

DELACREE PARK PHASE II HOUSING SCHEME

The Delacree Park Housing Scheme on Spanish Town Road was conceived by the previous JLP administration as a co-operative project and is based on a master plan prepared in 1968 by Shankland Cox, Architect/Planner, to utilize for this purpose lands owned by the Ministry of Housing. However, as all the lands were not then available for use, it was decided to divide the project into two phases with Phase I comprising ninety (90) units.

2. Mutual Housing Services Limited, a non-profit, non-governmental organisation involved in the promotion of co-operative housing was assigned by the then JLP Government to develop the first phase of the project on behalf of the Ministry of Housing. Construction on this first phase started in August 1969 and was completed early in 1972. This first phase, although proving an outstanding example of co-operative housing in a depressed area, was incomplete in that the community facilities which are critical to the development of co-operative housing and which were part of the master plan could not have been accommodated in Phase I of the project as much of the land was then still tenanted or occupied by squatters. It was therefore imperative to the overall objective of the project, that the remainder (Phase II) be implemented as early as possible. By this time, however, the PNP administration had come to power and it was not until 1975 before steps were taken to implement Phase II of the project.

3. On March 25, 1975, a letter of understanding was signed between the then Minister of Housing and Mutual Housing Services Limited under which that organisation would develop on the same co-operative basis Phase II of the project which would comprise 235 units with the Ministry of Housing providing total financing for the project.

Mutual Housing Services Limited engaged the services of Quantity Surveyors who later entered into negotiations with Marley and Plant Limited for a contract to construct all 235 units in Phase II. The result of these negotiations were transmitted to the Ministry of Housing and approval was given for the contract to be awarded and for

Marley and Plant to proceed with construction. The contract was signed on June 10, 1975 and work commenced thereafter. The contract provided for the construction of 235 units as follows -

136 Single Storey two-bedroom units

56 two-storey two-bedroom units

39 two-storey three-bedroom units

4 Shops with living accommodation

4. From the outset, the construction of Phase II of the project was plagued with difficulty. Much of this was due to the fact that political forces took virtual control of the work site, and made efficient performance of the contract impossible. It is apparent that the contractors were never allowed any control or discretion over the persons who were recruited on the site or even over the numbers of such persons. Indeed, what transpired on this phase of the project is nothing short of a scandal. The contractors were forced to use workers supplied by political activists who were themselves placed on the contractors' payroll as "liaison officers". Large numbers of persons were placed on the payroll although they did no work and, in many instances, could never be found on the site. The general chaos and indiscipline which prevailed resulted in numerous incidents of violence in which eight persons were killed, vandalism and largescale theft of materials. This, in turn, resulted in the site being closed on several occasions.

5. The contractors made numerous representations to the Ministry of Housing pointing out that they had no control over the recruitment of labour or even the expenditure of funds on the project, insisting that this was a highly unsatisfactory arrangement and warning that the ultimate consequence would be major cost and time over-runs. It was subsequently decided to appoint a Management Consultant to be responsible for the employment and control of site labour. A company known as E.C. & M. Ltd. was assigned to the project at a rate of \$4,000 per month, to be advanced by the contractors and reimbursed by the Ministry of Housing. The principal of this company is

Mr. Derryck Webb who is a PNP Councillor for the constituency within which the project falls and who in the recent elections was the unsuccessful PNP candidate in the constituency of South East St. Mary. Up to November 30, this company had been paid a total of \$176,000 as a result of this arrangement. It is also worthy of note that E.C. & M. Limited was also engaged on the project as electrical contractors for which services they have been paid a total of \$200,901.74 up to November 30, 1980.

6. The contractors subsequently made representations that on the basis of the terms of the contract, they were being placed in a loss position in view of the circumstances in which they had been required to operate. As a consequence, the Ministry of Housing decided to amend the contract and to place it on a cost-plus basis. It was also decided by Mutual Housing Services Limited that a firm of Accountants would conduct an audit of the contractors' books at the time of this change so as to determine the level of overhead expenses attributable to the project and on completion of the contract a further audit would be conducted to determine the actual level of overhead expenses on which final payments would be made.

7. The original estimate of the cost of construction, as set out in the contract, is \$2,566,413.83. This figure included the cost of constructing four shops with living accommodation which have since been omitted from the project. In January 1980, the Quantity Surveyors indicated that had the project been carried out under normal conditions (i.e. after allowing for additional costs due to inflation and an extension of eight months to the contract period) the final cost of construction would have been \$3,201,402.00. It is therefore interesting to note that up to December 31, 1980, the total amount spent on the project is \$8,370,295.17. This represents a cost over-run to date of \$5,803,881.34 which does not include the cost of land. Consultants' fee amounts to \$790,668.34. It is now projected that the total cost of construction when completed will be \$10.2 m.

8. On assuming office in November 1980, (the new Minister of Construction) held a number of meetings with the contractors and Mutual Housing Services Limited with a view to instituting the necessary steps to ensure that the project is completed at the earliest possible time and at the least additional cost. It was decided that the management services of E.C. & M. should be immediately terminated as they were performing no real function on the project. Instructions were given to the contractors that all workers who were being paid without doing any work were to be dismissed immediately and the contractors should assume full control over the recruitment of labour. Arrangements were made for police and military security to enable the work to proceed in an orderly and productive basis. As a result of these measures, it is now expected that the project will be completed by mid March, 1981.

9. The difficulty which has to be addressed relates to the disposal of the units. It had not been possible to fix any firm selling prices because of the continuing over-expenditure on the project and the prolonged uncertainty as to when the project would be completed and what the final cost would be. On the basis of the current projected final cost of \$10.2 m., the selling prices of the units would be as follows -

Single storey two-bedroom	- \$38,512	(to be partitioned by purchaser)
Two Storey two-bedroom	- \$48,942	(Convertible to 3 bedroom) 2 Floors
Two Storey three-bedroom	- \$56,965	(Convertible to 4 bedroom) 2 Floors.

At these prices and under the mortgage arrangements permitted in the Letter of Understanding with Mutual Housing Services Ltd., the monthly instalments on these units would have been as follows -

	<u>25 yrs @ 8%</u>	<u>35yrs @ 8%</u>
Single Storey - two Bedroom	\$289.64	266.54
Two Storey - two Bedroom	\$368.49	339.10
Two Storey - three Bedroom	\$428.09	394.36

This would undoubtedly have placed the houses beyond the capacity of

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the low-income earners within the area for whom they were intended. In addition, while it would be grossly unfair to expect them to pay normal mortgage instalments based on these prices which far exceed the real cost of construction, it would be even more unfair to expect the taxpayers to withstand the unnecessary and unjustifiable portion of the expenditure which has been incurred on this project. The Government is therefore considering new mortgage arrangements which would make it possible for the houses to be offered to prospective members of the cooperative on concessionary terms while still ensuring ultimate recovery of a reasonable portion of the total amount of public funds expended on the project. In doing so, the Government is giving consideration to the following -

- (a) extending significantly the mortgage period so as to reduce the monthly instalments;
- (b) reducing the rate of interest to a minimal level to further reduce the monthly instalments and to protect the purchaser/member from the consequences of an extended mortgage period (i.e. slow build-up of equity and high repayment levels);
- (c) providing a subsidy of 20% to be applied as an interest subsidy over a portion of the mortgage period; (this was applied in Phase I of the Scheme);
- (d) escalating periodically the mortgage payments so as to reduce the monthly instalments in the early years and to peg them to a realistic assumption of future increases in income levels..

10. A new problem of vandalism and **stripping** of the units has arisen, despite efforts to secure the Site. This temptation will continue to plague the Scheme until the occupants are put in possession. The decision to implement this repayment strategy and place applicants in the Scheme is therefore a matter of urgency.

11. It is the hope of the Government that by offering these unique mortgage arrangements, it will be possible to bring the

houses in Delacree Park Phase II within the reach of the low-income earners in the area without being left to bear the full consequences of the atrocities committed by others on the project.

MINISTRY OF CONSTRUCTION (Housing)

26th January, 1981.