



Sister Islands Affordable Housing Development
Policy for Affordable Housing Development

| Policy & Procedure Name: Sister Islands Affordable Housing Development | |
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| Cross References: <ul style="list-style-type: none">• <u>Public Authorities Law</u>• <u>Public Management & Finance Act</u> | |

Introduction:

The purpose of this policy is to outline the governance, management and procedures in relation to the operations of the Sister Islands Affordable Housing Development Programme.

This policy aligns with the Cayman Islands Government’s Broad Outcome 3: Providing solutions to improve the well-being of our people so they can achieve their full potential.

Policy Statement:

The Cayman Islands Government is committed to providing opportunities for Caymanians to obtain adequate and affordable housing in the Sister Islands. As such, the Ministry responsible for District Administration along with the Sister Islands Affordable Housing Development (SIAHD) Board, will identify, acquire and develop land into affordable housing developments.



The housing developments will include all of the necessary infrastructure and the land will be subdivided into residential lots no less than 10,000 square feet.

The cost of real estate in the Cayman Islands has increased exponentially. As a result of this, the gap between Caymanians and their ability to purchase affordable land and homes has widened. This policy aims to close this gap by restricting the sales to Caymanians only.

Overview

All houses built will be 3 bedroom, 2 bathrooms. They will be built with cement (exterior), wired for central air conditioning. As an energy efficiency and economic benefit to homeowners, houses will include tank less water heaters and propane gas stoves. There is also a provision to include hurricane shutters at the option of the client and at an additional cost.

This programme aims to make home ownership as affordable as possible, however it is important that the client note the cost and responsibilities of buying a home. Some of these costs could include:

- Loan fees (initial cost)
- House insurance (monthly/annual)
- Life Insurance (monthly/annual)
- Mortgage payment (monthly)

Governance

The SIAHD programme will be overseen by the Board which is established in accordance with their Memorandum and Articles of Association. The Board is appointed via the Minister in Cabinet. The Board shall make recommendations to the Minister of District Administration.

The Board shall review and approve applications in line with the established procedure.

The Minister in Cabinet will review the outputs to be delivered by the SIAHD which shall be detailed in the Bi-annual Ownership Agreement and Purchase Agreement. These will be agreed in each budget cycle.

The SIAHD Board is required to update the Minister regularly, at least quarterly, as to the progress of delivering on the agreed output targets providing evidence of delivery to the Ministry of District Administration. Billing for the agreed services within the period for the SIAHD administration shall also be provided quarterly to the Ministry for further review and approval by the Minister for funding.



An Annual Report shall be provided by the SIAHD within the statutory timelines provided by the Public Management & Finance Act. Annual Financial statements shall also be provided to the Office of Auditor General within the statutory timelines provided by the Public Management & Finance Act.

The Ministry will provide guidance to the Board, to ensure that there is compliance with the Public Authorities Act, the Public Management & Finance Act and the policy and legal obligations of the SIAHD.

The success of the programme shall be categorized as follows:

- The agreed output targets and outcomes being met
- The function and administering of the SIAHD Board as governed by the Public Authorities Act
- The provision of homes for qualifying Caymanians in the Sister Islands in a fair, open, transparent and timely fashion

Programme Management & Procedures (administration)

Who is Eligible?

Only Caymanians, Caymanian status holders, eighteen (18) years or older, are eligible to purchase the affordable housing.

Open & Transparent process

There shall be an advertisement in the local newspaper at least once a quarter to make the public aware of the programme and the policy shall be made available publicly including at the offices of the SIAHD.

Applying to Sister Islands Affordable Housing Programme:

All Caymanians must submit the requirements as detailed in the supporting Needs Assessment Form, Appendix I.

Application Process

- The applicant must fill out the Needs Assessment Application Form in full and submit to the Sister Islands Affordable Housing Development (SIAHD), along with all supporting documents.
- Applications will be reviewed by the SIAHD Board.



- The maximum that can be purchased is one house (with land) per applicant. However, due to the high demand for housing in the Cayman Islands, housing and land is often oversubscribed. Therefore there may be some instances where there are more applications than there are housing lots. In this case, a letter will be issued to applicants advising of the backlog of applications and the applicant's information will be added to the SIAHD's list of potential Caymanian buyers.
- Houses will be sold in the order of receipt of the application (i.e. the first housing lot will be sold to the first completed application received) with preference being given to first-time Caymanian property buyers. The application form will require applicants to indicate their first, second, and third housing location.
- If the applicant meets the requirement and a house is available, the SIAHD will contact the applicant and inform of the housing lots available.
- The SIAHD will accept an offer to purchase from the applicant. This letter will state the location (including block and parcel number), fixed-price of the property, deposit required and payment deadline. The Applicant will also be required to fill out the required Covenant agreement (as per Appendix II) and Purchase agreement (as per Appendix III).
- If the applicant does not provide the requisite due diligence by the required deadline or request an extension, the SIAHD may rescind the acceptance of the offer to purchase the property and shall accept the offer to purchase from the next applicant on the potential Caymanian buyers list.

Tenure Conditions

- A pre-approval loan or reference letter (for cash offers) from a recognized banking institution will be required within forty-five (45) days of the SIAHD acceptance of the offer to purchase .
- An affordable house can only be disposed/transferred to another Caymanian and in all instances of disposal/transfer the permission of the SIAHD Board must be sought, within the first 10 years of ownership.
- Where a financial institution has foreclosed on a house and seeks to dispose of the housing lot, the SIAHD in exercising its first right of refusal to purchase shall purchase the property at the initial cost of the loan for the acquisition or the current loan amount, whichever is less.
- The SIAHD will maintain a list of interested potential Caymanian purchasers which will be referred to in the event that the SIAHD decides to assign its first right to acquire to



an applicant to purchase an affordable house that is being disposed/transferred by the owner. In this event, the same tenure conditions outlined in this policy will apply.

- If the SIAHD does not opt to purchase the house or is unable to assign its right to another applicant, the lot may be sold on the open market.

Evaluation, authorization and processing times

The evaluation criteria is based on the following procedure:

1. Potential beneficiaries will be selected from a list of applicants, utilizing the SIAHD Beneficiary Selection Criteria including the order of when the application was received.

Beneficiary Selection Criteria

2. Be Caymanian or hold Caymanian Status
3. Currently reside in the Cayman Islands
4. Not currently a home owner *
5. Become the homeowner/occupier of the home being purchased
6. Earn no more than
 - a. CI\$66,000 per year/CI\$5,500 per month for single applicants;
 - b. or CI\$96,000 per year/CI\$8,000 per month for joint applicants.
7. Approved mortgage financing from a financial institution licensed by the Cayman Islands Monetary Authority
8. Be currently employed for at least 1 year, or self-employed for at least two years.
9. Applications forms will not be accepted without all the required due diligence documents.
10. Assessment as to whether the applicant will be able to meet the financial obligation given existing liabilities.

* If previously a home owner or if currently on the land register of a home (and not the primary owner), you may clarify your circumstance on the application form

All applications will be forwarded to SIAHD Board to review.

Priority Means Test

1. A test to validate the extent of the applicant's need for SIAHD benefit will be done based on an assessment of the applicant's economic and financial circumstances. The criteria is as follows:



| Economic and Financial Circumstances Assessment |
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| 1. Monthly household income |
| 2. Tenure at present job |
| 3. Primary applicant's monthly income |
| 4. Amount currently being paid for accommodation |
| 5. How many times changed residence in the past 5 years |

Authorization process:

1. Upon receipt of an application in person at the offices of the SIAHD, the receiving officer will time and date stamp application. The receiving officer will also quick review the application to ensure the form and required due diligence is in hand.
2. The more detailed review of the application shall be done by the SIAHD Board, which shall meet at least once quarterly.
3. The Board meetings shall be minuted, and approvals or denials, along with cause shall be clearly documented so as to inform the applicant.
4. The standard turnaround time for a received application for return of approval/denial shall be the next meeting but not to exceed 90 calendar days provided the completed application has been submitted 30 calendar days prior to the next meeting
5. The Administrator in the office of the SIAHD shall inform the applicant of approval/denial of application.

Building on your own land

If a client has their own land in the Sister's Islands, but they would like to be considered for this housing programme utilizing their land, they should fill out the standard application form and under "preferred location", tick the section "on land owned by you".

The additional criteria that would be considered is below:

- Mortgage Financing approved by a Financial Institution licensed by the Cayman Islands Monetary Authority
- Not currently a home owner*
- Be Caymanian
- Currently reside in the Sister Islands
- Become the owner/occupier of the home being constructed
- Earn no more than:
 - CI\$66,000 per year/CI\$5,500 per month for single applicants;



- or CI\$96,000 per year/CI\$8,000 per month for joint applicants.

* If previously a home owner or if currently on the land register of a home (and not the primary owner), you may clarify your circumstance on the application form

- Applicants must be within the age-bracket required for repaying a mortgage
- Be currently employed for at least one year, at current place of employment or Self-employed for two years

Proof of the attached must be included in the submission for SIAHD Board consideration.

Appeals Process

In the case where an application is denied, the applicant may appeal to the Board within 45 days from receipt of this advice. The appeal needs to clearly provide evidence why their application should be re-considered.

Programme Reports

On a quarterly basis (at a minimum), the SIAHD Board will prepare reports of the programme for the Minister responsible for District Administration and the Cabinet. The reports should compare the programme's outcomes against the objectives of this policy. The reports should include the number of applications received, number of applications approved or denied, number of houses purchased per applicant, sale price, sales by location, total sales, and other pertinent information.

Storage of records

All records shall be stored securely at the offices of the SIAHD. They may also be stored digitally on a confidential secured server (regularly backed up) for ease of retrieval of the Administrative staff for the sole purpose of supporting the SIAHD Board and fair and transparent operations.

Evaluation of outcomes or success of programme

The Minister via the Ministry will provide regular feedback to the SIAHD Board (at least once annually) in relation to performance against the outcomes of the programme.



Appendices:

- I: Needs Assessment Form
- II: Covenant agreement
- III: Purchase agreement template