

PUBLIC

DOCUMENT OF THE INTER-AMERICAN DEVELOPMENT BANK

BAHAMAS

LOW INCOME HOUSING SURVEY AND STUDY

(TC9903000)

TC/FUNDS BRIEF

MARCH 24, 1999

BAHAMAS
TC/FUNDS BRIEF

TC N°: 99-03-00-0

I. GENERAL INFORMATION:

- Name of the T.C. Project: Low Income Housing Survey and Study
- Name of the Fund: Swedish Trust Fund for Consulting Services
- Beneficiary Country: Commonwealth of The Bahamas
- Beneficiary Agency: Ministry of Housing and Social Development
- Estimated Total Amount to be
 Financed by Trust Fund: *US\$90,000.00*
 Local counterpart: *US\$20,000*
- Execution and Disbursement Deadlines: Execution: 6 months
 Disbursement: 12 months

II. BACKGROUND

The Ministry of Housing and National Insurance, which will be the Government beneficiary of the proposed study on low income housing, works with fifteen year old data that is outdated and outmoded. Housing data is based on a 1984 survey, and does not permit Government to align national policies and investments with current and projected housing demand. Moreover pockets of poverty are known to exist in The Bahamas even though statistically masked by relatively high national per capita income. In the past fifteen years population pressures have arisen due to immigration especially from Haiti and have created many ad-hoc housing solutions. Indications are that the current housing stock is old and deteriorating. The housing study focuses on national data and needs assessment, however, based on the Bank's experience with similar studies in other Caribbean countries, it is expected that the implications of this study may go beyond the housing sector and provide valuable information for future poverty targeting investment and activities.

III. OBJECTIVES:

The objective is to update a 1984 Ministry of Housing and National Insurance report assessing housing needs in The Bahamas. The report will assess housing needs, especially low income throughout The Bahamas, referencing population growth, household formation, incomes, the condition of the housing stock and the ability of the construction industry to respond, and the need for financing low income housing.

IV. DESCRIPTION:

The study will cover the following areas: (i) population and housing growth; (ii) the existing housing stock - production since 1984; (iii) planning and supply of land; (iv) the construction industry; (v) incomes, affordability and housing requirements; (vi) government policy on low income housing and programme review; (vii) low income housing policy implications and recommended actions.

An international individual consultant with experience in urban development will be hired. He/she will be assisted by personnel from the Ministry of Housing and Social Development and by university students who will carry out the survey.

The duration of the project will be approximately six months and is expected to begin by April 1, 1999. A final report is expected to be presented by August 31, 1999, with final payment by September 30, 1999.

V. JUSTIFICATION:

Five key development challenges in The Bahamas, according to the Country Paper, are: (i) restore sustained growth by repositioning the economy to effectively withstand the emerging challenges from a more competitive environment; (ii) develop human resources; (iii) protect social services; (iv) protect the environment; and (v) modernize the State and functioning of Civil Society. Protecting social services is a high priority for the Government and for the Bank country strategy. The Bank is implementing an education project and is preparing a health project; the third area in the social sector, low income housing, will be addressed by this study.

This study will provide valuable information for the future social sector programming of the Bank in The Bahamas. The results of the study will be particularly important in identifying and locating pockets of poverty which heretofore have not been geographically defined and it will contribute necessary information to the Government for planning, projecting, and designing housing solutions into the twenty-first century.

VI. BUDGET:

The cost of the project is estimated to be the equivalent of US\$90,000, on a non-reimbursable basis, and is presented below.

BUDGET

ITEM	TRUST FUND (US\$)
Honoraria consultants	50,000.00
Travel	6,000.00
Per Diem	12,000.00
Publication	3,000.00
Local Assistant	17,000.00
Local Transportation	2,000
Total	90,000.00

VII. RESPONSIBILITY IN THE BANK:

Technical Responsibility:

Country Office Bahamas -Oscar Spencer, Operations Specialist; telephone: (242) 393-7159; fax: (242) 393-8430; email: OSCARSP.

Responsibility for Disbursements:

Disbursements will be processed by COF/CBH.

VIII. REPORTING:

The consultant will present to the Bank a mid-term report with the results and progress of work for each of its areas by the end of the third month. The final report shall contain an executive summary of 2-3 pages which should be transmitted to RE1/TEC. The team leader shall share the name/s of the consultant/s with RE1/TEC.

A draft final report with the results of the analysis and recommendations should be submitted for the approval of the Bank and the Ministry of Housing and Social Development within six (6) months after the initiation of the project. The final report should be submitted within two (2) weeks of receipt of the comments of the Bank and the Ministry of Housing and Social Development on the draft final report.

IX. RECOMMENDATION:

Oscar Spencer, designated team leader for the project of the reference, recommends the approval of this operation and the use of resources from the Swedish Trust Fund for Consulting Services totaling up to the equivalent of US\$90,000.00 in order to finance the corresponding project.

X. CERTIFICATION:

I certify that resources from the Swedish Trust Fund for Consulting Services are available for up to US\$90,000.00 in order to finance the activities described and budgeted in this TC/Funds Brief. The commitment and disbursement of these resources shall be made only by the Bank in US\$ dollars. The same currency shall be used to stipulate the remuneration and payments to consultants, except that local consultants working in their own borrowing member country shall have their remuneration defined and paid in the currency of that country. No resources of the Fund shall be made available to cover amounts greater than the amount certified herein above for the implementation of this TC/Funds Brief. Amounts greater than the certified amount may arise from commitments on contracts denominated in a currency other than the Fund currency, resulting in currency exchange rate differences, for which the Fund is not at risk.

Originally Signed

Arnoldo M. da Fonseca, Chief
RE1/TEC

March 24, 1999

Date

XI. APPROVAL:

Originally Signed

Approved

Frank Vukmanic, RE3/OD6/CHF

Mar. 24, 1999

Date

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Low Income Housing Survey and Study

Terms of Reference

1. 1984 Housing Report

The report focused on the needs of the 1980s. It indicated a population of 250,000 by 1990 for the country of which 170,000 were to be in New Providence. By and large, these forecasts proved to be correct, but now in 1998, the figures have been exceeded. The country's population is currently estimated at around 290,000 and New Providence has close to 200,000. Moreover by the year 2011, The Bahamas is expected to have some 350,000 people with New Providence having some 250,000. There is little question that demographic forces will continue to exert themselves for some time to come.

2. Report Outline

The update would follow the format used in the 1984 study. In general, the report will include an update and analysis of the tables produced in the main 1984 report with emphasis on low income housing. No appendices would be prepared. The following is a brief discussion of the methodology and contents of each section:

2.1 Summary

The summary would be between four and five pages long and would bring together the conclusions of the study under the following headings:

- Current housing needs
- Forecast needs to 2011
- Review of factors affecting housing supply and demand, especially low income housing
- Recommendations for the future

2.2 Population and Housing Growth

Population forecasts will be based on the work done by the Department of Statistics and recent work prepared for the Ministry of Public Works in the review of the planning process on New Providence. The study will review their information and adapt it to the needs of the housing update. Forecasts for the years 2000, 2005 and 2010 will be prepared for The Bahamas as a whole and individually for New Providence, Grand Bahama, Abaco, Andros, the Bimini and Berry Islands, Eleuthera, San Salvador, and the central and southern islands. The key numbers sought will be:

- Population (Bahamian and long-term seasonal)
- Housing size
- Age of household head
- Number of households

2.3 The Existing Housing Stock B Production Since 1984

The census collects information on housing type (single, duplex, apartments), size, tenure (rental vs. ownership), facilities (toilets and running water, etc.). This data, however, applies only to the year 1990 - the last census. Information is available on building permits and occupancy permits although this is more difficult to process. Using the census material and permit and occupancy data, tables will be developed to characterize the size and nature of the existing housing stock. Housing prices and rents will be developed from sales data and interviews with realtors and others in the industry.

While, for timing and cost reasons, a full survey of the housing stock is not proposed in this study, it is suggested that as part of the study, areas known to have poorer quality housing be visited, and the extent of the situation be assessed using rapid appraisal practices.

2.4 Planning and the Supply of Land

The Department of Public Works recently completed a review of planning procedures on New Providence. This study involved a detailed review of all subdivisions on New Providence and the preparation of an estimate of the number of lots available.

For this update, the above mentioned report will be relied on as a base to assess the effect of planning policies and controls on the supply and cost of land and low income housing. On the other islands, data supplied by planning officials and administrators and the Ministry of Agriculture and Fisheries, which looks after the disposition of land in parts of the Family Islands, will be used to determine the effect of planning controls on housing supply and demand conditions.

2.5 Appraisal of Housing Finance Mechanism

The access of low/moderate income families to short/medium/long term housing finance should be assessed. Who are the principal suppliers/intermediaries? How effective is the supply? Are there any important bottlenecks? Are private sector credit institutions willing to move further down market? Does the government provide housing loans? Are these subsidized? What kind of arrears record does the government's portfolio have?

2.6 The Construction Industry

The purpose of this section is to (i) assess the capacity of the residential construction industry in The Bahamas, (ii) to determine the costs involved in building different types of and sizes of housing, especially for low income people, and (iii) to assess the willingness of and capacity of the private sector to supply housing products and services to low and moderate income families, under different scenarios. One such scenario could involve the provision of capital grant housing vouchers to lower income families. This survey is also an opportunity to understand, and perhaps mitigate, the principal risks perceived by the private sector in supplying more affordable housing. With respect to (ii), the best indicator of course is what has been done in the past and the current unit costs. Production information will have been secured through interviews with Housing officials, architects, builders and developers. Using Ministry information on current developments, a cost pro-forma will be developed for a typical small house broken down by its various components - lot preparation, servicing, imported and locally produced materials and labour and construction financing charges. This information will assist in determining if there are any opportunities for cost savings. In addition, the report will discuss whether there are significant opportunities for cost reduction in the future.

2.7 Incomes, Affordability and Low Income Housing Requirements

A fundamental issue is whether housing is affordable. That is a function of the accepted housing standard, their associated costs and the household incomes of the purchaser or renter. The cost scenarios developed above will be adjusted to include financing and utility costs to several base levels of house prices and rents.

2.8 Government Policy and Programme Review

This section will involve a review of current government programmes related to low income housing. As part of this process, Ministry staff will be asked to assist in the assembly of statistical data depicting its programmes. It will also be essential to assess as explicitly as possible the costs and benefits of existing government programmes in affordable housing. Most importantly, current forms of housing subsidy – explicit and implicit (including, interest rate subsidies and costs of government administration) -- should be quantified. Also, the targeting effectiveness of current subsidy mechanisms needs to be laid out -- i.e., are the subsidies being allocated progressively or regressively?

2.9 Housing Policy Implications B Recommended Actions

This section will bring together the findings of the above sections. Specifically it will:

- Review the state of the relationship between housing demand and supply.
- Assess the role of government has had in redressing any imbalances including reference to the provision of low cost and rental housing, rehabilitation programmes and various financing measures.
- Relate these policies to future needs.
- Suggest revisions to the policies or perhaps their administration.
- Suggest areas where the private sector can do more.
- Indicate any other key housing related areas such as environment, land-use planning, infrastructure requirements, etc. which may need attention if the required supply of housing is to be met for the various income groups.

It is anticipated that Housing Department staff would be closely involved in the work. They would assist in introducing the consultants to appropriate personnel in the country and would travel with them on inspection and survey trips. They would also assist in the collection of information and report writing. The greater the availability, the more that can be done. For example, it may be possible to commence a more complete housing condition survey.

3. Study Timing

The study could be completed within a six-month period. The work would be carried out in The Bahamas with visits to Grand Bahama, Andros, Abaco, Eleuthera and San Salvador.

4. Deliverables

The consultant will present a plan of action and a schedule of activities. This plan of action should include the methodology that will be presented to the Bank during the first week of work.

The consultant will present to the Bank a mid-term report with the results and progress of work for each of its areas by the end of the third month.

A draft final report with the results of the analysis and recommendations should be submitted for the approval of the Bank and the Ministry of Housing and Social Development within six (6) months after the initiation of the project. The final report should be submitted within two (2) weeks of receipt of the comments of the Bank and the Ministry of Housing and Social Development on the draft final report.

5. Qualifications

The consultant(s) must have a Masters degree or its equivalent and at least five years experience in Economics or any other related field.