



Budget 2017 and Housing

Analysis and Response



Housing

In 2013 the waiting list for social housing was almost 90,000 households, representing over 200,000 people. This number has certainly risen in the intervening years and only increased supply of adequate accommodation for low income families will solve the problem. Unfortunately Budget 2017 has missed an opportunity to deal with the supply issue. While funding for housing has increased by 50 per cent, it is not being used to improve the lives of those in vulnerable and precarious accommodation.

Of the 21,000 units intended to be delivered by Budget 2017, 15,000 of these will be through the HAP scheme which has received an additional €105 million. This ignores the fact that rents have escalated to such an extent that were sufficient suitable accommodation available to rent, it would not be affordable to most of those in receipt of even the highest rate of HAP. This is particularly an issue in Dublin, which accounts for 35% of the social housing waiting list, where average rents in all council areas exceed the maximum HAP limits, one by as much as one third.

Furthermore, 25 per cent of HAP recipients will transfer from Rent Supplement and are already accommodated. Reliance on the private rented sector is not the answer to the supply crisis. Rents have been increasing steadily since 2011, with Q.2 of 2016 seeing the highest rents since 2007. Of the 172,000 private landlords registered with the Residential Tenancies Board it is estimated that 36 per cent are ‘accidental landlords’ who are more likely than other types of landlord to leave the sector as soon as they can. This sector is becoming increasingly precarious for families wishing to become part of a community and is unsuitable as a response to the housing crisis.

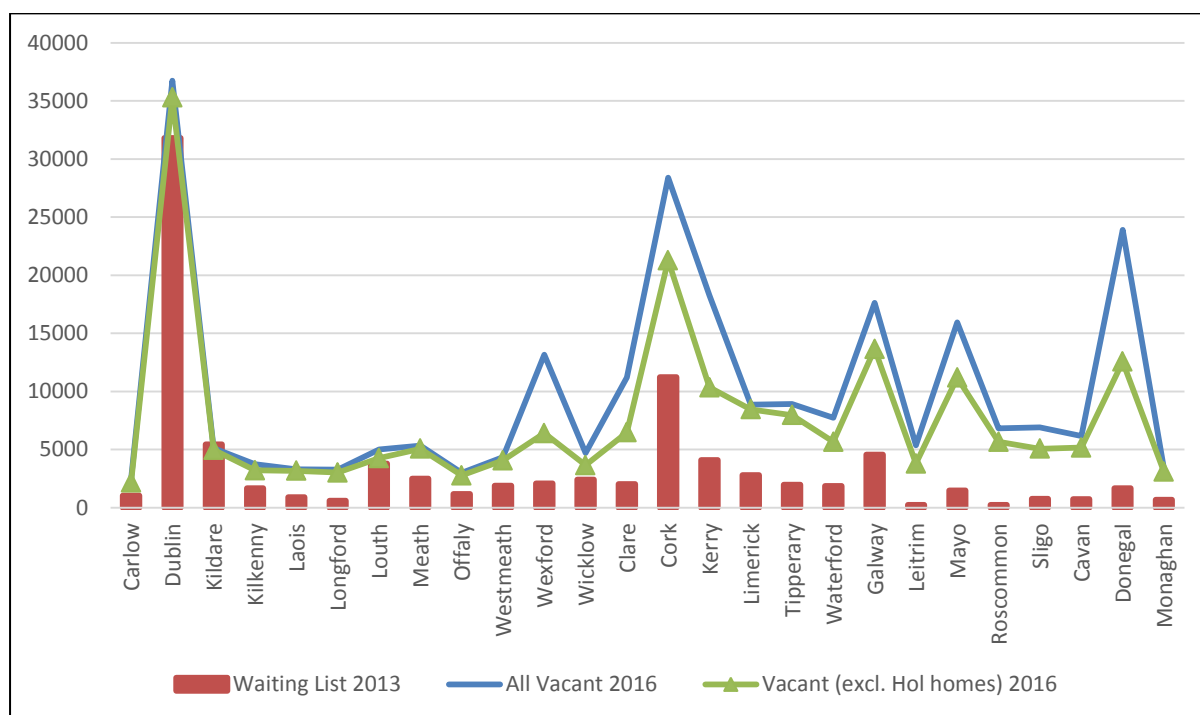
There are 82,092 home mortgages in arrears (Q.2 2016) with Central Bank regulated lenders, with 57,571 in arrears of more than 90 days. A further 120,614 home mortgages are in restructured arrangements, most on reduced payments and over 21 per cent on ‘split mortgages’. These arrangements must come to an end and the warehoused portion of the split mortgages will become due. If long term solutions are not found, many more families will find themselves in need of social housing.

In 2015, court ordered repossessions increased by 130 per cent on previous years, further increasing the housing lists. In response to a persistent mortgage problem, the Government have introduced an advice service, Abhaile, at a cost of €15 million over three years. This service aims to provide legal and financial support to those in long term mortgage arrears

who have not engaged with their mortgage lender. This kind of support is not a solution, it is only the beginning for borrowers who are at a real risk of losing their home. More action is urgently needed to secure long term solutions for these vulnerable families. There is even less support for the 8,468 families in arrears with their local authority mortgages, 3,624 of which are in arrears of more than 90 days. The only option for these families is adequate social housing, which this and previous Governments have neglected to provide.

The housing crisis has been kicked down the road for too long, the scale of which only reflects the scale of neglect. Supply of adequate accommodation for families on low incomes is the only solution. With Budget 2017, the Government has again failed to provide the necessary construction, with only 4,450 units expected to be built next year through local authority and AHB construction programmes. Of the 8,000 voids, only 800 (10 per cent) will be brought back into use by local authorities in 2017. 196,000 vacant properties were identified by Census 2016 (preliminary figures), a county by county comparison with the social housing waiting list from 2013 shows that there are more vacants per county than households in need (Chart 1), however Budget 2017 has failed to make provision for taking even a proportion of these in charge.

Chart 1: Vacant units 2016* v Social Housing Waiting Lists 2013, by County



Source: Census 2016, www.cso.ie and Housing Agency, Summary of Social Housing Assessments 2013, December 2013

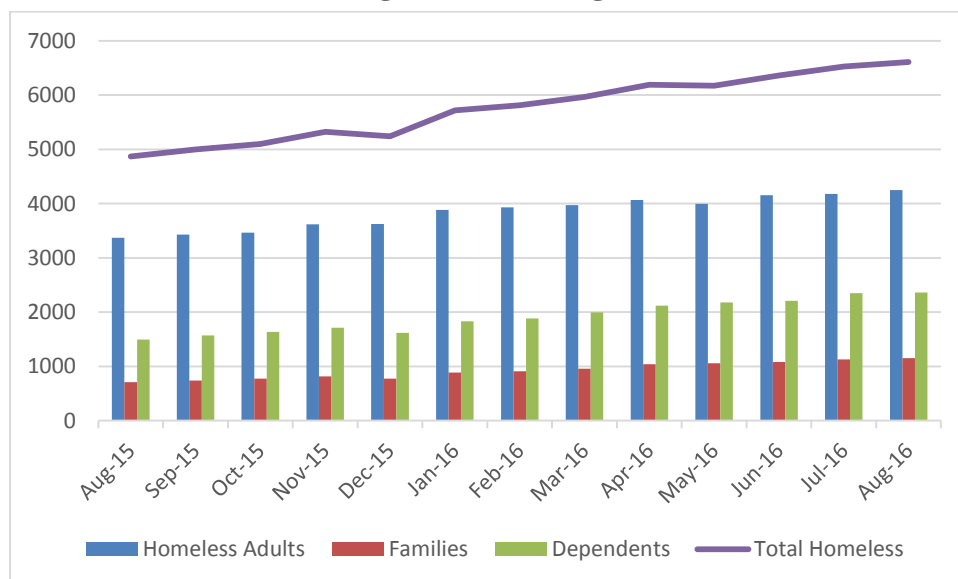
*preliminary figures

Social Justice Ireland welcomes the increased allocation of €1.2 billion for housing (€655 million in capital and €566 million current), up from €814 million in 2016 (€432 million in capital and €382 million current), however it represents just 10 per cent of the expenditure required to deal with the number of households in need three years ago, a number that has certainly increased in the intervening years.

Fully financing the provision of adequate social housing ‘on the books’ is not possible given the fiscal rules that were adopted since the crash. *Social Justice Ireland* has previously proposed two ‘off balance sheet’ mechanisms that could be adopted to meet current and future need: invoking the structural reform clause and creating a special purpose vehicle (SPV) to raise collateral for further investment in social housing. The Government has seemingly adopted one of these suggestions in the Rebuilding Ireland, Action Plan for Housing and Homelessness, the creation of an SPV to attract off-balance sheet investment, however the target of 5,000 social houses over a five year period is just too low.

Homelessness

Ireland is in the midst of a worsening homelessness crisis. The most recent figures (August 2016) indicate that 4,248 adults and 2,363 children accessed emergency accommodation – a total of 6,611 people. After accounting for rough sleepers, the number of people in need of emergency services in 2016 has increased by over 40% on last year, and that is without considering the number of hidden homeless - those staying with friends and family or living in squats. The number of homeless children in Ireland exceeded 2,000 for the first time in April 2016 and continues to rise (Chart 1).

Chart 1: Homelessness August 2015 to August 2016

Source: extracted from Department of Housing, Planning, Community and Local Government Homelessness Statistics, www.envirom.ie

The latest social housing waiting list figures, showing almost 90,000 *households* in need of social housing, were published in 2013, a figure which has undoubtedly increased in the intervening years. Add to this the dearth of social housing construction, the introduction of ‘vulture funds’ into the mortgage market and the fact that Q.2 of 2016 saw the largest increase in private rents since 2007, and it is clear that many more households are not only on the housing waiting list but have become or are at risk of becoming homeless.

Rebuilding Ireland, the Government’s Action Plan on Housing and Homelessness, published in July 2016, committed to providing increased accommodation solutions for homeless persons through the introduction of the ‘Rapid Build’ programme, expanding HAP homeless tenancies, increasing the number of emergency beds and increasing Rent Supplement and HAP limits. 1,200 tenancies will be created under the Dublin Region HAP Homeless Pilot and 800 units are expected to be delivered under the Rapid Build Housing Programme. The Housing Agency has been allocated €70 million for the acquisition of 1,600 social housing units from banks and investment funds over the period to 2020. While there is a welcome increase in supported tenancies for homeless persons, the continued reliance on a precarious private rented sector and the rate at which homelessness units will be provided through capital investment means the majority of homeless people will remain in unsuitable emergency accommodation into the future.

Budget 2017 has once again failed to properly protect the most vulnerable section of society. Funding for homelessness increased by €28 million; bringing the total spend to €98

million, however the increase reflects the additional costs of emergency accommodation and homelessness services rather than accelerating the supply of appropriate secure accommodation.

Tax Incentives

In his presentation of Budget 2017, Minister Noonan acknowledged the “acute shortage” of supply of housing. Unfortunately what followed did little to address this shortage, particularly for those on low incomes.

The Help to Buy Scheme for first time buyers introduced an income tax rebate of 5% on newly constructed homes worth €400,000, based on income tax paid during the four years prior to purchase. The full rebate will be available for homes worth €400,000, and will be available for homes worth between €400,000 and €600,000. No rebate will be available for homes worth more than €600,000 and a pro-rata rebate will be made available in respect of those below €400,000. This rebate does nothing to stimulate the construction of affordable and sustainable accommodation for low income families currently on the social housing waiting list and is likely to be unavailable to some low income couples who have had insufficient tax liability during the relevant years.

With 40,000 landlords leaving the private rented sector in recent years, Budget 2017 has attempted to retain those who remain with the provision of a 5 per cent increase to mortgage interest relief from 75 to 80 per cent, further increases of 5 per cent per annum will be introduced in the coming years to attain 100 per cent over time. Of the 172,000 private landlords registered with the Residential Tenancies Board it is estimated that 36 per cent are ‘accidental landlords’ who are more likely than other types of landlord to leave the sector as soon as they can. An increase of 5 per cent on an existing tax relief is unlikely to incentivise those who wish to leave. Further relief will be available to landlords for renovations under an expansion of the Living City initiative, which will be unavailable to the majority of apartment landlords.

Supply of adequate accommodation is critical to resolving the housing crisis. A glaring omission in devising tax schemes to try to tackle the problem is the reluctance of Government to fast-track the levy on undeveloped land, which is not expected to generate any income for the Exchequer until at least 2019. *Social Justice Ireland* has also previously proposed replacing the current property tax scheme with a site value tax. This is a fairer way of taxing

accommodation which could curb spiralling housing costs and, in addition to the levy on underdeveloped land, would incentivise developers to put development land to use. The introduction of an empty dwelling tax, similar to those used in other countries, would also go a long way to bringing the almost 200,000 vacant properties identified in Census 2016 (preliminary figures, exclusive of holiday homes) into use.

Social Justice Ireland is an independent think-tank and justice advocacy organisation of individuals and groups throughout Ireland who are committed to working to build a just society where human rights are respected, human dignity is protected, human development is facilitated and the environment is respected and protected.

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