



Submission of Chambers Ireland to the Committee on Housing and Homelessness

Chambers Ireland is the largest business network in the State. With members in every geographic region and economic sector in Ireland, we are well positioned to understand the concerns of businesses and represent their views.

This submission has been formulated in correspondence with our Chamber Network and national policy councils, which represent the Chambers and their member companies across a variety of industry sectors in all regions, and including businesses of all sizes.

The lack of supply of housing has now become possibly the single greatest threat to Ireland's socio-economic development. Young people cannot afford to raise families while paying excessive rent charges, workers' cannot find accommodation within reach of their workplace and only the very wealthy can afford home ownership. This lack of housing supply is no longer only a social issue, it is now impacting our overall economic performance. The lack of supply in the private housing market is driving higher wage demands, and making it difficult for companies to find accommodation for their employees, particularly hindering FDI. The consumer spending necessary to support the domestic economy is being impacted as households spend a disproportionate amount of their income on housing costs. The National Competitiveness Council recently recognised supply of housing as a major challenge to the continued competitiveness of the Irish economy.

Chambers Ireland welcomes the Committee's strategy of taking a broad approach to addressing the issues of housing and homelessness. Housing and homelessness are policy areas that cannot be effectively addressed piecemeal. The issues of housing and homelessness need to be examined in their totality and any proposed measures to address problems in these areas must be holistic.

- (i) Chambers Ireland welcomes the creation of the new Department of Housing, Planning and Local Government and believes that an increased emphasis on housing at departmental and ministerial level is a move in the right direction. We believe however, that in order for this Department to have an impact on the housing crisis it must be empowered to take on a range of policy areas and work in collaboration and coordination with a host of other Departments, such as the Department for Finance and the Department for Social Protection to name just two. Decisions on housing policy cannot occur in isolation and must encompass a broad range of policy areas and actors. The housing crisis will not be solved by looking at social housing on the one hand and private-rental accommodation or mortgage arrears on the other. All factors and sectors of housing must be taken into account in developing a solution to this crisis. There are currently 12 Government agencies involved housing policy. These range from The Central Bank and various Government Departments, to An Bord Pleanála. There are then further peripheral organisations and agencies that have an interest and role in housing policy, adding to a lack of coherence in policy development and a lack of focus on how to resolve the current shortages. The new Department for Housing, Planning and Local Government must establish greater policy coherence at a national level and be the single overarching body which links all these disparate agencies together. This Department must be given a mandate to operate across other Departments on a broad range of policy issues which impact on housing, from taxation to planning, in order to focus on alleviating short term issues and planning for long term housing solutions.
- (ii) There is a need for an Action Plan for housing to be implemented as soon as possible (drafted and published within the first 100 days of the new Government). This plan should set key targets and implementation deadlines, with clear oversight and implementation laid out for each target and accountability for actions for all stakeholders. This Plan should include regular review mechanisms and performance reports on a quarterly basis. Both short term solutions and long term goals in housing delivery must be covered in the Action Plan in order to lay the foundations

for a balanced housing system for Ireland which is not prone to crises such as we are currently experiencing.

- (iii) The overriding priority for Government policy must be on increasing the supply of housing to the market. Ireland needs to rapidly increase the construction of the right types of dwellings, in the right locations, and at the right price. Without an increase in supply, all other policy measures proposed for implementation will treat the symptoms of our housing and homelessness crisis rather than the cause.
- (iv) In the absence of supply, demand must not be encouraged. The problems arising due to a severe shortage of supply of housing in areas throughout Ireland has been recognised for some years. Nonetheless, the supply response to pent up demand has not materialised. The number of dwellings being constructed annually is still not sufficient to meet demand. Any incentives to encourage and support demand amongst buyers will simply drive prices up. Schemes such as 'Help to Buy' will likely have very negative outcomes, both for those seeking to purchase a home, and the wider housing market. The impact of the recent Help to Buy Schemes in the UK is instructive. While a small number of people have been assisted in purchasing a home, research suggests that overall the outcomes have been profoundly negative: *"Drawing on official statistics and analysis, this research finds that Help to Buy has added around £8,250 to the average house price. In other words, it has helped a small number of people to buy, at the expense of worsening the overall affordability crisis for everyone else."*¹
- (v) An increase in housing supply in those areas most affected by a lack of housing and homelessness should be considered the priority for Government. However, we must recognise that supply alone is not the answer. In the 2006 for example there were over 93,000 dwellings constructed and yet prices still rose by close to 20%. Credit conditions and any proposed tax incentives must be prudently managed to ensure that a scenario of rapidly increasing supply is not accompanied by rapidly increasing prices.
- (vi) Consequently, we would urge prudence in any review of the macro-prudential regulations introduced by the Central Bank. Simply relaxing these regulations in the absence of increased supply will increase the number of buyers bidding on a static number of properties. As has been pointed out by various commentators, these regulations were designed to offer protection on three levels. One, home buyers are protected from taking on unaffordable mortgage debt. Two, banks are protected from the risk of over lending into a potentially over valued property market. Three, the real economy is protected from the banking sector being overexposed to the property market.² The price of housing and the scale of mortgages must bear relation to average household income levels.

¹ How much help is Help to Buy? Help to Buy and the impact on house prices

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https://england.shelter.org.uk/data/assets/pdf/file/0010/1188073/2015_09_how_much_help_is_Help_to_Buy.pdf

² <http://www.independent.ie/opinion/columnists/colm-mccarthy/relaxing-income-limit-is-bad-solution-to-a-bigger-problem-34593826.html>

- (vii) A key area of focus must be on reducing cost to build. Several independent reports have put the cost to build of a typical dwelling as being well in excess of current market prices with the exception of a small number of specific pockets within urban areas. For example, one estimate has put the cost of a three bedroom semi-detached house in a scheme of 100 units in Dublin as being in the order of €327,000.³ It is not economically viable to build at this cost, as the average price of a three bedroom semi-detached house in Dublin is still well below this level. The cost to build must be reduced in order to make increased construction a realistic proposition for developers, and to make dwellings affordable for prospective buyers.
- (viii) One of the key drivers of cost of housing in recent years has been increases in land prices. While materials costs, labour costs, development levies, professional fees and costs of finance are all significant components of the overall cost to build, the rising cost of land in urban areas has become one of the main drivers of high build costs. The high cost of land in turn is driven by the scarcity of available land in urban areas. One method of reducing high costs of land is by making more land available for development in appropriate areas. Consideration should be given to establishing a land tax that is based on land value. As the value of a parcel of land increases, the rate of tax increases. This incentivises a 'use it or lose it' approach to a scarce resource, and also incentivises the increasing availability of land to market at times when demand is increasing, thus helping to mitigate bubble effects.
- (ix) Implementation of the "Vacant Site Levy" should be brought forward to 2017. The current goal of implementing this levy in 2018 is too slow. Land-hoarding, both public and private, must be deterred immediately to increase supply to the market as quickly as possible.
- (x) There is currently a large stock of vacant land in Dublin owned by local authorities which should be re-zoned as residential where appropriate. The use of local authority owned land should be incentivised by central Government. The proposal included in the "Draft Programme for Partnership Government" on incentivising local authorities to return more vacant social housing units to use by linking exchequer funding for local authorities with better estate management performance is welcomed. Chambers Ireland hopes to see this measure implemented as soon as possible, along with the publication of performance statistics on estate management by Local Authorities.
- (xi) Local authorities are currently in the process of reviewing their development plans. These development plans should reflect the increased need for residential zoning in certain key local authorities and careful ministerial oversight should be given to these plans in review to ensure residential zoning is appropriately located in accessible areas with proximity to urban centres and towns.
- (xii) Another factor which has resulted in increased costs of housing has been increased building regulations. Increases in regulation, however meritorious their goal, result in increased costs. These costs are ultimately reflected in the sales price of dwellings. Regulations and requirements

³ http://www.wkn.ie/wp-content/uploads/2016/03/BN_conference_paper.pdf

on energy efficiency and broadband access for residential buildings for example, increase the cost of developments and are stymieing development by private investors.

- (xiii) We cannot address the housing issue without addressing transport needs. The pressure on areas with well developed transport links is not sustainable and more must be invested in increasing transport to other key urban and residential areas. Measures such as special bus corridors have the potential to increase the attractiveness of zoned residential land for development. Greater transport links to residential zones would also mean fewer requirements for car parking facilities to be provided by developers and are an effective way of reducing construction costs. Transport links would be a preferable policy measure to increase accessibility to underutilised areas rather than requiring developers to build sprawling car parks or costly underground facilities and encouraging unsustainable commuting patterns.
- (xiv) We cannot afford to add more people to housing lists and homeless services where it is possible to prevent this. The pressure facing those in the private rented or private owned sector must be alleviated to stop further increases on Local Authority housing lists and homelessness services. One such way to tackle this would be to review and reform the "Mortgage to Rent" scheme which is already in place. The current conditions of this scheme have meant that uptake has been extremely limited and many Approved Housing Bodies (AHBs) do not enter into "Mortgage to Rent" agreements given the complexity and time required to engage with banks on such plans. A review of the "Mortgage to Rent" scheme should be undertaken with a view to expanding the provision of access of the scheme to more households at risk of homelessness, and increasing the accessibility and simplicity of engaging in the scheme for AHBs and households. Similarly, a sale and leaseback scheme could be considered for those in a family home with insurmountable mortgage arrears. Such a scheme could allow for the increased protection of the family home as outlined in the draft Programme for Government and mitigate some of the impact of non-performing loans and arrears on the balance sheets of banks in whose recovery the taxpayer has a significant interest.
- (xv) Local authorities have a central role to play in planning for housing and should be encouraged to put in place Special Development Zones in their relevant Local Authorities where needed to encourage private housing developments and to expedite the often timely and unpredictable planning periods for developments local authorities should be incentivised to implement Special Development Zones (SDZs) for the fast-tracking of housing developments where appropriate. SDZs enable the streamlining of the procurement and funding approval process to allow for quicker delivery of housing. The timeframe and uncertainty of the planning process is currently a major deterrent for developers and greatly adds to delays in housing coming to the market.
- (xvi) Similarly, where the need for housing is most acute, local authorities could be encouraged greater utilisation of Part 8 of the Planning & Development Regulations 2001 for certain housing developments. This would result in faster planning and approval times for development.
- (xvii) The Draft Programme for Partnership Government outlines a plan to promote higher urban densities in terms of housing design through the forthcoming National Planning Framework. In the absence of the publication and implementation of a national plan on spatial strategy and

planning this will be hard to implement and oversee. Along with solutions to the housing crisis, the country requires a national spatial and planning strategy as soon as possible and Chambers Ireland would like to see this delivered upon in as timely a manner as possible. Increased housing supply requires increased investment in infrastructure and Ireland needs a robust National Planning Framework (NPF) to ensure that capital investment and infrastructure plans are implemented through best practice planning in conjunction with plans to tackle the housing crisis. National infrastructure policy needs to be fully integrated with an effective and ambitious national spatial strategy. The Government must focus on beginning the consultation process on the NPF as soon as possible.

- (xviii) Chambers Ireland welcomes the proposed root and branch review of the planning process. Currently the cost, length and uncertainty of this process are major deterrent factors for developers and must be addressed in order to increase private sector involvement in housing.
- (xix) In reviewing their development plans local authorities should attempt to tackle land use and intensity issues which are stifling higher-density developments in urban areas. Increasing land use and intensity involves revising overall development plans and public space planning. High density housing is required in the city centre and this should be reflected in Local Authority regulations on building height and zoning. The Society of Chartered Surveyors Ireland (SCSI) has stated that curbs on height in suburban Dublin, where development is typically not allowed above four storeys, present more difficulties for development than high-rise in the city centre. “Restricting building heights to under four storeys, while still needing lifts and basement parking, presents significant challenges for development and financial viability. This has the potential to undermine sustainable density policies,” according to the SCSI.⁴
- (xx) It is also worth implementing a review of NAMA’s business plan which would enable the agency to be more ambitious in delivering housing to the market from their stock. NAMA has the land and funding to provide more housing to the market than they currently do. Given that this agency is state owned there should also be a review of the application of how Part V is applied to NAMA. Currently, AHBs cannot buy the social housing developed under Part V from NAMA; AHBs can only lease these properties from the Agency. This should be changed and the social housing stock requirement for NAMA-built-developments should be higher than the current 10%.
- (xxi) We must acknowledge the stronger role of Approved Housing Bodies as part of the solution to the housing crisis. The current stock of social rented housing in Ireland is roughly 9% of the total housing stock, making it significantly lower than the EU average of 17%⁵. Social housing delivers greater predictability and stability in housing, especially where the market has failed, and there must now be a focus on increasing the social housing stock of Ireland. Approved Housing Bodies offer expertise in housing and community planning and should be facilitated in increasing their housing supply as alternatives to Local Authorities, which cannot be expected to meet the current social housing demands in isolation. Housing policy should reflect AHBs as a main

⁴ <https://www.irishtimes.com/business/commercial-property/barely-scraping-the-sky-why-dublin-s-tallest-buildings-are-too-short-1.2625282>

⁵ http://www.icsh.ie/sites/default/files/attach/icsh-news/1038/paper_for_dail_committee_28_apr16_final.docx

channel of future housing provision and promote their capacity to deliver as much as possible and relieve pressure from Local Authority housing waiting lists. There are a number of ways in which this can be achieved.

Firstly, as the role of AHBs grows, there is a need to establish a centrally coordinated body to oversee AHBs and coordinate policy implementation in the AHB sector. As AHBs begin to play a greater role in housing provision greater policy coherence, coordination and central oversight of the various bodies is necessary as they form an integral part of the broader housing solutions. A Special Purpose Vehicle (SPV) to provide long term finance off the government balance sheet to Approved Housing Bodies should be established as soon as possible. Funding for an SPV could come from pension funds or Credit Unions. Lending restrictions on Credit Unions by the Central Bank currently limit this and should be lifted in the case of investment in housing. Increasing the funding options for AHBs is important in facilitating a greater number of developments by these bodies. Since the introduction of the new mixed funding scheme was introduced in 2011, 70% of funding must be raised by housing associations from either the Housing Finance Agency (HFA) or a private financial institution. Increasing funding options available to AHBs through SPVs will take pressure off of the Housing Finance Agency, which is centrally funded and limited by budgetary constraints of the State. Increasing the funding capacity for social and affordable housing would enhance the capacity of the sector to increase supply either through acquisitions or design & build.

- (xxii) With a mandate of socially responsible investing, The Ireland Strategic Investment Fund (ISIF) would be a viable fund for either an SPV or as a means to increase equity to specialist housing investment funds. ISIF benefits from flexibility in risk of projects and capital structure, as well as a more long-term strategy unlike most players in the market. The ISIF currently has a €7.9 billion discretionary portfolio available and should be mandated to increase funding to specialist housing funds.
- (xxiii) The failure of the private market in housing has led to significantly increased pressure on the social housing sector. 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 which would ordinarily not qualify for social housing, but are vulnerable to private rental increase shocks. This cost rental model of affordable long-term secure rental accommodation should be enacted through AHBs and as recommended by the NESCF. 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. Cost rental models allow for more income categories to find long-term housing solutions without increasing the pressures currently facing the social housing and homelessness services.