
ACCOMMODATION OPTIONS FOR COMMISSION STAFF

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Paper prepared by the Secretariat

Introduction

1. The present paper reviews options for accommodating Commission staff in Pohnpei. Four options are presented for consideration by Members. Advice and guidance is sought in relation to the preferred option for accommodating Commission staff.

Option A – rent from the available rental market

2. A survey of available rental accommodation was commissioned by the Secretariat in October 2005. A range of two and three bedroom apartments and houses ranging from 1,200 to 2,200 sq. ft. were inspected with a view to Commission staff leasing them.

3. Rentals ranged from US\$650/month for unfurnished 2-bedroom apartments, US\$800/month for furnished 2-bedroom apartments, US\$1,000/month for furnished 3-bedroom apartments, and US\$800-1,800/month for a range of furnished or unfurnished houses.

4. The conclusion of the survey, appended at **Attachment A**, was that there is a scarce supply of suitable executive-style accommodation for either single or married Commission staff. In addition, there was little evidence that landlords were renovating their rental dwellings in an attempt to attract Commission staff as tenants.

Option B – secure additional public land from Pohnpei State and fund the building of houses and facilities from voluntary contributions by Commission Members.

5. In October 2005 the Secretariat informally approached the Pohnpei State Government to determine the likelihood of being allocated additional public land for the Commission's housing.

6. While the Pohnpei State Government extended considerable effort to explore options it is unlikely that additional public land suitable for the Commission's housing needs will become available in the short term.

7. The Commission will recall that the Pohnpei State Government has provided 14,000 sq. m of public land on which the new headquarters building is being constructed.

Option C – negotiate a long term lease(s) for housing with a private landowner(s) who could then use the lease to negotiate a financing package from a local bank.

8. Established Pohnpei builders estimate the costs of construction for houses and apartments in Pohnpei at US\$65-105 per sq. ft - depending on the quality of building materials, fixtures and fittings. A four bedroom executive-style house was estimated to cost US\$180,000 to build. A three bedroom executive-style house was estimated to cost US\$140,000. A two-bedroom duplex (i.e. two 2-bedroom apartments side-by-side) was estimated to cost US\$110,000 for each apartment.

9. Two commercial banks are established in Pohnpei. Both offer similar lending terms for residential housing loans. The current interest charged is 15% annually. The standard loan repayment period is 10 years. The FSM Development Bank also offers loans to FSM citizens. The Development Bank’s current loan terms are 9% for a maximum of 25 years. All banks generally require that the borrower is capable of providing 20% equity prior to considering a loan application.

Table 1. Monthly loan repayment schedules and total interest paid based on principle and interest repayments for a loan from Pohnpei financial institutions.

Schedule	Monthly repayment @15%, 10 years	Total interest payable	Monthly repayment @9%, 25 years	Total interest payable
Principal (US\$)				
180,000	2,904	168,483	1,510	273,166
140,000	2,258	131,042	1,174	212,462
110,000	1,774	102,962	923	166,964

10. If a land owner has no other source of income to service their loan they would expect the monthly payments by the tenant to cover their monthly commitments to the financing institution.

11. Even for a relatively small loan from a commercial bank the monthly repayment for principal and interest is a significant financial commitment – and, if it was to be serviced entirely from rental paid by the Commission, would make expensive staff housing.

12. In addition, if local landowners were to consider negotiating a loan with a Pohnpei-based finance institution to construct accommodation for the Commission both the landowner and the institution would expect a long term rental commitment from the Commission.

13. New housing is likely to suit the requirements of the Commission in the short to medium term. However, unless maintenance is undertaken regularly housing may deteriorate to a standard that is inferior to new accommodation that may subsequently be constructed in Pohnpei. A long term contract with a local landlord, may, in the event of a deterioration of the standard of that rented accommodation, mean the

Commission could not re-locate to new accommodation without difficulty. Thus staff contentment with accommodation could deteriorate.

14. In addition, at the monthly rental level required to service loans of this nature, staff would be paying considerable rentals such that the attractiveness of subsidised accommodation, as one means to attract staff, would be jeopardised.

Option D – secure a long term lease(s) from a private landowner(s) and fund the building of houses and facilities from voluntary contributions by Commission Members.

15. The development of a vacant parcel of land, in a small community or compound type arrangement, offers several advantages for the Commission. Subject to sufficient funds being available, it allows the Commission to control its own housing construction schedule, housing design and standards, maintenance, security, and amenities.

16. Table 2 presents an indicative cost schedule for the Commission to finance its own accommodation to satisfy the Staffing Schedule presented at WCPFC/Comm.2/19 (Attachment C) and based on the approximate costs presented above at paragraph 8.

Table 2. The Commission’s forecast accommodation needs (providing a nominal amount for increased construction costs in later years).

Anticipated Requirement	2006	2007	2008	2009	2010
4 bedroom	180,000				
3 bedroom	280,000	280,000	140,000	150,000	150,000
2 bedroom apartment/duplex		220,000		230,000	
Total	460,000	500,000	140,000	380,000	150,000

17. Over a 5-year time frame, and at a total estimated cost of US\$1.63 million, this would provide the Commission with one residence for an Executive Director, seven residences for professional married staff with children and four 2-bedroom apartments for single staff, married staff without children or visiting consultants, etc.

18. Table 2 presents the estimated costs associated with construction of houses only. It does not provide for other costs associated with establishing a residential compound on undeveloped land. As a result, the costs of installing services: roads, power, water, boundary security and preparing the site would be additional costs. It will be necessary to employ a professional to undertake this costing. However to develop a 6-10,000 sq. m parcel of land site preparation costs will range from US\$250,000 to US\$750,000 depending on land topography, drainage requirements, etc..

19. The draft Staff Regulations provide that the Commission will subsidise staff by 75% of the average rental for standard executive style accommodation. Based on the October survey of available rental accommodation in Pohnpei, the standard of accommodation that could be built for the Commission would attract a monthly rental of US\$1,800 for the 4 bedroom dwelling, US\$1,200 for the 3-bedroom houses and US\$1,000 for furnished apartments.

20. The 4-bedroom house would be reserved for the Executive Director and so, based on current terms and conditions for employment for the Executive Director, the Commission would not recover rent for that house. Based on the occupants paying 75% of the assessed market rental for the dwellings, for the 3-bedroom houses, the Commission would recover US\$275/month. For the 2-bedroom apartments, the Commission would recover US\$250/month (Table 3).

Table 3. Estimated annual income generated by Commission-owned housing (without annual cpi or other related adjustments)

Anticipated Requirement	2006	2007	2008	2009	2010
4 bedroom					
3 bedroom	6,600	13,200	19,800	26,400	33,000
2 bedroom apartment/duplex		6,000	6,000	12,000	12,000
Total (100% occupancy)	6,600	19,200	25,800	28,400	45,000

21. On issue in relation to this option concerns the term of the lease of private land in Pohnpei. At present, Pohnpei land legislation only provides for a maximum of a 25-year lease of private land that will not be used for commercial purposes¹.

22. As a result, there is a risk that the landowner could elect not to re-new the Commission's lease on expiry of the initial 25-year term. Although it is difficult to forecast the demand for rental housing in Pohnpei in 25 years time, under present demand conditions, this would be unlikely to happen because the rental demand pool is relatively small. An option, to secure a longer term arrangement, would be to re-negotiate the lease for a term beyond the 25 year expiry prior to the conclusion of the initial lease.

23. This option, or variations of it, is similar to the arrangement in place, or currently being considered, by diplomatic missions based in Pohnpei.

Discussion

24. Accommodation for staff is one of the critical issues challenging the successful establishment of a stable, professionally staffed and productive Secretariat in Pohnpei.

25. During October and November the Secretariat supported a public relations program inviting local landowners and entrepreneurs to meet with the Secretariat to discuss the Commission's immediate and long-term housing requirements. A high level of interest was generated by this campaign – almost all of it in respect of undeveloped land – no established accommodation.

26. Unless the Commission can provide secure, comfortable, executive style accommodation families will be unsettled and the Commission will be faced with the

¹ It is reported that there has been some discussion about amending this legislation to align the term with that which is provided for public land – 55 years. This is being proposed to encourage investment. The Commission has entered into discussions with the Pohnpei State Government in an effort to secure some concession for inter-governmental agencies, such as the Commission, based in Pohnpei.

prospects of a high staff turnover. Aside from the impact on the Secretariat's productivity, the costs associated with a high turnover of staff will be significant.

Guidance

27. The Secretariat seeks guidance from members on next steps to secure suitable accommodation for Commission staff.

28. The Secretariat's recommendation is to establish a Housing Fund within the Commission, encourage voluntary contributions from Members to the Housing Fund and negotiate a long-term lease for vacant land with local landowners with the objective of developing a purpose-built housing complex for Secretariat accommodation.

**A REPORT
ON THE
POHNPEIAN RENTAL
HOUSING MARKET**

**Prepared
for the**

**WESTERN AND CENTRAL PACIFIC
FISHERIES COMMISSION**

By

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Introduction:

The Western and Central Pacific Fisheries Commission is in need of housing for its staff and desires to obtain information on what may or may not be available on Pohnpei. A consultancy was offered to undertake a survey of the Pohnpei rental housing market. The consultant has been resident in Pohnpei for almost 20 years.

The terms of reference for the survey required the consultant to determine the availability, or planned construction of, 2, 3, and 4 bedroom rental houses or apartments. Considerations were to include security issues, neighborhood, building conditions, cleanliness, availability of services such as trash collection, power, water, phone connections, and cable TV, areas for parking, and responsibilities for ground maintenance.

Recognizing that suitable housing may not be available on Pohnpei at present, the terms of reference required the consultant to make for recommendations on possible options to allow the Commission to meet its needs for adequate accommodations.

Discussions were held with most of the individuals/business that have commercial housing for rent, and with several private individuals who have single homes for rent. During these discussions it became clear that currently there is no housing available that would be suitable to meet the Commissions needs.

The following information summarizes the findings:

Current availability:

Over the past few years a relatively large number of housing units for rent have been built by several individuals/businesses. In addition, a number of private individuals have built houses that they then offer for rent. Currently there is a large number of one and two bedroom apartments as well as a large number of two and three bedroom houses, and a few four bedroom houses available. Overall there is a large number of house and or apartments currently available to be rented or leased.

However, very few, if any of these units are of a quality that would be equal to "executive-style" housing. Some may come close to that standard, and with extensive renovations, they may even become acceptable. Currently within the Etscheit housing compound a house is being renovated to house the President of the FSM, and another is being renovated to house a member of the Chinese diplomatic community.

While a large number of rental units have been built, at present there are virtually no rental houses available and there are no plans to build any new units in the foreseeable future. Virtually all of the commercial rental units are either occupied or reserved. There are probably a few private houses available for rent but all of them will be located near or among other local homes and will not be very secure.

Security:

Security must be a major consideration, especially if one is expected to be away from home for extended periods on business. In general privately owned rental houses are

not very secure. They are usually in crowded areas where there are a lot of individuals constantly entering and leaving the area. There is virtually no control of the comings and goings.

Over the years there have been quite a few "break-ins" where people, usually young males, enter a home, private or rental, looking for money, booze, food, clothing, or any small item that might have some value. The recovery of lost items has been virtually nil and there have been very few arrests. While this is not a major problem (the occurrence rate is quite small) it is a problem.

Probably the most secure commercial rental housing would be the Etscheit housing compound. This area is enclosed by a high chain-link fence and there is only one road into the area. Access via this road is thru a gate that has a guard stationed there 24 hours a day. In addition, there is a second guard that patrols the housing area during the night. While the Panuelo commercial housing area is somewhat secure, it is not nearly as secure as the Etscheit housing. The Panuelo area has unrestricted access at all times. As noted above, in general, private rental housing is the least secure.

Neighborhood/Location:

Most of the commercial rental housing is located in "compounds". The Etscheit housing compound is spread over a large area, with, in general, large yards and other open areas between the houses. This provides some level of privacy. Within the Panuelo compound, on the other hand, the houses are farley close together - most within 40 to 60 feet of each other. There is very little privacy within this area. Both of these areas are generally clean and well maintained. Private rental housing is located all around the island and in most cases only one house is available at each location. Some of these houses are in somewhat isolated areas and so have some privacy, but most are located near or within a number of privately owned homes, and so have virtually no privacy.

Rental housing conditions:

In general, all most all rental housing, both commercial and private, are old and they show it. Most of the commercial rental homes have been renovated several times and those that have been recently renovated are in pretty good shape (for Pohnpei). Most of the private rental homes are in much poorer shape.

All commercial rental housing have adequate areas for parking several cars. While most private rental houses also have adequate parking areas some do not.

In general, all home owners and renters are responsible for the maintenance of the areas around their homes. There are a number of individuals that hire out for yard work and most are fairly reliable..

Services:

All commercial rental housing has access to all standard services - water, power, phone, cable TV. Most of the private rental housing within a few miles of Kolonia have access to the same services.

Most people, in both private and rental housing, take their own trash to the dump, located near the airport. However, there is a trash collection service available but they charge a hefty fee. One way to approach this high fee would be for a number of houses in the same area to contribute to the service.

Possible options:

As there are currently no, or very few, rental houses available, the only real option is to build or have built, new houses. This has the advantage of insuring the new units meet the required standards for adequate housing.

One option would be for the Commission to lease private or public land (25 year leases are available under what is called a Development Least Agreement) and then try to obtain funds from member governments to construct the needed housing. The main drawback here is that the Commission may be unable to get the required level of funding.

A better option would be to work with a local landowner or owners and have them obtain a loan, probably thru the FSM Development Bank (several people stated the current loan rates from the Development Bank are around 9%) and have them construct the needed housing. The Commission would guarantee to lease the housing for a 25 year period and this would make it easier for them to get their loan. The Commission could insist that it have a significant input on the housing standards, prior to and during construction, to insure the housing meets the Commissions needs.

The Etscheit housing compound is a good example of what could be constructed and they would probably be the best ones to approach first. They have access to several large areas of land in several locations in and around Kolonia. Ron Etscheit expressed a strong desire to work with the Commission to help them acquire the needed housing.

Another very good location is just past the complex for the Australian Embassy personnel. This area is owned by Senator Feliciano M. Perman, who is Ron Etscheit uncle, and he also expressed a strong desire to work with the Commission.

Nanet Panuelo also expressed a strong desire to work with the Commission on supplying its housing needs. She stated they have a large area of land, near Alex Panuelo's Store that could be used for constructing the required housing.

Most of the people who provided information for this report, all expressed the opinion that housing suitable for the Commissions needs could be constructed, based upon current costs, for around \$120,000 to \$150,000 for a two or three bedroom house and around \$160,000 to \$200,000 for a 4 bedroom house that would be suitable for entertaining and/or other functions.

Included with this report are 20 digital pictures along with a list describing each picture. These pictures are of three examples of typical rental housing - both exterior and interior shots - along with the area around each house².

² To reduce the size of the emailed document these photos have not been included here. They are available to view at the secretariat on request.