

EXECUTIVE COUNCIL

CONFIDENTIAL

Title of Report: Disposal of residential building plots at Snake Hill

Paper No: 232/10

Date: 21 October 2010

Report of: Attorney General/Senior Crown Counsel

1.0 Purpose

To consider the terms upon which FIG should dispose of seven residential building plots at Snake Hill.

2.0 Recommendations

It is recommended that Executive Council approve the sale by FIG of seven residential building plots at Snake Hill as shown on the attached plan on the following terms:-

2.1 The plots are to be advertised for sale once the Director of Public Works confirms that the infrastructure works are substantially complete and he is content for the plots to be released.

2.2 As at Mink Park, the total infrastructure construction costs for the development are to be apportioned across the seven plots according to the area of each plot, to calculate the base price for each plot.

2.3 Plots are to be offered for sale by tender to the following categories of bidders, as follows:-

(i) Residents who have never owned a house in the Falkland Islands – minimum bid 25% of base price

(ii) Residents who do not currently own a house in the Falkland Islands (but have previously done so), and who have not previously purchased a subsidised building plot – minimum bid 50% of base price

(iii) Residents who own a house in the Falkland Islands, but who have not previously purchased a subsidised building plot – minimum bid 75% of base price

(iv) Residents who own a house in the Falkland Islands, but who have previously purchased a subsidised building plot – minimum bid 100% of base price

(v) Individuals who require a licence to hold land – minimum bid base price + 5%

(vi) Companies which do not require a licence to hold land – minimum bid base price + 10%

(vii) Companies which do require a licence to hold land – minimum bid base price + 20%

2.4 Although the categories proposed are wider than at Mink Park, as at Mink Park each plot is to be allocated to the person who offers for that particular plot the highest amount (calculated by % and not by £) above the minimum bid for their category.

2.5 “Resident” means a person with Falkland Islands Status or a Permanent Residence Permit (or a couple, where one party has FI Status or PRP, and the other has approval in principle for the grant of a licence to hold land in joint names, provided that if they split up before the Crown Grant is issued the Building Licence will only be assigned into the name of the partner with FI Status or PRP).

2.6 A couple will only be eligible for the subsidy under category **2.3 (i)** above (first time buyer) where neither party has previously owned a house in the Falkland Islands.

2.7 An individual or couple will only be eligible for the subsidy under category **2.3 (iii)** above (home-owners who have not previously purchased a subsidised building plot) if the existing house is sold within one year of the Crown Grant being issued for the new house.

2.8 No person or company is to be awarded more than one plot.

2.9 No plots are to be allocated to any person or company to whom another FIG residential building plot elsewhere in Stanley has already been allocated.

2.10 The plots are to be sold on standard building licence terms, requiring the licensees to obtain planning permission and building permit within one year from the date upon which they take possession of the plot, to complete the ground works and foundations within 18 months of the date of possession, and to erect a wind and watertight house within two years of the date of possession. Licensees will also be required to erect fencing around each plot.

2.11 No building is to be permitted within one metre of plot boundaries, or within six metres of any plot boundary which fronts onto a road.

2.12 A building licence fee of 10% of the purchase price is payable at the time of signing of the building licence, and thereafter on each anniversary of the date of possession.

2.13 The Crown Grant (title deed) is to be issued upon external completion of the house and payment of the balance of the purchase price after deduction of

all building licence fees paid together with the standard Crown Grant preparation fee (presently £105).

2.14 The Crown Grant is to contain the standard reservations in favour of the Crown (right of resumption, ownership of minerals, rights of light and support for neighbouring land, rights of access for installation and maintenance of service conduits) and standard obligations on the part of the grantees (maintain fencing and common facilities, repair any damage caused by the discharge of foul or surface water other than into the drains).

2.15 Where a plot has been sold at a subsidy (i.e. the difference between the base price for the plot and the price actually paid by the purchaser), the Crown Grant will require the purchaser to repay the subsidy to FIG if the property is sold or rented-out or the purchaser dies (or on the second death, if relevant).

2.16 The subsidy is to be written-off between the 5th and 10th anniversaries of the issue of the Crown Grant, so that if repayment is triggered the subsidy will be repaid to FIG in the following proportions:-

- (i) Sale, lease or death up to 6 years from date of Crown Grant – 100%
- (ii) Sale, lease or death in year 7 – 80%
- (iii) Sale, lease or death in year 8 – 60%
- (iv) Sale, lease or death in year 9 – 40%
- (v) Sale, lease or death in year 10 – 20%
- (vi) Sale, lease or death 10 years from date of Crown Grant – 0%

2.17 In the event of a joint bid for semi-detached units being accepted, the plot will be released under a single building licence, but with separate Crown Grants being issued to each of the joint purchasers. If a single purchaser constructs semi-detached units, they can request separate Crown Grants for each house. In either case, the Crown Grants will apportion the subsidy across the (now smaller) plots, so that if one purchaser subsequently ceases to occupy their house they will be liable to repay their portion of the subsidy. The other purchaser will not be liable for repayment of the remainder of the subsidy unless they also cease occupying their house.

3.0 Summary of Financial Implications

Recurrent

There are no recurrent expenditure implications.

If all bidders pay their 10% deposit within the 2011/12 financial year and the average tender price is equivalent to the estimated cost, then revenue of £28,000 will accrue.

The full implications on recurrent revenue will vary according to the category of bidder allocated each plot and the timing of their completion of a watertight shell.

Capital

There are no capital expenditure implications as the development of the plots will be funded from within existing allocation under code 0957 – 3294.

4.0 Background

4.1 In August 2010 the Lands Committee discussed the terms upon which seven fully-serviced residential building plots at Snake Hill should be released for development. Planning permission has been granted for this development, and it is anticipated that the seven plots will range in size from 505 to 600 square metres. Corner marker posts will be erected, but the plots will be unfenced and it will be the responsibility of the licensees to erect fencing.

4.2 Members agreed that the plots should be offered for sale to any category of bidder, using the tiered system as proposed by the Director of Public Services in relation to Mink Park.

4.3 In coming to this decision, the Lands Committee noted that there had not been much interest in the residential building plot at Jersey Road recently advertised for sale to the highest bidder, and that only 25 bids had been received for 19 plots at Mink Park where bids were invited only from persons in categories **2.3 (i)** and **2.3 (ii)** above.

4.4 The Lands Committee also considered that encouraging tenders from all categories of persons (not only first time buyers), and assessing tenders on an equal footing by looking at the amount in % terms by which each tenderer exceeds the minimum bid applicable to persons in their circumstances, should help ensure a balanced development with a range of housing types and sizes.

5.0 Financial Implications

Recurrent

There are no recurrent expenditure implications.

The implications on recurrent revenue will vary according to the category of bidder allocated the plot and the timing of their completion of a watertight shell.

If all bidders pay their 10% deposit within the 2011/12 financial year and the average tender is equivalent to the estimated cost, then revenue of £28,000 will accrue during that year.

The balance will accrue depending on completion of watertight shell, which given normal completion times is unlikely to be less than a year from issue of building licence.

Capital

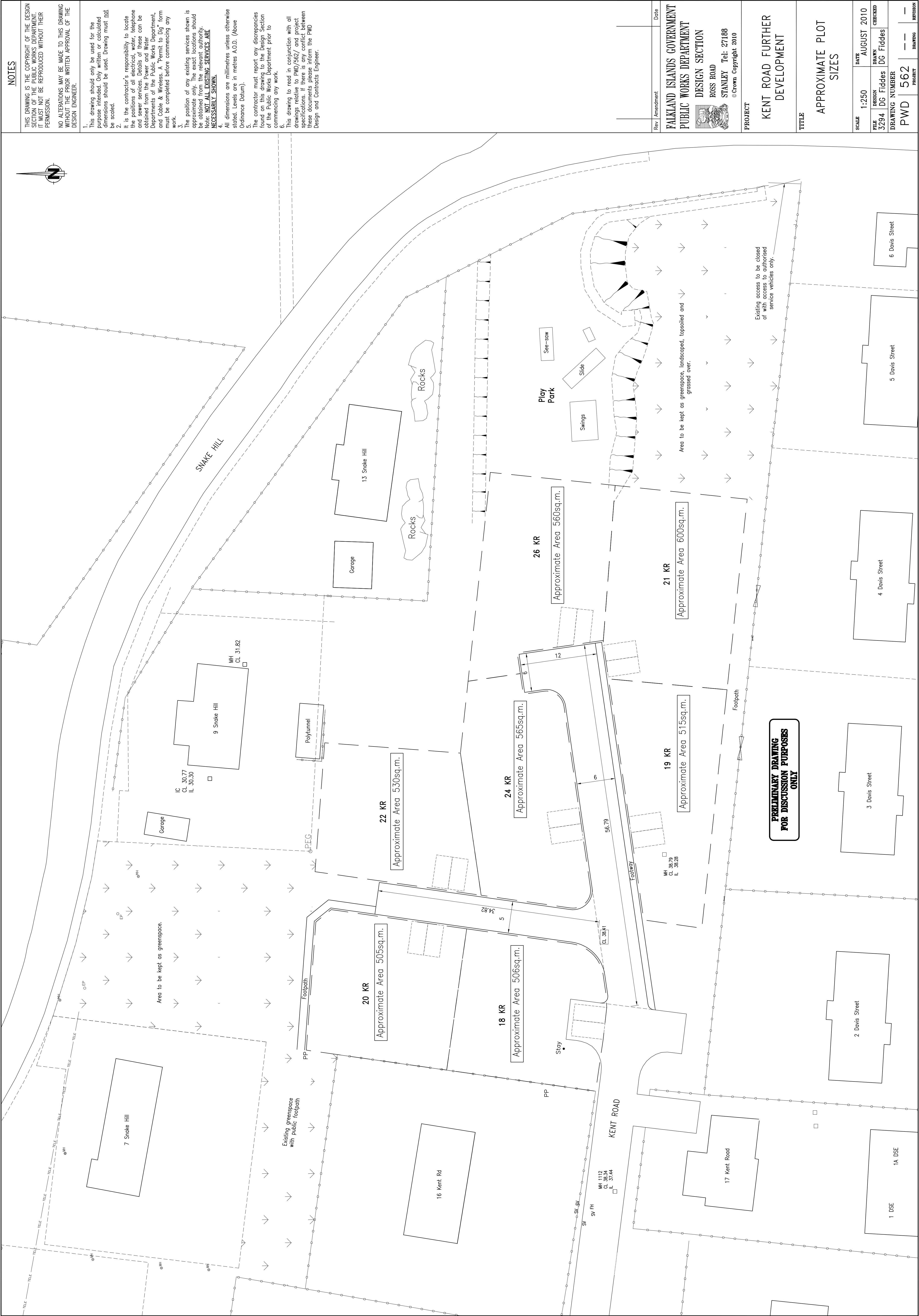
The Director of Public Works advises that the construction costs for Snake Hill are still being developed, but are likely to be in the region of £280,000, giving an indicative base price for each plot of £40,000. The costs for development will be met from existing capital allocation under code 0957 3294.

6.0 Legal Implications

The sale by Building Licence should protect FIG's position and guard against land-banking. The 'clawback' of subsidy where relevant can be achieved through a covenant in the Crown Grant, registered as a land charge.

7.0 Human Resources Implications

There are no human resources implications.



NOTES

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