

Address by: Minister of Water and Housing

Hon. Donald Buchanan

Ladies and Gentlemen, Good Morning.

This seminar sponsored by the Jamaica Mortgage Bank to discuss 'Key Issues in Planning and Implementing a Successful and Profitable Housing Development' is both timely and relevant. In any society the provision of housing occupies a position of critical importance. Socially, housing provides the indispensable basis for rearing a family and economically, it is a factor in the productivity of the worker.

The provision of adequate and affordable shelter remains a major challenge for Jamaica at this time. Calculations undertaken by the Ministry of Water and Housing indicate that 13,260 new housing units will be required annually between 2001 and 2025 to satisfy the projected demand for housing. Although this is down from the estimated 20,000 in 1999, there is still some cause for concern, as figures from the PIOJ indicate that the average number of units completed between 2001 and 2003 was only 4,235. The magnitude of the housing need is therefore of such, that it will require the united efforts of the Government at different levels, the private sector and the community. Over the years a number of approaches have been taken to address housing needs, each achieving varying levels of success. It is within this context that this presentation will seek to assess the extent to which our experiences can inform the development of an integrated housing policy.

CHALLENGES AND ISSUES IN THE PAST

In the 1970's the government through the Ministry of Housing, together with the National Housing Trust and other public sector agencies provided some 40,000 housing solutions. In addition the government provided budgetary support to the following public sector agencies and programmes directly involved in the provision of houses. These include:
Sites and Services

- National Housing Trust (NHT)
- Sugar Industry Housing Limited (SIHL)
- National Housing Corporation (NHC)
- Jamaica Mortgage Bank
- Caribbean Housing Finance Corporation (CHFC)

Sites and Services

This programme funded jointly by the World Bank (54/46) initially provide for 6,000 serviced lots and upgrading of two squatter settlements. It was a creative, self reliant initiative which provided housing solutions particularly to low income groups, primarily in urban communities. Priority was given to female headed households; households with large families and construction workers.

National Housing Trust (NHT)

Since the inception of the National Housing Trust in 1976 this organization has made phenomenal contributions to the provision of affordable housing. One of its most significant achievements to date has been the development of 'Greater Portmore' where the prices for the solutions were very competitive. The infrastructure was of the highest quality, and the cost of the units were extremely competitive, due largely to the fact that significant infrastructure costs were borne by the government and import duties on critical inputs were waived. Despite the significant level of mortgage financing provided by the NHT, it was still insufficient to meet the total demand.

Sugar Industry Housing Limited (SIHL)

The sugar industry housing programme was intended to focus exclusively on the largest group of organized workers in the country. This programme had major implications for rural development and provided a badly needed subsidy in the form of public lands under the control of various sugar estates. Its impact however was severely limited due in part to lack of development capital. The achievements of the SIHL were significant in respect of assistance to the sugar workers. Development finance was secured jointly from NHT loans and operational surpluses.

Jamaica Mortgage Bank (JMB)

The JMB was established to be a principal mortgage agency, providing in particular secondary mortgages. It has however had to veer from its original mandate to undertake housing financing using very high costs funds to survive.

Caribbean Housing Finance Corporation (CHFC)

This company was established to serve primarily as mortgage administrators and functioned creditably in that capacity.

National Housing Corporation (NHC)

The NHC, established by the Ministry of Housing was primarily concerned with middle and lower middle income housing. This market was not being adequately served by the private sector.

The 1980s saw a dramatic shift in national policy fueled for the most part by the prevailing economic climate and the development of a National Shelter Sector Strategy in 1987. As a result of this policy shift, the government ceased its direct involvement in the construction of housing units, becoming an 'enabler' and 'facilitator' instead.

The Last Fifteen Years

Over the last fifteen (15) years, the government has sought to expand this role as an enabler in order to cope with the increasing demand for housing solutions at every level. It is over this period that we have seen the establishment of Operation PRIDE and later the National Housing Development Corporation (NHDC) which incorporated the functions of Operation PRIDE; NHC and CHFC.

Additionally, the Ministry's creation of a Joint Venture programme facilitated an increased role for the private sector. The Ministry is also involved in an aggressive program islandwide to divest its rental housing and provide security of tenure and registered titles for developments undertaken in the past.

The NHT's establishment of an Inner City Housing Programme is also geared to meet some of the challenges of urbanization. It also funds a Social Housing Programme currently being executed by the Ministry. This programme will directly improve the housing conditions of some 14, 000 families.

Operation PRIDE/NHDC

The core mission of OPERATION /PRIDE is to enhance the shelter status of the lowest percentile of our people whose incomes are well below that which is required to meet the infrastructure standards demanded by the regulatory agencies.

Since its inception, its achievements include:

- The provision of 13,010 planned solutions
- The regularization of over 113 informal settlements island wide, which has made a significant contribution to the thrust towards formalization of our economy, in particular, the addition to the tax role of new landowners, with approximately 10,239 titles issued under the programme to date. Most dramatic, has been the fact that from these groups and others, the PRIDE dispensation has stimulated contributions of \$2 Billion against a total expenditure of \$6.7 Billion or 30 percent of outlay.
- Thirty two (32) projects have been completed islandwide.

Joint Venture Programme

Under the Joint Venture Programme, the developer brings to the table technical expertise, leverages financing and in some instances land for the development. The Ministry for its part offers easier access to lands suitable for development, reduction in the timeline of the approval process, quicker access to titles and tax incentives. For the purchasers the benefit is primarily significant savings (approximately 13%) in the cost of home ownership due to waivers in transfer taxes, stamp duties and registration fees. There are also indirect benefits as having more providers increase competition in the market and this has undoubtedly resulted in an improved product.

The programme has to date seen the completion of twenty one (21) projects valued a J\$4.69B, providing homes for 4,353 families. There are currently seventeen (17) projects totaling 4,784 solutions and valued at J\$8.1B in construction of which nine (9), valued at J\$5.7B will be completed this year for the benefit of some 2,699 middle to low income families. Additionally, there are nine (9) projects that are slated to commence early in the new financial year and these will add a further 1,971 units to the housing stock. This brings the total project portfolio to forty seven (47) projects, yielding 11,836 solutions. However given the current demand for housing, we are extending an invitation for more partners.

It is worthy of note that although the majority of our projects have targeted the middle income family, the programme is not limited in its scope in terms of our partners or its target group. We have undertaken partnerships for the purpose of regularizing squatter

communities in the low income groups to middle and upper income groups and have partnered with NGOs, other government agencies as well as local and international investors.

Jamaica Mortgage Bank (JMB)

The JMB focuses its activities in the middle of the housing market, where the cost of the solutions ranges from \$3.5m to \$10M. During the period 1980 to 2004, the assets of the Bank grew from \$157M to \$2.6B while its equity grew from \$4M to \$2B. Over the same period there was an increase in net profit from \$3M to \$242M with the mortgage insurance portfolio moving from \$5M to \$575M. Since 1992 the Bank has funded more than seventy five (75) housing schemes at a capital project cost in excess of \$12B. Currently there are projects in the pipeline amounting to some \$3B.

National Housing Trust

Since its inception in 1976, the Trust has funded or developed some one hundred and seventy three (173) housing schemes, the parish of St. Catherine with forty seven (47) schemes, accounts for the highest number.

Ladies and gentlemen the performance highlighted over the last fifteen years may seem quite impressive; however we still face major challenges in providing adequate and affordable shelter for all segments of the housing market.

In charting the way forward, the Ministry is currently embarked on the development of a comprehensive National Housing Policy, which will streamline the sector and ensure that the input of all the stakeholders complement each other, thereby guaranteeing the most efficient utilization of resources.

The Policy will focus on 6 key areas:

1. The Role of the Stakeholders

If the policy is to achieve the desired outcome, it must clearly identify all the stakeholders and clearly set out their respective roles. There are a number of Ministries and agencies with which the Ministry has developed institutional relationships over the years and who will be key to the process. These include the Ministries of Finance and Planning, Local Government and Community Development, Land and Environment and Health. Agencies include the National Housing Development Corporation, Jamaica Mortgage Bank, National Housing Trust, National Water Commission, National Works Agency, Water Resources Authority, National Environment and Planning Agency, National Land Agency, Urban Development Corporation, Office of Disaster Preparedness and Emergency Management, and the Rent Assessment Board. Other key stakeholders will be the private sector, non-governmental organizations such as Food for the Poor and Habitat for Humanity with whom we have had excellent working relationships over the years. The critical role to be played by the community in the provision of housing has often been underrated and being cognizant of this, we will ensure that the policy speaks specifically to the part to be played by the communities and civil society.

2. Legislative and Regulatory Framework

There must of necessity be an appropriate legislative and regulatory framework in place to direct the process and as such in developing the policy we will critically analyze all existing legislation, policies and other regulatory instruments that impact on the housing sector. This will be done with a view to ensuring among other things, that there is cohesiveness and that all housing developments are undertaken with due regards to planning and environmental considerations. The importance of this was recently highlighted with the passage of Hurricane Ivan which caused considerable damage to the housing stock, much of which could have been eliminated or significantly reduced if due consideration had been given to sound environmental and planning practices. In light of this, a key issue that will be addressed in the Policy is the whole matter of disaster mitigation.

3. Land

The availability of land is a key factor in determining the rate of progress and responsiveness of the housing sector and the policy will address key issues such as the supply and management of land as well as land acquisition. A special strategy will be the use of ‘infilling’ and increased density, especially in areas where there is a severe scarcity of land for housing developments and where infrastructure is already in place.

4. Special Needs Housing

A significant portion of our population has special needs that will affect their ability to procure suitable shelter solutions. With this in mind, the National Housing Policy will address areas such as: indigent, low-income and emergency housing as well as housing for the physically challenged. It will also speak to issues such as resettlement, regularization of tenure, upgrade of squatter communities and urban renewal.

5. Housing Finance

The policy will explore all aspects of housing finance including the role of both the public and private sector. State agencies such as the Jamaica Mortgage Bank and the National Housing Trust will have a critical role to play in this regard. Specific strategies such as partnerships between the public and private sector as well as housing subsidies especially in the area of special needs housing will also be addressed.

6. Housing Construction

The use of appropriate technology and the utilization of affordable building material will be crucial; however conformance to building standards and codes will not be compromised.

Let me take this opportunity to once again congratulate the Jamaica Mortgage Bank on this initiative and to indicate to developers locally and overseas that the Ministry of Water and Housing and its Agencies will be making every effort to assist you in every way as together we seek to provide housing solutions that will make a critical

difference to our overall programme of national development.

Ladies and gentlemen, I must emphasize, that the magnitude of the housing problem that we face as a country can only be successfully addressed if all the stakeholders, namely the government at various levels, the private sector and the communities work together in collaboration and partnerships.

I thank you.

Ministry of Water and Housing
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