

Respond! Housing Pre-Budget Submission – Budget 2017

Respond! Housing is committed to playing our part in addressing Ireland's severe social housing under-supply in order to reduce the numbers on the social housing list, to ease the private rental crisis and to alleviate homelessness throughout Ireland.

Since our foundation, we have built over 5,500 homes and are currently revisiting our build and acquisition plans in order to increase our stated ambitions to help achieve the 47,000 new social homes planned in *ReBuilding Ireland*.

In order to do this, we have identified obstacles to the delivery of social housing by Respond! and other Approved Housing Bodies (AHBs) and offer a number of solutions to help address these barriers which could be implemented in Budget 2017.

Housing stock and land management

In order to make better use of our existing national housing stock and available land, to free up zoned land for development, to discourage the hoarding of land by developers and to encourage the revitalisation of our cities, towns and villages, we support the introduction of a **Site Value Tax** (SVT).

This kind of taxation will incentivise improvements to properties such as refurbishment or energy upgrades unlike the current Local Property Tax (LPT) which punishes home-owners for improvements resulting in increases to the value of their property.

A Site Value Tax rewards those who use the land well and penalizes those who fail to use the scarce resource that is land. This tax would be applicable to all land other than agricultural land and initially land subject to commercial rates. If implemented fully, the Site Value Tax could act as the funding base for local government to fund services and amenities in the locality.

A Site Value Tax at 2% could replace the LPT, increase the funding to local government as well as the public policy benefits outlined above.

Example: Harrisburg, Pennsylvania has a direct land tax. Between 1980 and 1995, that tax helped reduce the number of vacant city centre structures from 4,200 to less than 500, increasing the population by 10%ⁱ.

Vacant Sites

Until a Site Value Tax is in place, there is an urgent need for a tax on vacant sites to tackle the problem of underused or undeveloped sites when land and housing are in such short supply.

The Government intends collecting a Vacant Site Levy in 2019ⁱⁱ at the rate of 3% of the land's value in 2018. We would argue that the **Vacant Site Levy (VSL) should be applied and collected in 2017. In addition, we would propose that the rate is set considerably higher than 3%.** At a rate of 3% it may pay a site-owner to sit on the land as the increases in the price of land will mean the levy is cheaper than developing the site. In order for the Vacant Site Levy to act as an incentive for development of appropriate sites, we suggest a VSL at either 10% in order to keep pace with the price of land OR a system whereby the VSL is pegged at 2% higher than the rate of land value increase in the taxable year. Owners would

then have to make a strategic decision on whether to hold or sell the site and the VSL will have the impact it is intended to have in terms of maximising land use.

The Government should also consider greater use of **Compulsory Purchase powers** where appropriate for the building of new social housing.

Renovation of derelict properties

Currently, there are up to 32,000 housing units which are vacant but uninhabitable. We welcome the Government's intention behind the reported 'Repair and Lease'ⁱⁱⁱ plan which would allow for grants up to a maximum of €30,000^{iv} for AHBs and landlords to refurbish the property to put it back on the rental market. However, we believe that a cost per square metre would be a better method in terms of calculating and assisting in the refurbishment of these houses. Given the high level of regulation (fire, etc.) and building control required, €30,000 may not in fact be near enough to make certain properties habitable depending on the length and level of dereliction and disrepair. In order to unlock these houses as habitable dwellings, the **'Repair and Lease' grant should be based on a cost-per metre** of the order of €1,200-€1,500 a metre and should be at least 50% of the costs required. A sum of €500 million could potentially bring back into use some 10,000 of these units much quicker than new building, while at the same time creating much-needed construction employment at the SME level.

Reducing costs for house building

We propose a **VAT reduction on materials and services** for renovating / reusing existing housing stock for social housing use from 23% to the lower rate of 13.5% which would have an immediate positive impact on the delivery of social housing.

House building costs remain prohibitive for many developers, and in many cases for AHBs and local authorities. We support industry calls for a **reduction of the VAT** rate from 13.5% to 9% on **new housing** units up to a selling price of €300,000.

In order to achieve ambitious house-building plans, we argue that the **VAT on new social homes should be 0%**.

Developer contributions vary from local authority to local authority. In our experience, developer contributions can make the acquisition of new housing units too expensive for an AHB and to this end we recommend that **developer contributions be waived when the development is social housing** or for that part of the development that is social housing.

In terms of the rate of developer levies relating to housing other than social housing, we recommend that local authorities be financially encouraged to **link the levies to proximity to services**. For example, the closer the development is to existing infrastructure and services, such as water, transport etc, the lower the levy should be down to zero; the farther away (e.g. greenfield sites) the greater the levy should be. This would encourage the use of infill sites that are most sustainable and thereby make housing developments more affordable.

The self-certification process of building control, the Building Control Amendment Regulations (BC(A)R)^v which has been in place since 2014 is greatly adding to the cost of building while ensuring no significant additional safeguards for building control. Estimates for the increased costs of BC(A)R run to an additional €25,000 per typical property. This is in comparison with a centralised system of building control in Northern Ireland which costs approximately €200. The **BC(A)R system requires an urgent cost-benefit analysis** including a study of building control methods and cost in other jurisdictions. A system of building control that is 100 times more expensive in the Republic than in the North is not sustainable.

Investment and financial planning

To match the 2016-2021 timeframe for *Rebuilding Ireland*, to provide greater certainty to local authorities and AHBs in terms of planning and to make the social housing sector more attractive to private finance, we suggest publishing a **5 year multi-annual financial plan** with a breakdown of monies in terms of new build and acquisition and those for the Housing Assistance Payment (HAP) and other private rental subsidies.

We welcome the provisions in *Rebuilding Ireland* for a new Housing Delivery Office and a Housing Procurement Unit to help accelerate the delivery of housing. In our experience, the delays in the approvals process for funding under the Capital Assistance Scheme (CAS), the Capital Advance and Leasing Facility (CALF) and Payment and Availability Agreements (PAA) can cause the project or development in question to lose viability. This occurs when the funding comes through but the planning permission has since expired or vice versa. In order to maintain viable projects and to ensure they can reach successful conclusions, we recommend **rolling calls for funding** where the approvals process matches as closely as possible the readiness of the project in terms of contracts for sale, planning permission etc. We recommend a mandatory timeframe for response to applications, supported by the publication on a quarterly basis of response times by the Department of Housing, Planning, Community and Local Government.

Off-balance sheet funding

The social house building sector requires a major capital cash injection in order to achieve building of the scale envisaged by *ReBuilding Ireland*. The Irish League of Credit Unions (ILCU)^{vi} have repeatedly offered savings they have on deposit as an investment in the Irish cooperative housing sector and the local economy. This provision for **off-balance sheet funding should be expedited** as a matter of urgency, subject to Central Bank oversight as appropriate.

The cooperative housing movement is an underused element of the solution to Ireland's housing and homelessness crisis. Greater assistance and financial **backing of the cooperative housing sector** could lead to effective interventions and the delivery of affordable housing to a variety of stakeholders.

Energy upgrades to national housing stock

In order to maintain and upgrade existing social housing stock, stimulate the local economy and address energy poverty, we recommend a major additional investment in the Better Energy Warmer Homes

scheme administered by the Sustainable Energy Authority of Ireland (SEAI). This scheme finances energy upgrades for elderly and vulnerable people at no cost to them.

For Approved Housing Bodies to be in a position to support the upgrading of social housing stock where the resident does not qualify for the Better Energy Warmer Homes (BEWH)^{vii} scheme, we suggest a **higher percentage of funding be made available under the Better Energy Communities** (BEC) scheme.

Serviced communities

An **infrastructural investment plan** should be published alongside Rebuilding Ireland to assist planning of infrastructure and services such as water, transport, schools, broadband in areas where new developments will be built.

Building communities

With mixed tenure and integrated estates as the template for future developments, community development will need to be assisted particularly in the early years of a new estate. We suggest a pilot programme of a **Neighbourhood Activation Fund** for AHBs and community development groups in areas where new social housing and integrated estates are built.

Back to Education

We support calls of student groups and organisations for the unemployed for an increase in supports for those returning to formal education, including **increasing supports under the Back to Education Allowance** and ensuring that those choosing to study are not discentivised by the tax or welfare system from so doing.

Childcare

We ask that Budget 2017 ensures that any changes to the Community Childcare Subvention Programme (CCS) and the Training and Employment Childcare Scheme (TEC) continue to support **community childcare initiatives for those on lower incomes**.

ⁱ Lyons, Ronan, *Residential Site Value Tax in Ireland – An Analysis of Valuation, Implementation and Fiscal Outcomes*, 2011, Identify Consulting for Smart Taxes Network
<http://smarttaxes.org/wp-content/uploads/2012/01/Site-Value-Tax-in-Ireland-Identify-Consulting-final-report.pdf>

ⁱⁱ Urban Regeneration and Housing Act 2015 – Irish Statute Book
<http://www.irishstatutebook.ie/eli/2015/act/33/section/15/enacted/en/html>

ⁱⁱⁱ Rebuilding Ireland Action Plan, Government of Ireland, 2016
http://rebuildingireland.ie/Rebuilding%20Ireland_Action%20Plan.pdf

^{iv} Melia, Paul, 'Repair and Lease Plan to pay owners €30,000 to put vacant homes in use' Irish Independent, 16 September 2016
<http://www.independent.ie/business/personal-finance/property-mortgages/repair-and-lease-plan-to-pay-owners-30000-to-put-vacant-homes-in-use-35053139.html>

^v Building Control Amendment Regulations 2014 S.I. No 9 of 2014
<http://www.housing.gov.ie/sites/default/files/migrated-files/en/Legislation/DevelopmentandHousing/BuildingStandards/FileDownload,35135,en.pdf>

^{vi} Irish League of Credit Unions, 'A proposal for Irish credit unions to fund the provision of social housing', October 2015
<http://www.creditunion.ie/media/creditunionie/content/files/communicationsdocuments/newsfiles/010262-Social-Housing-Summary-Doc-HR.pdf>

^{vii} Sustainable Energy Authority of Ireland <http://www.seai.ie>