

## **Annex F**

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### **AFFORDABLE HOUSING**

## **Issues related to affordable housing**

### *Housing stock*

- Housing supply appears to exceed the number of households. Land Valuation Department lists 28,833 habitable residential units, the 2000 Census lists 24,763 households and 2,217 vacant properties.
- The high vacancy rate indicates many units do not reach the housing market. A high proportion of these is probably studio apartments, since completion rates 1980–2004 show 1,500 studios were built, while the 2000 census shows 1188 occupied studios.
- Construction rates (2269 units from 1990-2000) have significantly exceeded projected needs (1600 units for that same period). An additional 1,014 dwellings have been constructed 2001–2004.
- The rate of condominium construction has increased in recent years – 191 constructed 1991–2000, 125 2001–2004.
- The majority of houses constructed 1980–2004 are either 1 or 2 bedroom.

### *Household data*

- The rate of household formation (12% increase 1991–2000) is rising much faster than population increase (6% increase 1991–2000), particularly amongst the Bermudian population.
- The Bermudian population is aging and the average age of non-Bermudian household heads is also increasing.
- There has been a substantial increase in one-person and adult couple households, particularly amongst the Bermudian population.
- More Bermudian households are now headed by a female and there has been a significant increase in home ownership amongst these households.
- Black Bermudian females are more likely to head a low income household and require rented accommodation.
- The growth in work permit holders (6,340 in 1995, 9,487 in 2004) indicates that immigration is increasing but data is lacking on household formation.

### *Housing market*

- All the information above points to increased competition for housing resources.
- Home-ownership is increasing in Bermuda (52% in 2000) and many Bermudians are purchasing property for investment purposes (23% of Bermudian homeowners in 2000).
- Until recent relaxations of currency laws, land and property were one of the main

investment opportunities in Bermuda. Despite changes, this culture is still strong – with significant property speculation driven by the ability to charge high rents to (generally) non-Bermudians.

- Recent increases in house prices (in 2005 the average house price was \$1.175 million, while the average condominium costs \$790,000) are likely to make it more difficult for young Bermudians to access the market. Housing costs are rising faster than incomes – a 2005 study found that 22% of Bermudian households on lower incomes spend 60% or more on housing.
- Costs of construction vary according to finish – and rising standards of fittings have increased costs per square foot.
- Culturally, Bermudians expect/desire a cottage with a plot of land – this type of horizontal, low-rise development is now putting pressure on limited open spaces. Only 33% of Bermuda is classified as open space, though 40% of this is golf course. Preferences are shifting with Bermudians preferring smaller accommodation and non-Bermudians seeking larger units.
- The immigrant population puts a significant amount of money into the local economy through rents, as most cannot legally own property. A 2004 study by ABIC found that 40% of non-Bermudian renters paid over \$4000 per month. Increased competition for similar-sized rental properties has raised rent levels. From 1991–2000 rents increased 28% (Census 2000), but jumped a further 40% between 2000 and 2004).
- 16,000 properties or about 55% of the dwellings on the 2004 valuation list are subject to rent control.
- The Rent Commissioner has few staff but deals with a considerable number of enquiries. During 2004, in fact, the office received 6,256 enquiries from the public relating to rent control matters. During that year it also received 886 applications from landlords for rent increases.
- A decrease in the immigrant population would lead to significant oversupply of housing stock, lowering prices for both purchase and rental, but also cutting off the income streams of some landlords, and leaving those who have taken mortgages out in recent years at risk of negative equity.
- Housing allowances can distort the market.

#### *Governance of housing policy*

- A variety of Government departments are involved in delivering housing policies and programmes. The Ministry of Works, Engineering and Housing is most directly involved at present, but responsibilities for housing have shifted between Ministries.
- The involvement of different Departments and Ministries makes policy coordination

difficult. Housing related policies and programmes have been brought in response to specific issues and have lacked a comprehensive overview.

- There has been little review of the effectiveness of existing policies and procedures. For instance, while the operation of the Rent Commissioner may suppress rents it may also act as a disincentive to properly maintain low rent premises. This can lead to neglect and contribute to people living in substandard accommodation
- Generally, housing policy in Bermuda appears to have developed in an ad hoc manner and in reaction to the crises of the day. This has resulted in this critical area of Government policy being reliant on loosely connected units with different but overlapping objectives.

## **Objectives for Affordable Housing**

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The issues outlined above lead to the following recommended objectives:

**Objective 1: Ensure that housing provision meets Bermuda's needs by:**

- a) Getting the basics right – developing an effective organisational structure; gathering the right information; having an accurate Land Registry; and ensuring that information is regularly used to better define future and current housing needs.**
- b) Developing and regularly reassessing a comprehensive housing strategy**

To ensure stakeholder ownership and input, a **Housing Summit** should be held during the consultation process on the Sustainable Development Strategy, to discuss the draft proposals for a **housing strategy** below, and begin implementing them as soon as possible.

### **Proposed actions on Affordable Housing**

The following section sets out the options for action to achieve the objectives identified above.

**Objective 1a) getting the basics right – developing an effective organisational structure; gathering the right information; having an accurate Land Registry; and ensuring that information is regularly used to better define future and current housing needs.**

*Actions proposed:*

- 1. Develop an effective organisational structure.** Institutional arrangements should be thoroughly reviewed to establish an administrative structure with powers and resources adequate to respond to the scope of the housing challenges facing Bermuda. To

deal effectively with the wide spectrum of housing issues facing Bermuda it is critical that the organisational response is appropriate to the task. There is a need for a coordinated and comprehensive approach to housing policy and this is likely to require the establishment of new administrative arrangements. These arrangements should allow for a more broad-based, integrated approach to managing all Bermuda's housing stock in the interests of all residents of the island. Strong links would be required with the Departments of Statistics, Planning, Financial Assistance and Immigration.

2. **Gather, monitor and regularly publish housing information.** Review with the goal of adopting, the recommendations of the report: *Monitoring Housing in Bermuda*. Massachusetts Institute of Technology, Center for Real Estate, December 2000. This includes:

- Department of Immigration. Expand reporting on work permit holders to include a breakdown by number of dependents – this will allow the impact of employment changes on housing demand to be assessed rapidly.
- Publishing an annual report on the state of the housing market, both rental and purchase, by BHC and others.
- Annual rental survey, to gather data on rent, household size, income and type, and number of bedrooms, building on the less regular survey currently undertaken by Land Valuation.

3. **Use this data to more effectively define affordability and track the impact of the Housing Strategy.** The US Department of Urban Development defines affordable housing as being housing which costs 30% or less of household income. As the costs of housing have increased so the definition of affordable housing has expanded. Originally more or less confined to the social rented sector the term is now applied much more broadly. For instance, in the UK Government's DETR Circular 6/98 it is defined as

“..both low cost market housing, and subsidised housing (irrespective of tenure, ownership or financial arrangements) that will be available to people who cannot afford to occupy houses generally available on the local market.”

Other suggestions are contained within the report *Monitoring Housing in Bermuda*. In effect we need to use a definition which recognises that in high price jurisdictions, such as Bermuda, little or none of new market housing being provided caters to these needs and many families are disadvantaged. This will include not just those families on the lowest incomes who are traditionally the target group for housing assistance programmes but will also include what has come to be called “intermediate” housing needs. This group, often composed of younger households, does not qualify for the social rented sector but cannot afford a mortgage to purchase even modest homes.

The attached draft legislation put forward by the American Planning Association provides detailed legal definitions of affordable housing which seem relevant to Bermuda.

4. **Land title registry.** The Land Title Registry project must be prioritised. An accurate record of land ownership is essential to enable many of the actions proposed in the draft strategy below to take place.
5. **Sustainable building:**
  - **Environmentally efficient.** Ensure that all buildings meet good environmental standards – for example using solar energy for electricity and water heating, and water efficient taps and toilets. This approach will minimise the added pressure on infrastructure and the environment.
  - **Socially cohesive.** Avoid socially segregated developments. Examples of best practice globally has shown us that future developments must contain both a mix of housing types and uses to create successful neighbourhoods and diverse communities.
6. **Work in partnership more effectively.** Despite troubles in recent years the BHC has had a reasonable success rate since its inception in providing housing at affordable levels of rent and price. However, it does not have the resources or capacity to service a growing sector of the market. Private developers have built housing products at market price and, as these prices have increased, a widening gap between affordable and market price provision has resulted. This has encouraged other affordable housing entities, such as Habitat for Humanity, to enter the fray. Partnership arrangements with these organisations and with private developers may provide a productive way of increasing supply. Partnerships can provide a range of options – rental, ownership, public, private, voluntary co-operatives.

### **Objective 1b) develop and regularly reassess a comprehensive housing strategy**

#### *Actions proposed*

To ensure stakeholder ownership and input, during the consultation process on the SD Strategy, Government should consider holding a **Housing Summit** to discuss the draft proposals below, and begin implementing them as soon as possible.

A draft **Housing Strategy** should consider the following draft proposals, set out in more detail in the attached addendum.

1. **Slow/brake the continued price increases in the market, without precipitating negative equity, creating geographically segregated housing, or taking significant rental income away from Bermudians.**
  - a. Curb property speculation.

*Options include:*

- i. Tax rental incomes
- ii. Cap rents
- iii. Progressively increase land-tax on additional rental properties
- iv. Place an upper limit on residential housing ownership by individuals and corporations
- v. Expand opportunities for investment at home and overseas

b. Reducing market distortions.

*Options include:*

- i. Tackle housing allowances
- ii. Manage the type of housing built
- iii. Phase large projects in the future

c. Managing increases in the supply of housing stock.

*Options include:*

- i. Encourage vacant properties into the rental market
- ii. Require all new office space developments to include residential accommodation
- iii. Encourage high rise residential accommodation in Hamilton
- iv. Encourage socially mixed developments such as housing co-operatives.

d. Managing demand for housing.

*Options include:*

- i. Reduce reliance on Non-Bermudians in technical positions in the work-force through the Workforce Development Strategy
- ii. Limit unsustainable growth in population through immigration
- iii. In specific circumstances, require certain employers (such as specific construction projects) to provide adequate on-site temporary housing for temporary work permit holders

**2. Develop specific measures aimed at providing low cost market housing, and subsidised housing (irrespective of tenure, ownership or financial arrangements) that will be available to people who cannot afford to occupy houses generally available on the local market.**

- a. Increase stock of affordable housing.

*Options include:*

- i. Get derelict homes and uninhabitable homes into marketplace.
  - derelict properties could be taxed – to provide a disincentive to keeping property derelict.
  - either force property owners to renovate their buildings or subject the property to compulsory purchase by government, at a fair price.
- ii. Addressing the skills and labour shortage.
- iii. “Sweat equity”.
- iii. Incentives for private developers to build affordable housing
  - award density bonuses
  - fast track affordable housing development applications
  - tax-breaks on construction materials for affordable housing
- i. Planning gain: require that future developments of housing over 4 units contain 25% affordable housing.
- ii. Reducing construction costs.
  - Planning regulations
  - Building Materials Committee to process applications for building approaches and systems which are deemed to lower construction costs.
  - NTB to ensure that sufficient training is available in these new skills.
  - Discouraging the use of extensive floor-plans
  - Encouraging developers to utilise less expensive fittings
- iii. Contact developers with units currently under construction or planned.
- iv. Use Government land as a catalyst.

- b. Ensure that affordable homes remain so.
  - Options include:*
    - i. Preventing purchasers from selling affordable units at a significant profit
    - ii. BHC to be offered first refusal to “buy-back” a unit.
  
- a. Affordable Rents.
  - Options include:*
    - i. Guaranteed rents/managed properties.
    - ii. Review housing subsidy component of financial assistance
    - iii. Increase human resources at the Rent Commission
    - iv. Regularly assess tenants’ needs
  
- b. Increase opportunities to own a home for first time buyers, young families, and “key-workers”.
  - Options include:*
    - i. Shared equity for government homes
    - ii. Shared equity for privately purchased homes
    - iii. Key-worker and moderate income provisions
      - Subsidised mortgages
      - Dedicated shared equity scheme
      - Lower stamp duty.
      - Land tax breaks.
  
- 3. Improve quality of housing stock
  
- 4. Improve behaviour of tenants
  - Options include:*
    - a. Clear tenancy agreements
    - b. Revisit landlord-tenant legislation

## **Addendum – Draft Housing Strategy**

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### **1. Slow/brake the continued price increases in the market, without precipitating negative equity, creating geographically segregated housing, or taking significant rental income away from Bermudians.**

There is a limited supply of housing. Property speculators and those that own a number of houses are benefiting significantly from the “windfall” generated by rising rents and prices. Yet despite the ensuing social and economic problems associated with the current housing market, there is currently no incentive for those benefiting from this windfall to play a role in finding solutions, shoulder some of the financial burdens imposed on wider society, or put those houses on the market to ease the situation, nor for it is in the individual landlord’s economic interests to see increasing rents and house prices, while it is in wider society’s interests to stabilise the current situation and generate funds for affordable housing. Ultimately, the social instability which may well ensue will lower the status of the island, and risks pushing both tourists and business investors away, leading to a glut of housing, empty tourist properties, and a significant devaluing in the market. Simply building more houses seems to be too simplistic a solution – it has not worked in the past – there is already surplus stock which is not in the market, and further construction of the type which is normal in Bermuda will simply eat up precious and limited open space, further suburbanising Bermuda. A broad multi-faceted approach is needed. Options for further discussion include:

- a. Curbing property speculation**, which can drive house prices up and keep those on lower incomes out of the market. A number of options should be considered:
  - i taxing rental incomes** – introducing an low initial rate but increasing progressively over time. The amount of taxable income would be calculated after taking account of mortgage repayments, and costs of repairs and maintenance, so as not to affect those properties which are heavily mortgaged. Those houses which are unburdened with debt would pay a full share. To prevent re-mortgaging as an option to avoid this tax, the rate would need to be set lower than mortgage interest rates. At the time the tax is implemented Government would need to place a moratorium on rental increases to prevent landlords passing the tax onto tenants. This would require mandatory disclosure of all rent payments to, for example, the Rent Commissioner, Department of Land Valuation or the Tax Commissioner. The proceeds would need to be hypothecated into a separate housing fund, to be used to finance some of the proposals for affordable housing below.
  - ii Capping rents: Government currently has a system in place to evaluate a reasonable rent. Legally, the Annual Rental Value (ARV) is** “The rent at which a valuation unit might reasonably be expected to let from year to year if the

tenant undertook to bear the cost of internal repairs, and the landlord to bear all other reasonable expenses necessary to maintain the valuation unit in a state to command that rent, but excluding any element attributable to any tax payable under the Act.”. Government could require that no tenant pays above the ARV of a property, and thereby put a sharp break on rising prices in the rental and purchase market.

- iii Progressively increasing land-tax on additional properties.** For example 20% increase on first additional property, 40% on the second, etc. This would potentially make the ownership of many properties less attractive and therefore increase the stock of housing on the market, lowering prices. This would also provide additional government revenue to focus on providing affordable housing.
- iv Place an upper limit on residential housing ownership by individuals and corporations** (except BHC), to open up the market to those who would otherwise be pushed out. This would involve allowing only non-profit housing associations to own more than, for example, four separate units (anecdotally, up to four rental units could comprise a large family homestead). This would need to include a grandfather clause for current owners, as it would be unreasonable and unmanageable to force owners to sell their current portfolio, and the number of properties entering the market at the same time would likely precipitate a sharp fall in prices and instability in the market. Provisions would need to be set out for inheritance of property portfolios, and situations of joint ownership. This option may not have an immediate effect, but would likely impact over the long-term, opening up property ownership to those who are currently excluded.
- v Expand opportunities for investment at home and overseas.** BMA and the Banks to provide other investment vehicles in Bermuda, and publicise those that already exist. Overseas investment is already Bermuda’s third largest foreign currency earner. This would allow persons who own significant amounts of housing property to potentially shift from owning real estate as an investment, to other opportunities, once again allowing those who would not otherwise be able to, a step into the housing market.

**b. Reducing market distortions.**

*Options include:*

- i. Tackle housing allowances.** A number of work-permit holders are insulated from the market. Some companies pay housing allowances as an additional “use it or lose it” subsidy, a practice. These subsidies might be better paid as part of the salary, encouraging some negotiation on rents, and offering employees more choice of the type of accommodation used. Further those companies which pay housing allowance to non-Bermudians should be encouraged to level

the playing field for their Bermudian employees. This can be achieved through the Corporate Responsibility provisions.

- ii. **Manage the type of housing built.** Take the heat out of the construction market through the planning system. Currently, economic motives encourage developers into the more profitable sectors of the home-building industry. Various measures can encourage developers into building more affordable housing, including an immediate temporary moratorium on certain types of development – for example luxury properties or developments solely for non-Bermudians.
  - iii. **Phase large projects in the future.** Phasing large construction projects such as hotel, waterfront and courts/police station will avoid a shortage of contractors and labour to meet ongoing housing needs. The current shortage leads to high prices as well as a need for imported labour, which puts more pressure on the housing market.
- c. **Managing increases in the supply** of housing stock in the market, ensuring socially mixed development.

*Options include:*

- i. **Encouraging vacant properties into the rental market.** It seems unacceptable, perhaps unfair, that when Bermudian society is suffering from a housing problem, those with vacant property do not shoulder some of the burden they are imposing on society by choosing to hold properties vacant. An effective way may be to send a strong economic signal or disincentive. Significantly increasing the land tax on a vacant property might well encourage owners to let them out. If not it will at least provide funds to address the problem in other ways. This should be enacted in tandem with the proposed rental tax above, to discourage owners from taking their property off the market to avoid declaring income or paying a rental tax. Equally, imposing tenants on property owners would be unfair unless rent payment could be guaranteed in some way, tenant behaviour effectively regulated, and a fair level of rent set. BHC currently has mechanisms to address these issues.
- ii. **Requiring all new office space developments to include residential accommodation.** Currently this is an option set out in the City of Hamilton Plan but the voluntary nature and decreased profit margin which would result has, according to business, mitigated against developers taking this option. This would also help address the depopulation of the city, and encourage a more vibrant city culture, making Bermuda a more desirable visitor destination.
- iii. **Build high rise socially mixed residential accommodation in Hamilton** and other key areas of the island. The need to make efficient use of land may bring forward building options that do not easily fit Bermudian perceptions of the

type of dwelling they expect to live in. Yet the need for higher density, smaller accommodation is clear. Non-Bermudians on short-term work permits are more likely to be accustomed to “urban” style living in apartments in the city, taking pressure off other types of housing. Yet increasing numbers of Bermudians are adopting apartment-style living by necessity. Higher population densities in Hamilton would help to limit increasing congestion, while creating high density residences elsewhere would need to be linked with employment opportunities in the area to prevent increased congestion, particular vehicles entering Hamilton from the West-End. However, we first need to define what Bermuda considers to be high-rise, and what suitable sites can be made available.

- iv. **Encourage socially mixed developments.** Any future housing developments will need to be socially mixed – otherwise social problems will be perpetuated through construction of low-income “ghettos” and segregation between public and private housing. One option is to further encourage **housing co-operatives**: where Government will guarantee a mortgage for a development as long as a certain percentage is affordable housing. BHC already has a broad legal remit to oversee and assist not-for profit housing associations.
- d. Managing demand for housing** – this can be achieved through limiting the size of the resident population, or household sizes. A number of draconian policies have been implemented around the world but in a rights-based democracy such as Bermuda, many are not realistic. Reasonable options, over the long-term, include:
- i. **Reducing reliance on Non-Bermudians** in technical positions in the work-force through the Workforce Development Strategy.
  - ii. **Limiting unsustainable growth in population** through immigration – ensuring that the data on housing is used to inform decisions on immigration policies, in a timely way which does not cause economic instability.
  - iii. In specific circumstances, requiring certain employers (such as specific construction projects) to provide adequate on-site temporary housing for temporary work permit holders.
- 2. Develop specific measures aimed at providing low cost market housing, and subsidised housing (irrespective of tenure, ownership or financial arrangements) that will be available to people who cannot afford to occupy houses generally available on the local market.**
- a. **Increase stock of affordable housing.** Alongside measures at objective 1c above to manage the increase in stock generally, this section outlines specific measures focussed on increasing the stock of lower cost housing for rent or purchase.

*Options include:*

- i. **Derelict homes and uninhabitable homes.** There are currently several hundred derelict properties in Bermuda. The Departments of Planning, Health and Land Valuation are currently working together to list them. These properties offer the potential for rehabilitation or rebuilding as affordable housing. BHC with partners such as Habitat for Humanity, could revive its former programme to help owners do this. One of the obstacles can be financing – BHC can offer, guarantee or underwrite low-cost financing, as well as offer advice on other financing options. Owners would be required to sign a covenant to maintain the property as affordable housing, or allow BHC to manage and let the property as per below. To encourage further uptake of this scheme:
  - derelict properties could be taxed – to provide a disincentive to keeping property derelict.
  - utilise existing legislation to either force property owners to renovate their buildings or subject the property to compulsory purchase by government, at a fair price. Where property ownership is disputed, monies could held in trust until the dispute is resolved.
- ii. **Addressing the skills and labour shortage.** One of the factors mitigating against take-up of the scheme outlined above is a shortage of affordable skilled labour. The scheme could be linked with a pilot NTB training project – utilising apprentices, or retraining prisoners, or giving socially excluded young men and women professional skills.
- iii. **“Sweat equity”.** Derelict and sub-standard homes purchased by government could also be renovated using a “sweat equity” model – where you purchase a percentage of equity in a home by working on its repair, rather than paying hard money. This could be combined with long term leases (150 years). A lottery can be used to pick who will get the leases. Habitat for Humanity has experience with similar schemes.
- iv. **Incentives for private developers to build affordable housing.** As well as the “Planning Gain” requirement, below, developers could be additionally supported to produce affordable units and to encourage infill development on vacant lots:
  - award density bonuses – affordable housing as part of a development would enable a higher density than would normally be allowed
  - fast track affordable housing development applications
  - tax-breaks on construction materials for affordable housing

- v. **Planning gain: Requirements to build affordable housing.** Require that future developments of housing over four units contain a percentage of affordable housing. A minimum might be 25%, with additional incentives (such as tax breaks) for a larger percentage. Discussion would be necessary on each particular project. To address the immediate issue, however, a temporary limit might be set to 40%, which would drop to 25% on publication of the new planning statement. Clearly, this requires a definition of “affordable” – which could, for example, be to offer the property to lower income, first-time buyers at 75% of current market rate, or to have a shared equity scheme. The developers themselves would resolve financing arrangements but this could be achieved through cutting into the profit on the other units, and by using more cost efficient fittings. This solution has been used in for example, London, where the Borough of Hammersmith and Fulham has achieved 50% affordable housing in new developments. Other jurisdictions allow developers to buy themselves out of this provision by providing funds for affordable housing in other developments.
- vi. **Reducing construction costs.** This can in part be achieved through:
- Planning regulations encouraging higher density residential buildings, such as condos and apartments, row (terraced) housing, as above.
  - In addition, the Building Materials Committee should act quickly to process applications for building approaches and systems which are deemed to lower construction costs.
  - As new, cheaper methods get approved, team-up with the NTB to ensure that sufficient training is available in these new skills.
  - Discouraging the use of and extensive floor-plans
  - Encouraging developers to utilise less expensive fittings
- vii. **Units currently under construction or planned.** Consult developers currently constructing units to explore options for incentives to make a percentage of them available for sale or rent as affordable units. Also approach those who have already obtained planning permission for dwelling units but have not yet constructed them to explore incentives to complete building and offer them as affordable units.
- viii. **Government land.** Government is the largest landowner on the island and in return for providing land for housing schemes could negotiate the proportion of affordable housing units to be included in a development. In this way Government could act in a proactive way by catalysing the development of market housing projects that meet the wider community needs rather than the narrow focus of a certain sector of the market. This could operate in conjunction with a number of the suggestions above, including housing co-operatives and not-for-profit housing associations.

**b. Ensure that affordable homes remain so.** There seems no merit in getting affordable homes into the marketplace for them then to quickly reach market prices. This simply leads to more building, loss of open space and a cyclical problem. Mechanisms are needed to ensure that affordable homes remain so – especially if some form of Government subsidy (e.g. tax-break, density bonus or subsidised land) has been offered.

With rental this is relatively simple – ensuring affordable rental requirements are included in the original deeds, and enforced through the Rent Commission or BHC.

The for-sale case is more complicated because homeownership entails many more elements of risk and expense than renting. There is a down payment and closing costs that are invested and put at risk. There are also the financial burden and risk associated with maintaining a home, especially in facing large, unexpected maintenance items. In addition, locking into homeownership with long-term resale price controls constrains the homeowner's flexibility to respond to job or other life situations. These concerns, together with the public purposes served by homeownership, mean that resale price control terms should be more lenient in order to reward low-income homeowners with some measure of equity appreciation. But while measures below mean that buyers of "affordable" homes are unlikely to see rapid profits from their investment in real estate it also means that there will always be a bottom rung on the home ownership ladder for those aspiring to home ownership.

Options, most of which are currently in force but which need to be standardised in future, include:

- i. **Preventing purchasers from selling affordable units at a profit** – with clear covenants and restrictions which can be enforced with penalties. Prices could be linked to inflation, as measured by the Retail Price Index, and include the costs of any substantial investments/upgrading of the property.
- ii. **Sellers would only be allowed to sell to first-time buyers**, or key-workers (see below), with potential buyers means tested.
- iii. **BHC could be required to be offered first refusal** to "buy-back" a unit.
- iv. **Set the maximum resale price** as a percentage increment (eg 25%) of the difference between a fair market price, and the original purchase price adjusted for inflation.
- v. **Set time limits.** Serious consideration would need to be given to whether this needs to be time limited. Present arrangements generally are – usually with a limit of around ten years. However this does not address the long-term problem of leakage of stock from the affordable market into the unaffordable market

and the reality that in the long-term, overall demand for housing is unlikely to grow significantly.

- vi. **Regular re-evaluation.** Any affordability controls on resales and re-rentals will obviously need to be re-evaluated on a regular basis to ensure that they remain relevant to market conditions.
- c. Affordable Rents.** Specific measures below are aimed at enabling the provision of housing for those financially unable to enter the private rental housing market, through a range of housing measures.
- i. **Guaranteed rents/managed properties.** Some owners prefer to keep properties vacant because of the burden of managing tenants and because of previous problems with tenants. To counteract these disincentives, BHC through an expanded Private Sector Rental Programme could identify vacant properties, offer guaranteed rents and manage the properties and tenants. Tenants would be subsidised as necessary on a means tested basis, through financial assistance.
  - ii. **Review housing subsidy component of financial assistance.** While the current situation of high rents and limited supply of stock exists, there is merit in considering temporarily review the housing component of financial assistance to ensure that those that those families on the lowest incomes are not are currently paying high percentages of their income on rent. These families may not qualify for financial assistance at the moment. Once more stock is available this temporary provision could be phased out. Further investigation is needed.
  - iii. **Increase human resources at the Rent Commission** to effectively enforce current legislation on rent levels.
  - iv. **Regularly assess tenants' needs.** If a tenant receiving subsidised Government housing reaches a financial position whereby they can enter the normal marketplace, they should be required to do so.
- d. Increase opportunities to own a home for first time buyers, young families, and “key-workers”.** Many young Bermudians do not see a future in Bermuda which involves home ownership. There is a risk of a middle class brain-drain to other jurisdictions, and a dearth of young talented professionals entering comparatively less well-paid professions, including the civil service, nursing, teaching, for example. These are sometimes called “key-workers”. In a small, prosperous community like Bermuda, it seems reasonable for all households to be able to aspire to ownership – even if they choose or prefer to rent.

Home ownership figures vary across the world – in Bermuda 53% of households are owner-occupiers. International comparisons can be misleading, as they do not show regional and local difference and home ownership can be a function of culture and legislation, as much as prosperity and equity. However, some figures from 2002 include: Sweden – 46%, Denmark – 51%, Netherlands –54%, France 56%, UK – 70%, Greece –74%, Ireland – 78%, and Spain - 81 %.

*Options include:*

- i. **Shared equity** for government homes – allow tenants of Government-owned homes to purchase their homes on a “rent-to-buy” basis. It is understood that BHC had a similar “rent to buy” scheme in the past. The occupier pays a percentage of the cost price (rather than market price) of a Government dwelling. The occupier then owns a percentage of the dwelling and pays rent on the remaining part of dwelling. Occupiers are able to purchase additional equity over time as their financial circumstances change. Resale would be subject to the provisions at 2 (b) above. Variations of these types of schemes have been operating successfully in other countries such as the US and in the UK. These schemes could provide a way of improving accessibility to the intermediate housing market for those Bermudian families on lower incomes.
  - ii. **Shared equity for privately purchased homes.** In these schemes, in an effort to reduce the overall cost of purchasing property to an individual purchaser, a proportion of the equity in a house is retained by the government entity sponsoring the scheme and/or the mortgage lender or developer. Eligibility for participation in such schemes is usually limited to first time buyers, key workers etc. This allows a borrower to purchase a new property in partnership, lowering capital outlay and borrowing, with a second, minimal charge on the property by the other shareholder until the balance has been paid. When the property is sold, any profit on the second share goes to the other shareholder.
  - iii. **Key-worker and moderate income provisions** – for first time buyers in key-worker positions, on a moderate income, Government or a Government entity could offer:
    - Subsidised mortgages
    - Dedicated shared equity scheme
    - Lower stamp duty.
    - Land tax breaks.
- 3. Improve the quality of housing stock** – Revise minimum standards for private landlords – and unless these are met, utilise legal mechanisms for compliance. It is well proven that quality of housing impacts on the health and well-being of the community and it is

unfair that those at the lower spectrum of the economic ladder should be relegated to less than satisfactory conditions. This will require an improved system for monitoring standards and ensuring compliance.

**4. Improve behaviour of tenants**

- a. Clear tenancy agreements**, linking affordable housing with standards of behaviour and, where necessary on a case-by-case basis, to include mandatory enrolment on for example drug rehabilitation programmes or financial management programmes
- b. Revisit landlord-tenant legislation** to modernise and improve safeguards for both parties; draft and promulgate standard tenancy agreements; strengthen the mediation system, and ensure swift legal redress, to encourage landlords to put vacant properties onto the market.

**5. Provision of supported accommodation for persons with special needs**, including older persons, young persons, persons with disabilities, ex-offenders.

- a. Reverse mortgages** – where seniors who own their own home can release the equity it contains to provide an income for their later years
- b. Homelessness** – fast-track the night shelter and rooming house facility, linked with programmes to develop the skills required to adapt to independent living.