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Chambers Ireland's Submission to the Department of Housing, Planning and Local Government on the Review of the Rebuilding Ireland Housing Action Plan for Housing and Homelessness

August 2017

Chambers Ireland welcomes this review of the Rebuilding Ireland Action Plan for Housing and Homelessness and the commitment shown by Government in attempting to tackle the issues of housing shortages and homelessness.

Chambers Ireland is the largest business network in the State. Through our network of local chambers representing businesses in every geographic region and economic sector in Ireland we are well positioned to understand the concerns of Irish businesses and represent their views. We are pleased to have the opportunity to inform this consultation process and look forward to further engagement with the Department of Housing, Planning and Local Government in the future. This submission has been formulated with our Chamber Network and our national policy councils, which represent the Chambers and their member companies.

The housing crisis is a major issue for both Ireland's society and economy. The lack of supply of housing greatly threatens Ireland's competitiveness and future economic growth. The housing crisis is having a significant impact on Irish business through increased cost of living affecting wage pressures, businesses' ability to attract talented workers and high rental costs for companies located in urban areas. The insufficient supply and high cost of housing are major issues which challenge Ireland's competitiveness as we face into an uncertain and difficult period of negotiations on Brexit. The homelessness crisis is arguably the greatest societal issue currently facing Ireland. The most recent homelessness figures found that 2,895 children are currently without a home in Ireland: this will have negative implications for the children and families affected, along with their communities and our wider society.

A whole of Government approach will be required to tackle the housing crisis. Chambers Ireland participated in the consultation process in 2016 on the drafting of the Rebuilding Action Plan and we were pleased to see the initiative and commitment shown by the Department and the Government in attempting to tackle this crisis. However there has been little improvement in the housing crisis since the launch of the Action Plan in 2016 and homelessness figures continue to rise¹, while supply remains well below demand and both rental and sales prices of properties continue to increase.²

¹ [https://www.housingagency.ie/getattachment/Our-Publications/Latest-Publications/Housing-Supply-Demand-Report-2017-WEB-\(2\).pdf](https://www.housingagency.ie/getattachment/Our-Publications/Latest-Publications/Housing-Supply-Demand-Report-2017-WEB-(2).pdf)

² <https://www.daft.ie/report/2017-Q2-houseprice-daft-report.pdf>

Summary of Recommendations

- A proactive land management strategy for the country must be introduced.
- The delayed Vacant Homes Strategy must be delivered upon as soon as possible and should include measures which will both incentivise the reintroduction of vacant premises to the market and penalise failure to utilise vacant properties in the areas of greatest housing need.
- The application of Vacant Site Levy must be brought forward to disincentivise land hoarding.
- The recommendations contained in the Kenny Report (1974) on the compulsory acquisition of land should be adopted.
- The review of the Cost of Construction by the Department should be completed and its findings acted upon in an effort to lower the cost of housing currently being supplied. A reduction on development levies or other Government controlled costs should be considered if these are found to be significant factors in the high cost of housing.
- The application of overly restrictive density and height regulations in urban centres by Local Authorities must be addressed in order to facilitate large-scale housing developments within Ireland's cities.
- Over the long term, consideration should be given to the establishment of a Land Value Tax to replace Local Property Tax.
- The current review of the Help-to-Buy Scheme should be completed and should this review find that it is having an inflationary effect on the cost of new homes the Scheme should be ended.
- The Department must deliver a plan for the introduction of a Cost-Rental-Model for Approved Housing Bodies and Local Authorities.
- Strategies to facilitate greater levels of funding available to finance new housing construction must be investigated and delivered upon.
- Government must ensure that people are able to remain in their current homes by improving long term security of tenancy in the private rented market.
- Greater autonomy for Local Authorities should be facilitated in order to allow for faster planning and procurement in the delivery of housing.
- Modular or 'Rapid Build' homes must be delivered upon faster and in greater volumes.
- The Department must explore the full range of opportunities permitted under the EU's Competitive Dialogue in EU Public Procurement process in order to expedite and increase Local Authorities' housing output.
- Best practice initiatives which contribute to increased housing output by Local Authorities should be promoted by the Department and adopted across other Local Authorities where appropriate.

Q.1 Do the above objectives remain relevant and valid and are there other priorities we should also be focussing on over the medium term?

Chambers Ireland believes that the priorities and objectives outlined in the Rebuilding Ireland Plan, to address homelessness, accelerate social housing, build more homes, improve the rental sector and utilise existing housing, continue to be valid as the same issues remain in each of the 5 pillars identified at the time of the publication of the Plan in 2016. In some respects the situation is worsening and as such this review of the Action Plan is welcome, along with further commitment by the Government and the Minister for Housing, Planning and Local Government to tackle the issues not being adequately addressed by the current Plan.

Chambers Ireland takes the view that there are a number of areas where the Action Plan does not go far enough in its attempts to tackle issues contributing to housing shortages and homelessness. In particular, little has been done to tackle the number of vacant properties to be found across the country and to reintroduce this in the stock of available housing. In addition, the planning and procurement periods for the provision of housing by Local Authorities remain slow and arduous: not enough has been done to enable Local Authorities to build faster and with greater autonomy. Similarly, little has been done since the launch of the Action Plan to address the cost of land or the cost of construction.

While the goals and pillars outlined in the Action Plan continue to be relevant, challenges remain and consideration should be given to introducing new measures to the Plan which aim to increase the supply of housing and prevent any increase in homelessness.

Enhanced land use and active land management are vital if we are to ensure a steady supply of development ready locations for housing to be built upon in as timely a manner as possible. This must be a priority of the affected Local Authorities and the Department. Proactive land management is essential in ensuring that there is a continuous pipeline of development ready land available for development and should provide a governing structure for the use of sites in public ownership.

The Department of Housing, Planning and Local Government must work in collaboration with other Departments on the complex issue of housing, and utilise all policy measures to alleviate the housing crisis and increase the supply of housing onto the market. In particular, coordination of strategy and planning must occur between the Department of Housing, Planning and Local Government and the Department of Finance. Tax policy is an important tool of Government in incentivising certain actions and discouraging others. We must have joined up thinking across all departments if we are to tackle the enormity of the housing crisis. Tax policy must be aligned with the goals of the Department of Housing in aiming to increase the supply of housing on the market as much as possible.

Q.2 What further action should now be considered in order to prevent homelessness, to find more permanent solutions for those in emergency accommodation and to help individuals and families to remain living in their own homes?

As the number of people entering homelessness continues to increase, keeping people in their current homes must be a priority in housing policy.

The Department's consultation document for this review outlines that there were "3,000 sustainable exits from homelessness during 2016"³. This figure hides the ever increasing number of people entering homelessness, many for the first time. According to Focus Ireland "the number of families becoming homeless has increased by over 25% since May 2016. One in three of those in emergency accommodation is now a child".⁴

Long term security of tenancy remains an issue and requires a policy response in order to prevent further increases to the number of people being forced into homelessness in Ireland. Focus Ireland has recently highlighted that "the overwhelming number of families becoming homeless had their last stable home in the private rented sector, and the crisis in this sector is the immediate cause of their homelessness – landlords selling up or being repossessed". Security of tenancy is a major factor contributing to homelessness and also adding to demand pressures in the private rented sector.

Restrictions on the eviction of tenants in the case of the sale of properties should be put in place to prevent forcing more people into homelessness. This could be done through amending the Residential Tenancies Act (2014) to remove sale of property as grounds for termination of tenancy. Government must ensure that existing tenants are permitted to remain in homes until the end of their lease and have security of tenancy where landlords are in receivership or where landlords are private equity funds.

In addition to this, expediting the planning and construction of modular build homes would increase housing provision for the homeless and offer alternatives to emergency accommodation for families in particular. Modular, or "rapid-build", homes have been delayed in the planning and procurement stages and have missed repeated deadlines for construction over the past two years. Recent reports suggest that less than 50 "rapid-build" homes will be completed in three Dublin councils by the end of this year⁵ and that to date just 22 of the 1,500 homes promised in the rapid-build programme have been completed.⁶ In reviewing the Action Plan, consideration should be given to how modular homes can be delivered upon faster and how the output of modular homes can be increased.

³ http://www.housing.gov.ie/sites/default/files/public-consultation/files/2017-07-20_information_note_for_public_consultation_on_ri_review_0.pdf

⁴ <https://www.focusireland.ie/resource-hub/homeless-figures/>

⁵ <https://www.irishtimes.com/news/social-affairs/dublin-councils-will-fail-to-meet-rapid-build-homes-target-1.3178766>

⁶ <https://www.irishtimes.com/news/social-affairs/rapid-build-homes-key-to-social-housing-says-eoghan-murphy-1.3171737>

Q.3 What further action should be taken to increase both the scale and speed of delivery of Social Housing? Are there new delivery models or mechanisms to accelerate output?

The planning process for developing new housing by Local Authorities remains slow and arduous, in where several layers of approval required at departmental level cause delays and issues in the construction of social housing. Greater autonomy for Local Authorities in the planning and procurement stages would enable Local Authorities to speed up the delivery of social housing.

A proactive land management strategy for the country must be introduced and should be encompassed within the Action Plan. The proactive management of land is required to ensure that there continuous availability of building land for social housing by Local Authorities and Approved Housing Bodies (AHBs). Proactive land management is essential in ensuring that there is a continuous pipeline of development ready land available for development and should provide a governing structure for the use of sites in public ownership.

The Department must explore the full range of opportunities permitted under the EU's Competitive Dialogue in EU Public Procurement process in order to increase Local Authority housing output. The aim of this procedure is to enable the affordable and timely implementation of complex infrastructure projects by member states while complying with EU procurement and environmental directive requirements.

Best practice and innovative initiatives which contribute to increased housing output by Local Authorities should be promoted by the Department and adopted in other Local Authorities where possible. We must acknowledge successful strategies and seek to replicate and build upon them.

The recommendations contained in the Kenny Report (1974), in particular that land suitable for building may be compulsorily acquired by local authorities for a cost no more than 25 per cent above its zoned value should again be considered given the rapidly increasing prices of building land.

Q.4 What additional initiatives or policy tools can best activate housing lands and deliver new housing supply to buy or rent at more affordable levels?

Figures from the Housing Agency indicate that in that 14,932 completions were recorded in 2016, an increase of 18% on the previous year.⁷ The Construction Industry Federation estimates that the level of new residential completions for 2017 will be in the region of 18,000 units and should increase to approximately 20,000 units in 2018.⁸ While these figures indicate a significant increase in construction when compared to 2015 levels, it remains is nowhere near the level of new housing stock currently required to meet demand: the Housing Agency estimates that 81,118 homes are needed by 2020 and that at a minimum of 25,000 new units each year for the next 5 years to meet presenting housing demand, which matches the Department's figure on required completions.⁹

At the same time, the Society of Chartered Surveyors Ireland estimates that the cost of construction of a typical three-bedroom semi-detached house in the Greater Dublin Area is €330,000.¹⁰ The CSO now puts the average price of a house in Ireland at €258,544 and €401,890 for a house in Dublin.¹¹

It is clear that not enough of the right kind of homes are being built at the right price.

The cost and availability of land are major factors in the high cost and low supply of housing. Land hoarding is contributing to a low supply of land for development, with demand driving prices higher. In the medium and short term more must be done to address the availability and cost of land for development. Chambers Ireland has previously called for the Vacant Site Levy to be brought forward and we reiterate this recommendation here as a means to increase the supply of land through disincentivising hoarding.

As highlighted above, the recommendations contained within the Kenny Report (1974) would go some way to addressing the cost of land and must be re-examined and implemented.

Vacant properties remain an issue and there has been little policy action taken to tackle this key pillar. Vacant properties have the potential to increase supply in the more immediate term and the Department must focus on how to incentivise and facilitate the restoration and return of vacant properties to the housing market. The Vacant Homes Strategy must be delivered upon as soon as possible and should include measures which will both incentivise the reintroduction of vacant premises to the market and penalise failure to utilise vacant properties in the areas of greatest housing need.

Similarly, we hope to see the review of the Cost of Construction completed in as timely a manner as possible so that the Government can begin to take action on lowering the cost of new homes and attempt to increase housing output by the private market. If in line with the findings of this review, consideration should be giving to introducing incentives for the construction of new homes. This may take the form of a temporary relief on development levies for or some such measure that would incentivise the construction of new builds in the right locations.

⁷ [https://www.housingagency.ie/getattachment/Our-Publications/Latest-Publications/Housing-Supply-Demand-Report-2017-WEB-\(2\).pdf](https://www.housingagency.ie/getattachment/Our-Publications/Latest-Publications/Housing-Supply-Demand-Report-2017-WEB-(2).pdf)

⁸ <https://cif.ie/2017/07/31/construction-industry-will-complete-18000-homes-year-help-buy-scheme-beginning-deliver-supply-first-time-buyer-market/>

⁹ <http://rebuildingireland.ie/build-more-homes/>

¹⁰ https://www.scsi.ie/documents/get_lob?id=1136&field=file

¹¹ <http://www.cso.ie/en/releasesandpublications/in/rpppi/revisionstorpjijune2017/>

Overly restrictive density regulations in urban centres are stymieing developments on a larger scale. The application of overly restrictive density and height regulations in urban centres by Local Authorities must be addressed in order to facilitate large-scale housing developments within Ireland's cities.

Over the long term, consideration should be given to the establishment of a land tax that is based on land value to replace Local Property Tax. As the market value of a parcel of land increases, the rate of tax that applies on disposal increases, thus encouraging a "use-it-or-lose-it" approach to land ownership. This incentivises the release of development land when the market needs it.

In the absence of increased supply, incentivising increased demand for housing should be avoided and is likely to have inflationary impacts on the cost of housing. The current review of the Help-to-Buy Scheme must be completed in a timely manner, and should this review find that it is having an inflationary effect on the cost of new homes the Scheme should be ended.

Strategies to facilitate greater levels of funding to finance new housing construction must be investigated and delivered upon. It is evident that the private construction industry is underperforming in terms of delivery and difficulty in accessing loan finance may play a part in this issue. The Department should review and identify issues related to accessing finance in the delivery of homes and large-scale housing developments.

Q.5 How can we encourage increased supply of rental accommodation and foster a sustainable sector that meets the needs of all tenants across the different rental market segments?

The Department must deliver a plan for the introduction of a Cost Rental Model for wider housing provision by Local Authorities and AHBs as previously recommended by the NESC.¹² The development of a new Cost Rental model would create an alternative to social housing in the provision of secure rental accommodation for low-income households that would ordinarily not qualify for social housing, but are vulnerable to private rental increase shocks. Increased pressure on the rental market is forcing more people onto social housing lists who in normal market conditions would not qualify for social housing. A Cost Rental model would allow for more income categories to find long-term housing solutions without increasing the pressures currently facing the social housing and homelessness services.

As highlighted above, long term security of tenancy is an issue and requires a policy response. Security of tenancy is a major factor contributing to homelessness and also adding to demand pressures in the private rented sector, where prices continue to rise. Unstable prices and a lack of long term security of tenure make renting in Ireland an unattractive option for many. This must be addressed through policies which will provide greater certainty for tenants and make renting long-term a viable and attractive option.

Q.6 What further actions should be taken to identify, target and encourage the greater use of existing vacant properties for both social and private housing purposes?

Increased provision of specially developed homes and communities for the elderly by Local Authorities and AHBs has the potential to deliver more second hand homes to the market. Downsizing should be encouraged in Government policy and through the provision of well-planned and strategically located communities with adequate supports for the elderly. There needs to be clearer departmental leadership on a strategy which would encourage and facilitate older people to downsize into properties which better suit their needs, and which would simultaneously free up larger homes for occupation by families. Some Local Authorities have already completed high-quality initiatives in the provision of housing for the elderly and such schemes should be promoted by the Department and used as a model for adoption in other areas.

According to CSO 2016 census data, in 2016 there were 183, 000 vacant homes in Ireland in 2016.¹³ The delayed Vacant Homes Strategy must be delivered upon as soon as possible. This Strategy should include measures which will both incentivise the reintroduction of vacant premises to the market and penalise failure to utilise vacant properties in the areas of greatest housing need. Vacant properties are a major issue facing cities, towns and villages and given the vast number of such properties they would go some way to increasing housing supply were there significant developments made in incentivising their return to the market.

¹² http://files.nesc.ie/nesc_reports/en/138_Social_Housing.pdf

¹³ <http://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/vac/>