The Use of Planning Covenants in the Delivery of Affordable Housing in Guernsey

Final Version

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Preface

The following extract from the Oxford Economics Study entitled Towards an Economic Development Strategy for Guernsey (February, 2012) provides an observation in respect of Social Housing. It states:-

“The waiting list for social housing in Guernsey, which had been decreasing over much of the previous decade, has increased back to 2000 levels since 2009. This has been due to a combination of delays in some major projects coming forward, the reduced availability of mortgage finance, stagnation in house building and high demand for private rental properties pushing those rentals even higher.

Previously, the reduction in demand had been achieved through a sustained new build programme, the rationalisation of the social housing stock and the introduction of tenancy reviews and the introduction of a joint-ownership programme.

There is some (anecdotal) feeling locally that recent increases in demand for social housing, which have coincided with the global economic slowdown, partly reflect an intentional ‘lifestyle choice’ by some individuals. The introduction of tenancy reviews will help to counter this phenomenon by requiring occupiers to vacate when they are no longer eligible. An alternative view suggested that the rising cost of home ownership had made it an ‘unrealistic ambition’ for lower-paid employees to own a property. Therefore, the demand for social housing has increased and recognition of the unrealistic ambition has lead to a decrease in off-flows.

Solving the issue of housing affordability is potentially complex: with limited space and little desire to develop mass-market properties, it is difficult to envisage a decrease in house prices on the Island. If rising demand for social housing and slowing off-flows are perceived to be an unacceptable long-term drain on the public finances, government intervention may be required to further develop joint-ownership schemes.”
1. **Introduction**

1.1 In 2006, the Environment Department in conjunction with the Housing Department commissioned work by consultants Environmental Resource Management (ERM) to undertake a study into the feasibility of securing affordable housing through the planning process as part of ongoing work in developing the Corporate Housing Programme (CHP). This culminated in the presentation of the report’s findings to the States of Deliberation in December, 2007 (Billet D’Etat XXV) whereupon it was resolved, after consideration of the report dated 13th 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, and*

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.*

1.2 Since that resolution, a new Ordinance entitled *The Land Planning and Development (Planning Covenants) Ordinance, 2011*, adopted by the States in September, 2011 (Billet D’Etat XV) provides the necessary legislative framework for requiring the provision of affordable housing on new housing developments. This is defined as both social and intermediate housing and is not confined exclusively to Housing Target Areas. The Ordinance seeks to secure such provision through the imposition of planning covenants, which were introduced for the first time in the *Land Planning and Development (Guernsey) Law, 2005*; this came into effect in April, 2009.

1.3 In November 2011 the revised Strategic Land Use Plan (SLUP) was approved by the States of Deliberation (Billet D’Etat XIX) providing *inter alia* a new strategic planning policy framework for securing affordable housing in the emerging review of the Urban and Rural Area Plans. In this regard, *Policy SLP17* states that: *

**The Development Plans will make provision for a range of social and specialised housing as part of the annual requirement for new homes as set out within Policy SLP13.**

**Appropriate levels of provision of social and/or specialised housing on larger general market sites may be required through the use of planning condition or covenant and established through a specified mechanism.**
1.4 Therefore, in preparing the Development Plan review, together with the results of the new Housing Needs Study due to be published in late, 2012, it is considered timely to critically review the work undertaken by ERM in 2006 and to develop a new policy framework, which is capable of being tested through initial public consultation and eventually via a planning inquiry.

1.5 The purpose of this study is to assess whether it is appropriate to introduce new policies into the revised Development Plan(s) that are capable of securing the delivery of affordable housing on larger, general market housing sites. It should also assess whether a prescribed threshold in terms of site size, above which a percentage of affordable and/or specialised housing should be provided on site, together with the practicality of requiring commuted sums on housing proposals that fall below this threshold.

1.6 **Aims and Objectives**

a. To review the legislative and strategic planning policy framework for securing affordable housing in the emerging review of the UAP/RAP;

b. To review the recommendations set out in the original ERM study (2006);

c. To review and update the demographic and economic assumptions contained in the original ERM study;

d. To explore the economic feasibility of securing affordable and/or specialised housing through the use of planning covenants and/or conditions, particularly in the context of other planning requirements associated with larger, general market housing sites (eg highways, drainage, public art, open space etc);

e. To assess the quantum of affordable housing to be delivered over the first 5 years of the plan review period (2012-2017) using the forecasts arising from the Housing Needs Survey (2011);

f. To determine appropriate site size thresholds and percentages to be applied to larger, general market housing sites;

g. To assess the feasibility of requiring commuted sums in lieu of on-site provision;

h. To research best practice in the UK and other Island jurisdictions (eg Jersey, Isle of Man) for the securing of affordable and/or specialist housing through the planning process;
i. To assess what mechanisms might be most appropriate for securing affordable and/or specialist housing provision in the Guernsey context (eg planning conditions, planning covenants); and

j. To develop model policies for inclusion in the Draft Island-Wide Development Plan and to provide a reasoned justification for the policy approach.
2. Planning and Legislative Framework

2.1 The States of Guernsey is an independent jurisdiction located within the Channel Islands and although it is a Crown Dependency, it is responsible for its own affairs and the legislative framework that governs it. This is enacted via the Royal Court and the States of Deliberation, which comprises of 45 elected Deputies and 2 representatives from Alderney.

2.2 Responsibility for the governance and administration of services to an Island population of approximately 62,000 residents is divided between 10 Departments, each governed by a Board and Minister. Overall strategic policy is formulated by the Policy Council, whose membership comprises the Chief/Deputy Ministers together with the Ministers of each of the Departments, but it should be noted that all legislative and strategic policy decision-making rests with the States of Deliberation (the ‘House’), which generally meets on a monthly cycle.

2.3 The legislative framework for planning is contained in the Land Planning and Development (Guernsey) Law, 2005 (the ‘Law’), which was enacted on the 6th April 2009, superseding the former Island Development Law, 1966 by providing a more sustainable planning framework for decision making and a greater range of exemptions from planning control. In 2007, a range of Ordinances was drafted and these came into force at the same time as the substantive legislation.

2.4 Section 1 of the Law sets out its purposes, which are to protect and enhance, and to facilitate the sustainable development of, the physical environment of Guernsey. In this regard, the Law should, amongst other aims and objectives, seek to maintain a balance between the competing demands of the community for the use of land and to ensure that all development is carried out in such a way as to achieve a safe and healthy living and working environment. It stresses that the Law, through the mechanism of plan making, can apply special or additional controls in relation to development where appropriate. These mechanisms are highlighted in Section 23 of the Law, which deals with the circumstances under which Planning Covenants may be entered into and the procedures to effect their enforcement.

2.5 In September, 2011, the Land Planning and Development (Planning Covenants) Ordinance, 2011 was enacted relating to the purposes for which a planning covenant may be entered into to ensure the provision of affordable or social housing. This interprets ‘affordable housing’ as meaning social housing provided for persons on low
incomes, as well as intermediate housing, and provides the following definitions that are also applied in this study:

**Social Housing** means dwellings owned or controlled by the Housing Department, the Guernsey Housing Association or any other person or legal arrangement which are offered to persons on low incomes or with other needs identified by the Housing Department:

(a) whose housing needs, as identified by the Housing Department, are not met by the private sale or rental market for dwellings, and

(b) who meet the criteria set, from time to time, by the Housing Department, the Guernsey Housing Association or other person or legal arrangement, as the case may be, for the occupation of such dwellings.

**Intermediate Housing** means dwellings owned or controlled by the Housing Department, the Guernsey Housing Association or any other person or legal arrangement which are offered:

(a) to persons whose housing needs, as identified by the Housing Department, are not met by the private sale or rental market for dwellings,

(b) on a basis which may include provision for part ownership, part share or equity or low cost ownership or any similar scheme (however named), and

(c) to persons who meet the criteria set, from time to time, by the Housing Department, the Guernsey Housing Association or other person or legal arrangement, as the case may be, for the occupation of such dwellings.

2.6 It is worth noting at this stage that the Island’s housing stock is split into two distinct categories: Open and Local Market. Although the occupation of Open Market private dwellings (approximately 1,600 units) is not controlled, the occupation (not ownership) of Local Market dwellings is governed by the *Housing (Control of Occupation) (Guernsey) Law, 1994*. Generally speaking, a person not possessing residential qualifications can occupy a Local Market dwelling only by virtue of a housing licence, which can be issued either on employment grounds (recognising a skills or manpower shortage on the Island) or on the basis of a person’s strength of connections with the Island. Employment-related licences can be issued for any duration, but it is usual for licence periods to be limited to a maximum of 5 years, in support of the Population Policy of the States of Guernsey. The States, working in partnership with
two Housing Associations, provides social and specialist housing (eg extra care housing) which is made available at affordable rents, as well as introducing partial ownership schemes to satisfy some of the need for intermediate housing.

**Corporate Housing Programme (CHP)**

2.7 The States’ house building programme, geared towards meeting the needs of local residents unable to compete in the housing market, is established through the States Corporate Housing Programme (CHP). The CHP is periodically reviewed to set policy priorities across all housing tenures. As part of the CHP, the Housing Department continues to maintain and upgrade its existing social housing, but through the Social Housing Development Plan-a part of the CHP- delivers new social housing through the Guernsey Housing Association (GHA). This is a not-for-profit organisation, able to borrow finance on the open market and repay its loans through rental receipts from a range of housing projects completed on the Island in recent years.

2.8 The Social Housing Development Plan has a current time horizon of 2012: a successor plan to cover the period 2013-2017 will be presented to the States in 2013.

2.9 The CHP was last reviewed in May, 2010 (Billet D’Etat XI) and at that time, it established a number of workstreams, one of which related to the potential release of one of the Housing Target Areas identified in the Urban Area Plan. This work is now ongoing in conjunction with the Environment Department.

**States Strategic Plan**

2.10 The States Strategic Plan is updated annually and encapsulates the aims and objectives of three key plans: Social, Fiscal and Environmental. In addition to these, individual Resource Plans cover specific themes such as Infrastructure, Population and Energy.

2.11 One of the general objectives of the Social Policy Plan is to achieve better housing availability, quality and affordability and this is incorporated within the Strategic Land Use Plan (SLUP). This is a key Resource Plan for spatial planning in Guernsey, informing its future land use planning framework for the next 20 years and it is within this framework that Development Plans should be prepared and where appropriate, reviewed.
Strategic Land Use Plan

2.12 A revised *Strategic Land Use Plan (SLUP)* was adopted on the 30th November, 2011 (Billet D’Etat XIX) following extensive public consultation on the *Guernsey Tomorrow* initiative, which engaged nearly 1000 residents in discussions over the future of the Island in terms of land use and development. The SLUP contains detailed spatial planning guidance on a range of land use issues together with the State’s own corporate aspirations as a major stakeholder in the future development of the Island.

2.13 The Core Objectives of the SLUP seek to improve the quality of life of Islanders and support a successful economy whilst protecting the Island’s environment, unique cultural identity and rich heritage. This is to be achieved through a range of spatial planning policies, one of which is to improve levels of housing availability, quality and affordability, enabling people to help themselves become independent where possible.

2.14 **Policy SLP17** of the *Strategic Land Use Plan (2011)* provides the policy context for securing affordable housing in the emerging review of the Development Plans and it is worth re-iterating this policy guidance as follows: -

The Development Plans will make provision for a range of social and specialised housing as part of the annual requirement for new homes as set out within Policy SLP13.

Appropriate levels of provision of social and/or specialised housing on larger general market sites may be required through the use of planning condition or covenant and established through a specified mechanism.

2.15 Subject to more detailed research on housing need and current land availability, the *Strategic Land Use Plan (2011)* continues the requirement to identify sufficient land to accommodate 300 new dwellings per year. It further highlights the need to ensure that there is a 5-year supply identified in the plan review and an immediate 2-year supply available at all times. This requirement should be monitored through permissions granted and housing completions over the plan period, but whilst the current Urban Area Plan seeks to focus on the main built-up areas of St Sampson/Vale and St Peter Port, the Strategic Land Use Plan presages a step change in policy to promote the development of sustainable local centres in the rural area. Hence, the amended spatial strategy is:
Development concentrated within and around the edges of the urban centres of St Peter Port and St Sampson/Vale with some limited development within and around the edges of the other main parish or local centres to enable community growth and the reinforcement of sustainable centres.

2.16 The Strategic Land Use Plan also seeks to make the best use of sites where strategic opportunities exist. These might include large sites that are due to become obsolete, such as schools, hospitals and industrial areas, many of which are in public ownership. By adopting a more flexible approach to such sites, it is acknowledged that the corporate objectives of the States, including the delivery of affordable housing, might potentially be met through appropriate development. **Policy LP12** of the Strategic Land Use Plan therefore provides the following policy framework for subsequent consideration in the emerging Development Plan Review:-

Notwithstanding the spatial strategy set out within Section 4 of this Plan, the Development Plans will identify and make individual provision for the planning of sites where potential exists to meet the corporate economic, social and environmental objectives of the States through the adoption of a more flexible land use policy approach. The Development Plan will include an appropriate mechanism for full public consultation in establishing site-specific planning framework documents.

**Development Plans**

2.17 Two Development Plans currently cover the Island: the **Urban Area Plan (Review No. 1)** adopted in 2002 and the **Rural Area Plan (Review No. 1)** adopted in 2005. Within the terms of reference of the **Land Planning and Development (Plans) Ordinance, 2007**, each of the Development Plans is deemed to have a time horizon of 10 years from the date of adoption, though the States has authority to consider extensions in appropriate circumstances. Hence, pending the emerging plan review, it was considered prudent in early 2012 (Billet D’Etat I) to extend the validity of the Urban Area Plan (UAP) to harmonise the time horizon of both Development Plans to the 15th December, 2015.

2.18 The current planning policy framework contained in the Approved Development Plans is to focus most new housing development in the urban area, concentrating on the built-up areas of St Sampson/Vale (the ‘Bridge’) and St Peter Port, whilst restricting development in the rural area in order to conserve and enhance the
rural environment. Though it was originally envisaged that housing development would occur at a ratio of 90:10 in favour of the urban area, this has not materialised over the last decade as redevelopment and conversion schemes have continued to add to the housing stock in the rural area. From housing land availability data for the last 5 years, which seeks to monitor completions and extant planning approvals against a supply target of 300 new residential units per year, the ratio is in fact closer to 75:25 and was nearer to 60:40 for current planning permissions in the pipeline in 2011.

Urban Area Plan

2.19 The key housing policy principles set out in the UAP are:

- To focus as much new housing as possible within the settlement areas of St Peter Port and the Bridge and on previously developed land (brownfield sites);
- To encourage the potential to convert and re-use derelict or vacant buildings and upper floor accommodation;
- To minimise the amount of development needed on open and undeveloped sites;
- To carefully control the release of Housing Target Areas;
- To retain the existing housing stock through improvement or replacement where appropriate;
- To achieve as high a density as is compatible with achieving good standards of design, accommodation and residential amenity; and
- To encourage a wide range of housing that reflects housing needs, including homes for families and small households, communal residential establishments and housing for the elderly and other households with special needs.

2.20 Policy HO1 of the UAP seeks to ensure that a two year supply of housing is effectively available at any one time to meet the needs set out in the States’ Strategic and Corporate Plan. In 2002, when the UAP was originally approved, this requirement was 250 dwellings per annum, but this was reviewed following the findings of the Housing Needs Survey (2006) to 300 dwellings per annum.

2.21 Policy HO2 allows for the development of opportunity sites for housing on underused sites in the Settlement Areas and on previously developed land both within and outside these designated areas.

2.22 Policy HO3 encourages mixed-use development, especially in the Central Areas where proposals exceeding 2000 square metres are
required to include an element of residential development. However, such schemes would normally be subject to the preparation of a Development Brief to address the varying needs for different land uses. In order to meet this aim, the previous UAP, approved in 1995, established the concept of Mixed Use Redevelopment Areas (MURA’s). These focused on Glategny Esplanade, Leale’s Yard and Le Bouet and were carried forward into the 2002 UAP in order to promote their comprehensive redevelopment. To date, the Bouet MURA (Admiral Park), comprising land previously in industrial use, is substantially complete and has delivered a significant amount of residential accommodation, primarily apartments, together with a range of other uses comprising retail and offices. Similarly, the redevelopment of Glategny Esplanade has delivered a substantial number of residential units together with office development. The Leale’s Yard redevelopment scheme at the Bridge has the benefit of a current outline planning permission and is expected to deliver about 150 dwellings on a site that will also provide a major retail destination.

2.23 **Policy HO4** encourages proposals for the conversion and subdivision of existing buildings to provide additional residential accommodation, acknowledging that such proposals can make a valuable contribution to satisfying the need for housing. **Policy HO5** builds upon this policy context by promoting the more efficient use of vacant and underused upper floors, particularly in the Central Areas of St Peter Port and the Bridge.

2.24 **Policy HO6** supports the conversion of redundant office space for housing, accepting that such proposals can often revitalise an area and includes the promotion of ‘live/work’ units and loft apartments in appropriate cases. **Policy HO7** acknowledges the role that conversion schemes can play in providing self contained flats and houses in multiple occupation; this can be an effective way of providing small, relatively low cost accommodation.

2.25 At the present time, the UAP contains no specific policy guidance on ‘affordable housing’, though there was an aspiration to address such housing needs through the preparation of Outline Planning Briefs (since amended to Local Planning Briefs in the revised legislation) on five Housing Target Areas (HTA’s). These were established under **Policy HO8** with the mechanics of release set out in Annex 9 of the UAP. These greenfield sites, governed by a priority order of release, were specifically reserved to meet strategic housing targets in the event of a 2-year supply of housing no longer being available. It was further envisaged that they would
assist in controlling the pattern and speed of urban growth, ensuring that new infrastructure is co-ordinated with new housing development to deliver the objective of recycling brownfield sites and regenerating run down urban areas. The sites were (in order of priority): -

- Pointes Rocques
- Salt Pans
- La Vrangue
- Franc Fief

2.26 Only the Belgrave Vinery HTA has an extant Local Planning Brief (2006) involving land that is mainly in States ownership, but despite an aspiration to deliver a proportion of affordable housing as part of the scheme proposals, no development has yet commenced on the site, primarily due to the prohibitive costs of infrastructure improvements required to enable development.

2.27 Policy HO9 stresses the importance of retaining the existing housing stock in order to ensure no net loss of dwellings in an area of high demand and limited land resources. This does not seek to retain substandard stock per se, but promotes refurbishment in appropriate cases together with increased densities where redevelopment is able to secure net gains in the housing stock. This is also encouraged in Policy HO10 by promoting higher densities in new-build schemes to reduce the pressure on greenfield sites.

2.28 Policy HO11 advocates the need to provide for a range of housing needs and seeks to respond to social and cultural trends in average household size, which is leading to a greater demand for small units, particularly single person accommodation. In cases where an Outline Planning Brief or Development Brief is required, typically larger sites where a range of house types and sizes can be specified, the policy expects that the majority of accommodation provided should be no more than two bedrooms per housing unit (ie 4 habitable rooms or less). This policy has been particularly successful in securing smaller housing units on a range of sites in the Urban Area over the last 5 years that have been subject to the preparation of a Development Brief (eg Woodstock Vinery, Vauxlaurens Brewery, Maurepas Road, Bouet Phases One and Two). This approach is further endorsed in Policy HO13 which seeks to respond to the growing need for sheltered accommodation with warden services and community facilities, with encouragement given to incorporating such needs on larger sites through Development Briefs and Outline Planning Briefs.
2.29 On sites of over 20 residential units or 0.5 hectares in the Urban Area Plan, a Development Brief must be prepared in accordance with Annex 1 of the UAP setting out the key development principles for the site. However, these can only provide more detailed guidance in respect of the existing UAP policy framework. Hence, whilst many key windfall sites in the urban area have been subject to approved Development Briefs prepared by the Environment Department, they cannot introduce a requirement for affordable or specialist housing, only an appropriate range in terms of house types and density guidelines to inform detailed planning applications.

2.30 In the absence of any specific policy framework in the UAP or the release of any Housing Target Areas, the private sector has not delivered any affordable or low cost housing to meet local housing needs in the urban area. In effect, this has principally been delivered via the Guernsey Housing Association on behalf of the States Housing Department and to a limited extent by another housing association, Housing 21, but on land which is mostly States owned and almost exclusively through the redevelopment of brownfield sites.

2.31 The Guernsey Housing Association (GHA) has an on-going development programme to deliver additional social units as well as upgrading key sites, such as the redevelopment of the Bouet Estate on the edge of St Peter Port, which has involved the clearance of about 200 sub-standard housing units originally constructed in the ‘70’s in favour of a contemporary scheme with a range of house types which meet 21st century living standards. The programme also includes replacing, with extra care housing, outmoded residential homes at Maison Maritaine in St Sampson and Longue Rue House in St Martin, both of which are in the rural area. Planning consent has also been granted on the former Boys Grammar School in Brock Road, St Peter Port for a mix of social units, including several partial ownership properties to be constructed and managed by the GHA.

Rural Area Plan

2.32 In contrast to the Urban Area Plan, the Rural Area Plan adopts a very constrained approach to new housing development, its key planning policy principles being: -

- To guide the erection of new housing, other than on a one-for-one replacement basis, towards sites in the urban area;
To provide for a limited amount of new housing, but only where this can be achieved through the sub-division or conversion of suitable buildings and where the primary objective of conserving and enhancing the rural environment is not compromised; and

To provide, albeit in very exceptional circumstances, for the erection of social housing that meets a clearly defined need.

2.33 The strict approach to new housing is set out in Policy RH1 which states that over and above the sub-division of existing dwellings, residential development will only be permitted where it involves the conversion of existing buildings or the replacement of existing dwellings on a one for one basis. An exception to this general proviso is where permission has been granted for a residential conversion scheme, usually into apartments, where the preference is to demolish and re-build. In such cases, the overall floorspace and volume of the approved scheme should not be exceeded nor the number of residential units. This approach has been adopted in several visitor accommodation complexes that have previously been rationalised by the Island’s tourism economy, usually in favour of houses in multiple occupation and then redeveloped for general market housing.

2.34 Policy RH2 of the Rural Area Plan provides an exception approach to the delivery of social housing on small-scale sites, subject to a range of locational criteria, principally proximity to local services (ie rural centres) or the rounding off of existing States housing, together with the support of the Housing Department. For the purposes of the policy, social housing is deemed to be that which is provided by the States Housing Department, by a recognized Housing Association in partnership with that Department or a scheme designed to secure specific forms of social housing sought under the Corporate Housing Programme (CHP). Such schemes would normally be for subsidised rent or for partial ownership, but may include sheltered housing in schemes that are approved by the Housing Department. To date, only one scheme, Le Clos Barbier in the Parish of St Martin, has received planning permission via this exception route with 24 social rental units due to be completed in 2013 on a greenfield site acquired by the Guernsey Housing Association. A further proposal involving 14 sheltered units on the former British Legion site in La Route des Coutures, St Martin’s is awaiting a decision.

2.35 Policy RH3 provides a similar context to the Urban Area Plan by allowing for the sub-division of dwellings to provide additional housing units or into houses in multiple occupation. As in the urban area, this is interpreted as an effective way of providing relatively
low cost housing without the need to develop greenfield sites. Similarly, Policy RH4 protects the existing housing stock, only allowing for losses in exceptional circumstances.

2.36 Although the Rural Area Plan contains guidance on the preparation of Rural Planning and Design Statements in Annex 4, due to the restrictive approach to new development, there is no requirement to produce Development Briefs for sites over a specified threshold.

2.37 Annex 8 of the Rural Area Plan introduces the concept of Rural Centres that are referenced in several policies in the plan in terms of locational criteria. These were defined using a formula based upon a set of indicators of sustainability, highlighting common areas that lay within 500 metres of each of eight indicators (eg post office, general store, primary school etc). The result of this analysis in 2005 led to the identification of five Rural Centres at St Martin’s, Forest, St Peter’s, Cobo and L’Islet.
3. Development Plan Review

3.1 In early 2012, the Environment Department launched a consultation exercise in respect of the emerging review of the Development Plans. This involved several exhibitions and the publication of Topic Papers on a variety of land use issues in order to promote discussion and engage with communities. It also established a timetable for the plan review, anticipating a revised Development Plan to be adopted by early 2015. A report on responses to the Topic Papers was published in July, 2012 by the Environment Department; this will provide a valuable input to the next stage of the plan review process.

3.2 The Topic Paper on Housing acknowledged the need to address the delivery of affordable and specialised housing in the plan review. It highlighted that residential use continues to command high land values and that there is still a need to ensure that all types of housing are satisfactorily provided for, especially housing which requires some form of public subsidy.

3.3 In terms of housing delivery, it is planned to ensure that provision is made for a 5-year land supply in the plan review using enabling policies and allocated sites and that before the end of this term, a review should determine the appropriate amount of housing required for the remainder of the plan period, notionally another 5 years. It will also be necessary to review the desirability of retaining the current Housing Target Areas (HTA’s) as strategic land reserves, whether a more streamlined approach should be introduced for their release or whether they should simply be re-designated as housing land allocations. With only a few exceptions, there was general support amongst respondents that existing Housing Target Areas should be critically re-assessed, particularly in respect of accessibility, and those that merit retention included as housing allocations in the plan review together with realistic land allocations that are capable of delivering the target requirement for new housing. There was also expressed concern that the uncertainty surrounding housing land ‘reserves’ may result in them not being released for development, as has occurred in the current Development Plan.

3.4 The Topic Paper also raised the issue of housing type and tenure, stressing that it is important to ensure the delivery of a mix of housing type, sizes and tenures to meet the various needs of the community. For example, it noted that those not able to compete in the housing market require some form of subsidy, but those who earn too much to be accommodated in social rented housing may
be better placed to access intermediate housing through the ‘partial ownership’ scheme. It also raised the issue of ‘key worker’ housing that might be tailored to meet the needs of key public sector staff recruited from off-Island who typically need housing on a short term basis (ie 3-5 years) without recourse to accessing the local housing market.

3.5 Accepting that the delivery of subsidised housing in competition with other higher value uses is difficult where land is at a premium, the Topic Paper acknowledged that the plan review offers an opportunity to address the need for affordable housing by requiring landowners and developers to incorporate such housing within new residential schemes, thereby cross-subsidising delivery and helping to build sustainable and inclusive communities. Although the States have agreed in principle to this approach, the application of these principles requires more detailed study, informed by robust evidence from the Housing Needs Study (2011). It is hoped that the results of this research will provide a sustainable way forward that has the support of local communities, landowners and developers.

3.6 As might be expected, the issue of seeking contributions from housing developments for social/affordable housing drew a range of responses in the Topic Paper, though general support for the principles being advanced was evident, acknowledging that it is already established planning policy in the UK. However, one of the key concerns raised by several respondents focused on the need to ensure that affordable/social housing is fully integrated into new housing schemes rather than being concentrated, often at the back of development layouts, thereby creating separate social enclaves with disenfranchised social tenants. Other respondents felt there was a need to link contributions to subsidising the clearance of derelict greenhouse sites or alternatively, restricting sale receipts for the redevelopment of such sites in favour of funding social housing.

3.7 It is envisaged that the results of consultations on the Topic Papers will provide a valuable preliminary to more detailed work on the plan review, which will commence in Autumn/Winter, 2012. This will involve more focused discussions on key issues, including the delivery of affordable housing, prior to the publication of a Draft Development Plan in 2013.
4. Housing Land Availability

4.1 Since 2002, the Environment Department has monitored housing development providing quarterly reports to its Board; these have been made available to other States Departments, principally the Housing Department and the Policy Council. This assists in monitoring trends both in terms of housing supply and the performance of the residential sector in delivering the target supply of 300 new dwellings per year as established through the Development Plans and the Strategic Land Use Plan.

4.2 Over the intervening period since monitoring commenced, the Environment Department has consistently been able to demonstrate the availability of a two-year supply of housing in the ‘pipeline’ from planning approvals granted (ie 600 units), though with varying degrees of tolerance over the target figure. Possibly as a result of the global recession, which affected investment levels in the development sector, the lowest recorded figures were during the second quarter of 2011 when the ‘pipeline’ figure of 609 units only marginally exceeded the target. However, in the 1st Quarter of 2012, a greater level of confidence in the housing market was evident as the supply figure eclipsed 700 for the first time since the 3rd Quarter of 2010 and has stabilized at this level during 2012.

4.3 Other trends from the monitoring reports over the last 5 years indicate that the highest level of supply was 778 units in September, 2007. Although St Peter Port continues to account for the majority of commitments, which had declined measurably from 66% at the end of 2006 down to only 50% in December, 2010, figures for the first quarter of 2012 showed a reversal back to 62%. Whilst St Sampson has consistently achieved the second highest level of residential commitments in comparison to the remaining Parishes (in accordance with the current settlement strategy set out in the Development Plans), this trend was reversed in the 1st Quarter of 2012 due to a relatively large housing scheme at St Martin’s Hotel (35 units) in the Parish of St Martin’s.

4.4 In terms of overall permissions, 2006 remains the best performing year with 450 residential units granted planning consent. However, the monitoring figures indicate a steady decline since that year, reducing to only 242 in 2011.

4.5 Table 1 provides an analysis of the percentage take up of planning permissions during the last twenty years on the Island. It is evident that a period of high take-up rates during the early-mid ‘nineties was followed by a relative slow down towards the beginning of the
new millennium. However, the data appears to demonstrate a growth in confidence in the housing sector up to 2008 prior to the global recession taking hold. Since that time, the residential market has witnessed a relatively steep decline with less than half of all planning permissions for new housing units being under construction or completed during the last two years.

Table 1: Percentage take-up of planning permissions for new dwellings in Guernsey (1992-2012)

<table>
<thead>
<tr>
<th>Year</th>
<th>% Take-up of Applications Granted for New Dwellings</th>
<th>% Dwellings Given Permission Under Construction or Completed</th>
</tr>
</thead>
<tbody>
<tr>
<td>1992</td>
<td>90</td>
<td>80</td>
</tr>
<tr>
<td>1993</td>
<td>85</td>
<td>75</td>
</tr>
<tr>
<td>1994</td>
<td>80</td>
<td>70</td>
</tr>
<tr>
<td>1995</td>
<td>75</td>
<td>65</td>
</tr>
<tr>
<td>1996</td>
<td>70</td>
<td>60</td>
</tr>
<tr>
<td>1997</td>
<td>65</td>
<td>55</td>
</tr>
<tr>
<td>1998</td>
<td>60</td>
<td>50</td>
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<td>1999</td>
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<td>35</td>
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<td>2002</td>
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<td>30</td>
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<tr>
<td>2003</td>
<td>35</td>
<td>25</td>
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<tr>
<td>2004</td>
<td>30</td>
<td>20</td>
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<tr>
<td>2005</td>
<td>25</td>
<td>15</td>
</tr>
<tr>
<td>2006</td>
<td>20</td>
<td>10</td>
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<tr>
<td>2007</td>
<td>15</td>
<td>5</td>
</tr>
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<td>2008</td>
<td>10</td>
<td>0</td>
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<td>2010</td>
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<td>0</td>
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<tr>
<td>2011</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2012</td>
<td>0</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: Environment Department - States of Guernsey

4.6 As illustrated in Table 2, average site sizes have generally remained small-scale during the monitoring period with a high percentage of all recorded sites involving single plots/replacements or less than 5 units. This is typical of the Guernsey context and illustrates the traditionally high rate of 'windfall' residential consents as oppose to plan-led housing allocations. This is a particular challenge on the Island, which the emerging plan review will need to address as part of the on-going monitoring of planning permissions in the residential sector.

4.7 Again, as in the monitoring data recorded for development take-up rates in Table 1, there is a marked contrast between the average number of planning permissions granted during the first half of the last decade (ie 2002-2004) compared to the latter half (ie 2005-2010).
Table 2: Average number of dwellings granted planning consent by site size in Guernsey (2002-2010)

Source: Environment Department - States of Guernsey

4.8 Whilst it is acknowledged that the ‘supply’ figures for new housing development are the benchmark upon which the Development Plans seek to monitor performance, a key factor is delivery and the ability of the housing market to meet the housing needs of the Island’s resident population. Whilst there are some anomalies in attempting to calibrate housing completions against permissions granted, due to the fact that permissions generally remain extant for a period of 3 years, completion data is produced on an annual basis.

4.9 Historically, the supply target of 300 new dwellings per year has only once been exceeded; this was in 2002 when 305 units were completed, which may co-incide with the initial release of the Mixed Use Redevelopment Areas (MURA’s) at the Bouet and Glategny. By contrast, the lowest figure recorded was only 100 units in 2005.

4.10 As set out in Table 3, whilst average annual completions during the ten year period (ie 2000-2009) were just short of 200 dwellings, during the latter 5-year period (2005-2009), housing completions were only averaging around 160 units per annum, significantly lower than the identified target supply. There are various theories surrounding this relatively low level of housing delivery, such as the
availability of readily developable land or the current lending criteria for new buyers wishing to enter the housing market. Other factors may revolve around land-banking issues or the capacity of the construction sector on the Island, which is probably a finite resource in terms of labour and materials. Whatever the cause, the planning process, where possible, should seek to unlock any barriers to the residential development sector.

Table 3: Housing Completions in Guernsey (2000-2009)

<table>
<thead>
<tr>
<th>Year</th>
<th>Completions</th>
<th>Urban/Rural split</th>
<th>Urban/Rural split (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>258</td>
<td>192/66</td>
<td>74/26</td>
</tr>
<tr>
<td>2001</td>
<td>253</td>
<td>167/86</td>
<td>66/34</td>
</tr>
<tr>
<td>2002</td>
<td>305</td>
<td>238/67</td>
<td>78/22</td>
</tr>
<tr>
<td>2003</td>
<td>208</td>
<td>173/35</td>
<td>83/17</td>
</tr>
<tr>
<td>2004</td>
<td>144</td>
<td>90/54</td>
<td>63/37</td>
</tr>
<tr>
<td>2005</td>
<td>100</td>
<td>61/39</td>
<td>61/39</td>
</tr>
<tr>
<td>2006</td>
<td>204</td>
<td>177/27</td>
<td>74/26</td>
</tr>
<tr>
<td>2007</td>
<td>177</td>
<td>148/29</td>
<td>84/16</td>
</tr>
<tr>
<td>2008</td>
<td>153</td>
<td>100/53</td>
<td>65/35</td>
</tr>
<tr>
<td>2009</td>
<td>160</td>
<td>130/30</td>
<td>81/19</td>
</tr>
<tr>
<td>Average</td>
<td>196</td>
<td>148/48</td>
<td>76/24</td>
</tr>
</tbody>
</table>

Source: Environment Department - States of Guernsey

4.11 In terms of the urban/ rural split, the monitoring data clearly illustrates the challenges in seeking to focus development in the main centres of St Peter Port and St Sampson/Vale within the existing planning policy framework. Whilst it can be clearly demonstrated that the majority of new housing development has occurred in the urban area over the last decade, almost exclusively on brownfield sites, the original urban: rural ratio of 90:10 has proven difficult to control, despite very restrictive policies relating to new housing development in the rural area.

4.12 Monitoring housing land availability is an important tool in testing the effectiveness of the planning policy framework and it is an imperative that this be continued as part of the emerging Development Plan review.
5. **ERM Study (2006) - Review of Recommendations**

5.1 In 2006, the Environment Department in conjunction with the Housing Department commissioned work by consultants Environmental Resource Management (ERM) to undertake a study into the feasibility of securing affordable housing through the planning process as part of ongoing work in developing the *Corporate Housing Programme (CHP)*.

5.2 The study set out the following key steps in establishing a new policy framework for the delivery of affordable housing which is still considered broadly relevant for the purposes of this review in formulating updated advice to both the Environment and Housing Departments: -

   i) Assess the extent of community needs for affordable housing through the Housing Needs Survey;

   ii) Identify the extent of physical provision in terms of both new facilities and major planned refurbishments of existing social and specialist housing through the *Corporate Housing Programme (CHP)*;

   iii) Decide the most appropriate standards or formulae to be used to decide provisions/contributions for particular kinds or amounts of development;

   iv) Ensure that when all requirements are taken together, that a typical development will be able to ‘afford’ the cost of provision/contributions; and

   v) Consult key stakeholders before adopting any new policy and contributions schedule.

5.3 The ERM study also established a working definition of affordable housing, including social and intermediate housing, which has now been broadly encapsulated in the Island’s legislative framework through the *Land Planning and Development (Planning Covenants) Ordinance, 2011*. However, the study did stress that any 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 included: -

   i) The general target and thresholds for affordable housing;

   ii) Whether there is a presumption of on-site provision on all or certain sites;

   iii) 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 by its partners such as Guernsey Housing Association (GHA); 

iv) The general requirements for off-site provision or financial contributions where the States accepts that these are more appropriate, for example on small sites; and 

v) The headline requirement for transfer of the affordable housing, for example the transfer of the freehold or long leasehold to the States or its partners. 

5.4 The 2006 ERM Study arrived at the following conclusions and recommendations (italicised), which might usefully be re-visited and reviewed: -

- 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.

Comment: - The original ERM study was based upon a Housing Needs Survey that is now over 10 years old, this forming the basis for the overall need assessments to provide for 300 dwellings per year as set out in both the Development Plans and the recently approved Strategic Land Use Plan (2011). The publication of the Housing Needs Study (2011) commissioned by the Housing Department, will inform a more robust evidence base upon which to assess annual housing targets, including the need for affordable homes on the Island, together with any identified needs for specialised housing. Since the original report was published, a new tax regime was introduced in 2008, commonly known as 'Zero 10'. This has resulted in a tightening of States capital and revenue spending as part of its 'Financial Transformation Programme' (FTP) which is aimed at creating a more balanced budget, whilst still remaining attractive to the Island's private finance and wealth management sector.

- 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.
Comment: - Whilst the terms of reference of this current study are intended to assess the feasibility of requiring contributions through the planning system, particularly for affordable housing, it is acknowledged that decisions on any recommended measures must be matters for the States to determine at a political level.

- 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.

Comment: - See below.

- 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 permission requires off-site works, land transfers or financial payments, where planning covenants are the correct procedure to use.

Comment: - This is broadly accepted and does not need to be reviewed as part of this study.

- It is recommended that the use of ‘fiscal’ measures such as development tariffs, impact fees or land betterment taxes, as an alternative to planning covenants, are not adopted in Guernsey. If the States wishes to secure financial contributions to community facilities and infrastructure, it will need to adopt a clear policy in the development plan, supported by an Ordinance or Planning Covenants with contribution schedules and other guidance to applicants.

Comment: - This recommendation is accepted, but goes beyond that which would normally be associated with planning covenants and into the realms of the Community Infrastructure Levy (CIL). Such an approach has been adopted by several local planning authorities in the UK (eg Newark & Sherwood, Huntingdonshire, Shropshire and Portsmouth) whereby a ‘shopping list’ of community infrastructure schemes (eg schools, healthcare facilities, roads etc) is scheduled with specific cost estimates and delivery programmes. These are then apportioned against the quantum of development proposed over the plan period and a financial levy imposed based upon floor area, site area or number of units, with varying rates for different development types. In view of the fact that affordable housing currently represents the most urgent community need on
the Island and that legislation has since been enacted in the Land Planning and Development (Planning Covenants) Ordinance, 2011, it is not considered appropriate to introduce ‘fiscal measures’ as part of the emerging plan review.

- **From the modelling of the economics of residential and commercial development in Guernsey 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.**

**Comment:** - It is noted that the modelling undertaken by ERM is now six years out of date and therefore the feasibility of private residential developments making a contribution towards meeting community needs for infrastructure and other services and/or affordable housing needs to be re-examined in the light of economic conditions prevailing in Guernsey in 2012.

- **From the modelling, 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 remaining 20% being intermediate housing).**

**Comment:** - This is noted, but as above, the 2012 study should re-examine these conclusions by applying an appropriate methodology to the economic modelling.

- **From the modelling, 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 that would make planning contributions worthwhile.**

**Comment:** - In the context of the plan review, the potential value of retail, office and commercial development should be assessed to determine whether the non-residential sector has a role in delivering affordable housing.

- **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 elements of the affordable housing, in order to ensure that those development schemes remain viable.**
Comment: - This conclusion is broadly accepted as the viability of schemes will be the key determinant in delivery. In cases where commercial viability cannot be proven, it will be incumbent upon the States to consider whether it wishes to subsidise acceptable schemes.

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

Comment: - In building sustainable and balanced communities, it is imperative that affordable housing is provided on-site, but it is accepted that this will not always be possible or indeed desirable. Alternative means of securing provision must therefore be investigated together with appropriate thresholds.

5.5 The ERM study concluded by highlighting that the use of planning covenants to provide affordable housing in the Guernsey context may prove controversial when first proposed, with some landowners and developers threatening to withhold development sites from the market. However, ERM considered the approach justified and that in due course land values for development sites would be reduced to levels that can support the policy. If this study should result in similar conclusions, which are then accepted by the Environment and Housing Departments, it is considered that the emerging Development Plan Review is the appropriate vehicle for determining a way forward. Though it was acknowledged by ERM that this concept had been embedded in the UK planning system for over a decade through the use of Section 106 agreements and detailed Development Plan policies, gaining public acceptance of any change in policy direction on this issue in Guernsey would be critical.

5.6 As set out in the Introduction, the States of Deliberation considered the ERM report at its meeting in December, 2007 (Billet D’Etat XXV), whereupon it was resolved: -

1. To note the limited circumstances in which planning covenants will be used as set out in that Report, and

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.
5.7 At that time, the Housing and Environment Departments were of the view that the use of planning covenants should be restricted to Housing Target Areas (ie. greenfield sites) and not applied through the Development Plan process. By implication, this approach was favoured so as not to create disincentives to the delivery of housing development on brownfield sites. Moreover, it was highlighted that there were clearly prescribed mechanisms in place for the release of Housing Target Areas through the development plan process, which in any event would involve the preparation of an Outline Planning Brief (or Local Planning Brief) with a statutory requirement to hold a public inquiry prior to any adoption by the States.

5.8 It was duly considered that a selective approach would allow for the planning covenant concept to be tested in a limited and well-defined set of circumstances, enabling staff in the respective Departments to build up skills and knowledge in this area and to monitor their effectiveness. Once the system had been tested, it was felt that it may be appropriate to apply the process more widely, but rather than establish complex schedules and affordable housing targets in Development Plans, focusing on HTA’s could allow for their determination through Outline (or Local) Planning Briefs when they were prepared.

5.9 The approach was seen as providing greater flexibility in determining proportions of affordable housing in the HTA’s, allowing for individual development appraisals based on housing needs surveys, housing costs and land markets. In some cases, it was suggested that higher proportions of affordable housing (up to 100%) could be specified if sites were proven to be sufficiently viable.

5.10 To conclude, the respective Departments considered that in accordance with the recommendations in the ERM Study, the application of fiscal measures was not appropriate in the Guernsey context on the basis that they require complex systems of valuation and exemptions and suffer from substantial avoidance. Moreover, they were considered to go beyond the securing of affordable housing through the planning process.
6. Social and Economic Context

6.1 The States of Guernsey’s Policy and Research Unit publish quarterly bulletins on a range of social and economic factors such as the employment market, average wages, inflationary trends and the housing market. These are supplemented by the States of Guernsey’s annual Facts and Figures publication together with a Strategic Monitoring Report; these gauge progress towards a defined range of social, economic and environmental targets.

Demographic Profile

6.2 Table 4 outlines population growth in Guernsey during the last 60 years and illustrates the considerable level of in-migration that has occurred on the Island, particularly during the period up to 1991. It should be noted that migration levels are typically much higher than the level of natural increase (ie births over deaths). This is reflected in the current level of ‘live’ housing licenses, which increased from 4217 in 2006 to 5068 in 2010, these being held primarily by persons employed in the finance and hostelry sectors.

6.3 Since 1996, the Island’s population has been increasing by an average of 0.5% per year and based on recent trends, it might be expected that the population would rise to 70,000 within the next 50 years. However, although the control and management of the Island’s population is currently under review by the States of Guernsey’s Policy Council, this forecast is unlikely to become a reality. Although the States agreed in 2007 as a matter of policy to limit its population to the level at that time (ie 61,175), this has unsurprisingly proven impossible to achieve.

6.4 In accordance with general population trends, Guernsey will also experience increasing numbers of elderly residents occasioned by higher life expectancy. This will have the effect of doubling the number of residents over the age of 60 during the 30-year period between 2009 and 2039. This will create the challenging consequence of increasing economic dependency as the percentage of non-working age residents rises from 48% to 75%. As well as affordability, this is likely to have repercussions on the local housing market, particularly the need for more specialized housing.
<table>
<thead>
<tr>
<th>Year</th>
<th>Population</th>
<th>Percentage Change</th>
</tr>
</thead>
<tbody>
<tr>
<td>1951</td>
<td>43652</td>
<td></td>
</tr>
<tr>
<td>1961</td>
<td>45068</td>
<td>3.2</td>
</tr>
<tr>
<td>1971</td>
<td>51458</td>
<td>14.2</td>
</tr>
<tr>
<td>1981</td>
<td>53313</td>
<td>3.8</td>
</tr>
<tr>
<td>1991</td>
<td>58867</td>
<td>10.4</td>
</tr>
<tr>
<td>2001</td>
<td>59807</td>
<td>1.6</td>
</tr>
<tr>
<td>2011</td>
<td>62915</td>
<td>5.2</td>
</tr>
<tr>
<td></td>
<td><strong>Overall Change</strong></td>
<td><strong>19263</strong></td>
</tr>
</tbody>
</table>

Source: Policy and Research Unit - States of Guernsey

**Economic Profile**

6.5 During the 5-year period to 2009, Guernsey’s GDP (Gross Domestic Product), which provides the key measure of economic output, increased by 11%, at that time being worth £1.9 billion. By 2010, GDP per capita had risen by 9% in real terms since 2005. Much of this growth can be attributed to the finance sector, which continues to provide the cornerstone of the Island’s economy representing 21% of total employment, almost 7,000 employees, closely followed by the States of Guernsey that employs 17% of the workforce.

6.6 Although the local economy could be considered to be in good health during a period of extreme uncertainty in global markets, it should be noted that over 60% of organisations on the Island employ 5 people or less. This is particularly evident in the construction sector where, despite a 3% increase in the workforce between September, 2009 and September, 2010, there were over 400 employers, principally engaged in the residential improvement/development sector. Moreover, almost three quarters of these also employed 5 persons or less.

6.7 By international standards, unemployment on the Island remains low at just 1.4% in 2012, despite having been as low as 0.3% in 2002. This represents less than 500 people as against a total number in employment of 32,109 (March, 2012), a year on year increase of 1.8% over the last 5 years.

6.8 Despite having peaked at 6.2% in September, 2008, inflation was relatively low at 3.1% during the year ending June, 2012. Table 5 illustrates changes in average earnings (including part-time) during the 5 years (2006-2011), adjusted to take into account inflation,
representing just under £2,100 or an increase of 8%, but modest in terms of house price increases during the same period (ie about 30%).

Table 5: Changes in Average Earnings in Guernsey (2006-2011)

<table>
<thead>
<tr>
<th>Year</th>
<th>Mean Annual Earnings (£)</th>
<th>Change (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>26,250</td>
<td>-1.0</td>
</tr>
<tr>
<td>2007</td>
<td>26,398</td>
<td>0.6</td>
</tr>
<tr>
<td>2008</td>
<td>27,319</td>
<td>3.5</td>
</tr>
<tr>
<td>2009</td>
<td>27,650</td>
<td>1.2</td>
</tr>
<tr>
<td>2010</td>
<td>27,430</td>
<td>-0.8</td>
</tr>
<tr>
<td>2011</td>
<td>28,340</td>
<td>3.3</td>
</tr>
<tr>
<td>TOTAL</td>
<td>2,090</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Source: Policy and Research Unit – States of Guernsey

Housing Profile

6.9 As set out earlier in this report, the housing market in Guernsey is effectively two-tiered with some 1600 dwellings registered as ‘open’ market with the remainder (24,452 dwellings) defined as ‘local’ market. In spatial terms, the majority of dwellings (ie 60%) are located in the rural area and this ratio is mirrored in terms of the number of ‘open’ market properties located outside of the urban area.

6.10 As of December, 2010, 62% of the local market and 67% of the open market were owner-occupied with 25% and 31% respectively being in the private rented sector. A further 8% of properties are deemed to be social housing, meeting the needs of those unable to compete in the local market, with most being rented from the States Housing Department.

6.11 There has been an increasing trend in the last decade towards the construction of apartments, principally fuelled by reducing household size, ‘buy-to-let’ and a general propensity for smaller accommodation to reflect changing lifestyles. This has built upon a traditional over-dependence on bungalows, which make up about 40% of the Island’s domestic property.

6.12 As illustrated in Table 6, over the last 10 years, local market housing prices in Guernsey have risen by 78.6% with the first five years (ie 2001- 2006) registering an increase of 38.9%. During the latter 5 years, whilst property prices rose by around 30%, the
rented sector also witnessed an increase of 15% on average monthly payments. In fact, mix adjusted house prices rose by 15% during the 2 years ending in March 2011 which represents a considerable increase, comparable to parts of the South East of England and some of the more desirable residential enclaves of London.

6.13 Social housing waiting lists have stabilised in recent years, but in 2012 still exceeded 300 households, apportioned between the Housing Department (57%) and the Guernsey Housing Association (43%).

<table>
<thead>
<tr>
<th>Year</th>
<th>Average house price (£)</th>
<th>Percentage increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2001</td>
<td>245,533</td>
<td></td>
</tr>
<tr>
<td>2002</td>
<td>263,585</td>
<td>7.4</td>
</tr>
<tr>
<td>2003</td>
<td>288,105</td>
<td>9.3</td>
</tr>
<tr>
<td>2004</td>
<td>294,466</td>
<td>2.2</td>
</tr>
<tr>
<td>2005</td>
<td>300,038</td>
<td>1.9</td>
</tr>
<tr>
<td>2006</td>
<td>341,104</td>
<td>13.7</td>
</tr>
<tr>
<td>2007</td>
<td>364,463</td>
<td>6.8</td>
</tr>
<tr>
<td>2008</td>
<td>370,458</td>
<td>0.1</td>
</tr>
<tr>
<td>2009</td>
<td>392,602</td>
<td>5.7</td>
</tr>
<tr>
<td>2010</td>
<td>411,074</td>
<td>4.7</td>
</tr>
<tr>
<td>2011</td>
<td>438,432</td>
<td>6.7</td>
</tr>
<tr>
<td>Change</td>
<td>192,899</td>
<td>78.6</td>
</tr>
</tbody>
</table>

Source: Policy and Research Unit - States of Guernsey

Household Expenditure Profile

6.14 In 2012, the States of Guernsey’s Policy and Research Unit commissioned work on a further survey of household expenditure, updating previous research undertaken in 1999 and 2006. The study seeks to provide a breakdown of all household expenditure on the Island, which in 2005-6 equated to £748.58 per week or £38,926.16 annually.

6.15 Of the 14 categories surveyed, housing represented the largest expenditure (ie 32.4%) and this included house purchase costs, mortgages, rents, home improvements, service charges (eg sewerage, tax on rateable value, water), parish rates, home insurance and general maintenance. The second largest expenditure was food at 9.5% with fuel, light and power being 3.3%. Hence, if all basic household needs of food, shelter and
warmth are aggregated, they accounted for almost half of all household expenditure in 2006.

6.16 By comparison, historical data reveals that housing costs have increased significantly during the last 40-50 years, such that in 1964 it was only 10.9%, though at that time food was the major expenditure at 31.7%. Over the next 25 years to 1989, housing expenditure rose relatively slowly to 18.1%, but by 1999, the figure had increased to 21.6%. The most dramatic increases then occurred during the next 6 years to 2005-6 with housing costs rising by 50%. It will be interesting to see how these figures have changed in the 2012/13 survey, but although difficult to predict, it is likely that housing costs, together with energy costs and food will have increased, possibly equating to over half of all weekly household expenditure.
7. **Affordability Profiles**

7.1 In order to assess the affordability of housing in Guernsey, comparisons can be made with other local authority areas in the UK by employing research data which was published by the Department of Communities and Local Government in March, 2012. This assimilates data from both the *Annual Survey of Hours and Earnings* produced by the Office of National Statistics (ONS) and returns from *HM Land Registry*. Table 7 illustrates where the Island lies in terms of the highest fifteen affordability profiles, the multipliers representing the ratio of median house prices to median wage levels in the respective local authority areas.

*Table 7: Affordability Profiles—Ratio of median house prices to median wage levels (2011)*

<table>
<thead>
<tr>
<th>Local Planning Authority</th>
<th>Affordability Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Kensington &amp; Chelsea</td>
<td>27.07</td>
</tr>
<tr>
<td>Westminster</td>
<td>17.34</td>
</tr>
<tr>
<td><strong>Guernsey</strong></td>
<td><strong>15.10</strong></td>
</tr>
<tr>
<td>Richmond upon Thames</td>
<td>13.56</td>
</tr>
<tr>
<td>Camden</td>
<td>13.33</td>
</tr>
<tr>
<td>South Bucks</td>
<td>13.29</td>
</tr>
<tr>
<td>St Albans</td>
<td>13.16</td>
</tr>
<tr>
<td>Chiltern</td>
<td>13.12</td>
</tr>
<tr>
<td>Hammersmith &amp; Fulham</td>
<td>13.00</td>
</tr>
<tr>
<td>Jersey</td>
<td>12.93</td>
</tr>
<tr>
<td>Tandridge</td>
<td>12.40</td>
</tr>
<tr>
<td>Elmbridge</td>
<td>12.35</td>
</tr>
<tr>
<td>Waverley</td>
<td>12.24</td>
</tr>
<tr>
<td>South Hams</td>
<td>11.77</td>
</tr>
<tr>
<td>Cotswold</td>
<td>11.65</td>
</tr>
<tr>
<td>Chichester</td>
<td>11.58</td>
</tr>
</tbody>
</table>

*Source: DCLG/States of Guernsey/States of Jersey*

7.2 Whilst some caution needs to be exercised in interrogating this research data, it does provide a useful barometer of affordability. For example, in the UK context, people generally commute into higher price areas from outside, as they are often not able to afford to live close to their place of work. This is particularly relevant to Central London, where high levels of commuting take place, sometimes involving up to two hours daily travel by road or rail. The highest profile (by some considerable margin) therefore occurs in the inner London Borough of Kensington and Chelsea, which, unlike the London Borough of Camden, is characterized by larger,
high-value properties, principally owned and occupied by wealthy migrants, many of whom are likely to be second-home owners. In the Guernsey context, this market sector is generally attributable to ‘open market’ properties, which are usefully excluded from the average house price data in this exercise for the purposes of comparison.

7.3 Therefore, Guernsey ranks 3\textsuperscript{rd} highest in terms of earnings to house price ratios in comparison to the UK. This is considered to be a key indicator for the purposes of this study highlighting that in 2012, the average price of a residential property on the Island was equivalent to 15.1 times the average wage, up from 12.1 in 2005. However, it is worth noting that unlike the UK, the Island’s housing market is finite, there is no opportunity to commute and therefore seek more affordable areas to live.

7.4 For the purposes of this study, it is worth examining what steps have been taken by the local authorities highlighted in Table 7 through the planning process to address this ‘affordability gap’ drawing upon best practice. This should provide some insight into the various approaches to delivering affordable housing and how these might be applied to residential development proposals in the Guernsey context through the use of planning covenants.

Chiltern District Council (February, 2012)

7.5 Chiltern District Council operate a sliding scale for the provision of affordable housing on all housing sites over 5 units which are outlined in its adopted Core Strategy, with a further proviso that these should be provided on-site in order to sustain balanced communities. The requirements are as follows: -

- 5-7 dwellings-at least 1 affordable
- 8 or 9 – at least 2 affordable
- 10 or 11 – at least 3 affordable
- 12-14 – at least 4 affordable
- 15 or more – 40%

(In the case of rural exception sites, the Local Planning Authority requires the development of 100% affordable units.)

7.6 On sites where 3 or more affordable units are provided, the housing should be divided between 70% social and 30% intermediate, but where there are only 1 or 2 affordable units developed, tenure is to be agreed with the authority.
7.7 The Council also requires a mix of affordable unit types with schemes involving less than 15 units to be exclusively 1 and 2 bed units and schemes over 25 units to include some 3 bed units.

7.8 In proposals involving less than 5 units, financial contributions are specified in policy. Hence, on schemes involving 1 to 4 additional dwellings (net), a financial contribution of £125 per square metre of floorspace (gross internal area) created by the additional dwellings should be commuted to provide affordable housing elsewhere in the District; this sum is up to a maximum contribution of £25,000 per additional dwelling (net).

**Cotswold District Council (2007)**

7.9 Cotswold District Council’s policy is due to be updated as part of its emerging Local Development Framework, but Supplementary Planning Guidance published in 2007 as part of the earlier adopted Local Plan clearly states that annual housing costs should be no more than 30-40% of net household income.

7.10 In contrast to the Chiltern example, the Council requires the provision of 50% affordable housing on all sites over 10 units or 0.3 hectares. Of these, two thirds should be social rented and the remaining third subsidised housing.

7.11 As a guide, the Council normally expect 40% to be 1-bed, 30% 2-bed, 25% 3-bed and 5% 4-bed with the specification of the affordable units to be agreed with a registered provider, normally a Registered Social Landlord.

**Elmbridge Borough Council (April 2012)**

7.12 The Elmbridge example is very contemporary, having only been adopted in April, 2012. Broadly speaking, contributions of affordable housing are required on a sliding scale with proportions collected as a financial contribution. The general requirement is for 40% affordable though there is some scope for negotiation on the number of bed-spaces provided, but as a general rule, 40% of bed-spaces should be affordable and this target is usually applied to flatted schemes. On sites of less than 5 units, a financial contribution is required equating to 20% in lieu of on-site provision. Calculations of this are included in the policy as a worked example to guide developers, landowners and agents.

7.13 The tenure target is 50-75% for social rent and 25-50% for intermediate, but in the case of social rented, 35% should be 3/4
bed houses (ground floor flats with maisonettes accepted) with the remaining 65% to be 1/2 bed, predominantly flats.

7.14 In terms of equity share to meet the needs of the intermediate housing sector, it is expected that these will include lower percentages (eg 25%). These needs will be predominantly for 1 and 2 bed units, but may change according to identified needs.

**South Bucks District Council (January, 2011)**

7.15 In its emerging Core Strategy, South Bucks specify the number of affordable units to be provided over the plan period (2006-2026) as evidenced from their Housing Needs Survey. The requirement is that at least 40% of all dwellings in schemes of 5 units or above (gross) or on sites over 0.16ha should be affordable, unless clearly demonstrated that this is not economically viable.

7.16 On qualifying sites, the policy requires that two thirds should be social rented and the remainder intermediate, but all affordable housing should normally be provided on site. In certain instances, a financial contribution may be acceptable, such as where it is not possible due to the number of dwellings proposed to deliver 40% affordable (eg 4 units). However, an independent valuer will normally undertake such assessments with contributions broadly representing the cost of on-site provision.

**Waverley Borough Council (2009)**

7.17 Waverley in Surrey has similar issues to Guernsey such that it has lots of small sites and its policy is currently being informed by work undertaken by independent planning consultants. The consultants broadly recommend a sliding scale of provision (eg 20% on 5 dwellings, 30% on 10 dwellings and 40% on 15 or more), but they do acknowledge that the 40% target, up from the existing 30%, may be challenging.

**St Albans City and District Council (December, 2010)**

7.18 The City and District Council is currently engaged in the preparation of a new Local Development Framework for the area, which will supersede the local plan originally adopted in 1994 and ‘saved’ policies dating back to 2007.

7.19 It is estimated from research undertaken on housing needs that 250 new dwellings need to be constructed each year as part of the plan review, 100 of which should be affordable. In order to achieve
this figure, a target of 40% has been established, up from 35% in the previous plan, together with a threshold reduction from 15 or more units (0.4 hectares) down to single plots. There is also an ambition to increase building on Council-owned land.

**Tandridge District Council (October, 2008)**

7.20 Tandridge now has an adopted Core Strategy that forms part of the Local Development Framework (LDF) for the District. This has been supplemented by a detailed advice note on the policy together with a model unilateral undertaking to assist applicants in preparing planning applications involving affordable housing.

7.21 Average house prices in Tandridge have witnessed exponential growth rising by nearly 50% during the period 2000 to 2005 according to figures produced by HM Land Registry. According to evidence from its Housing Needs Survey, it would need 450 social housing units to be built each year to address the shortfall. However, it is acknowledged that this is not feasible, so the target figure is more modest with 50 new dwellings per year during the period 2007-2012.

7.22 On sites of 15 or more (0.5 hectares), the target provision has been set at 34%, but in the rural area the threshold is reduced to 10 units or more. The planning policy does require negotiation on a site-by-site basis, but up to 75% of the provision is to be provided to meet the needs of the social rented sector.

7.23 There is an inherent presumption in favour of on-site provision, but some scope is permitted for off-site contributions, these being commensurate with the equivalent cost of on-site provision. There is also some flexibility to consider alternative sites in exceptional circumstances. In the rural settlements, the Council requires 100% affordable housing subject to strict criteria surrounding local needs and Parish Surveys.

**Chichester District Council (September, 2007)**

7.24 Planning policies in Chichester have not been revised since 2007 due to delays in the preparation of a Core Strategy, which has effectively been put on hold pending further work on revisions to national planning guidance.

7.25 Whilst the original local plan policy adopted in 1999 sought to negotiate the provision of affordable housing on sites of 25 units or more or a hectare in area, an Interim Policy Statement adopted in
2007 identified a need for 150 affordable dwellings per year. When this was subjected to independent examination, the Inspector concluded that a target of 40% was justified on all schemes of 10 units or more. However, on smaller proposals involving 5-9 units, a 20% target was approved. Where fractions were involved, it was agreed that these should be in the form of a commuted payment. In all cases, provision should be on-site unless exceptional circumstances can be proven.

South Hams District Council (September, 2008)

7.26 Being situated in a very attractive part of Devon with a high incidence of second homes, affordable housing is a major planning issue in South Hams District. The Council has perhaps been the most pioneering in respect of devising relevant planning policies and in September, 2008 were one of the first authorities to have a Development Plan Document (DPD) adopted which specifically addressed the issue.

7.27 Much of the early work was predicated on the Regional Spatial Strategy for the South West that suggested that rates of up to 65% or more should be targeted for affordable housing in areas of greatest need. In respect of South Hams, it was decided that 50% of all housing development should be affordable utilising all sources.

7.28 The DPD therefore provides various quotas, mainly based upon site location. Hence, in small rural settlements, through the unallocated ‘exception’ route, 100% of housing should be affordable, whereas on allocated sites in the rural area it should be 60%. On allocated sites in area and local centres such as Dartmouth, Totnes and Salcombe, the contribution should be 55% whereas on the Plymouth fringe, it should be 50%.

7.29 On unallocated sites or ‘windfalls’, the following sliding scale is applied with off-site contributions only allowed on sites over 6 units in exceptional circumstances: -

- 2-5 units > 20% (off-site)
- 6-14 units > 35% (on-site)
- 15 or more units > 50% (on-site)

London Boroughs

7.30 Whilst not exhibiting any of the physical characteristics of Guernsey, the London Boroughs do share issues of affordability in
the housing sector and it is therefore considered appropriate to compare and contrast approaches to the delivery of affordable housing through the planning process in the context of a city conurbation such as London.

**London Borough of Camden (November, 2010)**

7.31 In order to encourage the regeneration of the inner city, Camden does not generally require the provision of affordable housing on redevelopment sites. However, on housing land allocations and conversion schemes, a 50% target is applied, which is operated on a sliding scale subject to financial viability with some exceptions applied to mixed-use schemes. Of this 50% target, the tenure split is normally 60% social rented and 40% intermediate.

7.32 As a general guide, a 10% target is applied to schemes involving 1,000 sq metres (gross) of additional housing and 50% for 50,000 sq m, usually considered to be sites with a capacity of 10 and 50 dwellings respectively. Hence, a scheme of 2,000 sq m would normally provide 20% and so on, although between 2005 and 2008, it has been evaluated that the 50% target has generally not been viable for schemes providing less than 35 dwellings (ie less than 3,500 sq m.).

**London Borough of Hammersmith and Fulham (2011)**

7.33 In September, 2010 the average house price in the London Borough of Hammersmith and Fulham was £472,000, 29% above the London average. According to the Land Registry, house prices were increasing faster than anywhere else in the country.

7.34 The local planning authority requires that on sites of 10 or more dwellings, 40% of all new housing should be affordable, all of which should be either intermediate or social rented due to make up and composition of existing stock within the London Borough. It is worth noting that in 2010/11, intermediate housing comprised only 2% of the existing stock.

**London Borough of Richmond-upon-Thames (April, 2009)**

7.35 The London Borough of Richmond upon Thames is preparing a Local Development Framework (LDF) that will update the former Unitary Development Plan (UDP) adopted in 2003. At that time, the UDP required that 40% of all housing should be affordable with ratios of 75% for social rented and 25% for shared ownership.
7.36 The accompanying Supplementary Planning Guidance adopted in February, 2003 highlighted that no more than 30% of net household income should be expended on the cost of shared ownership housing, but an interesting caveat on delivery allowed for linked proposals, so that developers could build the ‘affordable’ quota on an alternative site, provided that both sites were developable at the same time.

7.37 In April, 2009, a Core Strategy was adopted which raised the ‘affordable’ quota to 50% of provision on an overall target of 270 dwellings per year. The tenure split was also revised to increase the social rented element to 80% with the remaining 20% for the intermediate sector. It was also highlighted that the social rented sector should deliver larger units to meet the needs of larger households.

7.38 The threshold applied to the 50% requirement was on sites of 10 or more units, but this was specified as a minimum requirement, which should where possible be exceeded. On sites of 10 or less, a financial contribution is required to the Borough’s Affordable Housing Fund. These contributions are ring-fenced and subject to annual review through the Borough’s emerging Development Plan Document (DPD).

**Island Jurisdictions**

7.39 As set out in the project brief, comparisons should be drawn with other island jurisdictions that are also using the land use planning framework to address affordable housing needs. For the purposes of this exercise, the Isle of Man and Jersey have been examined.

**Isle of Man (2011)**

7.40 In advance of its Development Plan review, the Isle of Man Council has commissioned work on a variety of studies, one of which relates to the delivery of affordable housing. With average public sector rents at £52 per week (limited to 14-25% of income) in comparison to Guernsey at £167, it is clear that affordability profiles on the Isle of Man are well below those experienced in Guernsey and those other authorities examined in this section. Moreover, the construction sector has consistently been able to exceed the demand for housing during the period 2001-2009 despite a target of 400 new dwellings to be built each year from 2010-2026 to meet the projected demand.
7.41 It is highlighted in the study, as elsewhere, that housing should involve expenditure of no more than 40% of net income. However, in the context of the Isle of Man, as in Guernsey, tax relief on the interest paid on mortgages is still available, as it was in the UK under the former MIRAS scheme. This provides for additional purchasing power for households and is worth on average about £800 per annum to most Islanders with 14,000 people taking advantage of this relief.

Jersey (2011)

7.42 In July, 2011, the States of Jersey adopted its revised Island Wide Plan, which included a specific section on the delivery of housing. In contrast to the Guernsey Housing market, Jersey categorises its housing stock into Category A and Category B, the former being specifically reserved for those in housing need that are unable to compete in the high value residential market that prevails on the Island. Hence, Category A housing is defined as:-

- States, Parish and Housing Trust rented housing, which can include sheltered housing;
- Lifelong homes for people aged over 55 on sites specifically zoned for this purpose;
- Homes for first time buyers; and
- Intermediate housing or shared equity housing delivered by organisations such as ‘Jersey Homebuy’ or allocated through the ‘Affordable Housing Gateway’ based on a means test.

7.43 Housing needs for the purposes of planning policy are evidenced through the Housing Needs Survey, which was last updated in 2007. This identified a need for an additional 1000 affordable homes to be provided over the plan period, over and above the 3000 new units arising from household formation rates and population change during the period 2011 to 2020. It was determined through evidence that those residents spending a maximum of 50% of their net income on housing were unable to afford a 1-bed flat, hence creating a critical need to address affordability in the housing sector, particularly access to rented property.

7.44 Whilst the revised Island Plan is not prescriptive on quotas from general market sites, the States are able to re-zone land specifically for Category A housing and this is a useful means of increasing supply. However, it is now acknowledged that the private sector has a role to play in delivering affordable housing and contributions both on-site and in the form of commuted
payments are now to be negotiated with a view to securing a minimum requirement for 12.5% of affordable housing on all residential developments, including windfalls and mixed use schemes, rising to 20% over the next 5 years. In tandem with this policy requirement, qualifying site size thresholds are to be reduced from 6 or more to 2 or more units over the same timeframe. In order to address the needs of rural communities, Jersey restricts all new residential developments to Category A housing in the villages.

7.45 Developers and landowners submitting housing schemes are still required to provide a standard economic viability assessment, but through the various delivery mechanisms, it is envisaged that 30% of the Island’s overall affordable housing needs requirement will be met over the next five years.

7.46 In summary, with the exception of Guernsey, Jersey and the Isle of Man, where there is a different planning and legislative framework, it is evident that local planning authorities in high price areas in the UK have developed planning policies aimed at addressing the critical shortage of affordable housing in their respective areas.

7.47 Most of the work undertaken by the various authorities has been founded upon detailed assessments of housing need and where appropriate, the introduction of affordable housing policies into Core Strategies and Development Plan Documents (DPD’s). At the planning application stage, Section 46 agreements (or planning obligations), under the Planning and Compulsory Purchase Act, 2004, ensure there is a legally binding and enforceable agreement between the applicant and the local planning authority to deliver the affordable housing in accordance with adopted policies.
8. Housing Needs Study

8.1 One of the key factors in researching the evidence base for this study is the recently concluded survey of housing need on the Island. It is considered that this should inform the plan review process to contribute towards the formulation of a revised planning policy framework in respect of delivering affordable housing to meet the social and community objectives of the States Strategic Plan and the on-going preparation and review of the Corporate Housing Programme. The study therefore provides a benchmark against which housing, planning and strategic policies can be monitored and assists in the formulation of new policies to guide housing delivery.

8.2 The assessment of housing needs in 2011 follows up on similar studies undertaken by Opinion Research Services (ORS) on behalf of the States of Guernsey in 2001 and 2006. The study used an analysis of 1,500 interviews conducted with households across the Island together with secondary data assembled from various data sources held by the Policy Council’s Research and Information Unit.

8.3 The objectives of the research were inter alia to assess the ability of households to afford local market housing on the Island, their ability to afford more than social rent (without being able to afford market rents) or an inability to afford anything more than social rent. Hence, the requirements for market housing, intermediate housing and social rented housing were comprehensively addressed by the research study. The core questions addressed in the study are how many additional housing units are required over the next 5 years, how many of these should be affordable homes and what would be an appropriate mix of house types for future provision.

8.4 It should be noted that there is a clear distinction to be made between housing need and housing demand. Housing demand refers to those Islanders that are able to make choices in the local housing market in terms of where they wish to live, how much private rent they are prepared to pay or alternatively how much they wish to pay to purchase a property. Housing need refers to those that are unable to make such choices and cannot attain satisfactory housing to meet their individual circumstances without some form of financial assistance, either through the social rented sector or through subsidised access to the private rented sector, for example through mechanisms such as partial ownership or shared equity.
8.5 As land use planning policies need to meet the future requirements of all Islanders, the housing needs survey includes both the need and demand side of the housing equation to ensure that the reasonable expectations of the whole community are satisfied to a minimum standard. This latter point about meeting minimum standards is beyond the remit of this study, but the condition of the existing housing stock is a key factor and in many development schemes, it is envisaged that matters such as thermal efficiency and problems associated with condensation/damp will be addressed, particularly in conversion/redevelopment proposals where new residential units are created. These issues should be considered at the planning and building regulation stages of new development proposals, as well as extensions to existing properties, leading to improvements in the overall condition of the Island’s housing stock.

8.6 The key headline indicators in the *States of Guernsey Housing Needs Study (2011)* are as follows: -

**Housing stock profile**

- Nearly half (46%) of all properties are detached, 17% are semi-detached, 14% are terraced and 12% are purpose built flats or maisonettes;
- 70% of all properties are owner occupied, 9% are rented from the States Housing Department or Guernsey Housing Association;
- About a fifth of dwellings are privately rented, but nearly a quarter of all households live in the private rented sector reflecting the fact that, in many cases, there are multiple households living within one dwelling;
- The majority of home owners live in detached or semi-detached properties, almost two thirds in the social rented sector occupy semi-detached or terraced properties and over two thirds of those in the private rented sector live in a flat rather than a house;
- Less than a fifth of dwellings have one or no separate bedroom (ie bedsits), nearly a quarter have two bedrooms, a third have three bedrooms and nearly a quarter four bedrooms or more;
- About 5% of all households are living in overcrowded housing, which is assessed against the size and composition of households, the number of existing bedrooms and the number of bedrooms required;
- Nearly 5% of households plan to extend their property in the next year, principally to create extra living space and extra bedrooms;
- About a quarter of householders expressed concern at the condition of their property with damp penetration, condensation,
roof/window repairs and heating/plumbing being the main areas of concern.

**Demographic profile**

- From 1971 to 2010 the population of Guernsey grew by about 21%;
- Nearly a third of all households live in St Peter Port;
- Net migration between 2007 and 2010 was nearly 900, almost 1.5% of the Island population;
- An increase in both single persons over 65 years of age and single parents since the 2001 Census;
- Nearly 10% of the population have long term health problems, resulting in around 20% of all households containing at least one person with health issues;
- Just over 1% of the population require personal care;
- 78% of householders over 50 years of age would prefer to stay in their own home when they are older with moving into private care/nursing home being the least favoured option;
- Most important factors for those over 50 years of age are living in a property that has been designed or could be adapted to allow them to age in their home and remain independent and one that is energy efficient and easy to keep warm;
- Just over a quarter of households have an income of less than £20,000 per annum;
- Over a third of households have an income of over £50,000 per annum;
- Over 11% reported incomes of over £100,000 per year;
- 70% of households in social rented housing have an income of less than £20,000 a year;
- 35% of those under 25 years of age earned less than £20,000 a year with 70% having no savings;
- Nearly a third of all households have no savings or investments, rising to nearly two thirds in the social rented sector;
- Over 16% of households felt that housing costs were either putting a strain on their budget or were difficult to manage (up by 11% since the 2006 household survey) and this trend was focused on social housing tenants, those renting in the private sector and unsurprisingly those on the lowest household incomes;
- 22% of households reported difficulties in managing fuel bills, again focused on the aforementioned sectors.

**Housing Market Trends**

- 40% of islanders moved during the last five years (2006-2011);
Nearly a third of those moving were in the private rented sector;  
Just under 10% of movers were in the social rented sector;  
Only 2% of movers were homeowners without a mortgage;  
Over two thirds of those households moving in the last year are currently living in private rented accommodation with only 8% currently living in social housing;  
Only 6% of households surveyed reported people leaving the household during the last 12 months with over two thirds remaining on the Island and almost a third remaining in the same parish;  
21% of households expressed a wish to move home, but only 7.3% expected to move within the next year, principally due the home being too small for their future needs;  
Over the next three years, over 80% of those expecting to move intend to stay in Guernsey, though not necessarily the same parish;  
Of those households expecting to move, but unable to find a suitable property at an affordable cost, 3% would investigate a partial ownership home through the Guernsey Housing Association.

Affordability

8.7 The penultimate section of the Housing Needs Study (2011) stresses that households spending more than 25% (gross) or 33% (net) of income on rent are deemed to be living in unaffordable accommodation. On average, social housing rents in 2011 were in a range of £140-£270 per week depending upon the number of bedrooms in the property, whereas in the private rented sector, this range rises to between £185 and £440 per week. This represents an increase of 60% to 70% compared to the subsidised sector.

8.8 As outlined earlier in this study, the economic climate has changed significantly since the last housing needs survey was undertaken in 2006, which has resulted in making it increasingly difficult for households to obtain loans (ie mortgages) to purchase property. Commercial lenders, notably banks and building societies, are exerting stricter controls on lending criteria. However, although households are able to borrow up to five times their income, somewhat lower than the situation five years ago, funding institutions are requiring larger deposits in the form of loan-to-value criteria. This generally requires households to find a deposit of at least 10% on the purchase price, which leaves a balance of 90% to be borrowed. By contrast, in 2006, it was possible to secure 100% loans; indeed 5% deposit mortgages were commonplace for first time buyers. Hence, householders now need significantly more...
resources than they did in 2006 to obtain a mortgage to get on the housing ladder.

8.9 In terms of the cost of buying a house on the Island, the Housing Needs Study (2011) notes that the lowest quartile selling price for a 1-bed local market property is currently just under £200,000 whilst for a 2-bed property it rises to £270,000. Hence, notwithstanding a householder’s ability to afford the repayments on a 90% mortgage, they would require £20,000 and £27,000 respectively to provide a 10% deposit and get on to the bottom rung of the housing ladder in terms of purchasing power. This is clearly significant when compared to the earlier findings of the study, which suggest that nearly a third of all households have no savings, rising to nearly two thirds in the social rented sector.

8.10 Added to this is the cost of servicing a mortgage where households can only borrow five times their gross income. As noted in the survey, a quarter of all households on the Island earn less than £20,000 a year, rising to 35% of all those aged 25 or under and up to 70% in the social rented sector. Hence, even if it were assumed that householders were able to borrow five times their income, in the majority of cases, this would equate to no more than £100,000. Therefore, where the lowest quartile 1-bed property price in the local market is just short of £200,000, a deposit of almost £100,000 would need to be secured; in the case of a 2-bed property, this would rise to about £170,000. Hence, there is a considerable disconnect between those in greatest housing need and the current local market, which can only be resolved by some form of financial subsidy.

Housing Issues

8.11 The survey also examines housing issues faced by local households and these relate both directly and indirectly to accommodation, such as a lack of facilities, overcrowding and unaffordability. The results showed that 80% of households in Guernsey lived in accommodation that met their reasonable needs, but over 5,000 households have issues and these are primarily amongst single parents and those living alone. Conversely, households that are least likely to have housing issues are those owning their own home and those of pensionable age.

8.12 In terms of tenure, the housing issues predominate in the private rented sector with poor quality accommodation being the most common issue (about 50%), albeit in all sectors, followed by overcrowding (about 25%). However, caution needs to be
exercised in interpreting this data. For example, what might not be suitable for one household may not necessarily be unsuitable for another household and some issues could justifiably be resolved without the property being vacated. Hence, if and when a household leaves a property that does not meet their needs, it could potentially meet the needs of another household.

8.13 For the purposes of the modelling analysis, of over 5,000 households with housing issues, only 680 (about 14%) need to move and are intending to stay on the Island, but cannot afford private sector housing. This is termed the ‘backlog of housing’ and it is assumed that 10% of these, notionally about 68 households, will move to suitable accommodation each year thereby potentially resolving the ‘backlog’ over a 10-year period.

**Modelling of Housing Requirements**

8.14 For the purposes of this study, the key indicator arising from the Housing Needs Study (2011) is the assessment of housing need and this is also a significant factor that must inform the emerging review of the Development Plan.

8.15 The following factors must therefore be considered in modelling and establishing a target housing requirement: -

- The number of additional housing units required to meet the backlog of need;
- The number of these additional housing units that should be affordable (ie social rented or partial ownership);
- The number of private sector housing units (ie non-social housing) required to meet housing demand; and
- How housing demand and housing need will change over time.

8.16 As outlined earlier, the key difference between housing demand and housing need is affordability. In other words, those in housing need are not generally able to choose where they live or how much they are prepared to pay to live in suitable accommodation. Hence, housing demand is the quantity of housing required by households that are willing and able to buy or rent and housing need is the quantum of housing required for those households unable to access suitable housing without financial assistance or subsidy.

8.17 The housing model applied by ORS acknowledges that the housing market is dynamic and therefore households can only move within the existing housing stock, once properties become vacant. This results in something akin to a ‘musical chairs’ scenario
whereby properties become vacant only when householders either die, move on, break up, move in with other households or move into residential care. Hence, through the dynamics of the model, the housing market strives to achieve the best fit between those seeking housing and the available supply of vacated housing, though in reality there is often a mismatch and in the Guernsey context, this is probably more pronounced than other housing markets due to the socio-economic profile of the Island and particular local factors.

8.18 Whilst the modelling is principally concerned with those households either wanting or needing to move, account is also taken of the inability of some households to afford suitable housing. It also assesses the mix of housing required by all housing sectors through identifying shortfalls in the existing stock.

**Assessment of Housing Requirements**

8.19 The assessment of housing need is based on a 5-year timeframe, which is helpful in informing the first 5-year housing requirement to be incorporated in the emerging Development Plan review. The modelling concludes that over the next five years, almost 5,000 households will move resulting in a requirement to accommodate **2,253 additional households** during this period or **451 households per annum**; this represents the requirement that is unmet by current supply.

8.20 One of the key differences when compared to the previous assessment of housing requirements in 2006, which equated to about 1700 additional housing units, is that the number of households leaving the Island is significantly lower resulting in a higher level of net in-migration.

8.21 Within the overall headline housing requirement figure of accommodation for 2,253 additional households over the next five years, the survey further disseminates the requirement by type of tenure breaking it down into **Social, Intermediate and Market/Private Rented Housing**, the latter being assigned to any household that can afford to buy or rent above the lowest quartile (ie £253.85 per week rental or purchase price of £196,650 for a 2-bed property). For those unable to pay more than social housing rent, it is assumed that these will be assigned to **Social Housing**, provided that they meet eligibility criteria in terms of residential qualification together with savings and income thresholds. The remainder are assigned to **Intermediate (Partial Ownership) Housing** whereby they are ineligible for social rental (due to the
qualification criteria), but although they are able to afford more than social rent, they cannot afford to buy or rent housing above the lowest quartile.

8.22 When compared to the Housing Needs Survey (2006), there is a significant increase in the level of need for social housing, up from 148 to 790 units. This is partly attributable to a change in methodology to reflect the real cost of social housing rather than applying rent rebates, as was the case in the earlier analysis. Unsurprisingly, this results in more households falling below the threshold that separates social from intermediate housing, added to the fact that there has been a significant rise in private rents since 2006.

8.23 Table 8 disseminates the overall 5-year housing requirement into property type and size and in percentage terms, the final analysis clearly illustrates that whilst there is currently a surplus of rented units in the private sector, of the 450 new households to be accommodated each year, 22% should be in the intermediate sector and 35% in the social rented sector. Moreover, there should be an emphasis on providing mainly 1/2-bed properties in the intermediate sector and principally 2/3-bed units in the social rented sector.

<table>
<thead>
<tr>
<th>Housing Requirement (Net)</th>
<th>Private Sector Housing</th>
<th>Affordable Housing</th>
<th>Total All Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owned</td>
<td>Rented</td>
<td>Partial Ownership</td>
</tr>
<tr>
<td>1 - Bed</td>
<td>303</td>
<td>763</td>
<td>163</td>
</tr>
<tr>
<td>2 - Bed</td>
<td>311</td>
<td>-643</td>
<td>254</td>
</tr>
<tr>
<td>3 - Bed</td>
<td>201</td>
<td>-169</td>
<td>76</td>
</tr>
<tr>
<td>4+ Bed</td>
<td>375</td>
<td>-179</td>
<td>8</td>
</tr>
<tr>
<td>Total</td>
<td>1,191</td>
<td>-228</td>
<td>501</td>
</tr>
</tbody>
</table>

Table 8: Overall Annual Housing Requirement in Guernsey

<table>
<thead>
<tr>
<th>Housing Requirement (Annual)</th>
<th>Private Sector Housing</th>
<th>Affordable Housing</th>
<th>Total All Sectors</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Owned</td>
<td>Rented</td>
<td>Partial Ownership</td>
</tr>
<tr>
<td>1 - Bed</td>
<td>61</td>
<td>153</td>
<td>33</td>
</tr>
</tbody>
</table>
8.24 At the present time, the emerging review of the Development Plan is at an early stage and decisions have yet to be reached by the Environment Department on the levels of new housing to be provided for in the new planning policy framework. It is however likely, in accordance with guidance in the Strategic Land Use Plan (2011) that housing sites will be allocated on the basis of a 5-year supply with a further review initiated following detailed annual monitoring of performance in delivering identified housing targets.

8.25 Despite the fact that the drafting of detailed policies in the plan review is at an early stage, it is recommended that any housing targets subsequently agreed by the Environment Department attempt to meet the percentage requirements for social and intermediate housing as outlined in the Housing Needs Study (2011). It is considered that this provides a robust evidence base upon which to plan for future housing on the Island in order to meet the social needs of local communities, though it is important to build in sufficient flexibility to cover future targets identified during the lifetime of the plan.

8.26 Finally, it is important to discount the overall housing requirements against any net gains in affordable housing arising from the current build programme of the Guernsey Housing Association.
9. Residential Development Scenarios

9.1 For the purposes of this section of the study, it is necessary to examine the financial viability of various development scenarios. This will enable the States of Guernsey’s Environment Department to provide evidence as to what level of contributions are appropriate in the provision of affordable housing and whether these meet the reasonable expectations of all ‘players’ involved in the residential development sector. These will predominantly comprise of landowners releasing land for residential development, developers directly involved in the construction of housing schemes and the States’ Housing Department, through its partnership arrangements with agencies such as the Guernsey Housing Association (GHA).

9.2 Table 10 below provides a framework for considering a range of nine alternative development scenarios, each of which include variables on the levels of private sector, intermediate and social rented housing to be provided on sites to be allocated in the emerging Development Plan Review. The variables also take into account the potential for introducing additional planning requirements, as well as affordable housing, and how these might affect overall financial viability.

Table 10: Residential Development Scenarios

<table>
<thead>
<tr>
<th>Planning Contributions (Excl. Affordable Housing)</th>
<th>Private Sector Housing</th>
<th>Intermediate Housing</th>
<th>Social Rented Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 None</td>
<td>100%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>2 £100 psm</td>
<td>100%</td>
<td>None</td>
<td>None</td>
</tr>
<tr>
<td>3 None</td>
<td>50%</td>
<td>50%</td>
<td>None</td>
</tr>
<tr>
<td>4 None</td>
<td>70%</td>
<td>30%</td>
<td>None</td>
</tr>
<tr>
<td>5 None</td>
<td>70%</td>
<td>20%</td>
<td>10%</td>
</tr>
<tr>
<td>6 None</td>
<td>70%</td>
<td>10%</td>
<td>20%</td>
</tr>
<tr>
<td>7 None</td>
<td>80%</td>
<td>20%</td>
<td>None</td>
</tr>
<tr>
<td>8 None</td>
<td>80%</td>
<td>10%</td>
<td>10%</td>
</tr>
<tr>
<td>9 None</td>
<td>50%</td>
<td>20%</td>
<td>30%</td>
</tr>
</tbody>
</table>

9.3 In testing these scenarios, it is important to establish the assumptions to be used in determining financial viability. Whilst it is acknowledged that this can never be an exact science due to the vagaries of the housing market, particularly in the medium-long term, it is considered that there is sufficient evidence currently
available on the Island to draw conclusions on the viability testing. It is appropriate therefore to address each of the following variables in modelling financial viability:

- Residential density;
- Construction costs;
- Professional fees;
- Sales costs and marketing;
- Finance/borrowing rates;
- Sales values;
- Developers’ profit;
- Cross subsidies; and
- Residual land values.

**Residential Density**

9.4 In assessing residential densities, it should be acknowledged that in an Island context, where land is a scarce resource, it is imperative to make the best use of all developable land. This should involve achieving a higher density of residential development than the previous plan periods, though not at the expense of high standards of residential amenity and design. In the urban area around the Town and the Bridge, mixed use redevelopment schemes, such as the Bouet and Glategny MURA’s have achieved above average densities, principally through the development of apartments, but there is clearly a question as to whether further large-scale flatted schemes will meet the future needs of householders, particularly small-medium sized families that require greater levels of private amenity space (eg. gardens) and car parking.

9.5 In the rural area, outside of the Town and the Bridge, residential development is characterized by low-density housing, typically 15 – 30 dwellings per hectare (3-5 dwellings per vergee), much of which is predicated on clos-style bungalow layouts that arguably do not make the best use of land. **Policy SLP18** in the recently adopted **Strategic Land Use Plan (2011)** acknowledges this issue and stresses the need to make the most efficient and effective use of land and buildings by encouraging the re-use of previously developed land, securing regeneration and promoting increased densities. For example, it is worth noting that the redevelopment of the Woodstock Vinery in the Vale achieved a density of 35 dwellings per hectare (6 dwellings per vergee) and a scheme currently being constructed by Guernsey Housing Association on the former Edgbaston Vinery site in the Parish of St Martin will be in excess of 50 dwellings per hectare (8 dwellings per vergee).
9.6 The ERM Study (2006) assessed the residential density issue having taken advice from the Environment Department and an average density of 18 – 50 dwellings per hectare was applied (3 – 8 dwellings per vergee) depending upon the size of the dwellings. Hence, in a high-density scheme in an urban context, possibly involving apartments, 50 dwellings per hectare would be comfortably achievable; Charroterie Mills for example in St Peter Port is over 200 per hectare (33 dwellings per vergee). Moreover, Admiral Park and Rue des Monts (Delancey), together with Hougue a la Perre developed by Guernsey Housing Association, have all achieved densities in excess of 100 units per hectare (16 dwellings per vergee).

9.7 The redevelopment schemes at the Bouet, both Phase One and Two have achieved densities in excess of 60 units per hectare (10 dwellings per vergee), though it is acknowledged that the tenure mix, exclusively social rented and partial ownership, has resulted in smaller dwellings together with reduced car parking standards to maximise the developable area.

9.8 For the purposes of this study, it is considered appropriate to ‘raise the bar’ in terms of residential density in order to meet the key objective of maximising the use of land and buildings, but without compromising on design, layout and residential amenity. However, this is not to pre-empt the plan-making process or to suggest a ‘one size fits all’ approach to density as it is fully acknowledged that every housing site will bring its own planning considerations. Therefore, it is recommended that baseline density assumptions be increased to 36-73 dwellings per hectare (6–12 dwellings per vergee). It is considered that applying this density range, allowing for individual site considerations, would not significantly impact upon the character of either the local centres or the more densely populated main centres.

9.9 To allow for the various development types, the ERM Study (2006) transcribed the density assumptions into a level of site development or coverage at 3,440 square metres per hectare. This is a useful approach and effectively accounts for a range of development scenarios, be it at the minimum density level where a site might generate a relatively low number of higher value detached properties of around 150 square metres each or a medium density scheme of townhouses, maisonettes and terraces, each with a floor area of 75 square metres to a higher density flatted scheme of around 55 square metres per unit. Clearly, densities on medium to high-rise apartment schemes would be
higher, but the development potential of a site to assess viability is intended to account for all of these variations.

9.10 Hence, whilst the emerging planning policy framework in the Development Plan Review may influence residential density, for example through the introduction of sustainable urban drainage systems (SUDS), it is not considered unreasonable to increase density assumptions. Therefore, for the purposes of modelling the various development scenarios in this study, a baseline figure of 4,000 square metres per hectare has been applied. This broadly equates to site coverage of 40% and a modest uplift on the ERM assumptions of only 15%.

Construction Costs

9.11 It is generally accepted that base build costs on the Island are higher than the mainland. This is primarily due to the importation of building materials that are not produced on the Island, but also reflects higher minimum wage levels in the construction industry. Whilst quarrying is still taking place on Guernsey, providing a valuable resource for stone and other assorted aggregates, most building materials have to be imported, principally from the UK. This has the inevitable effect of increasing costs due to shipping and cargo handling at the dock in St Peter Port.

9.12 If comparisons are made with the UK, it is estimated that construction costs in Guernsey are about 50% higher and this was broadly adopted in the ERM study with an expectation that construction costs would be unlikely to fall below £2,000 per square metre for the purposes of forecasting. This is in comparison to Waverley in Surrey where consultants researching residual land values in 2009 applied figures of £1,200 per square metre in respect of flats and £1,050 per square metre in respect of houses.

9.13 Advice corroborated from independent sources in the building trade on the Island appear to bear out the 50% overage, though some caution needs to be exercised in the specification that might be achieved for varying levels of build cost. Hence, a basic specification would probably start at £2,000 per square metre, but would increase where either a higher specification is favoured or sites require initial remediation. Such sites might involve glasshouse clearance which can cost as much as £150,000 per hectare (£25,000 per verge) or clean up costs where sites have a history of contamination. For the purposes of this study, figures in a range of £2,000 to £2,800 per square metre have been modelled to reflect these uncertainties.
**Professional Fees**

9.14 The level of funding to be attached to professional fees will depend to a large degree on the state of the current construction market. Hence, when the construction industry is buoyant, fees might be expected to be of the order of 12%, whilst in more recessionary development periods, when projects are scarcer, this might be as low as 9%. In the ERM study, a figure of 10.5% was adopted, which in essence provides a plausible mid-point between the two contrasting development scenarios and it is this figure that is adopted for the purposes of this study. This percentage should be applied to the overall cost of the project.

**Sales Costs and Marketing**

9.15 During the construction phase, housing schemes must be brought to the market and the necessary advertising and publicity to attract would-be purchasers is generally managed by local agents. In some cases, this will involve building a show-home at an early stage of the scheme, where prospective buyers can view the internal specification of the properties and reserve plots pending completion.

9.16 Sales and marketing costs will normally be borne by the developer and will typically account for 2% of the sales value, which needs to be factored into any development appraisal.

**Finance**

9.17 In order to deliver any building project, be it in the residential, industrial or commercial sector, the developer will need to raise capital to fund the scheme. This invariably means arranging finance against the likely viability of the scheme from various institutional lenders such as banks and venture capitalists. In the Guernsey context, raising finance is probably less problematic than in the UK context at the present time, due to a relatively buoyant financial market, though interest rates are likely to be broadly comparable.

9.18 From evidence provided by the development industry, and allowing for relatively low interest rates prevailing at the time of this research, a figure of 6% has been adopted, which is somewhat lower than the 7.25% adopted by ERM in 2006. As in the case of professional fees, this percentage should be applied to the overall cost of the project.
**Sales Values**

9.19 The ERM study in 2006 noted that the residential market in Guernsey was characterised by one and two bed apartments, which had been largely driven by high wage earners in the financial services sector. At that time, sales values on new builds were ranging from £4,500 to £6,000 per square metre, but the market for apartments has become saturated in recent years and there is now a growing need for 1/2 bed units, particularly to suit first time buyers and at the higher end of the market, large 3/4 bed properties.

9.20 Whilst the second hand market remains buoyant on the Island, new builds are relatively few in number, so it could be argued that there are a limited number of examples upon which to draw any substantive evidence to gauge sales values. However, those few examples that are available do provide a benchmark as to how local agents are valuing new build residential properties, though some caution needs to be exercised over whether final sales values fully reflect the asking price.

**Example 1**

1-bed properties on the Bouet, constructed by Guernsey Housing Association for partial ownership.

Internal floor area = 55 square metres

Sales Value @ £240,000 each

Sales Value per square metre = £4,363

**Example 2**

2-bed properties on the Bouet, constructed by Guernsey Housing Association for partial ownership.

Internal floor area = 65 square metres

Sales Value @ £285,000 each

Sales Value per square metre = £4,385
**Example 3**

2 no. new semi-detached 3 bedroom houses in the Vale (due for completion in December, 2012) comprising of kitchen, lounge, cloakroom, 2 en-suite shower rooms and a family bathroom. The properties each have a small garden with 2 car parking spaces and are being constructed by a local builder to include a fully fitted kitchen and bath/shower rooms.

Internal floor area = 85.6 square metres each

Sales Value @ £445,000 each

Sales value per square metre = £5,200

**Example 4**

A recently constructed 3 storey semi-detached property in Ville a Roi, St Peter Port comprising 3 bedrooms, kitchen/breakfast room, lounge and 2 bathrooms. Completed to a high specification, the property provides a good-sized family home with driveway together with a garden enjoying sea views.

Internal floor area = 116.4 square metres

Sales Value @ £635,000

Sales value per square metre = £5,454

9.21 It is considered that these examples represent the low to medium end of the Guernsey housing market and in those cases where builders aim to provide a higher specification, sales values approaching £6,000 would not be uncommon. However, for the purposes of this study, construction costs have been modelled on a range from £4,500 to £5,500 per square metre. By way of comparison, sales values in Waverley in Surrey, a highly desirable residential location in the South West London commuter belt, were averaging around £3,000 to £5,000 per square metre in 2009.

**Developer Profit**

9.22 As ERM noted in the 2006 study, the normal profit element expected by house builders in Guernsey exceeded the UK by some margin and the modelling undertaken at that time reflected this
variance using figures of 20% and 25%. However, while it could be argued that development risks are lower on the Island, such profit margins may not be sustainable in the medium to long term if the housing requirements outlined in the recent Housing Needs Study (2011) are to be fully addressed. By comparison, Waverley Borough Council in the UK modelled their residual land values in 2009 on developer profits of 15-20%.

9.23 For the purpose of this study, a developer profit of 20% on sales value has been adopted to test the various development scenarios and this provides a useful benchmark on financial viability, though developers may need to reduce their expectations if land is to be effectively released in favour of higher levels of housebuilding than have prevailed over the last decade.

Planning Contributions

9.24 In the UK, several local planning authorities are preparing detailed schedules on the Community Infrastructure Levy (CIL), which was introduced in the Planning Act 2008. This allows for funds to be raised for essential infrastructure by imposing a tariff per square metre of net additional floorspace created by planning approvals.

9.25 In the Guernsey context, contributions to off-site infrastructure through the planning process have been extremely limited. Many multi-million pound development schemes, particularly those in the Mixed Use Redevelopment Areas (MURA’s) such as Glategny and the Bouet (Admiral Park) have witnessed successful regeneration, but have arguably created little or no benefit to the wider community or the public realm beyond their respective site boundaries.

9.26 Despite this, those works required to successfully implement planning proposals have generally been governed by conditions attached to planning permissions and these have involved such works as upgrades to highways, improved sight lines/junctions, public footpaths, essential drainage/sewerage or land de-contamination, without which the particular development would not be acceptable. In the vast majority of cases, these have not involved direct financial contributions to the States of Guernsey, though indirect contributions to agencies such as Guernsey Water to undertake necessary upgrades have been commonplace.

9.27 Consideration could therefore be given in the analysis to the possibility of the States of Guernsey adopting fiscal measures to provide a levy on the granting of planning permission for
environmental enhancements on the Island, focusing in particular on local and main centres. Such contributions could be commuted above and beyond the provision of affordable housing, but only the private sector element of any housing scheme would be required to pay any levy as the affordable element would be exempt, having already directly benefited the local community as a specific policy requirement in all new housing developments.

9.28 It is beyond the scope of this study to recommend the introduction of a tariff or levy on development proposals, but the brief does require that some consideration be given to this issue. Therefore, in testing the robustness of the residential sector to withstand such contributions, a figure of £100 per square metre of housing development has been applied in Development Scenario 2. This figure represents an average guide for residential schemes applied by local authorities in the UK with variations to be found above and below this figure according to the strengths and weaknesses of the local residential property market.

**Cross subsidy on Intermediate/Social Rented Housing**

9.29 Through its partnership arrangement with the Guernsey Housing Association, the States’ Housing Department have provided advice on the levels of subsidy that would normally be expected in respect of both intermediate housing and social housing to rent. It is broadly accepted that whilst discounted market housing could provide a positive return for developers, any requirements for affordable housing would generally deflate land values. Therefore, some degree of subsidy would be appropriate in addition to any capitalised rental stream to offset the future management costs associated with the affordable units.

9.30 The ERM study in 2006 recommended subsidies of £10,000 per unit in respect of intermediate housing and £60,000 per unit of social rented housing for the purposes of calculating residual land values in those development scenarios where a share of affordable housing was required.

9.31 At that time, ERM concluded that the average subsidy for intermediate housing depends on the balance of different types of housing or households to be assisted. In essence, less cross-subsidy would be required with partial ownership housing than with sub-market rental housing, Hence, the average of £10,000 per unit assumed that more of the intermediate housing was aimed at households with moderate incomes requiring partial ownership rather than those very low income households that are not eligible
for social rented housing. In the earlier *Housing Needs Survey (2006)*, this latter group represented a small proportion of the identified need.

9.32 In applying any subsidy, this can be reflected in either lower residual land values or it could be delivered directly by public funding. For the purposes of the modelling, it has been assumed that no public subsidy would be provided. Therefore, in updating the model, the approach to subsidies has been simplified on the premise that either land will be reserved for affordable housing within a development site or alternatively, the affordable units will be constructed by the developer at cost (ie without profit) to be sold on to a social housing provider at 40-50% of their market value.

9.33 Within the percentage range, it is assumed that Social Rented units would require a cross subsidy of 40% of market value with a corresponding figure of 50% applied to partial ownership or intermediate housing. Beyond this, the developer would not be expected to pay any additional financial subsidy per affordable unit.

9.34 In summary, the following assumptions are made in respect of the modelling of all of the residential development scenarios highlighted in Table 10.

- Residential Density @ 4,000 square metres per hectare
- Construction Costs @ £2,000 - £2,800 per square metre
- Professional Fees @ 10.5%
- Finance @ 6%
- Sales Values @ £4,500 - £5,500 per square metre
- Sales and Marketing @ 2% on sales value
- Developer Profit @ 20%
- Planning Contributions @ £100 per square metre
- Cross Subsidy on Affordable Housing units @ 40-50% of local market sales values.

**Residual Land Value (RLV)**

9.35 Residual land values are calculated by discounting all costs associated with the development from the overall value of the scheme in terms of sales, which in turn is further discounted to
make an allowance for the developer’s profit. The flow diagram below illustrates the broad methodology:

<table>
<thead>
<tr>
<th>Completed Development Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less</td>
</tr>
<tr>
<td>Construction Costs, Fees, Marketing etc</td>
</tr>
<tr>
<td>Less</td>
</tr>
<tr>
<td>Developer’s Profit</td>
</tr>
<tr>
<td>Equals</td>
</tr>
<tr>
<td>Residual Land Value</td>
</tr>
</tbody>
</table>

**Example A**

This example applies to a residential development scheme on a site of one hectare assuming a site coverage of 4,000 square metres of built development at a cost of £2,000 per square metre and a sales value of £4,500 per square metre:

Completed Sales Value = 4,000 x £4,500 = £18,000,000

Construction Costs = 4,000 x £2,000 = £8,000,000

Finance @ 6% = £480,000

Professional Fees @ 10.5% = £840,000

Sales and marketing @ 2% on sales value = £360,000

Developers Profit @ 20% on sales value = £3,600,000

> Residual Land Value = £18,000,000 less £13,280,000 = £4,720,000

9.36 The calculation outlined in *Example A* makes no allowance for the provision of affordable housing within the completed development, any abnormal costs associated with developing the scheme nor any planning contributions required for off-site community
infrastructure. Such factors would inevitably reduce residual land values and in the case of glasshouse clearance could be as much as £150,000 per hectare (£25,000 per vergee). However, it does illustrate the significant uplift in land values after the granting of any unfettered planning permission for private sector housing.

**Example B**

This example applies to a residential development on a site of one hectare, but only 70% of the properties are private sector houses and the remainder of the land is transferred at nil cost for 30% affordable housing. Assuming that the site coverage is 4,000 square metres of built development at a cost of £2,000 per square metre and a sales value of £4,500 per square metre, the corresponding equation is as follows:

- Completed Sales Value = 4,000 x £4,500 x 70% = £12,600,000
- Construction Costs = 4,000 x £2,000 x 70% = £5,600,000
- Finance @ 6% = £336,000
- Professional Fees @ 10.5% = £588,000
- Sales and marketing @ 2% on sales value = £112,000
- Developers Profit @ 20% on sales value = £2,520,000

> Residual Land Value = £12,600,000 less £9,156,000 = £3,444,000

9.37 The calculation in Example B is based on a situation where the developer achieves a financial return on only 70% of the site area and hence, the remaining 30% is transferred free of charge to a social housing provider to construct the affordable housing units. Whilst this is the model adopted by the majority of housing developers, there is another option, whereby the developer constructs the affordable housing units, usually to a required specification, and sells them at cost to the social housing provider. In the case of social rented and intermediate units, the developer would normally expect a return of 40-50% of the local market sales value and the example outlined below models this scenario.
Example C

This example similarly applies to a residential development on a site of one hectare, but 70% of the properties are private sector houses and the 30% intermediate units are constructed at cost by the developer. Assuming that the site coverage is 4,000 square metres of built development at a cost of £2,000 per square metre and a sales value of £4,500 per square metre, the corresponding equation is as follows: -

Sales Value (local market) = 4,000 x £4,500 x 70% = £12,600,000
Sales Value (intermediate) = 4,000 x £4,500 x 30% x 50% = £2,700,000
Construction Costs = 4,000 x £2,000 = £8,000,000
Finance @ 6% = £480,000
Professional Fees @ 10.5% = £840,000
Sales and marketing @ 2% on sales value (local market) = £252,000
Developers Profit @ 20% on sales value (local market) = £2,520,000

> Residual Land Value = £15,300,000 less £12,092,000 = £3,208,000

9.38 These examples clearly demonstrate the impact on financial viability of introducing affordable housing into a residential development scheme. Section 10 of this report examines these variables in greater detail by testing a range of development scenarios and assessing whether residential schemes can ‘afford’ to provide social and intermediate housing and at what level.

9.39 As a general rule, open land values without the benefit of any residential planning permission or alternative commercial use in Guernsey would be unlikely to achieve more than around £70,000 - £100,000 per hectare (£12,000-£17,000 per vergee), though in those instances where sites have been identified by local agents and landowners as having ‘hope’ value, land could be transacted at up to five times this figure, depending upon the perceived certainty of gaining planning permission together with any likely timescale for development.

9.40 In 2011, Guernsey Housing Association acquired land at Rue Jehannet in St Martin through the ‘exception’ route afforded by Policy RH2 of the Rural Area Plan for an affordable housing
scheme. The land was purchased at a cost of £407,550 on a site area of 0.45 hectares; this equates to about £905,000 per hectare (£150,000 per vergee). As this site was released as an exception to normal planning policy, to be developed and managed exclusively for affordable housing, comparisons cannot be drawn with the values expressed in the original ERM study in 2006, which applied residual land values of £2.47 million per hectare (£410,000 per vergee). This was the threshold below which it was considered landowners would be reluctant to release land for private sector housing development.

9.41 In order to identify sufficient land during the first five years of the Development Plan period (ie 2014-2019) to deliver housing forecasts, a percentage of which will need to be affordable, it is considered that expectations of land values should be tempered if the housing needs of the Island’s community are to be satisfactorily addressed.

9.42 As house prices have risen significantly since 2006 by around 30%, it is reasonable to conclude that residual land values must also have risen to reflect market expectations. Whilst this can never be an exact science, the residential development scenarios set out in Table 10 have been analysed on the basis that landowners will now expect residual land values to achieve no less than £3 million per hectare or £1.25 million per acre (£0.5 million per vergee). A traffic light system is included in the modelling to illustrate where residual land values are achievable (green), in excess of £2m per hectare (amber) or below these thresholds (red).

9.43 Whether the abovementioned values can be sustained in the longer term as the economic profile of the housing market changes is open to conjecture, but on the basis that the residential market has remained relatively buoyant on Guernsey during the last 5 years and has witnessed year-on-year rises in house prices, it is considered realistic to adopt these baseline values for the first tranche of housing allocations in the emerging Development Plan review.
10. Modelling of Residential Development Scenarios

Development Scenario 1

10.1 The scenario outlined in Table 11 involves the unfettered development of a site for private sector housing with a maximum developer profit on sales value of 20%. It assumes that there are no abnormal costs to site development such as site clean-up (eg contamination, landfill remediation etc) nor any major highway works required to implement the scheme.

Table 11: 100% Private sector housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>4,720,000</td>
</tr>
<tr>
<td>5000</td>
<td>6,280,000</td>
</tr>
<tr>
<td>5500</td>
<td>7,840,000</td>
</tr>
</tbody>
</table>

Analysis

10.2 In this scenario, it can be clearly demonstrated that residual land values of a minimum £3million per hectare can comfortably be achieved in those schemes involving lower construction costs and medium to high sales values. This in effect represents the current situation on the Island where there is no requirement to provide any form of subsidised housing, but does not account for any abnormalities associated with particular sites. Clearly, any on-costs arising from site clearance or conditional planning requirements will have the effect of increasing construction costs and reducing land values, though these will inevitably be reflected in the particular site characteristics.

Development Scenario 2

10.3 The scenario outlined in Table 12 involves the development of a site for private sector housing at a maximum developer profit on sales value of 20%. Whilst there is no requirement built into this model for affordable housing, a planning contribution of £100 per square metre of development is levied for environmental enhancements equating to £400,000 per hectare (£70,000 per verge). It also assumes that there are no abnormal costs to development such as site clean-up (eg contamination, landfill
remediation, glasshouse clearance) nor any major highway works required to implement the scheme.

Table 12: 100% Private sector housing with planning contribution

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td>Construction Cost (per square metre) (£)</td>
</tr>
<tr>
<td>2000</td>
<td>2400</td>
</tr>
<tr>
<td>4500</td>
<td>2,284,000</td>
</tr>
<tr>
<td>5000</td>
<td>3,944,000</td>
</tr>
<tr>
<td>5500</td>
<td>5,504,000</td>
</tr>
</tbody>
</table>

Analysis

10.4 Whilst the introduction of a planning contribution clearly reduces residual land values in this scenario, it can be demonstrated that the threshold values of a minimum £3m per hectare can still be sustained with the exception of those schemes involving medium to high construction costs and low sales values. As in the previous scenario, any additional costs associated with particular site conditions would have the effect of deflating these values.

Development Scenario 3a (developer builds)

10.5 The scenario outlined in Table 13 involves the development of a site for 50% private sector housing and 50% intermediate housing. In the first option, the developer meets the costs of construction, but a subsidy is factored into the calculation to reflect reduced sales values on the intermediate housing element, notionally 25 units, at 50% of normal market value.

Table 13: 50% Private sector housing and 50% Intermediate housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td>Construction Cost (per square metre) (£)</td>
</tr>
<tr>
<td>2000</td>
<td>2400</td>
</tr>
<tr>
<td>4500</td>
<td>336,000</td>
</tr>
<tr>
<td>5000</td>
<td>1,616,000</td>
</tr>
<tr>
<td>5500</td>
<td>2,896,000</td>
</tr>
</tbody>
</table>

Analysis
10.6 The modelling clearly demonstrates that the introduction of 50% intermediate housing into new development schemes is not achievable, except in those circumstances where low construction costs can be matched by medium-high sales values. Again, this is dependent upon there being no abnormal site conditions, but the feasibility of developing this housing mix, where the units are constructed by the developer at cost, must be questionable.

Development Scenario 3b (land is reserved)

10.7 This scenario (see Table 14) is the same as 3a, but involves 50% of the site being reserved for the intermediate housing, which is then constructed by the social housing provider.

Table 14: 50% Private sector housing and 50% Intermediate housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td></td>
</tr>
<tr>
<td>4500</td>
<td>2,360,000</td>
</tr>
<tr>
<td>5000</td>
<td>3,140,000</td>
</tr>
<tr>
<td>5500</td>
<td>3,920,000</td>
</tr>
</tbody>
</table>

Analysis

10.8 In this instance, higher residual land values can be realised, but again, higher sales values need to be achieved at the lower end of the construction cost threshold. Where difficult site conditions prevail, this model appears to be unsustainable financially and may inevitably result in land not being released to the market.

Development Scenario 4a (developer builds)

10.9 The scenario outlined in Table 15 involves the development of a site for 70% private sector housing supplemented by 30% intermediate housing and is modelled on the basis that the developer constructs all of the units. As in the other example, a subsidy is factored into the calculation to reflect reduced sales values on the intermediate housing element, notionally 50% of normal market value. It similarly assumes that there are no abnormal costs to site development and no requirement for additional planning contributions.
Table 15: 70% Private sector housing and 30% Intermediate housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4500</td>
<td>2000: 3,208,000 2400: 1,344,000 2800: -520,000</td>
</tr>
<tr>
<td>5000</td>
<td>2000: 4,600,000 2400: 2,738,000 2800: 872,000</td>
</tr>
<tr>
<td>5500</td>
<td>2000: 5,992,000 2400: 4,132,000 2800: 2,264,000</td>
</tr>
</tbody>
</table>

**Analysis**

10.10 In this model, contrary to Development Scenario 3a, the reduction in the percentage of intermediate housing to 30% is notionally more achievable, even allowing for the financial subsidy. However, it still cannot be sustained in those instances where medium-high construction costs are involved. Whilst any particular site characteristics would need to be factored into the analysis to test whether these adversely affect financial viability, there does appear to be some tolerance in the model to account for any site abnormalities.

Development Scenario 4b (reserved land)

10.11 This alternative model outlined in Table 16 assumes that the developer reserves the land with the intermediate units subsequently constructed by the social housing provider.

Table 16: 70% Private sector housing and 30% Intermediate housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>4500</td>
<td>2000: 3,304,000 2400: 2,000,000 2800: 694,400</td>
</tr>
<tr>
<td>5000</td>
<td>2000: 4,396,000 2400: 3,091,000 2800: 1,786,400</td>
</tr>
<tr>
<td>5500</td>
<td>2000: 5,488,000 2400: 4,183,000 2800: 2,878,400</td>
</tr>
</tbody>
</table>

**Analysis**

10.12 Where land is reserved, the landowner is able to achieve higher land values, assuming that construction costs can be tailored around a low-medium specification. In those cases where high
construction costs arise due to difficult site conditions, affordability may become marginal.

*Development Scenario 5a (developer builds)*

10.13 The scenario outlined in Table 17 involves the development of a site for 70% private sector housing supplemented by 20% intermediate housing and 10% social rented housing where the scheme is constructed in its entirety by the developer. A subsidy is factored into the calculations to account for discounted sales values arising from not only the intermediate housing element (ie 50%), but also the social rented housing element (ie 40%). In this model, it is assumed that there would be 10 intermediate housing units and 5 social rented units.

*Table 17: 70% Private sector housing, 20% Intermediate housing and 10% Social rented housing*

| Residual Land Values per Hectare (£) | | | | |
|---|---|---|---|
| Sales Value (per square metre) (£) | Construction Cost (per square metre) (£) | | |
| 2000 | 2400 | 2800 |
| 4500 | 3,028,000 | 1,164,000 | -700,000 |
| 5000 | 4,400,000 | 2,536,000 | 672,000 |
| 5500 | 5,772,000 | 3,908,000 | 2,044,000 |

*Analysis*

10.14 There is marginally less value in this mix when compared to development scenario 4a and this is due to lower land values being realised on the social rented units. However, the modelling demonstrates that the introduction of social rented housing into the mix of housing tenures is financially viable, provided that the scheme is not tailored to a high specification where low-medium sales values cannot be realised. There must also be a question as to whether the model can support or ‘afford’ a high value, high specification scheme as the viability margins become relatively tight. As in the previous development scenarios, any particular site characteristics would need to be factored into any appraisal, but there still appears to be sufficient tolerance in the tenure mix to achieve the desired residual land values.

*Development Scenario 5b (reserved land)*
10.15 The results of this modelling (see Table 18) are the same as development scenario 4b since the remaining 30% of the site area is reserved for the social housing provider.

Table 18: 70% Private sector housing, 20% Intermediate housing and 10% Social rented housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td>Construction Cost (per square metre) (£)</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2400</td>
<td>2800</td>
</tr>
<tr>
<td>4500</td>
<td>3,304,000</td>
<td>2,000,000</td>
</tr>
<tr>
<td>5000</td>
<td>4,396,000</td>
<td>3,091,000</td>
</tr>
<tr>
<td>5500</td>
<td>5,488,000</td>
<td>4,183,000</td>
</tr>
</tbody>
</table>

Analysis

10.16 As in development scenario 4b, the landowner is able to achieve higher land values, assuming that construction costs can be tailored around a low-medium specification. In those cases where high construction costs arise due to difficult site conditions and only low-medium sales values can be realised, affordability may become marginal.

Development Scenario 6a (developer builds)

10.17 The scenario outlined in Table 19 involves the development of a site for 70% private sector housing supplemented by 20% social rented housing and 10% intermediate housing where the scheme is constructed in its entirety by the developer. A subsidy is factored into the calculations to account for discounted sales values arising from not only the intermediate housing element (ie 50%), but also the social rented housing element (ie 40%). In this model, it is assumed that there would be 10 social rented units and 5 intermediate housing units.

Table 19: 70% Private sector housing, 20% Social rented housing and 10% Intermediate housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td>Construction Cost (per square metre) (£)</td>
<td></td>
</tr>
<tr>
<td>2000</td>
<td>2400</td>
<td>2800</td>
</tr>
<tr>
<td>4500</td>
<td>2,848,000</td>
<td>984,000</td>
</tr>
</tbody>
</table>
Analysis

10.18 Although the introduction of a greater proportion of social rented housing into the mix of tenures has the anticipated effect of further reducing land values, where relatively low construction costs can be achieved with medium-high sales values, the modelling appears sufficiently robust.

*Development Scenario 6b (land reserved)*

10.19 The results of this modelling (see Table 20) are the same as development scenario 4b since the remaining 30% of the site area is reserved for the social housing provider.

**Table 20: 70% Private sector housing, 20% Social rented housing and 10% Intermediate housing**

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>3,304,000</td>
</tr>
<tr>
<td>5000</td>
<td>4,396,000</td>
</tr>
<tr>
<td>5500</td>
<td>5,488,000</td>
</tr>
</tbody>
</table>

Analysis

10.20 In this alternative scenario, where the developer reserves the land for the social housing provider, residual land values can be achieved on schemes that involve low-medium construction costs, thereby illustrating some tolerance against more difficult sites.

*Development Scenario 7a (developer builds)*

10.21 The scenario outlined in Table 21 involves the development of a site for 80% private sector housing supplemented by 20% intermediate housing with the developer fronting up all of the construction costs. A subsidy is factored into the calculations to account for discounted sales values (ie 50%) arising from the intermediate housing element.
Table 21: 80% Private sector housing and 20% Intermediate housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>3,712,000</td>
</tr>
<tr>
<td>5000</td>
<td>5,160,000</td>
</tr>
<tr>
<td>5500</td>
<td>6,608,000</td>
</tr>
</tbody>
</table>

Analysis

10.22 The modelling demonstrates some increase in affordability on the previous scenarios as the requirement for affordable units is reduced down to 20%. Only those schemes involving high construction costs fail to reach the desired residual land values. Hence, where a low-medium specification can be achieved with no site abnormalities, the housing mix should be affordable.

Development Scenario 7b (developer reserves land)

10.23 In this model (see Table 22), the developer reserves 20% of the site for the social housing provider.

Table 22: 80% Private sector housing and 20% Intermediate housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>3,864,000</td>
</tr>
<tr>
<td>5000</td>
<td>5,024,000</td>
</tr>
<tr>
<td>5500</td>
<td>6,272,000</td>
</tr>
</tbody>
</table>

Analysis

10.24 This model demonstrates an increased tolerance on the previous scenario, as the developer no longer has to construct the affordable housing at cost. Again, the tolerance on high specification schemes may become quite marginal where site characteristics dictate higher on-costs to development, but on relatively straightforward sites, this particular mix appears to be affordable.
Development Scenario 8a (Developer builds)

10.25 The scenario in Table 23 involves the development of a site for 80% private sector housing supplemented by 10% intermediate housing and 10% social rented housing with the developer building the units. A subsidy is factored into the calculations to account for discounted sales values arising from the intermediate housing at 50% and social rented at 40% of normal sales values.

Table 23: 80% Private sector housing, 10% Intermediate housing and 10% Social rented housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th>Sales Value (per square metre (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2400</td>
</tr>
<tr>
<td>4500</td>
<td>3,532,000</td>
<td>1,688,000</td>
</tr>
<tr>
<td>5000</td>
<td>4,960,000</td>
<td>3,096,000</td>
</tr>
<tr>
<td>5500</td>
<td>6,388,000</td>
<td>4,524,000</td>
</tr>
</tbody>
</table>

Analysis

10.26 The feasibility of achieving a 10% requirement for social rented housing slightly diminishes residual land values, but this is fairly imperceptible in comparison to development scenario 7a. Hence, in those cases where low-medium construction costs can be matched by reasonable sales values, the affordable housing mix should be achievable.

Development Scenario 8b (reserved land)

10.27 In this model (see Table 24), the developer reserves the land for the social housing provider.

Table 24: 80% Private sector housing, 10% Intermediate housing and 10% Social rented housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th>Sales Value (per square metre (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
<td>2400</td>
</tr>
<tr>
<td>4500</td>
<td>3,864,000</td>
<td>2,284,800</td>
</tr>
<tr>
<td>5000</td>
<td>5,024,000</td>
<td>3,732,800</td>
</tr>
<tr>
<td>5500</td>
<td>6,272,000</td>
<td>5,180,800</td>
</tr>
</tbody>
</table>
Analysis

10.28 The results of this modelling are the same as development scenario 7b and demonstrate an increased tolerance on the previous scenario, as the developer no longer has to construct the affordable housing at cost. Again, the tolerance on high specification schemes may be quite marginal where site characteristics dictate higher on-costs to development, but on relatively straightforward sites, this particular mix appears to be affordable.

Development Scenario 9a (Developer builds)

10.29 The scenario outlined in Table 25 involves the development of a site for 50% private sector housing supplemented by 20% intermediate housing and 30% social rented housing with the developer meeting the cost of construction. This scenario most closely reflects the results of the Housing Needs Study (2011).

10.30 Subsidies are factored into the calculations to account for discounted sales values arising from the intermediate and social rented housing elements, notionally 50% and 40% respectively.

Table 25: 50% Private sector housing, 30% Social rented housing and 20% Intermediate housing

<table>
<thead>
<tr>
<th>Sales Value (per square metre) (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>1,660,000</td>
</tr>
<tr>
<td>5000</td>
<td>2,880,000</td>
</tr>
<tr>
<td>5500</td>
<td>4,100,000</td>
</tr>
</tbody>
</table>

Analysis

10.31 The modelling clearly demonstrates that residual land values cannot be achieved unless high sales values can be matched by low construction costs, which is unlikely in the Guernsey context.

Development Scenario 9b (Reserved land)

10.32 Table 26 models the values in those cases where the developer reserves the land for the social housing provider.
Table 26: 50% Private sector housing, 30% Social rented housing and 20% Intermediate housing

<table>
<thead>
<tr>
<th>Residual Land Values per Hectare (£)</th>
<th>Construction Cost (per square metre) (£)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales Value (per square metre) (£)</td>
<td>2000</td>
</tr>
<tr>
<td>4500</td>
<td>2,360,000</td>
</tr>
<tr>
<td>5000</td>
<td>3,140,000</td>
</tr>
<tr>
<td>5500</td>
<td>3,920,000</td>
</tr>
</tbody>
</table>

**Analysis**

10.33 As in the previous scenario, development viability is close to the margins where medium-high costs of construction are matched by low sales values. However, notwithstanding any abnormal costs associated with the development, if medium-high sales values can be achieved with low-medium construction costs, the modelling would suggest that acceptable residual land values could be achievable.

**Conclusions**

10.34 The subsidies incurred on land values in delivering the proportions of affordable housing in the various development scenarios are clearly demonstrated in the modelling exercise. As the percentages of affordable units increase, particularly those involving social rented units, the impact on residual land values increases. Moreover, in those cases where additional, abnormal costs are associated with the housing development, resulting in higher construction costs, some of the higher proportions of affordable housing modelled in the scenarios will inevitably be on the margins of financial viability.

10.35 Another factor arising from the modelling is the inability of residual land values on residential proposals to sustain affordable housing requirements and planning contributions towards environmental improvements. If the States of Guernsey resolved to introduce some form of community infrastructure levy, affordable housing schemes would need to be exempted.

10.36 Notwithstanding the vagaries of individual site characteristics, the development scenario modelling, which is based on reasonable expectations of residual land values in 2012, clearly demonstrates that if residential site allocations are used to deliver housing in the...
emerging Development Plan Review, they could sustain levels of affordable housing in the range of 20%-30% through on-site provision.

10.37 It would be reasonable to subject these levels to periodic review, at least bi-annually, to ensure that the proportions of affordable housing are able to respond to changes in sales values, construction costs and all of the other variables used in the development scenario modelling. Alternatively, a ‘stair casing’ approach could be adopted whereby affordable housing proportions are set at a relatively modest level (eg 15%) in the first year of the plan period to promote site release. Subsequent years could then step up by proportions (eg 5%) to an agreed maximum, thereby providing a clear indication of requirements during the lifetime of the Development Plan.

10.38 There is also evidence to suggest that residential land values may be higher outside of the main centres, so some consideration might be given to a two-tier system of affordable housing proportions in respect of site allocations in main and local centres.

10.39 In those cases where financial viability is demonstrated to be on the margins of feasibility, typically brownfield sites that may be more costly to develop, the States may need to consider fiscal incentives to private landowners to ensure that the Island community’s needs for affordable housing are satisfactorily addressed.

10.40 The financial viability of providing specialised housing has not been assessed for the purposes of the modelling. Whilst land values are likely to reflect the local market, the costs of construction will vary from sheltered housing schemes to those where extra care is provided. It is expected that in most instances, these schemes will be delivered by States Housing in conjunction with development partners who have experience in constructing such schemes to an agreed specification and according to identified needs.

10.41 The Development Plan review should be tasked with assessing the need for specialist housing and identifying suitable sites where such provision might best be accommodated. Through the allocation of housing sites in the plan review, it would not be anticipated that developers would build specialist housing. Therefore, suitable sites might include land reservations at nil cost, notionally 20-30% of the site area, where other agencies can develop the specialised housing.
11. Contributions in lieu of Affordable Housing

11.1 In those instances where it is not feasible to provide affordable housing units on-site, consideration needs to be given to financial contributions in lieu of provision via the payment of commuted sums. This is a justifiable requirement, particularly on smaller development sites of 5 units or less where any policy test prescribes fractions rather than whole units and where it is unlikely that a social housing provider could effectively manage individual affordable units. This is not however to conclude that financial contributions in lieu of development will necessarily be the norm, but they do allow for the accumulation of funds for the development of affordable housing on alternative sites where economies of scale can be better achieved.

11.2 In the original ERM study, it was concluded that commuted sums in lieu of on-site provision should reflect the increased value of the market housing that is to be constructed on the site. This approach is still considered to be sound and by way of example, a 30% on-site affordable housing quota would be equivalent to a requirement for 43% of the total provision to be provided on an alternative site to maintain the ratio of 7:3 in terms of market sales to affordable homes. Hence, in this example, the payment in lieu would be calculated as the equivalent cost of 43% of provision, which would represent total land and build costs less any capitalized rental accrued by a registered social housing provider/partner such as the Guernsey Housing Association (GHA).

11.3 For the purposes of this assessment, it is assumed that current residential land values in Guernsey are of the order of £3 million per hectare. Therefore, at an average housing density of 50 units per hectare, average land prices would be £60,000 per plot. However, this does not adequately reflect the Guernsey context where smaller sites of 5 units or less are likely to be developed with houses with larger floorplates, often in excess of 100 square metres. It is therefore considered more appropriate to apply a value per square metre rather than a plot value to allow for those instances where high value properties are constructed on sites that may well be capable of achieving higher plot densities. Therefore by dividing the £3 million per hectare against a typical plot ratio of 40%, the resultant value equates to £750 per square metre.

11.4 For the purposes of the modelling, costings provided by the Guernsey Housing Association, in conjunction with the States Housing Department, indicate that the cost of building affordable housing requires subsidies of £25,000 per unit (social rented) and
£12,000 per unit (partial ownership/intermediate). These figures are calculated on the assumption that land is available to purchase at a market price and that, in addition to a bank loan, grant funding is available from the States of Guernsey through the Corporate Housing Programme. Again, if these figures are extrapolated to provide a subsidy per square metre of development, it would be expected that an affordable housing unit would typically have a floor area of about 65 square metres. Hence, allowing for an average subsidy per affordable unit of £20,000, this would equate to around **£300 per square metre.**

11.5 If these figures are aggregated, then the resultant average values would be **£1050 per square metre** (gross internal floor area) of the private sector dwelling unit(s). If this value is then extrapolated for a target contribution of 30% affordable housing, a contribution of **£452 per square metre** (ie £1050 x 43%) would need to be commuted in lieu of on-site provision for sites yielding 5 units or less.

11.6 If this calculation is applied to a target contribution of 20% affordable housing (ie ratio of 4:1), then a contribution of **£263 per square metre** (ie £1050 x 25%) would need to be commuted in lieu of on-site provision.

11.7 Allowing for a change in the methodology, these figures are higher than those recommended in the 2006 ERM study, but this can be justified on the basis of increased residential land values during the last 5 years together with revised assessments of the subsidies required in relation to social rented and intermediate housing units. It is therefore reasonable to re-calculate the commuted sums in lieu of on-site affordable housing provision on the basis of these adjustments.
12. **Mechanics of Delivery of Affordable Housing**

12.1 In establishing the means by which any affordable housing will be delivered, the States of Guernsey need to consider a range of factors; these might include the following :-

12.2 **Percentage quota:** It will be necessary to determine whether any percentage requirement for affordable housing arising from a revised planning policy framework should be applied to site size or number of units or both. Best practice would suggest that the number of units would represent the simplest approach, but in those instances where sites are clearly able to accommodate a higher density of development, on-site provision should generally be the preferred option rather than promoting larger properties and the resultant commuted sums in lieu of provision.

12.3 **Transfer:** One of the key mechanisms to determine at an early stage is how land and/or buildings will be transferred to a registered social housing provider and to what specification. In the UK context, the developer normally builds the affordable units that are then transferred to a registered social provider upon completion or at a ‘trigger’ point in the development. Alternatively, land could be provided, but this could create issues as to how the affordable units are integrated into the site to create balanced communities. It may not be appropriate for example to reserve a parcel of land at the back of a site to accommodate the affordable units and to create a separate residential enclave divorced from the overall layout. In constructing the units, a detailed specification could be agreed with the developer such as the *Housing Corporation Design and Quality Standards (2007)* together with lifetime homes standards.

12.4 **Qualification:** At an early stage, it will be necessary to determine nomination rights for the affordable units and a register for would-be owners/tenants. This will allow householders to assess whether they qualify for new affordable housing units being brought to the market. For example, assessment criteria might involve average weekly earnings, period of residency on the Island and household composition.

12.5 **Partial Ownership:** Social rented housing units should remain in the control of the landlord, notionally the Guernsey Housing Association or other social housing provider in perpetuity so that intermediate properties are effectively re-cycled for those moving out of either the social or private rented sector.
12.6 **Corporate Housing Programme Fund:** The States Housing Department could use the Corporate Housing Programme Fund to either provide subsidies to private developers/landowners, where sites are considered marginal in terms of financial viability or to assemble land from any commuted sums received in lieu of on-site provision. As outlined earlier, this may be the preferred option for assembling suitable sites for specialist housing. The fund might also be used to purchase vacant properties that can be re-cycled as affordable homes.

12.7 **House Size/Type:** With the benefit of advice from the States Housing Department, it may be appropriate to specify the range and size of house types. For example, where family housing is a priority, the planning covenant might specify the proportions of 1, 2 and 3-bed units. Moreover, some housing sites might be better suited to meet the needs of particular households. For example, older person accommodation might be better located close to local services such as bus routes and convenience shops, whereas apartments might be specified to meet the needs of smaller households. Consideration might also be given to sites that meet the housing needs of ‘key workers’ such as doctors, nurses and teachers, many of whom are unable to access the local housing market due to temporary residency.

12.8 **Site layout:** In terms of management, it is beneficial to focus the provision of affordable housing on medium-large residential sites, which are allocated through the development planning process. However, within the sites, it may be preferable to ‘pepper pot’ the affordable units so that the final scheme appears to be ‘tenure blind’. In other words, the design and layout of the scheme could ensure that the different tenures are indiscernible.

12.9 **Linked sites:** Some UK planning authorities are facilitating the development of linked sites, where sites are brought on stream by landowners and developers concurrently. It is acknowledged that the drafting of the necessary legal arrangements for such schemes are likely to be fraught with difficulties, but in those cases where developers are willing (and able) to release sites at the same time, with the objective of delivering local market housing on one site and affordable housing on another, then this may be worthy of further investigation. An inherent problem with this approach would be the creation of sites reserved exclusively for affordable housing which defeats the objective of developing balanced, local communities.

12.10 **Site characteristics:** In establishing a planning policy framework, it is important to establish which sites are required to contribute to
the provision of affordable housing. Whilst most local planning authorities in the UK specify that all housing sites must contribute, there are some exceptions whereby sites with certain characteristics are exempt. These might include redevelopment schemes, particularly those that have historically involved mixed uses in the Guernsey context (e.g., Mixed Use Redevelopment Areas [MURA’s], brownfield sites, conversion schemes, glass-house clearance sites) where abnormal costs associated with site clearance and/or remediation may prevail. The Development Plan Review would be the preferred medium for addressing this issue.

12.11 **Triggers:** In drafting the heads of terms in any planning covenant, it will be important to specify at what stage the housing development must deliver the affordable units if these are to be constructed by the developer. In the majority of cases, it would be reasonable to require that the affordable units (or a specified percentage) are ready for occupation following the completion of 50% of the overall site capacity in terms of number of houses. This allows the developer to make a capital return on sales at an early stage of the development in order to finance the construction of the affordable units.

12.12 **Commuted sums:** In those cases where commuted sums are payable in lieu of on-site provision, a clear strategy needs to be devised as to how any receipts might be spent in order to provide a transparent audit trail. As outlined earlier in this section, the States may seek to assemble land for affordable/specialist housing or may buy properties that become vacant in order to transfer them into the affordable sector. Alternatively, the States Housing Department may choose to spend any receipts on upgrading the existing social housing stock.
13. **General Heads of Terms in Planning Covenants**

13.1 In drafting planning covenants for the purposes of the Law and any revised development plan policies, advice should be sought from the Law Officers at the St. James Chambers. As such agreements will be required in the majority of new housing proposals, it would be prudent to establish a model agreement based on agreed Heads of Terms. This would then provide a template for those wishing to make unilateral undertakings to the Environment Department in respect of either on-site delivery or commuted sums in lieu of provision for affordable housing. As is the case with many UK local planning authorities, these could be made available on the States website for on-line completion by applicants seeking planning permission on relevant schemes.

13.2 Whilst not exhaustive, it is considered that the following should be incorporated in any Heads of Terms Agreement with potential landowners/developers:

- The proportion of the residential units to be provided as affordable housing;
- The size and type of units to be provided (eg 1,2,3-bed units);
- The phasing of the occupation of the local market units in relation to the completion or transfer of the affordable units and/or land;
- The need for a binding agreement between the registered provider/partner and the owner of the site concerning the transfer of the freehold/leasehold of the affordable units;
- Limitations to be applied so that they are only used as affordable housing units;
- Tenure mix of the affordable units (eg social rented and/or intermediate housing);
- Any arrangements for stair-casing in intermediate properties (ie up to a prescribed percentage);
- Controls on the occupation of the units in terms of tenants and their dependants;
- The payment of any reasonable costs to the States of Guernsey for drawing up the planning covenant;
- Arrangements relating to any possible breaches of the planning covenant and enforcement;
- Arrangements for potential changes of ownership of the affordable units or the land (eg successors in title);
- Digimap plans illustrating the areas of land that are subject to the planning covenant;
- Outline of any monitoring arrangements to ensure that the agreement has been satisfactorily implemented together with rights of entry in appropriate circumstances;
• The arrangements when units become vacant;
• Arrangements for improvements/extensions or replacement dwellings;
• Details and dates of payment of commuted sums where appropriate; and
• Arrangements for challenging or reviewing the Planning Covenant.

13.3 The requirements arising from the check lists above could be incorporated into a Guidance Note or Manual to ensure that all applicants for planning permission for new residential schemes are fully *au fait* with the policy criteria. Inevitably, the implementation of any new policy approach advocated in this research is going to involve additional staff resources, to ensure *inter alia* that:

• suitable housing sites are delivered during the next Development Plan review period;
• the requirements of any approved development plan policies are fully monitored;
• all planning covenants are fully enforced during the lifetime of the plan; and
• all planning covenants are fully documented and maintained on a public register both at the Environment Department and the Greffe.
14. **Draft Affordable Housing Policy**

14.1 The project brief requires that consideration be given to a model policy for inclusion in the emerging Development Plan Review together with a reasoned justification. However, it is understood that the approach to policy formulation and the format of the new plan may differ from the current Urban Area and Rural Area Plans, so it would be prudent to establish some broad principles that might inform any policy formulation.

14.2 **Social and Community Needs:** It is important to highlight that in the Guernsey context, the delivery of ‘affordable housing’ is critical to meeting the social and community needs of the Island. The reasoned justification should therefore set out the current legislative and land use policy framework for addressing this need, which is embodied within the *Land Planning and Development (Guernsey) Law, 2005* and the *Strategic Land Use Plan (2011)* together with the legislative delivery mechanism contained within the *Land Planning and Development (Planning Covenants) Ordinance, 2011*.

14.3 **Strategic Land Use Plan:** The core objectives of the *Strategic Land Use Plan (2011)* should be referenced insofar as they seek to improve the quality of life of Islanders and support a successful economy whilst protecting the Island’s environment, unique cultural identity and rich heritage. This is to be achieved through a range of spatial planning policies, one of which is to improve levels of housing availability, quality and affordability, enabling people to become independent where possible. The key overarching policy is Policy SLP17 of the *Strategic Land Use Plan (2011)* which might usefully be quoted in the reasoned justification for any new policy; this provides the policy context for securing affordable housing in the review of the Development Plans.

14.4 **Housing Needs Study:** In addition to the planning and legislative framework, the States’ *Corporate Housing Programme (2012)* and recently commissioned *Housing Needs Study (2011)* provide the evidence base for forecasting housing need over the plan period (ie 2012-2017) and these should be referenced as part of the policy framework.

14.5 **ERM Study:** To provide some context to the evolution of a revised policy framework in respect of affordable housing, it may be helpful to refer to the original work undertaken in 2005 by *Environmental Resource Management (ERM)* on behalf of the Housing and Environment Departments which concluded that, pending the introduction of the necessary legal framework, it would be feasible
to require new residential developments to make a contribution towards meeting the community’s needs for affordable housing.

14.6 **Development Plan Review:** As part of the evidence base for developing a new policy framework in the emerging development plan review, reference should be made to the Environment Department’s review of the earlier ERM study and the need to update the original research in the light of the social and economic conditions prevailing on the Island in 2012. It would be helpful to stress that the purpose of this update was principally to inform the emerging Development Plan Review taking into account the more recent *Housing Needs Study (2011)* and the new strategic land use policy framework approved in late 2011.

14.7 **Study Findings:** The preamble to the policy should highlight the key findings of the updated study and that these were published as part of the ‘Key Issues and Options Stage’ of the plan review. It was concluded that there was still a justifiable argument for securing ‘affordable’ housing in new residential developments. More detailed assessments also examined the residual land values associated with sites allocated for residential development together with financial viability testing of various delivery scenarios relating to the provision of affordable housing, both on-site and through commuted sums in lieu of provision. The results of these investigations concluded that it is still feasible in the current housing market to require the provision of a percentage of affordable housing units on all new private sector housing developments, apportioned between intermediate and social rented housing. Moreover, where on-site provision is not feasible due to site size limitations, usually five units or less, a financial contribution per local market housing unit could be justified.

14.8 **Delivery:** It should be acknowledged that the key delivery mechanism for delivering affordable housing will be through a revised planning policy framework together with the legislative process afforded by Planning Covenants. The policy must therefore clearly state what levels of affordable housing will be required, both on-site and via commuted sums in lieu of provision. If there are exceptions to be applied, these must be clearly set out and justified. The policy should also seek to promote an appropriate mix of house types and sizes in the affordable units and outline how these will be reviewed in the light of advice from the Housing Department on a scheme by scheme basis. The details of these could however be left in abeyance pending the preparation of Development Briefs and/or Local Planning Briefs prepared for key sites by the Environment Department.
14.9 **Main/Local Centres:** If the plan review is to favour a two-tier approach to the provision of affordable housing according to the location of housing sites in or around the local or main centres, the policy will need to provide a clear justification, setting out the circumstances where different requirements or targets are to be met.

14.10 **Monitoring:** The policy should stress that all new affordable housing will be strictly controlled and monitored through the legal framework afforded by planning covenants. Where these are deemed appropriate, in line with policy, they must be entered into by all landowners, agents and developers seeking planning permission for new residential units during the plan period, but not replacement houses or extensions to existing dwellings.
15. Conclusions

15.1 The following key conclusions emerge from this research, which should be fully considered by the Environment Department in preparing draft policies for the emerging review of the Development Plan.

- There is a robust planning and legislative framework in place to deliver affordable housing using planning covenants.

- The *Strategic Land Use Plan (2011)* provides the overarching strategic planning policy framework within the terms of reference of the *States Strategic Plan*.

- The *Strategic Land Use Plan (2011)* provides an opportunity to create sustainable local centres in the parishes, including affordable housing, as well as the opportunity to release strategically important sites to meet corporate social, economic and environmental objectives.

- Initial public consultations via the *Housing Topic Paper* on the Development Plan review acknowledge the need to plan for those unable to compete in the local housing market, possibly through cross subsidy on allocated housing sites.

- The planning process must seek to unlock any barriers to the residential development sector so that the housing needs of the Island’s resident population are fully addressed.

- Increasing economic dependency as the percentage of non-working age residents rises, a trend that, as well as affordability, is likely to have repercussions on the local housing market in the future.

- In 2012, there were 300 households on the Housing Waiting List.

- Changes in average earnings (including part-time) during the last 5 years (ie 8%) have been outstripped by increases in average house prices during the same period (ie 28.5%).

- In 2006, basic household needs of food, shelter and warmth (when aggregated) accounted for almost half of all household expenditure.

- Guernsey ranks 3rd highest in terms of median wage to median house prices amongst UK areas with the average price of a local
The Housing Needs Study (2011) provides an up-to-date analysis of the current housing market to inform a revised policy framework in respect of delivering affordable housing to meet the social and community objectives of the States Strategic Plan, to inform the on-going preparation and review of the Corporate Housing Programme and the emerging Development Plan Review.

- Significant changes in the economic climate since 2006 resulting in increasing difficulties for households to obtain loans (ie mortgages) to purchase property.

- Lowest quartile selling price for a 1-bed local market property is currently just under £200,000 rising to £270,000 for a 2-bed property.

- If able to afford the repayments on a 90% mortgage, householders require at least £20,000 to provide a 10% deposit to get on to the bottom rung of the housing ladder.

- Nearly a third of all households have no savings, which rises to nearly two thirds in the social rented sector.

- A quarter of all households on the Island earn less than £20,000 a year, rising to 35% of all those aged 25 or under and up to 70% in the social rented sector.

- Householders are able to borrow no more than five times their income, which for a quarter of all households, would equate to no more than £100,000.

- There is a significant disconnect between those in greatest housing need and the current local market, which can only be resolved by some form of financial subsidy.

- Housing issues predominate in the private rented sector with poor quality accommodation being the most common issue (about 50%) followed by overcrowding (about 25%).

- Over the next five years, there is a requirement to accommodate 2,253 additional households or 451 per annum; this represents the requirement that is unmet by current supply.
• Since the *Housing Needs Survey (2006)*, there has been a significant increase in the requirement for social housing, up from 148 to 790 units together with a significant rise in private rents.

• Of the 450 new households to be accommodated and planned for each year, 22% should be in the intermediate sector and 35% in the social rented sector.

• There should be an emphasis on providing mainly 1/2-bed properties in the intermediate sector and principally 1/2/3-bed units in the social rented sector.

• Landowners’ expectations of residual land values at around £3million per hectare should be tempered if the affordable housing needs of the Island’s community are to be satisfactorily addressed.

• There is a justifiable case for increasing residential densities on the Island without compromising normal planning considerations.

• Residual land values on residential proposals cannot sustain affordable housing requirements and planning contributions towards environmental enhancements.

• If the States of Guernsey resolved to introduce some form of community infrastructure levy, affordable housing schemes would need to be exempted.

• If residential site allocations are utilised in the emerging Development Plan Review, they could sustain levels of affordable housing at 20%-30% through on-site provision.

• Commuted sums in lieu of on-site provision could be sustained in the region of £260-£450 per square metre of gross internal floor area on private sector housing developments of 5 units or less.
16. Recommendations

1. That the findings of the study be subjected to full public consultation as part of the ‘Key Issues and Options’ stage of the Development Plan Review;
2. That a minimum target requirement of 20%-30% affordable housing provision be established for all housing site allocations in the Development Plan Review;
3. That consideration be given to a ‘stair case’ approach to affordable housing requirements during the life of the plan;
4. That consideration be given to introducing a two tier policy which sets out differing target requirements for local and main centres;
5. That, in any event, agreed target requirements be reviewed on an annual basis in accordance with social, economic and demographic data;
6. That, within any agreed target provision, an appropriate mix of intermediate and social rented housing be determined in conjunction with States objectives and the Housing Department;
7. That a schedule of commuted sums in lieu of on-site provision is determined for all ‘windfall’ sites yielding 5 private sector housing units or less;
8. That any commuted receipts be ring-fenced as part of the Corporate Housing Programme Fund and administered by the Housing Department;
9. That the research be updated following the publication of the next Housing Needs Survey in 2016 or as part of the Development Plan Review, whichever occurs first;
10. That, if and when a new policy is adopted, a Planning Advice Note is prepared to advise applicants and agents as to the circumstances in which affordable housing will be required together with the legislative framework afforded by planning covenants;
11. That robust monitoring arrangements are put in place to test the effectiveness of any revised policy framework; and
12. That full consideration is given to the resource implications of introducing a new policy regime in respect of delivering affordable housing through the planning process.
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