed for affordable housing. With commercial and industrial development, on the other hand, it can be argued that the resulting economic development will need a labour force, some of which may not be able to afford market housing.

Housing impact fees are applied in the USA to new commercial or industrial development on this premise. The fee is calculated at a rate per square foot on a sliding scale from offices and comparable uses, where rates are highest, to warehouses, where they are lowest. The impact fees are paid to a local

Housing Trust Fund to deliver affordable housing. By law, at least 60% of the fund must be used to create housing for lower income households, most with incomes at 50% or less of the median income for the local area. However, in Guernsey the rate of commercial and industrial development, and the returns from that development, is currently too low to warrant such a policy.

#### 6.3.4 *Development Tariffs*

Development tariffs could pay into an affordable housing fund to support the provision of such housing on or off-site. The development tariff approach would raise a financial contribution proportionate to the quantity of development. While not essential, it could be linked with an affordable housing target with a policy stipulating, for example, that the contribution raised would be used to subsidise x% of on or off-site provision.

#### 6.3.5 *Land Betterment Tax (or Planning Gain Supplement)*

Land Betterment Tax (LBT) would raise finance for affordable housing and other community infrastructure in proportion to the profitability of the development. This would not fit easily with a pre-determined affordable housing target but such a link could be created, for example where the sum raised is used to subsidise the provision of up to x% of on or off-site provision, with the remainder going into a fund for other uses as required.

Some States in Australia make use of betterment levies which recover part or all of the windfall increases in land values that accrue to property owners when an area is 'up-zoned' to a higher value land use such as housing. Councils can introduce a one-off 'differential rate' under the Local Government Act at the time an area is re-zoned in this way. For example, in the Australian Capital Territory a fee is payable upon the up-grading of land leases. The use of the proceeds of such a levy for affordable housing (or any other use) is determined by the planning authority.

#### 6.3.6 *Evaluation of Mechanisms for Raising Financial Contributions for Affordable Housing*

A summary of the evaluation is presented in *Tables 6.6 to 6.8*.

Affordable housing targets effected through the payment of commuted sums would be relatively simple to introduce, though in common with all options for levying financial contributions, they would meet with resistance from housebuilders and landowners. The States would prefer direct provision of affordable housing, where possible, to reduce the need to make alternative delivery arrangements. It would still need to have access to valuation and development appraisal skills to administer a targets policy in order to deal with appeals against the standard level of contribution.

**Table 6.6 Summary of Evaluation of Options for Raising Financial Contributions for Affordable Housing**

Option	Procedural/legal measures required	Practicality (see Table 6.7)	Compatibility (see Table 6.8)	Estimated Yield
Financial Contributions in lieu of Direct Provision	Planning covenants preferred	Moderate	Good	See Table 6.1
Housing Impact Fees on Commercial Development	Planning covenants preferred	Poor (volume and value of commercial development doesn't justify introduction)	Moderate (may not be regarded as fostering a business friendly environment)	Very low
Development Tariffs	Planning covenants preferred	Moderate - poor (technically difficult to set up)	Good	not known
Land Betterment Tax	New primary legislation required	Poor (technically difficult to administer and resource).	Good	Similar to development tariffs.

Table 6.7 Evaluation Against Practicality Criteria

Option	Ease of Introduction for affordable housing delivery	Ease with which can be administered/ resourced; skills required on an on-going basis
Financial Contributions in lieu of Direct Provision	Likely to be unpopular with house builders and owners of sites with development potential. Requires valuation and development appraisal skills to establish but no other significant technical constraints	Moderate, but valuation and development appraisal skills needed to deal with appeals
Housing Impact Fees on Commercial Development	Volume of commercial development (and values created by each development) insufficient to warrant establishing an affordable housing levy. In addition to unpopularity with employers, considerable effort and consultation required to establish basis of fees which would have to be very low.	n/a
Development Tariffs	In addition to unpopularity with house builders and owners of sites with development potential, major effort and consultation required to establish basis of tariff	Moderate, but valuation and development appraisal skills needed to deal with appeals
Land Betterment Tax	In addition to unpopularity with house builders and owners of sites with development potential, major effort and consultation required to establish basis of tax	Weak. Requires significant amount of specialist valuation/ development appraisal advice

Table 6.8 Evaluation against Compatibility Criteria

Option	Relationship with Corporate Housing Objectives	Relationship with Planning Objectives/ Perverse Effects	Relationship with Macro-Economic Objectives to (i) reduce capital expenditure (ii) promote a business-friendly environment
Financial Contributions in lieu of Direct Provision	Compatible	No particular perverse effects but lack of on-site provision would fail to foster mixed communities in this way	Compatible
Housing Impact Fees on Commercial Development	Compatible	None apparent	May be regarded as contrary to government agenda fostering a business friendly environment.
Development Tariffs	Compatible	Existing use values would need to be reflected in some way	Compatible
Land Betterment Tax	Compatible	Costs of remediation of brownfield land would need to be taken into account (ie betterment assessed post remediation)	Compatible

A sensible approach would be to have a policy that aims for direct provision wherever practicable, but the States should also have a formula for the calculation of payments in lieu to use where circumstances dictate that this is the best approach.

Housing impact fees on commercial development are likely to yield little at current and anticipated levels of commercial development. They also run counter to the Corporate Agenda theme of fostering a 'business friendly' environment. They would require substantive analysis to set the fee level but they would not require any specialist skills once the level of fee had been set and would be relatively simple to administer. We do not recommend that they are taken forward at the present time.

Development tariffs and the land betterment tax are evaluated as planning-related fiscal measures in *Section 3* of this report. Both systems are highly complex to establish. The land betterment tax also requires strong valuation and development appraisal skills on an on-going basis as these are a key foundation of the mechanism. Either of these mechanisms for raising financial contributions for affordable housing would support the objectives of the CHP and has the potential to take pressure off capital expenditure. However, we do not recommend that they are pursued.



## 7 **CREATING A PACKAGE OF MEASURES FOR DELIVERY OF AFFORDABLE HOUSING THROUGH THE PLANNING SYSTEM**

### 7.1 **INTRODUCTION**

In this section, we propose a combination of planning tools which could be used in Guernsey to facilitate the delivery of affordable housing through the planning system. Some of these measures may be appropriate to introduce in the longer term, if the affordability gap widens and/or as pressures to curb public spending mount as 2008 approaches.

The majority are policy tools, to be incorporated in the Strategic Land Use Plan, the Urban and Rural Area Plans and/or in supplementary States Reports. The toolkit also contains advice on States management and resources, the assessment of needs, the provision of a Guidance Note or Manual and monitoring and securing delivery.

On the policy side, we recommend that an affordable housing target is introduced to apply to private sites over a certain size threshold and give some guidance on an appropriate threshold and target for Guernsey. However, for strategic sites, we recommend that the amount of affordable housing to be required on-site should be determined in the Outline Planning Brief. This approach will enable the States to require a higher proportion of affordable housing on these sites, if necessary.

### 7.2 **STATES MANAGEMENT AND RESOURCES**

#### 7.2.1 ***Adopting a Strong Corporate Focus and Strict Policy Stance***

The 'Corporate Housing Programme' was approved by the States in 2003 as a means of providing a practical framework for implementing the States Housing Strategy, through co-ordinated action across departments and with stakeholders. This, the new government structure introduced in 2004, the Corporate Housing Programme Action Areas for 2005 and the creation of the CHP Fund, are positive steps towards facilitating the delivery of affordable housing through the planning system, as a clear corporate focus is essential. This should extend from Ministers through all of the relevant departments of the States. This coherence needs to extend to both policy development and implementation. A strict policy stance is more essential in Guernsey than in many parts of the UK, where developers and local authorities are prepared to negotiate solutions on a site by site basis.

#### 7.2.2 ***Making Best Use of the States' Own Land and Property Resources***

The GHA finds it costly, under the present system, to compete with housebuilders for private sites so the States has a key role in securing discounted land for affordable housing through the planning system. In

addition, the States should review its own land and property portfolios to find sites which can be sold at appropriate values to the GHA for affordable housing.

### **7.2.3 *Ensuring Adequate Staff Resources***

Securing affordable housing through the planning system requires new competencies of planners and housing professionals, in understanding the economics of development and responding with appropriate policies, in executing these policies and working interdepartmentally, and, potentially, in using development appraisal skills to assess the viability of any particular development, including, for example, the cross subsidy available from private housing development and whether any States' subsidy will be required.

The basic skills of development appraisal for affordable housing are relatively easy to learn and could be supported by using a standard development appraisal model. However, development valuation and cost estimating, the main inputs into any development appraisal, are more specialised areas where the Environment Department would need to draw on external data and advice.

Alternatively, all necessary development appraisal work could be out-sourced to external advisors. They would need to be experienced in affordable housing appraisal but not involved on a regular basis in advising landowners or developers in Guernsey. This would reduce the States' role in negotiating an appropriate contribution from the developer and so may be preferable in the Guernsey context.

## **7.3 *HOUSING STRATEGY AND ASSESSMENT OF NEEDS***

### **7.3.1 *Agree Priorities for Meeting Affordable Needs***

The affordable housing target should be set out in a statutory plan that is subject to comprehensive consultation, such as the Urban and Rural Area Plans. This document might also specify the balance to be provided between social rented and intermediate housing.

Other details of the policy should be set out in States Reports. Examples include the social rented/intermediate housing balance (if not set out in the statutory plan(s)); the different products that will meet intermediate housing needs and the desirable mix of affordable housing units by size.

### **7.3.2 *Updating Housing Needs Surveys and Assessments***

An up to date Housing Needs Survey (HNS) is required to underpin any affordable housing planning policies. In updating the HNS this year,

Guernsey's practice is mirroring that recommended in the DTLR guide <sup>(1)</sup> which recommends commissioning full housing needs surveys about every three to five years.

Certain aspects of the wider housing needs assessment could usefully be updated every one or two years if and when the planning system is being used to secure affordable housing. These include information on housing prices and land markets and identification of the tenures and sizes of properties which, between surveys, could be based on previous changes in stock rather than revised assessments of demographic need.

If key workers are to be assisted through the planning system, the need to support such groups will have to be documented through the HNS or another piece of research. How this is to be taken forward in policy is, however, being considered by a separate Working Group so is not considered further in this report.

### 7.3.3 *Monitoring Housing Supply, House Prices and Land Markets*

Work is underway by the Policy and Research Unit (under the Corporate Housing Programme) to establish procedures for monitoring and reviewing the effectiveness of the CHP against strategic objectives. This should include, crucially, the monitoring of overall housing completions and affordable completions by size and tenure.

## 7.4 *PLANNING POLICY STATEMENTS*

### 7.4.1 *Development Plans and States Reports*

Affordable housing will need to be formally defined in a statutory plan which goes through a full consultation process, such as the Urban and Rural Area Plans. A suitable definition would state:

*'Affordable housing is housing aimed at residentially qualified households which cannot reasonably afford housing readily available on the local market and should include both social rented and intermediate market housing. Social rented housing is that made available by the States or a Housing Association for households eligible for rent rebates. Intermediate housing is aimed at those households which are not eligible for rent rebates but can only pay a price which is a substantial discount to local market prices. It includes partial ownership and discounted rented housing'.*

The appropriate statutory plan should also set out any sub-definitions or requirements for affordable housing that are likely to remain consistent for the life of the plan. These include:

(1) Local Housing Needs Assessment: A guide to good practice, DTLR, 2000

- the general target and thresholds for affordable housing;
- whether there is a presumption of on-site provision on all or certain sites;
- whether the developer will normally be expected to build the affordable housing and the circumstances, if any, when the States will accept undeveloped sites for subsequent development (e.g. by the GHA);
- the general requirements for off-site provision or financial contributions where the States accepts that these are more appropriate eg on small sites; and
- the headline requirements for transfer of the affordable housing (eg transfer of the freehold or long leasehold to the States or GHA);

While it is obviously desirable for the States to retain operational flexibility in respect of the details of policy, a balance has to be struck with the rights of landowners and the public to make representations on planning policy before it is adopted. Other, more detailed requirements should take the form of an Affordable Housing Guidance Note or Manual, which should be reviewed annually or as necessary by the Housing and Environment Departments.

#### **7.4.2 Affordable Housing Targets and Thresholds**

##### *Setting the Affordable Housing Target*

The development plan should establish an overall target for mixed tenure sites based on the level of need determined through the Housing Needs Survey, taking into account the likely affordable housing supply to be generated by turnover (largely re-lets) in the existing affordable housing stock and any housing to be built by the States or GHA already planned or funded. It should also take account of the likely overall supply from private sites, and therefore an indication of what might be yielded through the application of any given target, and an understanding of the viability of housing development and level of internal cross subsidy that can be supported. Without any indications to the contrary, we recommend an assumption that no States subsidy will be available to support the costs of supplying the units, and that the Housing Association therefore pays only what it can raise based on the future income stream. This is explained more fully in *Section 7.6*.

An understanding of the level of need and the economics of provision should also inform the breakdown of the target into social rented and intermediate housing.

##### *Appropriate Percentage Targets*

As the Housing Needs Survey is now four years out of date, we cannot recommend an affordable housing target with much certainty that it will meet housing need. However, our analysis of the economics of provision suggests

that a target of up to 30% of total provision on private sites, split 20% intermediate and 10% social rented housing, could be afforded in most cases without needing a subsidy towards building costs from the public sector. This balance is to be confirmed in the HNS due at the end of 2005.

The targets should apply to the gross numbers of housing units to be provided including conversions and sub-divisions, subject to the normal thresholds.

#### *Thresholds and Small Site Requirements*

We recommend a simple stepped approach to affordable housing thresholds. This is the fairest approach and one least likely to lead to a disproportionate number of sub-threshold schemes. We therefore propose a minimum threshold of just two dwellings, with the level of contribution being stepped up to a full contribution for five or more dwellings.

On sites below five dwellings we should advise against seeking direct provision by the developer and instead levy a financial contribution. This should be at a discount to the requirement on larger sites, for the reasons explained below.

#### *Strategic Sites*

The appropriate affordable housing contribution for strategic sites (defined as those requiring an Outline Planning Brief), together with the mix of social rented and intermediate housing and the type of intermediate units required (sub-market rental or partial ownership) should be determined in the Outline Planning Brief (OPB). This provision will enable the States to allocate parts of HTAs and other larger sites for higher proportions of affordable housing as long as the developments remain viable and present a sufficient incentive to the landowner and developers to develop the site. Such an approach is not unlike the Jersey land zoning approach, but instead of zoning affordable housing sites in the development plan, the system would retain greater flexibility in determining the proportion of affordable housing in the OPB. The need for affordable housing would then become a potential justification for bringing forward HTAs, if these are specifically required to meet affordable housing needs.

#### *On-site, Off-Site and Payments in Lieu of Direct Provision*

We recommend that the policy require on-site provision on all sites over five dwellings. Off-site provision, or a payment in lieu, on larger sites will need to be justified. Appropriate arguments might be that sub-division into different tenure types is not practical from a development or subsequent management perspective or where the configuration of the buildings, or their amenities or services, are not suitable for households defined as being in need of affordable housing. This firm stance will encourage the development of mixed communities and maximise the contribution from limited land resources.

Where provision in respect of larger sites is to be made off-site, or a commuted sum is to be accepted as an alternative, it should reflect the increased market housing that has been able to be provided on the proposal site. Therefore, a target of 25% on site affordable housing would be equivalent to a requirement for 33% of this total provision to be provided on an alternative site (ie to maintain the ratio of 3:1 private sale: affordable homes) or the equivalent cost of 33% of total provision being made as a payment in lieu.

The payment should be calculated as follows:

**Payment for each affordable housing unit required = total building cost plus land cost less capitalised rental (or other income) stream**

In capitalising the rental stream, the States will need to decide whether to use gross rents or those net of management and long term maintenance charges.

In the case of contributions on sites of two to five dwellings, we recommend a discount to the full contribution. This is principally intended to reflect the greater difficulty and costs of developing small sites. An appropriate discount would be around 30%.

Based on the subsidy requirements and land values in *Annex B*, we provide some indicative calculations of in-lieu contributions in *Annex D*. These are likely to be in the range £13,125 to £18,750 for each market dwelling built (if the target is 20%). At a 30% target, the contribution is significantly higher, at £20,150 to £28,140 per dwelling.

## 7.5

### **THE LIKELY YIELD FROM AN AFFORDABLE HOUSING POLICY**

Taking a cautious view, applying a 20% affordable housing target (10% intermediate, 10% social rented), with a threshold of five for on-site provision, would yield a maximum of 29 affordable units on-site each year (as shown in *Table 6.1*). Financial contributions for sites between two and four dwellings could yield £670,000 per year in addition.

At a 30% target (20% intermediate, 10% social rented), the maximum on-site yield would be 44 dwellings, with financial contributions on smaller sites of around £1.55 million.

In both instances, this assumes that the introduction of the policy does not adversely affect the bringing forward of sites for development. It must also be remembered that any sites which already have permission when the policy is adopted will be able to proceed without making an affordable housing contribution. It will take several years for these requirements to work through the system and for the policy to take full effect.

*HOW A PRIVATE SECTOR CROSS SUBSIDY WORKS IN PRACTICE*

An intrinsic part of affordable housing delivery through the planning system is that the developer cross subsidises the affordable units from the increase in land value, generated as a result of development for the market and resulting from the grant of planning permission.

We recommend that the developer builds the affordable units, where possible on the development site, though there may be instances when another site is equally or more appropriate. The Registered Social Landlord (in this case the GHA) then, typically, pays the developer what it can for these properties, ie with money raised from borrowing plus, where the units include partial ownership housing, money raised by selling on a share of the equity to the householder.

We can assume that, broadly speaking, the borrowing power of the RSL will be equivalent to the capitalised rental stream. For it to be a strictly 'no public subsidy' approach, this would need to be a net rental stream, taking account of management and maintenance costs where these exceed future service charges (though it could be argued that capital growth will cover any long term maintenance costs).

In undertaking our appraisals (in Series 4 in *Annex B*), we have taken the view that the typical cross-subsidy required for each social rented dwelling would be around £60,000 per unit. The validity of this assumption has been tested by a review of financial appraisals undertaken for several recent GHA social rented schemes and is broadly correct in present market conditions.

For partial ownership housing, the level of cross subsidy will vary, depending on the amount of equity purchased and the rental levels payable on the remaining share. We estimate that the range will be from a cross subsidy of around £30,000 per unit where only 25% is purchased and a social rent is paid on the remainder, through a break even position where 50% is purchased and social rent paid on the remainder, to a position where the developer will make a profit, if more than 50% is purchased or the rental level exceeds social rents.

We would suggest that, in order to achieve consistency and equity across development schemes and to minimise the negotiation required on individual sites, the GHA should have a partial ownership 'fund' from which it can pay a standard price to the developer for any shared ownership units. It would then use this fund to buy shares back from homeowners who no longer require their property and it would be into this fund that homeowners would pay if they wished to purchase a further share.

The residual land value is the profit made by the landowner once all building costs and cross subsidies have been met. The land is only considered to have a value prior to the grant of planning permission if it is making a return for the landowner, for example if it is an existing hotel that is making a profit, or residential units that are earning a rent. This value is taken off the total

development profit or surplus to determine the residual land value, out of which any cross subsidies are made. The vast majority of developments in Guernsey are on brownfield sites but these will only have an existing use value under the circumstances described, not where the existing properties have become derelict or where there is no market for their continued use.

If a developer has purchased a site from a landowner, then the price he has paid will also come off the residual land value as it is a financial cost to the development.

## 7.7 *RENEWAL OF STATES HOUSING*

Where the fabric of existing affordable housing areas has deteriorated to a point where the States is considering their renewal, it may be worth replacing them with mixed tenure developments such that the market housing units can cross subsidise the affordable units.

This approach is common, for example, in London where the returns on private market housing are such that public sector estates can be rebuilt at no cost to the public purse. They have, typically, enabled the affordable housing units to be replaced, together with at least the same quantity of private market housing, through a major uplift in densities. In most instances they have been achieved through partnerships between a developer and a Registered Social Landlord, with the land being transferred from the local authority to the partnership at no cost in return for the rebuilding of the affordable units. The balance of market and affordable housing is typically set out in the planning permission, subject to a planning agreement.

## 7.8 *ADVICE ON PERMISSIONS AND PLANNING COVENANTS*

Implementation of the policy will present challenges to all of the key stakeholders: developers, the GHA, politicians and officers of the Environment and Housing Departments.

In the first instance, it will be necessary to articulate the policy through:

- the Ordinance on Planning Covenants;
- policies in the development plans; and
- detailed advice and requirements in a Guidance Note or Manual.

In practice, it will be how the last of these is formulated which will dictate how smoothly the system operates. Where on-site provision is being required (except in exceptional circumstances), the guidance must be sufficient that applicants for both outline and full planning permission can formulate sensible proposals.

The Guidance Note or Manual, therefore, needs to cover:

- the space, design and construction requirements for any affordable housing units (possibly modelled on the Housing Corporation's Scheme Development Standards);
- arrangements to approve the designs etc for the affordable housing;
- procedures for transfer of any affordable housing to the ultimate housing manager eg the GHA;
- procedures for disposal of the partial ownership housing;
- requirement for the transfer of freeholds (or long leaseholds) to the States and/or GHA;
- any restrictions to be placed on service charges (and services) to be provided in mixed tenure apartment buildings; and
- arrangements, including calculation and timing, of any payment of financial contributions, in lieu of on-site provision. The guidance will also need to cover in-lieu payments on small sites.

In the case of outline planning permissions, all of these matters will need to be secured by a planning covenant. In the case of full planning applications, the first two should be known at the grant of permission, with the remaining matters to be covered in a planning covenant.

Examples of planning agreements from the UK will be helpful but they will need to be tailored to the preferred arrangements in Guernsey. ODPM is intending to publish a standard form of planning agreement for affordable housing in a good practice guide, early in 2006, which may also be helpful. Once those arrangements are settled, it will help the process of agreeing covenants if the States were to produce a model set of affordable housing clauses to include in covenants.

## 7.9

### *MONITORING AND SECURING DELIVERY*

If the States decides to pursue affordable housing via mixed tenure schemes, it will be essential that adequate staff resources are available to:

- advise during negotiations with planning applicants;
- assist with drafting planning covenants; and
- liaise with GHA or any other intermediate or social rented housing managers.

More generally, the States will need to make arrangements for:

- collecting and accounting for any financial contributions in-lieu of on-site provision;
- monitoring progress of development on-site to ensure that the terms of any permission and covenants are observed; and, if necessary
- enforcing any requirement agreed in planning permissions or covenants.

## CONCLUSIONS AND RECOMMENDATIONS

The primary purpose of this study has been to examine the feasibility of using planning covenants in Guernsey as a means of securing developer contributions to community facilities and infrastructure and/or affordable housing.

The Housing Needs Survey 2001 demonstrated the need for more affordable homes. There is also an opportunity to seek other sorts of contributions, for example towards education, health and transport, the call for which may increase with the current tightening of capital spending and the proposed new Corporation Tax regime in 2008.

The decision about which contributions to seek through the planning system is a political one. While we recommend that resolving any immediate and direct impacts of planned development continue to be the first priority when granting permission, we do not advise that Guernsey gets caught up in the 'impact vs need' debate that has surrounded planning agreements in the UK. The States should decide which services and facilities it wants to secure through the planning system and then apportion the total need, over a given time period, to the developments expected to come forward during that period.

The conclusions of our evaluation of which mechanism to use are that the States should, wherever possible, use planning conditions rather than planning covenants to regulate the implementation of planning permissions. There are certain circumstances, however, such as when the permission requires off-site works, land transfers or financial payments, where planning covenants are the correct procedure to use.

We have examined the potential use of 'fiscal' measures, such as development tariffs, impact fees or land betterment tax, as an alternative to planning covenants but recommend that these are not adopted in Guernsey. We conclude that, if the States wishes to secure financial contributions to community facilities and infrastructure, it will need to adopt a clear policy for this in the development plan, supported by an Ordinance for Planning Covenants, with contribution schedules and other guidance to applicants. This report provides advice on the drafting and negotiation of planning covenants both generally and specifically in relation to affordable housing.

The conclusions from the modelling of the economics of residential and commercial development in Guernsey are that:

- it would be feasible to require private residential developments to make a contribution towards meeting community needs for infrastructure and other services and/or towards affordable housing;

- without other significant contributions, most residential developments could 'afford' to provide for the on-site provision of up to 30% affordable housing, provided that no more than 10% is social rented housing (with the remainder being intermediate housing); and
- there is little scope at present for contributions from retail, office or other commercial development but the situation should be monitored to determine if and when the volume and value of development in this sector reached levels which would make planning contributions worthwhile.

If planning covenants are to be used to secure other significant contributions, any affordable housing targets will need to be cut back so that, overall, the development still remains viable. The alternative in those cases would be for the States to provide grants towards some element of the affordable housing, in order to ensure that those development schemes remain viable.

We recommend, generally, that affordable housing requirements should be met on-site but that for private schemes of two to four dwellings, financial contributions should be accepted in-lieu of on-site provision.

The use of planning covenants to provide affordable housing may prove controversial when first proposed, with some landowners and developers threatening to withhold development sites from the market. In our view, however, the approach is justified and, in due course, land values for development sites will be reduced to levels which can support the policy.

Annex A

The Role of the Corporate  
Housing Programme and  
other Non-Planning  
Measures in Delivering  
Affordable Housing

**A1 THE ROLE OF THE CORPORATE HOUSING PROGRAMME AND OTHER NON-PLANNING MEASURES IN DELIVERING AFFORDABLE HOUSING**

**A1.1 THE MOVE TO CORPORATE GOVERNMENT**

*'The Review of the Machinery of Government'* and the changes in the structure of Government implemented in 2004 is a major positive step towards building a States Corporate Agenda and related set of policies and programmes. This is particularly important given the need for an integrated approach to the development of population, economic development and housing strategies and the need for close working between, in particular, the Environment, Housing and Treasury and Resources Departments to tackle the increasing need for affordable housing and the widening 'affordability gap'.

The 2005 *'Policy and Resource Plan'* is the first to be prepared by the Policy Council and Treasury and Resources Department. It sets out the States Housing Strategy and outlines the government's two Corporate Programmes, the *'Corporate Housing Programme'* and the *'Corporate Anti-Poverty Programme'* (CAPP), presented separately but linked to the *'Policy and Resources Plan'* and accompanying *'Budget Report'*.

**A1.2 HOUSING STRATEGY AND CORPORATE HOUSING PROGRAMME**

**A1.2.1 Introduction**

The States Housing Strategy (established in 2003) embraces the principles of:

- meeting all households' reasonable housing needs;
- sustainability;
- compatibility with strategic policies and public expenditure programmes;
- controlled immigration;
- housing choice;
- affordable housing for those unable to enter the private housing market;
- meeting special needs; and
- quality across all sectors.

The anti-poverty strategy and CAPP were developed in response to the findings of research into *'Guernsey Living Standards'* <sup>(1)</sup>. The CAPP comprises seven 'Action Areas', one of which is the Corporate Housing Programme.

(1) Carried out for the States of Guernsey by the Townsend Centre for International Poverty Research between 2000 and 2002.

The first Corporate Housing Programme (CHP), also in 2003, identified:

*'the shortfall in the provision of sufficient decent and affordable housing to meet demand (as) the single most controversial issue on the political agenda for many years, indeed for decades'.*

This theme is reflected in the CHP for 2005. The Action Plans include a variety of activities that assist Islanders on low incomes, ranging from a review of fiscal policy, through increased development of new affordable accommodation, to improving the quality of existing accommodation.

#### **A1.2.2 Action Area A: Fiscal Policy Review**

The objective of this Action Area, headed by the Treasury and Resources Department, is:

*'to present the States with a comprehensive review of the fiscal policy options available to support the objectives of the Housing Strategy'.*

It reflects much of the thinking behind the Parr Report <sup>(2)</sup> which suggested a number of fiscal changes, such as the abolition of Mortgage Interest Tax Relief, in order to reduce inflationary pressures in the housing market. The main motivation behind the fiscal review has shifted to one of managing States' finances. In any event, any implications for housing affordability would only be felt, at best, over the long term.

#### **A1.2.3 Action Area B: Land Use Policy and Housing Development**

The objective of this Action Area, led jointly by the Environment and Housing Departments, is:

*'to integrate land use planning policies which provide for sufficient housing to be created to meet strategic targets, with a range of measures to ensure that those housing opportunities are translated into development which meets the profile of local needs'.*

Its priority workstreams are to implement the new Planning Law, present the findings of this study and progress the Belgrave Vinery site.

#### **A1.2.4 Action Area C: Intermediate Housing Market**

The objective of this Action Area, led by the Housing Department, is:

---

(2) The Operation of the Housing Market in Guernsey: A Report to the States of Guernsey Housing Authority and the Advisory and Finance Committee, Michael Parr, November 2002

*'to develop policies aimed at providing for the varied needs of the Intermediate Housing Market and to work with other agencies to ensure that there is sufficient provision of affordable housing to meet the reasonable needs of that market'.*

The priority workstreams include the development and implementation of a package of proposals aimed at improving the quality and affordability of the private rental sector; finalisation of the detailed administrative rules for the partial ownership scheme; joint working with the Health and Social Services Department to progress the development of pilot key worker housing schemes; and the establishment of a long-term programme of housing development to meet affordable housing needs.

By August 2005 the Guernsey Housing Association will have completed 116 new affordable homes at Delancey Court and Rue des Marais, equivalent to 55 additional units with the demolition of 61 existing properties. Another 44 units are in the pipeline at Roseville and La Chaumiere for completion by May 2006, involving 21 net additional units, with a further 50-70 units planned for the Old Coach Station site by the end of 2007. These developments are funded through a combination of private sector borrowing against future income and States' subsidy.

#### **A1.2.5      *Action Area D: States-Owned Stock***

The objective of this Action Area, led by the Housing Department, is:

*'to maintain and improve the quality of the States-owned stock, and to provide high quality tenancy services'.*

Its priority workstreams are to implement a Rent and Rebate Review at the beginning of May 2005, accompanied by a new tenancy agreement, new policies and procedures, a Rent Arrears strategy, a tenancy handbook and to continue refurbishing States' Homes.

The Rent and Rebate Review will enable the States to earn a more economic rent on its stock and, priced correctly, will encourage the release of affordable homes by those who can afford to move into the private sector. This is principally a one-off gain, arising from the review, but it could also be expected that in a typical year tenant turnover might increase a little as States' tenants chose to move on to alternative housing.

#### **A1.2.6      *Action Area E: Supported Housing Provision***

The objective of this Action Area, led by the Housing Department, is:

*'to develop appropriate options for persons requiring supported accommodation, which may include older persons, young people, people with a learning disability, persons with a mental illness, ex-offenders etc'.*

The priority workstreams are the development of sheltered housing at Rosaire Avenue by Housing 21 Guernsey and continued support for the development and grant funding of the NCH Youth Housing Project, both of which are underway.

#### **A1.2.7 Action Area F: Information**

The objective of this Action Area, led by the Policy Council's Policy and Research Unit, is:

*'to establish an authoritative system for collating information about housing in order to monitor and review the effectiveness of the CHP against strategic objectives'.*

Its workstreams include carrying out a new Housing Needs Survey by December 2005, establishing systems and procedures for monitoring of the CHP and improving the necessary communications.

### **A1.3 OTHER EXISTING MEASURES TO INCREASE THE DELIVERY OF AFFORDABLE HOUSING**

#### **A1.3.1 Restrictive Land Covenants**

These have been used in Guernsey where the public sector has sold land to a private developer and required a portion of affordable housing through a restrictive land covenant that runs with the title. Such arrangements were mostly designed to produce discounted price housing rather than affordable housing in perpetuity. However this is not an inherent feature of this approach which we believe has recently been used to secure affordable housing in perpetuity.

However, this approach is of limited application since it relies on sites sold to developers by the public sector.

### **A1.4 POTENTIAL NEW (NON-PLANNING) MEASURES**

#### **A1.4.1 States or GHA Purchase Housing from Existing Stock**

Rather than build affordable housing, the States or GHA could purchase existing housing from the local market. However, this is only likely to be a

viable option were the housing market to collapse and there were cheap properties available on the market.

#### **A1.4.2 *Tenant Transfers in the Social Sector***

Incentives will be introduced to encourage tenant transfers within the affordable sector to enable the existing supply of affordable homes to meet need more effectively. In the medium term, new development will be focused on balancing the housing stock (informed by the new HNS due by late 2005), for example by providing smaller properties for couples whose children have left home, thereby enabling the release of family sized homes.

#### **A1.4.3 *Tax Benefits in Kind to Stop Employers Subsidising Housing***

This was raised in the Parr Report as a way of reducing pressure on house prices. Parr suspected that the low real cost of housing to some employees was increasing their ability to pay high capital values for housing, fuelling house price inflation. This has not been followed up and we recommend that this is explored in the Fiscal Review.

#### **A1.4.4 *Reduce Costs of House Building***

##### *Reduce Costs Through Off-Site Manufacture*

There may be potential to reduce costs through off site manufacture though this typically needs to be done on a large scale to achieve unit cost reductions. ODPM in England and Wales has recently announced the development of a prototype '£60,000 house' which, it maintains, could be used across the country to build housing more efficiently. Pilot schemes, for example by the Peabody Trust, are underway in London and the South East of England. Such an approach would need to be feasibility tested in Guernsey, taking account of shipping costs and the limited amount of new housing development.

##### *Reduce Monopolistic/Cartelised Practices in Development Sector*

There may be some scope to reduce the cost of house building by making the development industry more competitive on the Island, as noted in the Parr Report. Parr noted that Jersey now has a competition authority, the Jersey Competition Regulatory Authority (JCRA) and that as the Guernsey market is smaller, the potential gains from an active competition policy are correspondingly larger. Some of these issues were pursued in the Board of Industry study 'Constructing the Future' in 2002 and there has been active monitoring and modelling of tender prices since that time.

*A1.5**CONCLUSIONS*

There are a number of effective programmes under the Corporate Housing Programme to facilitate the delivery of affordable housing. However a gap still exists, particularly for intermediate housing, (the size and nature of which remains to be confirmed in the 2005 HNS), creating an opportunity for contributions through the planning system involving the use of planning covenants to secure the delivery of affordable housing.

Annex B

The Economics of  
Development and the  
Potential for Affordable  
Housing and Other  
Planning Contributions

### **B1.1 INTRODUCTION**

In this annex, we address firstly the principles of development economics, secondly specific market conditions in the Guernsey context and thus the costs and values that are used in development appraisal calculations and thirdly and as a result, the potential yield in monetary terms regarding planning obligations and affordable housing which development proposals can carry without adversely affecting financial viability. The objective is to identify an appropriate financial balance between potential changes to policy requirements on the one hand and maintaining landowner incentive and thus land supply on the other.

### **B1.2 DEVELOPMENT APPRAISAL MODELS**

Development appraisal models are basically simple. In essence, they assess 'completed development value', deduct 'total construction costs', further deduct 'developers profit' and the residue is 'land value'.

Residual value, which the landowner receives, will normally be the critical variable. If a proposal generates sufficient positive land value, it will be implemented; if not, unless there are alternative funding sources to bridge the 'gap', the proposal will not go ahead.

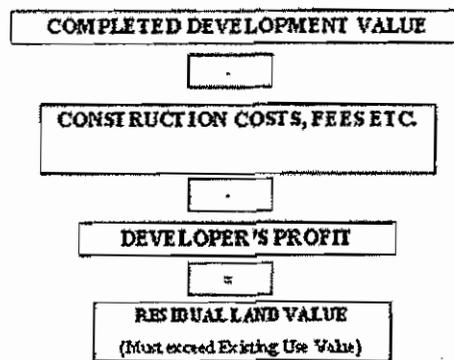
The problems with development appraisals all stem from the requirement to identify the key variables (values, costs etc) with some degree of accuracy in advance of implementation. Even on the basis of the standard convention, namely that current values and costs are adopted (not values and costs on completion), this can be difficult.

Problems with the key variables can be summarised as follows:

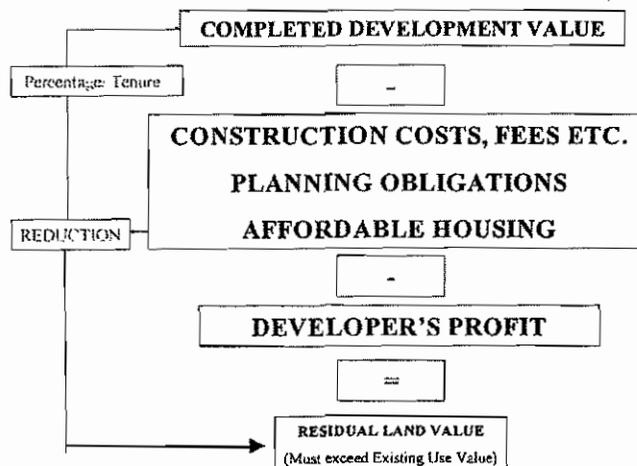
- values attached to 'completed development value' are largely dependent on comparable evidence which requires sufficient new development in the locality of a similar size and type, to provide a realistic value base;
- development costs are usually monitored extensively by the construction industry and therefore can be reasonably accurately assessed in 'normal' circumstances. Increasingly however, with restrictions on greenfield developments and a greater emphasis on brownfield sites, 'exceptional' costs such as decontamination are becoming more common;
- development value and costs will also be significantly affected by requirements regarding the nature and type of any affordable housing provision or other planning obligations/tariff/tax requirements and on larger projects, assumptions about development phasing and infrastructure triggers;

- while 'developer's profit' has to be assumed in any appraisal, its level is closely correlated with risk. The greater the risk, the greater the profit level, in part as a contingency against the unexpected; and
- ultimately, the landowner holds the key and will make a decision on implementing the project or not on the basis of return and the potential for market change and thus alternative developments. The landowner's objectives must include achieving a 'development value' that sufficiently exceeds 'existing use value' to make development worthwhile.

What in essence therefore is a simple equation - the development appraisal calculation - can in reality be fraught with problems.



The standard appraisal calculation shown above is, subject to the problems noted earlier, reasonably clear cut. The provision of affordable housing and any other planning obligation however, below, complicates the calculation by reducing 'completed development value' (depending on the percentage, tenure and funding of affordable housing), increasing costs and thus reducing 'residual land value' and that is the key to this study.



The result is predictable in several respects:

- when negotiating with the landowner, the prudent developer will invariably negotiate an option to purchase which ensures that any additional costs arising (planning obligations and affordable housing for example) to be passed on to the landowner. Ultimately, the landowner pays; and/or
- the developer will build in sufficient contingency into the development appraisal to offset any risks.

If a development project cannot meet its consequential infrastructure costs (and it is important to differentiate between those costs which are literally development necessities such as access works and utility supply and those costs associated with the planning regime such as affordable housing) then, arguably, it is the wrong proposal. If it can meet its planning requirements but cannot then meet its affordable housing requirements, then the proponents must demonstrate why not. It may for example be a contaminated site where exceptional costs arise. Three possibilities result:

- a robust financial explanation is accepted (or not) by the authority and exceptionally and in the interest of broader planning and community interests, policy requirements are compromised;
- contributions and/or affordable housing are deferred in order to improve cashflow and discount the real costs of provision; or,
- gap funding is necessary to cover the financial shortfall.

It is clearly prudent for the States in developing its policy stance to 'test' in general and as far as is possible given the unpredictability of some financial variables, how practical any change to its policy position actually is. The rest of this annex concentrates on that modelling.

### **B1.3**      **VARIABLES USED IN APPRAISALS**

Any modelling exercise, including utilising a simple 'residual valuation' model is only as good as the variables on which the exercise is based. We have therefore gathered Guernsey market information in order to examine different development scenarios and determine as far as is possible the level of value 'surplus' that may be addressed through a change in planning policy requirements. It is necessary to consider each of the appraisal variables in turn.

'Completed development value' is obviously determined by demand and thus the extent and mix of land use content.

### **B1.3.1**      *The Residential Market*

The Guernsey residential market is characterised as follows:

- the one/two bed apartment market has been strongly driven in recent years by high wage earners especially in the financial services sector where prices have been closely related to five times salary. With prices of new build ranging between £4,500 and £6,000 per square metre, it was almost certain that the market for apartments would eventually be over-inflated. With bonuses in financial services falling and banks being more cautious with their lending criteria, asking prices at, for example, the Marina development have been reduced. Any surpluses of new stock here however will have no effect on the need for affordable accommodation because even reduced prices will remain way beyond the means of those in housing need;
- in contrast, the market for two/three bed properties is reasonably good and for large three/four bed properties, the market remains buoyant, at least for the moment;
- inevitably therefore, with such a gulf between local open market prices and the affordability of those in housing need, demand for intermediate housing and, to a lesser extent, social rented housing is the result; and
- while values of new build do vary, our advice has been to model completed residential development at values within a range from £4,300 to £6,450 per sq metre. Overall, in line with the mainland, prices in the residential market are settling and for modelling purposes, an average of £5,000 per sq metre is appropriate.

### **B1.3.2**      *The Commercial Market*

In contrast, the commercial property market appears to have peaked in Guernsey with major projects like Admiral Park close to completing, and other schemes such as Leale's Yard already with outline planning permission. The result is a noticeable decline in new projects coming forward especially commercial offices where some comparatively new space has been returned to the market. While some new office space has asking rents approaching £320 per sq metre, most available space is pitched nearer £200 per sq metre and volumes are small. We therefore see little very little scope for planning and/or affordable housing contributions from commercial property at the present time and do not recommend developing a policy to require such contributions. It is however worthwhile continuing to monitor market trends in case an upturn prompts new projects in the future and the volume and value of commercial property reaches a point where it would be worth levying some form of contribution.

### B1.3.3 *Construction and Ancillary Costs*

As has been widely documented, construction costs in Guernsey are significantly higher than the mainland to the point where the States has been examining methods of effecting reductions. The Board of Industry study 'Constructing the Future 2002' suggested that:

- construction demand would double or even triple in three years. This predicted increase did occur but has now peaked and is likely to fall back to 2000/2001 levels over the next three years;
- in parallel, the construction workforce was estimated at 1,824 in 2001, and was expected to grow by between 1,200 and 2,000, principally via imported labour over the same period. This also occurred but again will gradually decrease; and
- public sector capital investment would be a key driver in this construction boom. This has certainly been the case, ranging from between £50 million and £80 million per annum. This however is falling and will continue to fall back to perhaps £15 to £20 million per annum in response to reductions in States' spending on capital programmes, which may also impact on private sector investment. It is noted that a similar situation in Jersey, where public sector construction investment was cut by £30 million per annum, prompted cutbacks in private sector investment and that in response, construction tender prices fell by 10% or more.

At present, however, construction prices remain substantially higher than the UK mainland and if anything, the differential has increased to approximately 50%. This variation is not entirely due to transport and accommodation costs for labour and materials. It is also partly attributable to:

- high expectations in terms of building quality and thus specifications in, for example, school construction where classrooms are 25% larger than their mainland equivalents but catering for smaller classes; and
- stringent planning requirements, in particular in terms of external materials and finishes.

Overall, with typical residential construction prices ranging between £1,990 and £2,420 per sq metre, the expectation is that tender prices will fall after inflating by 19.6% in 2004. Local professionals also expect professional fees to reduce from 10% to 12% on cost to between 7.5% and 9.5%. For modelling purposes, therefore, we have examined a build cost range between £1,600 and £2,420 per sq metre but realistically, while we do expect some reduction, it is unlikely that prices will fall significantly below £2,000 per sq metre. In our residential modelling therefore, land values generated in column three of each series are the most likely development scenario in terms of construction costs at £2,152 per sq metre. This level of costs takes account of a degree of 'abnormal' costs, such as contamination, which are likely to arise. (For

example, we are advised that the remediation costs associated with former glasshouse sites can amount to £120,000 per hectare (£20,600 per vergee) although disposal costs may increase this figure.)

#### **B1.3.4 *Levying Affordable Housing and Other Planning Contributions***

While covenants to levy contributions towards community services, infrastructure and affordable housing are not currently part of the development process in Guernsey, their inclusion in any form represents an additional cost in the development process which will deflate land values (once the current pipeline of development projects with consent has been built out). On the UK mainland, contributions towards community services and infrastructure (ie all planning obligations except affordable housing) generally amount to between 5% and 10% on costs, although this figure is increasing. For modelling purposes (see section A1.4), we have used a figure of £10,700 per 100 sq metres of residential space.

Including affordable housing also represents a development cost and while some forms of affordable housing such as discounted market housing can generate a positive return to the developer, we are advised that in order to meet need in Guernsey, some degree of subsidy would be necessary in addition to the capitalised rental stream. For modelling purposes, and on officer and GHA advice, we have assumed that 'intermediate tenures' will require an average subsidy of £10,000 per unit and that social rented housing will require a subsidy of £60,000 per unit <sup>(1)</sup>. In our financial models, we have reflected this cost in lower land values but the subsidy could be delivered by the States directly.

#### **B1.3.5 *Developer's Profit***

The standard conventions in the UK are that developer profits are based on an assumed percentage on costs, normally between 17% and 25% or on value, generally less. Higher profit figures reflect levels of risk. The higher the potential risk, the higher the profit margin the developer will require in order to offset those risks. Our information suggests that in Guernsey, the normal profit expected on house building is 25% on value and that this is often exceeded. Such returns are very high. Development risks may be higher on the island, but it would still be unreasonable to expect more than a 25% as a maximum profit margin. We have also modelled the effects of a lower figure, namely 20% which enhances the ability of schemes to deliver obligations and/or affordable housing.

<sup>(1)</sup>Clearly the average subsidy for intermediate housing depends on the balance of different types of housing/households to be assisted. Less cross subsidy will be required with partial ownership housing than with sub-market rental housing. The average of £10,000 per unit assumes that more of the intermediate housing is aimed at households with moderate incomes requiring partial ownership housing than at those very low income households that are not eligible for social rented housing, which we understand are a small proportion of the total. Greater precision in financial modelling will only be possible after the 2005 HNS has confirmed the balance of need between different groups.

## B1.4 RESIDENTIAL MODELLING

The purpose of this exercise is to determine the effect on development viability and thus the ability of new build residential developments to 'carry' firstly some level of tariff (impact related or otherwise) and/or secondly a level of affordable housing.

The methodology is an extended series of residual valuations which compare the key variables as described in *Section A1.3* in different combinations. The output is the 'residual land value'. The shaded cells in the tables below represent those development appraisals where the 'residual land value' falls below an arbitrary threshold of approximately £2.47 million per hectare (£410,000 per vergee) below which, we have assumed for this study, landowners may not release land. While traditionally, land value expectations have been very high on Guernsey, it should be emphasised that owners of existing low value land may accept figures below £2.47 million, in which case more development scenarios (currently shaded) become viable. Indeed, it is in the interests of the States to encourage a 'new' level of realism in land value expectations in order to enable funding of community services, infrastructure and/or affordable housing.

### B1.4.1 Series 1

The base assumptions in the first series are as follows:

#### Base Assumptions - Series 1a:

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Build costs(C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fee 7.25%
- Density 3,440 sq metres of floorspace per hectare ( 573 sq.m. per vergee)

This density is illustrative, being around 50 flats of 70 sq metres or 35 medium houses of 100 sq metres or 18 large houses of 190 sq metres. Densities on medium to high rise apartments will be higher than this.

**Table B.1 Residual Values - Series 1a**

<b>1a. Land Values per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	3,618,303	2,648,334	1,678,736	708,766
£5,380 psm	5,977,647	5,007,678	4,038,080	3,068,111
£6,450 psm	8,336,991	7,367,393	6,397,424	5,427,455

Overall, base residential development land values have traditionally been well in excess of £2.47 million per hectare (£410,000 per vergee) as local

professionals confirm. In this model, the assumption is a medium density reflecting recent planning permissions (floorspace per hectare of 3,440 sq metres). Apartment schemes are likely to generate higher values.

#### Base Assumptions - Series 1b:

Assumptions are as in Series 1a but with additional planning contributions.

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 25% on value
- Finance 7.25 %
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

Planning contributions (excluding affordable housing) included at £10,700 per 100 sq metres of residential development, ie an additional £107 per sq metre on build cost (which equates to a reduction in land value of £387,500 per hectare or £64,600 per vergee).

**Table B.2** *Residual Values - Series 1b*

<b>1b. Land Values per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	3,230,763	2,260,794	1,291,196	321,226
£5,380 psm	5,590,107	4,620,138	3,650,540	2,680,571
£6,450 psm	7,949,451	6,979,853	6,009,884	5,039,915

Predictably, the impact of reducing land value by £387,500 per hectare is in relatively low value/high cost situations considerable but overall, the effect is small, not least because profit is being maintained at 25% on value.

#### **B1.4.2** *Series 2*

Series 2 considers the effect of reducing profit to 20% on value.

#### Base Assumptions - Series 2a:

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 20% on value
- Finance 7.25%
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

Table B.3 *Residual Values - Series 2a*

2a. Land Values per Hectare				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	3,877,653	2,931,767	1,969,578	1,007,390
£5,380 psm	6,265,526	5,320,010	4,374,123	3,411,935
£6,450 psm	8,653,398	7,707,882	6,761,996	5,799,807

Reducing profit margins to 20% on value has an obvious effect in enhancing land value and hence the capacity of developments to carry other commitments.

#### Base Assumptions - Series 2b:

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 20% on value
- Finance 7.25%
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

Planning contributions (excluding affordable housing) included at £10,700 per 100 sq metres of residential development, ie an additional £107 per sq metre on build cost (which equates to a reduction in land value of £387,500 per hectare or £64,600 per vergee).

Table B.4 *Residual Values - Series 2b*

2b. Land Values Per Hectare				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	3,490,153	2,544,267	1,582,078	619,889
£5,380 psm	5,878,026	4,932,510	3,986,623	3,024,435
£6,450 psm	8,265,898	7,320,382	6,374,496	5,412,307

The impact of reducing land value by £387,500 per hectare is, in relatively low value/high cost situations, less marked when the profit margin is reduced to 20% on value.

#### B1.4.3 Series 3

Series 3 onwards includes a range of intermediate and/or social rented housing with the necessary subsidies being deducted from land value.

**Base Assumptions - Series 3a:**

- Intermediate housing Range: £3,010 - £4,515 per sq metre
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 20% on value
- Finance 7.25%
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

**Table B.5 Residual Values - Series 3a**

<b>3a. Land Values Per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
Int. Housing V				
£3,010 psm	1,234,136	257,498	-712,101	-1,682,070
£3,770 psm	2,989,194	2,019,225	1,049,256	79,287
£4,515 psm	4,750,922	3,780,953	2,810,984	1,841,015

In terms of 100% intermediate housing based on the UK mainland norm of 70% of market value and without subsidy, reducing profit margins to 20% on value partially offsets the impact on land value but inevitably with high build costs, land value starts to become negative. Additional planning contributions in that scenario would further diminish viability.

The reality however according to planning and housing officers and the GHA is that in order to address need, intermediate housing is unlikely to break even and would probably need a level of cross subsidy, say £10,000 per unit. A 50 unit to the hectare scheme therefore would need a total subsidy of £500,000 and this would deflate land values accordingly. Indeed, in the above scenario, only low cost/high value development options would exceed the nominal £2.47 million per hectare threshold. Clearly, direct subsidy would be necessary in this format.

Table B.6 below shows a mixed tenure scheme comprising 50% local market and 50% intermediate housing, the latter being cross subsidised.

**Base Assumptions - Series 3b:**

50% market/50% intermediate housing (S/O)

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Intermediate housing subsidy £10,000 per unit
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 20% on value
- Finance 7.25%
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

**Table B.6 Residual Values - Series 3b**

<b>3b. Land Values Per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	1,559,152	1,074,167	589,368	104,383
£5,380 psm	2,738,824	2,253,839	1,769,040	1,284,056
£6,450 psm	3,918,496	3,433,697	2,948,712	2,463,728

Like 3a, this option only achieves sufficient landowner return in low costs/high value areas but once again, the inclusion of additional planning contributions would have an adverse effect.

**Base Assumptions - Series 3c**

70% market/30% intermediate housing (S/O)

- Sales values (S/V) Range: £4,300 - £6,450 per sq metre
- Intermediate housing subsidy £10,000 per unit
- Build costs (C/Cost) Range: £1,600 - £2,420 per sq metre
- Professional fees 10.5%
- Developer's Profit 20% on value
- Finance 7.25%
- Density 3,440 sq metres of floorspace per hectare (573sqm. per vergee)

In contrast with the 50-50 ratio shown in 3b above, Table B.7 below models a 70-30 tenure split, ie 70% local market and 30% intermediate housing. Predictably, land values improve and more development scenarios become viable.

Table B.7 *Residual Values - Series 3c*

3c. Land Values Per Hectare				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	2,382,812	1,703,834	1,025,115	346,136
£5,380 psm	4,034,353	3,355,375	2,676,656	1,997,678
£6,450 psm	5,685,894	5,007,175	4,328,197	3,649,219

## B1.4.4

*Series 4***Base Assumptions - Series 4:**

The final series models the impact on land values and thus viability of including both social rented and intermediate housing. Again we have taken advice from officers and the GHA and understand cross subsidy from local market housing would equate to £60,000 per unit. The following set of scenarios summarises the likely outcomes from various combinations assuming cross subsidy of £10,000 per unit for intermediate housing and £60,000 per unit for social rented housing. As in earlier series, shaded cells represent schemes which fall below our illustrative threshold of £2.47 million per hectare of residential land value, below which sites are less likely to be developed.

The options are based on a 50 unit/one hectare scheme divided by tenure as follows:

Series	Local Market No.	Intermediate No.	Social Rented No.	Total Cross Subsidy
4a	35	10	5	£400,000
4b	30	15	5	£450,000
4c	30	10	10	£700,000
4d	25	15	10	£750,000

**Series 4a**

70% local market; 20% intermediate housing; 10% social rented housing (Total Cross Subsidy (TCS) = £400,000 per hectare)

Table B.8 *Residual Values - Series 4a*

4a. Land Values Per Hectare				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	2,132,812	1,453,834	775,115	96,136
£5,380 psm	3,784,353	3,105,375	2,426,656	1,747,678
£6,450 psm	5,435,894	4,757,175	4,078,197	3,399,219

**Series 4b**

60% local market; 30% intermediate housing; 10% social rented housing. (TCS = £450,000 per hectare)

**Table B.9 Residual Values - Series 4b**

<b>4b. Land Values Per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	1,720,982	1,139,000	557,241	-24,740
£5,380 psm	3,136,588	2,554,607	1,972,848	1,390,867
£6,450 psm	4,552,195	3,970,436	3,388,454	2,806,473

**Series 4c**

60% local market; 20% intermediate housing; 20% social rented housing. (TCS = £700,000 per hectare)

**Table B.10 Residual Values - Series 4c**

<b>4c. Land Values Per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	1,470,982	889,000	307,241	-274,740
£5,380 psm	2,886,588	2,304,607	1,722,848	1,140,867
£6,450 psm	4,302,195	3,720,436	3,138,454	2,556,473

**Series 4d**

50% local market; 30% intermediate housing; 20% social rented housing. (TCS = £750,000 per hectare)

**Table B.11 Residual Values - Series 4d**

<b>4d. Land Values Per Hectare</b>				
C/Cost	£1,614psm	£1,883psm	£2,152psm	£2,421psm
S/V				
£4,300 psm	1,059,152	574,167	89,368	-395,617
£5,380 psm	2,238,824	1,753,839	1,269,040	784,055
£6,450 psm	3,418,496	2,933,697	2,448,712	1,963,728

## B1.5

## CONCLUSION

Overall, the modelling exercise demonstrates that:

- the combination of affordable housing and other planning contributions has a marked effect on land values and will, in some scenarios, reduce values to a level below the arbitrary threshold of £2.47 million per hectare (£610,000 per vergee) . It is difficult to set an absolute limit, but values much below this will, in the short term, dissuade landowners from releasing land. In the longer term, it will represent a 'new' land market and development at these lower values will resume;
- predictably, the greater the proportion of affordable housing and, in particular, the greater the proportion of social rented housing within the affordable housing total, the larger the reduction in land values. However, since the greatest need is for intermediate tenures, this effect is less critical;
- practically, Series 4a comprising 70% local market, 20% intermediate housing and 10% social rented housing with a 'total cross subsidy' of £400,000 per hectare probably represents the most feasible policy approach in financial terms. While low value/high cost developments would not generate sufficient land value to make this option deliverable without direct subsidy, most mid to high value schemes would yield sufficient land value to be capable of implementation; and
- a few schemes would be able to carry additional planning contributions on top of this affordable housing requirement. Generally, any affordable housing requirement would need to be reduced if the States' chooses also to require contributions towards infrastructure and/or other community services and facilities.

Annex C

Affordable Housing:  
Relevant Policy and Practice  
from Other Countries

**C1 AFFORDABLE HOUSING: RELEVANT POLICY AND PRACTICE FROM OTHER COUNTRIES**

**C1.1 AMERICA**

*Housing Impact Fees*

Housing impact fees are applied to new commercial or industrial development. The fee is calculated at a rate per square foot on a sliding scale from \$1.06 (£0.56) per square foot for office and comparable uses down to 27 cents (£0.14) per square foot for warehouses. The impact fees are paid to a local Housing Trust Fund to deliver affordable housing. By law, at least 60% of the fund is used to create housing for lower income households, most with incomes at 50% or less of the median income for the local area.

**C1.2 AUSTRALIA**

*Affordable Housing Policy*

'Bonuses' and 'planning relaxations' are used as incentives to encourage provision of affordable housing in designated areas. Developers can be offered additional development capacity for a site through relaxation of height and density restrictions, in return for providing part or whole of the development as affordable housing or for some other community benefit (such as including a community facility in the development).

Waverley Council in New South Wales has had a bonus system in place for several years, and Brisbane's City Plan already has some provisions for bonuses to be offered for affordable housing. This mechanism by itself, however, has not produced large numbers of housing, relying as it does on opportunities as they arise. Critics argue that granting of bonuses compromises neighbourhood amenity or rests on an assumption that development quality requirements are set artificially low in the first place.

*Fiscal Measures*

Some States make use of 'betterment levies' which recover part or all of the 'windfall' increases in land values that may accrue to property owners when an area is 'up-zoned' to a higher value land use such as housing, allowing more profitable uses or developments on land. For example, in the Australian Capital Territory a fee is payable upon the up-grading of land leases. Councils can introduce a one-off 'differential rate' under the Local Government Act at the time an area is 'up-zoned'. The use of the proceeds of such a levy for affordable housing (or any other use) is determined by the Council.

## C1.3

## ISLE OF MAN

*Affordable Housing Policy -Thresholds and Targets*

Policy requirement that 25% of new housing provision should take the form of affordable housing. The policy applies to developments of eight dwellings or more.

*Affordable Housing Delivery*

The Department of Local Government and Environment (DLGE) is one of the Housing Authorities alongside eight of the local authorities which holds a sizeable stock of public sector housing (DLGE looks after 1176 units). Government policy encourages home ownership and the emphasis is placed on mortgage assistance for first-time buyers in the freehold market whilst continuing to construct state-owned premises. Public authority housing is restricted to those with at least 10 years' residence on the Island. The DLGE has a major five year programme for improvements in older estates. The State provides new houses to rent and financial support through House Purchase Assistance Scheme (HPAS). The States has set a target of 120 public sector and first-time buyer homes per annum by March 2008 (600 units over five years).

## C1.4

## JERSEY

*Affordable Housing Policy*

The States of Jersey has zoned specific sites solely for social rented and first-time buyer homes or Category A housing as termed in Jersey. The States has rezoned five sites, taking the total up to 11, in order to meet the immediate need for homes for States rental and first time buyers. There are also additional sites within the built-up area that are being developed by the States for the provision of social rented or first time buyer homes on mixed tenure sites. Between the beginning of 2002 and the end of 2006, these sites are expected to provide 692 rental homes and 289 first time buyer homes, a total of 981 dwellings. The Island Plan assumes that there is sufficient capacity within the designated built-up area to accommodate requirements for Category B homes (private market), through infill development as well as conversions and redevelopments and no land has been designated for Category B housing.

For sites zoned for Category A housing there is a policy requirement to provide first-time buyer homes and social rented homes in the respective proportions of 55% and 45% of the total number of dwellings provided on each site, in order to ensure that the identified needs for housing are met. Land zoned for housing is being developed through private agreement with land owners, through planning obligations and/or planning conditions or, where necessary, will be acquired by the States on behalf of the public, if needs be by compulsory purchase, in order to ensure that requirements for all types of Category A homes can be met.

Property developed on such sites is required to be available to this sector in perpetuity (a critical requirement) secured through both planning obligations and/or planning conditions. Property developers are left to negotiate with landowners to ensure viability of schemes on these sites. Currently, a three bed house, for example, in the first time buyer market is priced at 84% of the normal (Category B) housing market. Social rented housing receives a degree of public subsidy.

## C1.5

### IRELAND

#### *Affordable Housing Policy*

Irish local authorities can require up to 20% of new residential developments be social housing (rental) and affordable housing (for sale at below market value to low income households). The exact proportion of affordable housing varies between local authorities and is determined by local need based on a standard methodology. The thresholds by which the target is triggered also varies between local authorities. If property developers choose to transfer the necessary proportion of dwellings, land or sites to local authorities this is achieved through the use of planning conditions. In return they are compensated at the level of the existing use value (in the case of land), plus development costs (in the case of sites) plus reasonable profit (in the case of houses). Alternatively developers can meet their social and affordable housing commitment through commuted payments and/or off-site provision, secured through planning agreements.

#### *Affordable Housing Delivery*

Affordable housing schemes are also delivered directly by local authorities. The affordability definition is based on a maximum income of £25,000 for a single income household. Voluntary and co-operative housing sectors are a growing and increasingly important sector in the provision of rental accommodation. The development of these sectors has been largely aided by the availability of capital funding schemes from Government. The Capital Assistance Scheme and the Capital Loan and Rental Subsidy Scheme provide funding assistance through local authorities towards capital costs for accommodation to meet special housing needs.

Annex D

## Calculating In-Lieu Financial Contributions

## D1.1

## FINANCIAL CONTRIBUTIONS

**Example 1:** Target = 20% (10% Intermediate: 10% Social Rented). Average subsidy per affordable dwelling = £35,000. Average land cost = £40,000 per dwelling.

On site Market Dwellings	Affordable Housing Required	Cost of Affordable Provision	Discount	Affordable Contribution	Affordable Contribution/ market dwelling
(units)	(units)	£	%	£	£
2	0.5	37,500	30	26,250	13,125
4	1	75,000	30	52,500	13,125
5	1.25	93,750	0	93,750	18,750
10	2.5	187,500	0	187,500	18,750
20	5	375,000	0	375,000	18,750

**Example 2:** Target = 30% (20% Intermediate: 10% Social Rented). Average subsidy per affordable dwelling = £27,000. Average land cost = £40,000 per dwelling.

On site Market Dwelling (s)	Affordable Housing Required	Cost of Affordable Provision	Discount	Affordable Contribution	Affordable Contribution/ market dwelling
	(units)	£	%	£	£
2	0.86	57,600	30	40,300	20,150
4	1.72	115,200	30	80,670	20,150
5	2.1	140,700	0	140,700	28,140
10	4.5	288,150	0	288,100	28,140
20	8.6	576,200	0	576,200	28,140

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

III.- Whether after consideration of the Report dated 13<sup>th</sup> September, 2007, of the Housing Department and the Environment Department, they are of the opinion:-

1. To note the limited circumstances in which planning covenants will be used as set out in that Report.
2. To direct the Housing and Environment Departments to develop the mechanism by which planning covenants can be applied to the Housing Target Areas, for application as and when required.

## **HOUSING DEPARTMENT**

### **CORPORATE HOUSING PROGRAMME – PROGRESS AGAINST THE 2007 ACTION PLANS**

The Chief Minister  
Policy Council  
Sir Charles Frossard House  
La Charroterie  
St Peter Port

12<sup>th</sup> October 2007

Dear Sir

#### **EXECUTIVE SUMMARY**

1. This States Report provides details of the progress that has been made on the Corporate Housing Programme (CHP) during 2007.
2. This report is submitted for consideration in conjunction with three other States Reports; i) 2006 Survey of Guernsey's Housing Needs; ii) Social Housing under the Corporate Housing Programme: Development Plan for the period 2008-2012; and iii) The Use of Planning Covenants in Guernsey.
3. The States is asked to note the progress updates on the 2007 workstreams and to approve the priorities for the CHP for 2008, as outlined herein.

#### **INTRODUCTION**

4. The CHP was approved by the States in February 2003<sup>1</sup> as a means of providing a practical framework for implementing the States Housing Strategy (Appendix I), through coordinated action by States' departments, non-governmental organisations, voluntary groups and the private sector.
5. The CHP comprises six Action Areas that, jointly, reflect the diversity of action that is required to meet the States Housing Strategy across a variety of fronts. The objectives of each of these six Action Areas are designed to cut across individual States' departments' mandates and to focus action on meeting those objectives.

---

<sup>1</sup> The Development of a Housing Strategy and Corporate Housing Programme – Billet d'État II 2003.

6. Each of the six Action Areas has at least one 'lead department' whose role it is to define the specific Action Plans within each action area and to ensure that progress is being made as required. The Housing Department has responsibility for the overall coordination of the Programme, its role being to manage the priorities within it, and to assist those other groups involved in each Action Area to achieve their stated objectives.
7. Much of the recent progress made on the CHP is summarised in detail in the accompanying States Reports, which have been submitted for consideration in conjunction with this report<sup>2</sup>.
8. Without wishing to replicate information already provided to the States, the Housing Department is keen to present an update report for 2007, as it highlights the continued progress that is being made towards achieving a number of key corporate priorities under the umbrella of the CHP and which are incumbent on the support of all of the departments involved.
9. However, discussions will take place during 2008 with the Government Business Plan Team regarding future reporting on the CHP and whether this could be included as part of the general reporting programme on the Government Business Plan.
10. Notwithstanding these discussions, the Housing Department emphasises that it is important that the CHP continues to be recognised as a priority corporate project, in order that the momentum that has been achieved over recent years is not lost, and in recognition that the meeting of housing needs is an ongoing Island concern, with many important workstreams still to be progressed to fulfil the overall States Housing Strategy.

#### **CHANGES IN FUNDING PLANNED FOR 2008**

11. From 2008, there will be changes to the way that the CHP is funded.
12. The Housing Department and Treasury and Resources Department are both firmly of the view that a more appropriate long-term funding mechanism for the CHP is for the Housing Department's annual revenue budget to be increased to take into account the rent rebates granted to tenants (to include those granted to the Housing Department's tenants and to those nominated tenants in the Guernsey Housing Association's properties).
13. The value of these rent rebates was £6.86million in 2006 (2005: £5.08m) and are

---

<sup>2</sup> The following States Reports have been submitted for consideration by the States in conjunction with this report:

- i) 2006 Survey of Guernsey's Housing Needs;
- ii) Social Housing under the Corporate Housing Programme: Development Plan for the period 2008-2012;
- iii) The Use of Planning Covenants in Guernsey.

anticipated to increase significantly in 2007, 2008 and 2009 as the new Rent and Rebate Scheme comes fully into effect and the Social Housing Development Plan is implemented. They are also likely to increase as a result of the Housing Department's tenancy review policy, which can lead to the termination of tenancies of those who can afford to obtain private sector accommodation (generally higher earners who do not qualify for a rebate) and their replacement by lower income earners (who will receive large rebates).

14. As a transitional measure, the rent rebates granted to tenants will be refunded by transfer from the Housing Department's revenue budget to the Corporate Housing Programme Fund, but with a revenue budget cap of **£7.5million in 2008** and **£8.0million in 2009**, which it is anticipated will not represent the full value of rebates granted in those years.
15. Nevertheless, this is a significant move that will provide the CHP with the increased financial certainty that the Housing Department had been seeking. However, it is important to note that refunding the value of rent rebates will replace the annual capital allocation to the CHP Fund. Therefore, from 2008, the major source of funding for the entire CHP will be this revenue allocation.

#### **DETAILED UPDATES ON PROGRESS AND ACTION PLANS**

16. This section provides an update on the progress that has been made on the CHP initiatives during 2007, against those Action Plans that were agreed by the States in December 2006<sup>3</sup>.
17. A number of new initiatives have also been added to the CHP during 2007. They were agreed and prioritised at a workshop meeting attended by representatives of all of the lead departments, which was held in June 2007.

#### **ACTION AREA A – FISCAL POLICY**

##### **Lead Department - Treasury and Resources Department**

**Objective:** To present the States with a comprehensive review of fiscal policy options available to support the objectives of the Housing Strategy.

18. Mirroring the above objective, under Priority 4 of the Government Business Plan (Redistribute wealth wisely in the community), there is a Level 3 action to: *'Consider and identify the impact of the new Corporate Tax Strategy, new Tax on Real Property and other new fiscal policy measures on the Guernsey housing market and the housing choices available to low and middle income earners.'*
19. In the 2006 update report on the CHP, the Treasury and Resources Department was directed to recommend details of the increases in the rates of Tax on Rateable Value (TRV) and details of Mortgage Interest Tax Relief (MITR) in

---

<sup>3</sup> Corporate Housing Programme – Progress against the 2006 Action Plan – Billet d'État XXI 2006.

the 2007 and 2008 Budget Reports.

**Progress:**

- **TRV**
  20. The States agreed that Tax on Rateable Value (TRV) should be increased in order to raise an additional £2m during 2007, thereby increasing total revenue to £6.2m.
  21. TRV will be replaced with **Tax on Real Property** (TRP) with effect from 1<sup>st</sup> January 2008.
  22. The actual rates of TRP for 2008 will be set as part of the Budget Report to be presented to the States in November 2007.
  23. In order to protect the less well off from the effects of TRP increases, a ‘zero’ tariff will be applied to social rented housing provided by the Housing Department and any housing association approved by the Department.
  24. Under Priority 4 (Level 4) of the Government Business Plan, the Treasury and Resources Department was tasked with investigating ways to protect the less well-off, who are not in social housing, from the effects of TRP increases.
  25. This has been delegated to the Social Security Department, which has developed a scheme – the Tax on Real Property Assistance Scheme - to assist those households most seriously impacted by the costs of TRP. This is being funded by the Treasury and Resources Department and will come into effect from 1<sup>st</sup> January 2008.
  26. The Scheme has been designed to target assistance to those people who would qualify for supplementary benefit but who have chosen not to make a claim and those whose incomes exceed their requirements by relatively modest amounts. These people have little disposable income and may experience financial hardship as a result of any increase in taxes or charges.
  27. Assistance will be limited to those persons whose TRP bills exceed £100 per annum.
- **MITR**
  28. As part of the “Zero-Ten” tax strategy, the States agreed that with effect from 1<sup>st</sup> January 2008, the maximum value of mortgages qualifying for MITR, for principal private residences only, will not exceed £400,000.

**PRIORITIES FOR 2008**

- **For the Treasury and Resources Department to consider and identify the impact of the new Economic and Taxation Strategy, and other new fiscal policy measures, on the Guernsey housing market and the housing choices available to low and middle income earners.**
- **For the Social Security Department to implement the Tax on Real Property Assistance Scheme, with effect from 1<sup>st</sup> January 2008, to provide assistance with the payment of Tax on Real Property for people on low incomes.**
- **For the Treasury and Resources Department to implement the new MITR threshold.**

**ACTION AREA B – LAND USE POLICY AND HOUSING DEVELOPMENT**  
**Lead Departments – Environment Department and Housing Department**

**Objective:** To integrate land use planning policies which provide for sufficient housing to be created to meet strategic targets, with a range of measures to ensure that those housing opportunities are translated into development which meets the profile of local needs.

**Progress:**

- **Implementation of the new Planning Law**
29. In September 2007, the States approved 10 of the necessary Ordinances required under the Land Planning and Development (Guernsey) Law, 2005. A Commencement Ordinance is awaited in order for the legislation to be fully implemented.
- **The findings of the study into Planning Covenants**
30. The accompanying States Report – ‘The Use of Planning Covenants in Guernsey’ - discusses the findings of a study by Environmental Resources Management into the application of planning covenants in the local planning system.
31. The Housing and Environment Departments recommend that planning covenants should only be applied in limited circumstances, such as to secure social and intermediate housing provision on sites already designated as Housing Target Areas (HTAs).
32. If the recommendations of the report are accepted by the States, the Housing and Environment Departments will be tasked with developing the mechanism by which planning covenants could be applied to the HTAs.

- **Reviewing the Strategic Target for the creation of new homes (*New initiative*)**
33. The accompanying States Report – ‘Findings of the 2006 Housing Needs Survey’ – recommends the States to direct the Strategic Land Planning Group (SLPG) to review the current strategic policy for the creation of new homes and, for the first time, to set specific annual targets for each tenure, taking into account the profile of needs identified in the Survey.
  34. The Strategic Target currently directs the Environment Department to make provision for 300 new homes each year.
  35. The accompanying States Report also focuses on improving data collection methods to ensure that an effective system is in place to monitor the number of new homes constructed each year, in order to examine whether housing requirements, as highlighted by the findings of regular Housing Needs Survey, are effectively being provided for.
  36. The report also highlights the ongoing need to ensure the availability of data to monitor key housing variables and Action Area F of this report outlines the actions being taken by the Policy Council’s Policy and Research Unit to provide information on the local housing market.
  37. The above measures will, in turn, help to inform the workstream discussed in detail below, in relation to reviewing the need to release the HTAs.
- **Reviewing the need to release the Housing Target Areas**
38. Under the CHP, the Housing, Treasury and Resources, and Environment Departments are required to report to the States on the need to release land for development at Belgrave Vinery and the other Housing Target Areas, taking into account the findings of the 2006 Housing Needs Survey and the findings of the study into the use of Planning Covenants.
  39. In the accompanying report on the Social Housing Development Plan, the Housing Department outlines that, in partnership with the Guernsey Housing Association, it will be able to meet the identified need for social and intermediate market housing over the next five years from existing land banks and therefore sees no immediate need to develop the HTAs for this purpose.
  40. However, the 2006 Housing Needs Survey highlights a continued and heightened demand for new homes for outright purchase. If the SLPG accepts the findings of the Housing Needs Survey, then there will be a need to establish how these needs may be met through the supply of land for residential development. Depending on the outcomes of this process, there may be a need to determine whether any of the HTAs should be released and, if so, in what

order of priority.

41. Accordingly, the Housing Department is of the view that the SLPG should be tasked with reviewing, if necessary, the need to release one or more of the HTAs which, through the application of a planning covenant, could also provide additional social and/or intermediate housing provision.

**PRIORITIES FOR 2008**

- **For the Environment Department to continue to work to implement the new Planning Law.**
- **For the Environment and Housing Departments to work together to develop the mechanism by which planning covenants could be applied to the HTAs, for application as and when required.**
- **For the SLPG to review the Strategic Target for the creation of new homes in the light of the findings of the 2006 Housing Needs Survey and to set specific annual targets for each tenure.**

In the light of the outcomes of the above:

- **For the SLPG to determine whether any of the HTAs should be released and, if so, in what order of priority.**

**ACTION AREA C – INTERMEDIATE HOUSING MARKET**

**Lead Department – Housing Department**

**Objective:** To develop policies aimed at providing for the varied needs of the Intermediate Housing Market and to work with other agencies to ensure that there is sufficient provision of affordable housing to meet the reasonable needs of that market.

**Progress:**

- **Update on the 2005 Social Housing Development Plan**

42. The accompanying States Report - 'Social Housing under the Corporate Housing Programme: Development Plan for the period 2008-2012' - provides the States with a detailed development plan to update on those issues covered in the October 2005 States Report<sup>4</sup>. (This fulfils a Level 4 action under Priority 4 of the Government Business Plan.)

43. The accompanying report updates the States on the development projects at

<sup>4</sup> Social Housing under the Corporate Housing Programme: Towards a Plan for the Period 2006-2008 – Billet d'État XV 2005.

Victoria Avenue, Hougue a la Perre (formerly the Bus Garage) – a Level 4 action under Priority 4 of the Government Business Plan - and puts forward proposals for the redevelopment of the Grand Bouet Estate. The report also asks the States to approve the demolition of social rented homes at Mont Arrive, which are to be replaced by new social rented accommodation primarily for older persons by the Guernsey Housing Association.

- **Incorporating sustainable elements into all future new build programmes** (*New initiative*)

44. The Housing Department has encouraged the Guernsey Housing Association to incorporate eco-friendly solutions into all future developments, and the Association has commissioned Building Research Establishment (BRE) to advise them in drawing up specifications for the redevelopment of the Victoria Avenue estate. (More details are provided in paragraphs 39 to 41 of the States Report on the Social Housing Development Programme for the period 2008-2012.)

- **Reviewing and updating schemes designed to assist first time buyers** (*New initiative*)

45. During 2008, the Housing Department will review initiatives designed to assist first-time buyers. Such schemes include the States Home Loans Scheme, assisted purchase, equity loans (which is tied into the “key worker” project) and first-time buyer’s grant for assistance with document duty. (NB This is a Level 4 action under Priority 4 of the Government Business Plan.)

- **Review of the Partial Ownership Scheme**

46. The Housing Department and the Guernsey Housing Association have jointly reviewed the success of the Partial Ownership pilot project at Roseville, which made 10 homes available for Partial Ownership in January 2007.

47. The Development Plan for the next five year period seeks to provide a range of social housing options, including Partial Ownership, on the majority of future social housing developments.

48. Ensuring that sufficient supply of Partial Ownership units are available to meet identified needs is a Level 4 action under Priority 4 of the Government Business Plan.

- **‘Incompatible’ properties**

49. The Housing Department has continued to dispose of those identified ‘incompatible’ properties during 2007; and this programme will continue in 2008.

50. 11 properties have been sold to date, including Clairval House and Baubigny Cottages. Gross sales have exceeded £2.8 million. These monies have been 'ring-fenced' to help fund replacement social housing to be built by the Guernsey Housing Association.
51. 20 properties on the Petit Bouet estate will be marketed for sale in early 2008. The 10 remaining properties on the estate will be transferred to the Guernsey Housing Association for refurbishment and subsequent sale under the Partial Ownership scheme. It is envisaged that these properties will be available by mid-2008.
52. This supports the objective of rationalising the States Housing stock. It also fulfils a Level 4 workstream under Priority 4 of the Government Business Plan; namely, together with the Guernsey Housing Association, developing a scheme that would enable some of the Housing Department's incompatible properties to be refurbished and sold under the Partial Ownership scheme.

- **The Private Rented Sector**

53. The Housing Department has maintained regular dialogue with the Guernsey Private Residential Landlords Association (GPRLA) during 2007. The Association is working on a number of initiatives relating to the private rented sector, such as preparing a common tenancy agreement, and is also exploring the possibility of establishing an accreditation scheme for its members. (NB This is a Level 4 action under Priority 4 of the Government Business Plan.)

- **Lodging houses and staff accommodation**

54. Initial research into the standards of accommodation in lodging houses and in staff quarters has been completed. A research paper, which highlights the need for a cross-departmental and multi-agency approach to address poor standards, was due to be considered by the Housing Department board in October 2007. (NB This is a Level 4 action under Priority 4 of the Government Business Plan.)

- **Review of the Rent Control (Guernsey) Law 1976 (*New initiative*)**

55. The Housing Department, in conjunction with Treasury and Resources (Cadastre), is reviewing the relevance of Rent Control in the private rented sector and will report to the States on the future of Rent Control during 2008. Only 29 properties are currently subject to Rent Control.

- **The recruitment and retention of "key workers"**

56. Drawing on the research of the Key Worker Housing Group (KWHG), the Housing and Health and Social Services Departments reported to the States in March 2007, with a 'green paper' consultation document on the recruitment and retention of "key workers".

57. The reports proposed 19 recommendations which, together, aimed to form a framework for an integrated corporate strategy to address “key worker” recruitment and retention. The report also highlighted changes to current policy that could deliver significant long-term revenue and capital savings.
58. The States resolved as follows:
- That, based on the recommendations set out in the Key Worker Housing Group’s report, an integrated corporate strategy be formulated on the recruitment and retention of “key workers” that encompasses the provision and funding of suitable “key worker” housing initiatives, and the adoption of tailored housing licence and remuneration policies.
  - To direct the Housing and Health and Social Services Departments to report back to the States by March 2008 (earlier if feasible) with firm proposals based on the further investigations required, taking into account the views expressed by the States, together with the consultations undertaken with “key workers” and other interested parties.
  - To direct that all States’ Departments and Committees that are recommended take action for specific matters in this Report do so in accordance with the Action Plan set out in Annex A to that Report, to enable the Housing and Health and Social Services Departments to report back to the States by March 2008.
59. Progress has subsequently been made in a number of key areas:
- A questionnaire on “key worker” recruitment and retention was issued to all staff employed in the public sector by the Housing and Health and Social Services Departments in July 2007, as directed under Recommendation 19 of the ‘green paper’.
- Early analysis of the results has shown that there are varying views across the States on the support that should be given to “key workers” and on how a “key worker” should be defined. Detailed analysis of the results will be reported to the States in 2008.
- Recommendation 6 of the ‘green paper’ directed the Housing Department to review all options for the modification of housing licence policies in relation to “key workers”, in liaison with the employing departments, as part of the review of the Housing Control Law.
- A Working Group co-ordinated by the Housing Department has subsequently been established to review housing licence policy for public sector employees. The Group, which has met on a number of occasions, comprises of staff level representatives from the Health and

Social Services, Home and Education Departments, together with the Policy Council's Human Resources Unit.

Employing departments are currently profiling the skills required within their different service areas, in order to promote a better understanding of housing licence requirements.

- With regard to the collection of statistics (Recommendation 18), the Housing Department is working closely with the Treasury and Resources Department and the Policy Council's Human Resources Unit to investigate methods for collecting information on the recruitment and retention of statistics on an ongoing basis. To date, the focus has been on extracting information from the Treasury and Resources Departments' SAP Payroll system.
- States Property Services have been tasked with preparing documentation for an "expressions of interest" exercise with the aim of attracting a specialist housing association to provide and manage the existing rental accommodation for "key workers" (Recommendation 8).

60. In the 'green paper' report, it was envisaged that a further report to update the States on the progress made to the "key worker" initiatives would be presented in March 2008. This was always an ambitious target and progress has proved time consuming due to the scope of the above and other workstreams. It is therefore envisaged that a further States Report will be prepared for an autumn 2008 States' debate.

#### **PRIORITIES FOR 2008**

- **For the Housing Department, together with the Guernsey Housing Association, to review how to incorporate sustainable elements into all future new build programmes.**
- **For the Housing Department to review initiatives to support first-time buyers.**
- **For the Housing Department to continue to sell those identified incompatible properties, including 20 homes on the Petit Bouet Estate.**
- **For the Housing Department to continue to work with the GPRLA to progress the self-regulation of the private rented sector, to include finalising a common tenancy agreement and further exploring the possibility of establishing an accreditation scheme for its members.**
- **For the Housing Department to co-ordinate a cross-departmental and multi-agency approach to facilitate improvements in the standards of some lodging houses and staff accommodation.**

- **For the Housing Department to carry out a review of the Rent Control (Guernsey) Law 1976 and report to the States.**
- **For the Housing and Health and Social Services Departments to report back to the States on “key workers”, for an autumn 2008 States’ debate.**

## **ACTION AREA D – STATES-OWNED STOCK**

### **Lead Department – Housing Department**

**Objective:** To maintain and improve the quality of States-owned housing stock, and to provide high quality tenancy services to the occupiers of those dwellings in order to foster communities that are pleasant and safe to live in.

#### **Progress:**

- **Review of the Allocations Policy**
61. In partial fulfilment of a Government Business Plan Level 4 action, in June 2007, the Housing Department reviewed its Allocations Policy and resolved to increase the income threshold limits, from £312 per week to £361 per week for single persons, from £412 per week to £524 per week for couples, and from £624 to £785 per week for families.
  62. The new limits took account of the cost of accommodation in the private rented sector, thereby ensuring that those in need of assistance to meet their housing requirements were able to access social rented housing.
  63. The Housing Department has also agreed to recommend that the maximum assessment tariff should be increased from 25% to 33% of income. Full details of the proposed changes to the maximum assessment tariff will be reported to the States for approval during 2008, as part of a general review of the Rent and Rebate Scheme. (NB This is a Level 4 workstream under Priority 4 of the Government Business Plan.
  64. The Housing Department has also committed to reviewing the age limit for single persons and couples (currently 65 years of age,) once the impacts of the above changes and the effects of the new social housing development programme can be fully assessed, together with the findings into an integrated housing, care and support strategy for older people (see Action Area E below).
- **Review of Rent and Rebate Scheme**
65. The Housing Department reviews the Rent and Rebate Scheme on an annual basis.
  66. At the time of writing, the Housing Department is working to determine rent and

rebate levels for the forthcoming year, in order that details of the new rents, which come into effect from the first Saturday in January, can be communicated to tenants.

- **Tenancy Review Policy**

67. The Housing Department has continued to implement its tenancy review policy to support the process of rationalising the States' housing stock and to ensure that States' accommodation continues to be occupied only by those with appropriate needs. A number of properties have been made available to applicants on the waiting list for social rented housing as a result of this policy, which will be ongoing during 2008.

- **Rent Arrears Strategy**

68. During 2007, the Housing Department continued its strategy to reduce the level of rents that it is owed.

69. As at 29<sup>th</sup> September 2007, rents owing to the Housing Department stood at £333,693.75<sup>5</sup>. Comparable figures for previous years were as follows: September 2006 - £330,702; September 2005 - £388,350; September 2004 - £483,377.

- **Refurbishment of the existing housing stock**

70. A total of 132 properties benefited from a programme of extensive refurbishment of the Housing Department's older stock, which was completed in 2006.

71. In 2007, the focus switched to a rolling programme of modernisation for the remainder of the housing stock, which is being delivered in partnership with RG Falla/Amalgamated Facilities Management, together with States Property Services. (NB This is a Level 4 action under Priority 4 of the Government Business Plan.)

72. This phase of the modernisation programme (three years) focuses on rewiring/electrical upgrading, installation of central heating, replacement/upgrading the loft insulation and the installation of cavity insulation. The economies of scale from bulk purchasing the materials necessary to undertake this programme will result in considerable savings on the overall cost. It will also bring considerable energy saving benefits and reduce the costs of States' tenants' fuel bills.

---

<sup>5</sup> Problems with the new Post Office payment receipting system meant that some of the payments made by Housing Department tenants were not input at the time of calculating the September 2007 rent arrears figure. The Department believes that rent arrears are lower than quoted and was in the region of £300,000.

- Electrical Rewiring/Upgrading

73. 422 properties have undergone full rewiring and 200 properties have had an electrical upgrade through an electrical rewiring and upgrading programme that was introduced in November 2003.

74. Guernsey Electricity Ltd is continuing to assess the upgrade required to the electricity supply in the Department's estates in order to cope with the increase in loading from the installation of night storage heating. At the time of writing, two sites have been upgraded in 2007, including additional substations and/or pillars where necessary. There is an ongoing commitment to assess and identify the electricity needs of estates as required.

- Drainage

75. Significant drainage works have been completed on the following estates: Collings Road, Rougeval, Braye Road, Carriere Lane, La Rue Flere and Sausmarez Mill. Works are to commence at Mont Marche Estate and mains connections will be completed at Courtil Michelle and Les Islets estates by the end of 2007.

76. A number of estates require similar works; however, these will not be prioritised until the recent drainage surveys have been assessed. Further drainage surveys will continue throughout 2008 to identify the future priorities.

- Re-Roofing

77. In addition to the re-roofing of those properties that have been fully refurbished, houses at Chemin Robin, Rue de la Croix, Rue Au Pretre and Courtil Michelle have also been completed.

78. By the end of 2007, re-roofing will be completed on the following estates: Millbrook, Pont Vaillant, Chemin des Monts, La Vrangue, Gibauderie and Les Granges.

79. Priorities for 2008 are Les Islets and Pre du L'aumone estates. Surveys are continuing in order to establish the next priorities.

- Unforeseen & Exceptional

80. Stabilisation works have been identified as a priority for Rougeval Quarry. Phase 1 has commenced and should be completed early in 2008. Phase 2 will be reviewed during 2008.

- Estate Enhancements

81. Proposals are being prepared and considered for further progress on the estate

enhancement programme. This work is aimed at improving access for emergency service vehicles, whilst easing congestion: work at Les Genats, Rue Jehannet, Sous Les Hougues and Rougeval Estates has been completed. Further schemes are currently being planned for Collings Road, Braye Road, Sandy Hook and Courtil Michelle Estates.

82. These enhancements will, however, continue to be subject to available funding and the prioritisation of the other estate improvement workstreams.

### **PRIORITIES FOR 2008**

- **For the Housing Department to further review its Allocation Policy.**
- **For the Housing Department to carry out a general review of the Rent and Rebate Scheme.**
- **For the Housing Department to continue to implement the tenancy review policy.**
- **For the Housing Department to make continued efforts to reduce the level of rents that it is owed.**
- **For the Housing Department to continue the long-term estates improvement/modernisation programmes for States' houses.**

### **ACTION AREA E – SUPPORTED HOUSING PROVISION**

#### **Lead Department – Housing Department**

**Objective:** To develop appropriate options for persons requiring supported accommodation, which may include older persons, young people, people with a learning disability, persons with a mental illness, ex-offenders etc.

#### **Progress:**

- **NCH Youth Housing Project**
83. The Housing and Health and Social Services Departments have continued to support the NCH Guernsey Youth Housing Project by providing a grant to fund fully the NCH for the operating costs of the seven training bedsits at 17 Havilland Street, plus their other services based in St. James Street.
84. The ongoing provision of this grant will enable the Project to continue to meet the needs of those young people, primarily aged between 16 and 21 years old, who are without family support and at risk of homelessness, unemployment and social exclusion.
85. No further updates will be provided on this project unless there are significant

service developments.

- **‘Extra care’ sheltered housing at Rosaire Court**

86. The development of an ‘extra care’ sheltered housing facility at Rosaire Court was completed at the end of 2006.
87. The Housing and Health and Social Services Department worked closely with Housing 21 Guernsey Ltd to form an Allocations Panel to evaluate potential applicants for the rented and lifetime lease units in this development. The first units became occupied in early 2007.
88. Whilst the management of this accommodation will be the subject of ongoing supervision by the Housing and Health and Social Services Departments, now that the development is fully commissioned, further updates will not be provided in the annual update reports on the CHP.
89. However, the general provision of ‘extra care’ sheltered housing in the Island will be evaluated as part of the development of an integrated older person’s housing, care and support strategy, as referred to below.

- **Developing an integrated housing, care and support strategy for older people (*New initiative introduced in early 2007*)**

90. The Housing and Health and Social Services Departments are working closely with the Social Security and Treasury and Resources Department to develop an integrated housing, care and support strategy for older persons.
91. A senior officer working jointly for the Housing and Health and Social Services Department has been appointed to carry out research and consult with stakeholders. It is the aim for a report, with recommendations, to be produced for consideration by the States in autumn 2008.
92. This report will look at, among other things, the Island’s future needs for residential care, ‘extra care’ housing and sheltered housing, and will also review the funding arrangements for each of these types of provision. (NB This is a Level 4 action under Priority 4 of the Government Business Plan.)

- **Accommodation for ex-offenders (*New initiative*)**

93. Staff level discussions between the Housing and Home Departments have taken place with regard to the viability of providing accommodation for ex-offenders and for those persons on probation. The Home Department is preparing an initial discussion paper on the nature of the accommodation required.

**PRIORITIES FOR 2008**

- **For the Housing and Health and Social Services Departments to work with the Social Security and Treasury and Resources Department to develop an integrated housing, care and support strategy for older persons.**
- **For the Housing and Home Departments to work together to investigate the provision of accommodation for ex-offenders.**

**ACTION AREA F – INFORMATION**

**Lead Department – Policy Council (Policy and Research Unit)**

**Objective:** To establish an authoritative system for collating information about housing in order to monitor and review the effectiveness of the Corporate Housing Programme against strategic objectives.

**Progress:**

- **Findings of the 2006 Housing Needs Survey**
94. The accompanying States Report summarises the findings of the 2006 Housing Needs Survey, fulfilling an objective for 2007 under Action Area F of the CHP. The Survey identifies housing trends, and assesses the current and future requirements for housing in all tenures. The report findings provide a valuable source of information which will help with monitoring trends in the local housing stock.
95. If the recommendations of the States Report are accepted, the Strategic Land Planning Group will be directed to review the current annual strategic policy for the creation of new homes and to set specific annual targets for each tenure, taking into account the profile of needs identified in the Survey.
96. The next Housing Need Survey will take place in 2011.
- **ICT Strategy**
97. During 2007, the Policy Council's Policy and Research Unit has worked with the Treasury and Resources Departments Information Communications Technology Unit (ICT) to ensure that data capture, maintenance and reporting procedures are included in the corporate ICT Strategy. Further development is required to ensure, where possible, that data are collected and stored electronically in a consistent and accessible way by departments.
98. The next stage of this process will be ensuring that new systems can accommodate new data requirements which are accessible on a regular basis.

- **The ongoing collection of housing-related information**

99. The Policy Council's Policy and Research Unit has responsibility for ensuring that data are available to monitor effectively the outcomes of the programme focusing on changes within the Island's housing stock and market.
100. The Policy Council has recently agreed that a part-time member of staff be recruited on a two-year contract to take forward this initiative, working with States Departments and private sector bodies, to assemble and report on the relevant data. Funding for this post has been provided by the Housing Department through the Corporate Housing Programme Fund.
101. As highlighted in the accompanying States Report on the Findings of the 2006 Housing Needs Survey, a priority for the Policy Council's Policy and Research Unit, and for the part-time Housing Research Officer, will be to 'plug' the information gaps which currently exist and to provide a more robust analysis of the housing stock and market, to enable frequent reporting. This will enable the establishment of a more effective monitoring system.

**PRIORITIES FOR 2008**

- **For the Policy Council's Policy and Research Unit to review the data collection methods in place to ensure that data is available upon which to effectively monitor the local housing market, and the effect of housing and planning policy.**
- **For the Policy and Research Unit to continue to work closely with ICT to ensure that housing related data can be effectively captured across departments, as identified in the corporate ICT Strategy.**

## CONCLUSION

102. The above commentary provides evidence of the ongoing progress that has been made in furthering the priorities of the CHP during 2007. A number of workstreams were completed during the year as a result of the coordinated approach across departments and, as highlighted in this report, further initiatives have also been introduced under the various Action Areas.
103. However, many of the priorities for 2008 are important corporate initiatives that must remain high on the political agenda, if the States Housing Strategy is to continue to be implemented. In this regard, the Housing Department welcomes the commitment of the Government Business Plan Team to assist with the successful implementation of the CHP. (NB A Level 2 action under Priority 12 of the Government Business Plan.)
104. With the funding arrangements for the CHP changing from 2008, the Housing Department is confident that this added financial certainty will see the

Programme go from strength to strength; building on those considerable achievements that have already been attained towards achieving the Island's Housing Strategy.

**RECOMMENDATION**

105. The Housing Department recommends the States approve the priorities under the six Action Areas of the Corporate Housing Programme for 2008, as set out in this report.

Yours faithfully,

D Jones  
Minister

## **APPENDIX I**

### **STATES HOUSING STRATEGY**

- To ensure that all persons legally resident in Guernsey have access to housing accommodation to meet their reasonable needs.
- To meet housing needs in a sustainable manner in the long-term interests of the community as a whole, making prudent use of all resources and recognising that investment in housing must be prioritised and compatible with strategic policies and the wider programme of public expenditure approved by the States.
- To ensure that there are measures in place to limit any growth in population through immigration in order to manage housing demand in accordance with the principles of sustainability.
- To provide the community with a range of housing options, acknowledging that while home ownership has historically been the preferred means of meeting housing needs, good quality, fairly priced housing may be provided across the housing market by other means and through a variety or mix of agencies – public, private and voluntary.
- To enable housing to be provided for those financially unable to enter the private housing market, either to purchase or rent, through a range of housing measures attuned to meeting their specific housing needs including social rented housing, partial ownership schemes etc.
- To enable the provision of supported accommodation for persons with special needs including accommodation for older persons, young people, people with a learning disability, persons with a mental illness, ex-offenders etc.
- To maintain and improve the quality of housing in Guernsey across all sectors bearing in mind the impact of housing conditions on the health and well-being of the community.

**(NB The Policy Council supports the proposals.)**

**(NB The Treasury and Resources Department has no comment on the proposals.)**

The States are asked to decide:-

IV.- Whether, after consideration of the Report dated 12<sup>th</sup> October, 2007, of the Housing Department, they are of the opinion:-

To approve the priorities under the six Action Areas of the Corporate Housing Programme for 2008, as set out in that Report.

# **IN THE STATES OF THE ISLAND OF GUERNSEY ON THE 12<sup>th</sup> DECEMBER, 2007**

**The States resolved as follows concerning Billet d'État No XXV  
dated 9<sup>th</sup> November 2007**

## **HOUSING DEPARTMENT**

### **2006 SURVEY OF GUERNSEY'S HOUSING NEEDS**

I.- After consideration of the Report dated 26<sup>th</sup> September, 2007, of the Housing Department:-

1. To note the findings of the 2006 Housing Needs Survey.
2. To direct the Strategic Land Planning Group to review the current strategic policy for the creation of new homes and set specific annual targets for each tenure, taking into account the profile of needs identified in the Survey.
3. That, as a priority, there is a need to collect information on the local housing market to facilitate the ongoing monitoring of housing related statistics covering all tenures, as outlined in Action Area F of the Corporate Housing Programme.
4. That the next Housing Needs Survey shall be carried out in 2011 and, thereafter, at intervals of not more than five years.

## **HOUSING DEPARTMENT**

### **SOCIAL HOUSING UNDER THE CORPORATE HOUSING PROGRAMME: DEVELOPMENT PLAN FOR THE PERIOD 2008-2012**

II.- After consideration of the Report dated 14<sup>th</sup> September, 2007, of the Housing Department:-

1. To accept the Social Housing Development Plan for 2008-2012 put forward in that Report.
2. To reaffirm their support for some social housing development to be undertaken in the Rural Area on land that relates to existing States' housing estates where the requirements of policy RH2 are met.
3. That the Treasury and Resources Department be empowered to approve the transfer of the Mont Arrivé and Grand Bouet estates to the Guernsey Housing

Association for demolition and redevelopment.

4. That in future the Treasury and Resources Department be empowered to agree transfers of land or properties administered by the Housing Department to approved housing associations for the purposes of redevelopment to meet identified housing needs.
5. That the Treasury and Resources Department be empowered to agree the methods of grant funding developments undertaken by approved housing associations.

**HOUSING DEPARTMENT**  
**and**  
**ENVIRONMENT DEPARTMENT**

THE USE OF PLANNING COVENANTS IN GUERNSEY

III.- After consideration of the Report dated 13<sup>th</sup> September, 2007, of the Housing Department and the Environment Department:-

1. To note the limited circumstances in which planning covenants will be used as set out in that Report.
2. To direct the Housing and Environment Departments to develop the mechanism by which planning covenants can be applied to the Housing Target Areas, for application as and when required.

**HOUSING DEPARTMENT**

CORPORATE HOUSING PROGRAMME –  
PROGRESS AGAINST THE 2007 ACTION PLANS

IV.- After consideration of the Report dated 12<sup>th</sup> October, 2007, of the Housing Department:-

To approve the priorities under the six Action Areas of the Corporate Housing Programme for 2008, as set out in that Report.

K H TOUGH  
HER MAJESTY'S GREFFIER