

# **Towards a New National Housing Plan**

**November 2006**

## **INTRODUCTION**

**Ireland's National Housing Policies need radical change.**

**Despite our country's economic success, and despite record levels of housing construction, we are still experiencing a Housing Crisis.**

**Over the past 10 years, approx 500,000 new homes, or one third of the country's entire housing stock, have been built. Average house prices have trebled nationally, and more than quadrupled in Dublin.**

**However, thousands of young workers cannot afford to buy a home from their own resources, especially in the cities. Many struggle to buy in the commuter belts, but are now hit by rising interest rates, high child care costs and the exhaustion of commuting. Some are trapped in private renting, often paying more in rent than the cost of a mortgage, but unable to save for the costs of buying.**

**There are twice as many on waiting lists for Council Housing as there were 10 years ago. 60,000 are trapped on Rent Allowances which they will lose if they take up work. Homelessness is still a scandalous reality in one of the world's richest countries.**

**The Fianna Fail/PD Government has failed on Housing. They have failed to harness the record levels of residential construction to meet the housing needs of the very workers, whose efforts have made the economic boom.**

**Only 3,000 of the promised 40,000 Affordable Homes have been delivered. Social Housing provision (at about 6000 per annum) is far short of the 10,000 which the NESC says is needed.**

**They have maintained a menu of tax breaks for investors in residential property while abolishing the First Time Buyers Grant. A new two-tier society has evolved in Ireland: those who can buy up lots of property and those who can not afford to buy their own home.**

**Labour believes that everyone has the right to a home. Shelter is a basic human need and human right. It is the responsibility of government to ensure that the State's housing policies are arranged so that everyone has a good quality home, suitable to their needs, in a safe and sustainable neighbourhood, and at a price which they can afford.**

**Labour is therefore proposing a radical overhaul of the State's housing policies. In this policy paper, Labour is setting out 10 steps toward a New National Housing Plan. Over the coming months we will be amplifying these proposals and adding to them, where necessary. The Labour Party is committing itself to implementing these proposals if we are in Government after the forthcoming General Election.**

**Eamon Gilmore TD  
Spokesperson on the Environment and Local Government**

## **1. NEW HOME BUY OPTIONS**

**Everyone in fulltime employment should have the opportunity to buy their own home.**

**Some will choose to rent, and there should always be well developed private and public rented sectors to meet this rental need. Labour re-iterates its call for better regulation and higher standards in the rented sector.**

**But no workers or their families should be forced to rent, solely because they can not afford to buy. New purchase options need to be developed to maximise the numbers who are purchasing their own home.**

**These new purchase options need to be designed to take account of the widely differing house prices in different parts of the country. Labour is proposing three new options for home purchase:**

**(a) A new “Begin to Buy” purchase option which will enable people to start purchasing a home as soon as they are in full-time employment, and will enable them to increase their equity in the home as their incomes increase and as their financial circumstances improve.**

***Begin to Buy* will be administered by Local Authorities, whose Housing Departments will be reformed to fulfil this new function. Any person, who is unable to purchase a home from their own resources, can apply, and two assessments will be made. Firstly the person’s housing need will be assessed to establish the size and location of housing required. Secondly, an assessment will be made of the amount which the person can afford in loan repayment.**

**Subject to these parameters, the applicant will be approved to purchase a dwelling on a Shared Equity basis, with the applicant purchasing a minimum of 25% and the Local Authority, either directly, or through a financial institution, purchasing the balance.**

**Over time the applicants will have the opportunity to increase their share of the dwelling. They will also have the freedom to**

sell and redeem their share and to use that share to purchase elsewhere under the *Begin to Buy* Scheme.

(b) A New Tenant Purchase Scheme for tenants of local authorities and tenants of Voluntary and Co-operative Housing Schemes. The existing Local Authority Tenant Purchase Scheme needs to be reformed and many tenants in voluntary and co-operative housing are seeking the opportunity to purchase the home in which they are living. The terms and conditions of the purchase schemes in the voluntary and co-operative sectors will be negotiated with the agencies concerned.

(c) Tenant Purchase in the Private Sector. In many cases, where a landlord is selling a house or an apartment, it may be desirable for the tenant to have a realistic opportunity to buy. Labour will encourage the sale of privately rented dwellings to existing tenants.

## **2. INCREASE SUPPLY OF AFFORDABLE HOMES**

Part V of the Planning and Development Act (2000) should by now, have delivered approx 30,000 Affordable Homes. The Social Partnership commitment should have produced a further 10,000. Instead only 3,000 have materialised, because the Fianna Fail/PD Government surrendered the affordable sites back to developers after the last general election.

At current rates of housing construction, Part V should be delivering 6,000 Affordable Homes each year. Labour will ensure that this target is met, by requiring developers to commit to their Part V obligations, *before* planning permission is granted and *not after*, as is the case at present. In addition, we will streamline the procedures for Part V agreements, abolish the escape clauses in the existing scheme and apply Part V to all residential developments of five units or more. Part V dwellings will be made available to those purchasing under the *Begin to Buy* option.

Labour will also widen the scope of the Affordable Housing Schemes so that families trading up, based on need, or moving home due to work or family reasons will be able to qualify. Affordable Housing will therefore not be restricted to those buying their starter home.

## **3. NEW LAND ZONING**

Recent studies indicate that in the years ahead, up to 50% of newly forming households will not be able to afford to buy a home from their own resources. This is already the case in the cities, and especially in parts of Dublin.

Future decisions on new land zonings and on increased residential density should reflect this reality, by increasing to 50%, where necessary, the amount of development land to be reserved for Social and Affordable Housing.

The rezoning of land, and the increasing of residential densities, which are decisions made by public authorities, confer enormous windfall gains on the landowners and

developers concerned. At a minimum, the gain should be shared with the wider public, so that the rezoning of lands and the increasing of densities are directed to meeting the housing needs of those who are being priced out of the market.

#### **4. COMPULSORY PURCHASE OF BUILDING LAND**

The NESG, in its report on Housing (Nov 2004), identified the existence of “Affordability Black-spots”, particularly in some urban areas. These are areas where the prices of even the most modest dwellings are now well beyond the reach of most people on good middle incomes.

These areas, which are mainly in the cities, require special attention. Otherwise, none but the very rich will be able to afford housing there. In city areas where development land is scarce, local authorities should have the power to compulsorily acquire building land, under the formula recommended by the All Party Committee on the Constitution, in order to provide additional housing at affordable prices.

## **5. STOP SALE OF STATE LANDS**

No surplus State owned land, which is intended to be developed for housing, should be sold into the private market, but should instead be made available to local authorities, or to voluntary or co-operative housing bodies.

In recent years the Government has sold off lands of former army, garda, harbour and State Company facilities. The indications are that further such sales are planned. Labour will halt those land sales and make the lands available for housing, at affordable prices. In addition the State should compulsorily acquire surplus institutional lands such as former hospital or school lands which are being put on the market, and which are no longer required for their original purpose.

## **6. 10,000 SOCIAL HOUSING UNITS**

There are now approximately 45,000 applicants on waiting lists for Council Housing. That is almost double the number when the present Government took office in 1997. And the doubling is despite the recent changes which they made to the method of counting, which was intended to present the figures in the best possible light.

The NESC has recommended that Social Housing output should be increased to approximately 10,000 per annum, for the next seven years. The Labour Party is the only party to commit itself to this target.

To achieve it, it will be necessary not only to increase output by Local Authorities, but also to increase the numbers of dwellings being produced by the voluntary and co-operative sectors. These sectors are already geared to produce in the region of 4,000 housing units per annum, but are prevented from doing so by lack of access to sites, and by excessive bureaucracy on the part of State bodies. Labour will clear the blockages and will support the voluntary and co-operative sectors to achieve their full potential.

## **7. END HOMELESSNESS BY 2010**

**Homelessness is a scandal in our affluent society. The Government has committed itself to a National Strategy to end homelessness, and the Labour Party acknowledges that some progress has been made. But there is a lot more to be done!**

**The four major Housing NGOs (Simon, Threshold, Focus and SVP) have called for an end to homelessness by 2010. Labour supports this objective and commits itself to ending homelessness in the life of the next Government.**

## **8. REPLACE RENT ALLOWANCE**

**Approximately 60,000 households are in receipt of Rent Allowance or Rent Supplement, at a cost to the State of around €400 million per annum. However, anyone who takes up full time employment will lose all of their rent allowance regardless of the amount of income they receive. The Rent Allowance scheme as currently operated acts as a disincentive to work and as a poverty trap. It needs to be reformed.**

**The Labour Party will replace the Rent Allowance system with a new form of Housing Support, which will be related to the household's income regardless of source, and to the household's housing needs. The new Housing Support will free up people on Social Welfare and on low incomes to work and to improve their circumstances without losing their homes or their full rent allowances.**

## **9. REFORM STAMP DUTY AND MORTGAGE INTEREST RELIEF**

Labour wants to ease the financial pressures on home-buyers. Two issues require immediate attention: (a) the need to reform Stamp Duty and (b) mortgage rate increases over the past 18 months.

Labour favours targeted and measured reforms to improve the position of first time buyers and those trading up to purchase an appropriate home to cater for the needs of a larger family.

Labour will also examine a system of relief for older people who are trading down to a smaller personal dwelling, or where the proceeds of the sale are invested in a pension or personal retirement care facilities.

These issues for people buying a home arise in a context of developers of multi-million Euro developments using well-established loopholes, such as licenses to build, and the sale or shares in a company attracting 1% stamp duty rather than the transfer of property and land attracting 9%. We estimate that currently these avoidance mechanisms cost tens of millions of Euro and contrast sharply with an estimated €70m which first time buyers will pay in 2006.

- (a) **Stamp Duty.** Stamp Duty is payable on all dwellings above €317,000 for first time buyers. Once the dwelling costs more than that threshold, Stamp Duty is payable on the full amount. In some areas, there are now no dwellings available to first-time buyers below €317,000. And in many cases, families who need to trade up from their first home are now subject to very severe Stamp Duties.

Labour believes that the most equitable reform of Stamp Duty is to introduce a Stamp Duty Allowance or Tax Credit which attaches to the Family Home or Domestic dwelling. i.e. it would not apply to second homes or investment properties. Stamp Duty would then effectively only be payable on the amount over the threshold.

**Stamp Duty thresholds and values should be indexed on an annual basis.**

- (b) Mortgage increases:** Due to interest rate increases, average mortgage repayments have increased by about 50% over the past 18 months. A report in the October 2006 issue of “Irish Property Buyer” states that the average monthly repayments for a 25 year 90% mortgage, will by December this year, have increased since July 2005, from €1057 to €1573 for all buyers nationally (49%); from €926 to €1390 for all first time buyers (50%); and from €1453 to €2167 for all Dublin buyers (49%).

These huge increases in mortgage repayments, together with high child care costs and fluctuating travel costs are putting an enormous financial strain on many families. Labour is proposing that Mortgage Interest Relief be reviewed, increased and be expressed as a tax credit.

## **10. LEGISLATE TO PROTECT HOME BUYERS**

For many home-buyers, the high price, which they pay for their house or apartment, is only the start of the rip-off. They may be price-gazumped at the purchase stage; their legal fees may be a percentage of the price even though the same work is involved, regardless of price; they may buy a new house which has unresolved *snags* with no sign of the builder returning; their housing estate may be left uncompleted for years; they may be forced to pay ever-increasing charges to a Management Company for services which are normally provided by their local council.

The Labour Party in Government will introduce new legislation to secure the consumer rights of home-buyers. This will include the outlawing of price gazumping; full and timely completion of estates and the control and regulation of management companies and charges.