

**Social
Democrats**

Alternative Budget

2019

Housing



#AffordableLives

Building Affordable Housing

For the second time in a decade, Ireland is struggling through a savage housing crisis. Housing is simply unaffordable. Rents are at record levels, homelessness is at record levels and potential first-time buyers are effectively locked out of the market. We have a locked out generation.

In our Alternative Budget proposals for 2019, launched in Oct 2018, the Social Democrats present a clear way out of this mess. We want to focus on solutions so that we fix the severe housing problems in our country and make sure that they never happen again.

Affordable Homes and the Land we live on

To resolve the housing crisis, we must accept one basic fact: we cannot rely on the home building industry to resolve Ireland's housing crisis.

For a start, the industry does not operate to the normal laws of supply and demand.

Homes in Ireland are generally priced at the level builders need to recover their costs plus a profit margin - with land a significant factor in these costs. Home prices are therefore largely determined by land prices.

Land is hoarded until it is profitable to sell or build on. If no profit exists, no homes are built. In this way, supply does not necessarily follow demand. And affordability does not necessarily follow supply. That's why, despite a surge in demand, there is currently too little supply and very little affordability. It's also mostly the reason that home prices remained so high for so long in the last

housing boom despite record levels of supply.

To deliver affordable housing we need to reduce the cost of land. To achieve this, we need to de-couple the construction industry from land speculation, deal with both sectors separately, and move away from our over-reliance on the private construction sector to deliver housing supply. We need several levers to make this happen. Below we set out the main ones:

- Using Public Land,
- a Land-Hoarding Tax and
- a complete reform of how we look and deal with land.

Build on Public Land

The first way we can deliver supply of affordable housing is through exploiting public land-banks and this should be the clear priority of Budget 2019.

Clearly, we cannot depend on the private sector to deliver housing, so the State must do it. The State can do it by

contracting builders to build on publicly controlled land to deliver social and affordable homes (for both purchase and rent) in socially mixed communities on sites that are developed to a masterplan and where prices are set in advance by the State using a Housing Delivery Agency. In this way the state can obtain much greater control of both the timing and price of new housing supply.

It is less than clear if the newly created Land Development Agency will do such a job. Its target of 150,000 social and affordable homes (over 20 years), or just 7,500 a year, is far too low. This will not resolve the housing crisis. Indeed, it will prolong it well into the next decade.

With demand for new homes running at about 30,000 a year, it will simply mean we are dependent on the private sector to supply new homes. Such a strategy of reliance on the private sector has failed in every previous housing crisis.

Equally, the Minister for Housing has suggested that €320,000 will be the price set for a so-called “affordable” home in Dublin. This is simply ludicrous and shows just how out of touch the Minister and Department are. Such a home would be more than ten times the average net wage. It is out of the reach of most families and means anyone on a single income would not be eligible. In other words, a person would need household income of over €80,000 to qualify plus savings of €32,000.

Developing public land banks is the only certain way in the short to medium term of delivering housing faster and at affordable prices. The State simply has to

take the housing crisis by the horns and deal with it directly.

The Land Development Agency should be set **a much more ambitious target of 20,000 homes a year** with as much front-loading as possible to deal with the crisis. Capital spending should be approved to match this ambition.

In 2019, an extra €400 million is to be provided for the Department of Housing, Planning and Local Government bringing the capital envelope up to €2.033 billion.

We believe that €500m of the additional discretionary funding available to the Government through Budget day announcements should be made available for house building.

Finally, we believe that Government should not establish a “Rainy Day Fund” but instead keep an additional €500m available for use if there is an opportunity to deliver new affordable homes and other capital projects at a faster pace. Spending now will save enormous costs, both economic and social, for years to come. We set out our full thinking on this in a later section on the Rainy Day Fund.

Land-Hoarding Tax

It has been clear for some time that land-hoarding has been a significant part of the housing crisis. Land is being held back from development while its value increases. Sites are being flipped from one speculator to another. It is particularly galling to see sites formerly controlled by NAMA or other state entities being traded in this “pass-the-parcel” process with little supply at the end of it.

The Vacant Site Levy was a welcome intervention in 2015 but there are so many loop-holes in the legislation that it is completely ineffective in activating vacant sites.

The Social Democrats are again calling for **a specific tax on land-hoarding**. This should be a site value tax (with appropriate but limited exemptions) that is variable by local authorities and is set at an annual rate that exceeds inflation in land values in that local authority.

Review of Land Policy

We have seen two housing crises in the past decade. If we want to prevent more, then we need to engineer a **wholesale change in our relationship with land**.

The Scottish Government has recently established the Scottish Land Commission. It is examining all aspects of land policy in that country and specifically looking at issues such as concentration of ownership, community ownership, vacant units, compulsory sales orders etc. It is recognising land as the key resource that it is and looking at how to get the best out of Scottish land. Ireland should be adopting such a strategy, and we should be looking at even more than the Scots are.

We should be looking at

- concentration of ownership
- windfall taxes
- land value capture
- compulsory purchase and compulsory sale
- a workable land-use site levy and land-hoarding taxes

- public land-banking
- commercial upward only rents
- how we could provide a right to housing/shelter
- the relationship between banks and property
- restricting the right of ownership in certain cases - such as foreign ownership, and
- how all of this fits into Constitutional Reform on property rights and the public good.

We should set ourselves a two-year target of resolving this issue once and for all.

Since the Famine, indeed long before, land has been at the heart of so many of Ireland's ills. The single biggest gift we could give to the next generation would be to once and for all resolve our issues with land that serve to undermine social rights and public provision, and that fuel the high cost of living and impact the long-term competitiveness of our country. Finally, we could show that Ireland can actually learn from the mistakes of the past.

The Social Democrats are calling for the **Housing Agency to be set this task of a complete review of land policy** and charged with bringing clear recommendations and an implementation strategy within 18 months - with legislative and constitutional changes to be made within two years. As part of Budget 2019, we would adequately resource the Agency for this task.

Other Housing Measures

We are also proposing a series of measures across a number of other areas of Housing.

A complete freeze on all residential rents: The current rent cap of 4% is too high. It is five times the rate of inflation. It does not apply across the whole country and it has been too easily evaded by some landlords. Above all else, it hasn't worked. Rents remain at record levels and are rising by more than 4%, even in rent pressure zones. There is no justification for any further increases. A complete rent freeze will be easier to implement and it will be key to stopping the flow of family homelessness. We are also calling on the Government to establish a Rent Register as proposed in our Residential Tenancies (Amendment) Bill 2018.

New Mortgage Rules for Long-Term Renters: The mortgage rules set down by the Central Bank - which limit the amount of mortgage that can be taken out - are crucial, as they ensure that borrowers do not over-stretch themselves and take on too much debt. However, the effect of these rules, combined with soaring rents, has been to make it extremely difficult for most first-time buyers (FTBs) to purchase.

This has had serious consequences for the housing market. Instead of purchasing, potential FTBs are renting for longer, which, in the absence of affordable supply, has pushed rents up to record levels. And in most cases, rents are very significantly higher than mortgages. Recent daft.ie figures show that for a two-bedroom house the monthly cost of renting in Dublin 12 is €1,605 whereas a

mortgage for similar properties in the same area is €962. In Cork, the rent figure is €1,067 and the mortgage €635. In Limerick it's €911 for rent and €454 for mortgage. In Galway, it's €977 and €615.

So a measure designed to prevent people taking on mortgages they can't afford has resulted in them taking on rents they can't afford, and at substantially higher levels.

This dynamic must be broken and, along with significant state intervention in the supply of housing as outlined above, we believe mortgage rules should take account of long-term rental payments in the maximum mortgage allowed.

New measures to free up Vacant Homes: We would introduce a vacant housing levy for vacant homes (duration to be set by each local authority with appropriate but limited exemptions applying) and set down a higher levy the longer the home remains vacant; reform the Fair Deal Scheme to remove financial barriers to letting a vacant home; introduce legislation to provide for compulsory letting orders for vacant homes.

Action on Derelict Homes and Sites: We would set aside funding for much better enforcement of derelict sites legislation and strengthen laws on compulsory purchase for both land and homes. We would introduce the 7% vacant site levy a year earlier than currently planned by the Government.

Renewed Step-Down Housing Scheme: We would activate and extend the Financial Contribution Scheme for Older

Persons so that older people who want step-down housing in a sheltered housing setting can do so - currently several hundred people are on a waiting list for such a scheme in Dublin.

Homelessness Measures: Increased funding for homelessness spending and services, including investment in family case managers, greater roll-out of the Housing First initiative, reform of welfare laws in relation to under 25s experiencing homelessness, and better enforcement of tenancy laws by the Residential Tenancies Board.

HAP & Rent Supplement: We would improve HAP and Rent Supplement levels, improve tenancy sustainment interventions and make Homeless HAP available nationwide.

Introduce a new Affordable Housing Scheme: The Social Democrats would introduce a new Affordable Housing Scheme. As part of this change we would introduce legislation to reserve 20% of housing in private developments for affordable housing (in addition to the current 10% social housing). This will ensure a stronger social mix in private developments and would be another option for FTBs. The new scheme would also provide clear guidance for local authorities and Approved Housing Bodies as to how cost rental and affordable purchase schemes should be allocated.

Additional funding for Approved Housing Bodies: We believe that the extra capital funding allocated to the Department under the National Development Plan for 2019 should allow for a €100m Capital Assistance Scheme in 2019. An extra €8 million should be ring-fenced for accommodation for people moving out of

congregated settings. We would allow greater flexibility under the Capital Assistance Leasing Facility and take measures to address barriers to take-up of the Mortgage-to-Rent scheme.

Improve renters' rights including the introduction of a Deposit Protection Scheme for tenants.

End favourable tax treatment for Real Estate Investment Trusts and review how their dominance in the market could be curtailed.

Ban all sales of properties to vulture funds and legislate to ensure that no families can be evicted into homelessness.

Reserve at least 7% of all new social housing for people with disabilities.

