



**DUBLIN
CHAMBER**

Submission on the Housing & Homelessness Action Plan

11 August 2017

1. Introduction

Dublin Chamber is pleased to make this submission to the Department of Housing, Planning, Community, and Local Government as part of the recently announced public consultation on housing. The Chamber welcomes the decision to review the *Rebuilding Ireland Action Plan on Housing & Homelessness* as an acknowledgement that current policy actions are insufficient to deal with the scale of the crisis.

As the representative body for businesses in the Greater Dublin Area (GDA), Dublin Chamber is committed to improving the competitiveness of Ireland's capital city region, and its attractiveness as a place in which to invest, live, work, study, and do business. Our multi-sectoral membership base employs some 300,000 people throughout the GDA, giving the Chamber a unique insight into the social and economic needs of the capital.

Housing supply is currently insufficient to meet either present or future demand in the GDA. Post-crash market conditions can only be blamed in part for current problems. Ultimately, the State has failed to provide for a functioning housing market in its capital city region. A decade after the collapse of the housing bubble, responsibility for ensuring proper housing delivery remains devolved to fragmented planning and decision-making structures.

There are few quick or easy solutions to the current housing crisis. A transition to a well-functioning housing market will require a step change in government policy, and a commitment to long-term implementation. Dublin Chamber has already highlighted some of the macroeconomic issues which affect the housing market, as well as more directly related concerns about planning and local government in other reports. In this submission, the Chamber takes both a long and short-term view. It outlines the principles that should inform housing policy, describes two key measures that should be adopted to ensure progress, and considers several other policy options.

2. The Urgency of the Housing Crisis

As the engine of Ireland's economy and its only major city, Dublin acts as Ireland's magnet for foreign direct investment and its gateway to world trade. A well-managed supply of affordable and high-quality housing in the GDA will be vital to ensuring Ireland is competitive on the global stage. Without a well-managed supply of housing, labour costs will become uncompetitive and the supply of labour will be insufficient to meet future needs.

Dublin Chamber's latest Quarterly Business Trends Survey, carried out in early August 2017, identified the cost and availability of housing as among the most pressing concerns for employees of businesses in the GDA; over four in ten firms identify this as their priority. Accommodation and associated expenses such as commuting costs have a major impact on the price of labour, and failure to moderate house prices in the coming years will inevitably place upward pressure on wages.

As well as affecting the cost base of indigenous businesses, rising wages threaten to weaken Ireland's competitive edge in foreign investment decisions. Labour costs are the single most important component of location-sensitive business costs, accounting for 72-86% of location-sensitive costs in the services sector, and 40-57% of location-sensitive costs in the manufacturing sector.¹ Dublin Chamber endorses the recent warning from IDA Chief Executive Martin Shanahan that: "The availability of competitively priced 'ready to rent or buy' housing stock, across multiple ranges, is a strategic priority for FDI decision-makers. IDA has to be able to demonstrate that housing solutions will be available in the timeframe that they are required, particularly in the context of Brexit."² However, while supply is increasing nationally, its rate of growth is wholly insufficient to meet the current needs of the capital city and its hinterland.

With the population of the GDA projected to grow to 2.2 million by 2031, pressure on the housing market will only rise further in coming years.³ The Government must prepare for this through proper planning and investment. In this context, it is noteworthy that Irish planners have tended to underestimate population growth in the capital in the past. The previous long-term plan for Dublin transport to 2016, for example, was based on calculations that underestimated the GDA's population growth rate by 50%.⁴

¹ KPMG *Competitiveness Alternatives 2016*, quoted in National Competitiveness Council, *The Costs of Doing Business in Ireland 2017*, June 2017, p. 17, <http://www.competitiveness.ie/News-Events/2017/NCC-Costs-of-Doing-Business-2017-Report.pdf#page=17>

² *Irish Independent*, 6 April 2017, <http://www.independent.ie/business/commercial-property/ida-chief-housing-crisis-isnt-hurting-our-brexid-bid-35596931.html>

³ CSO statistical release, 12 December 2013, Regional Population Projections 2016-31, Actual & Projected Population of Regional Authority Areas 1981-2031, <http://www.cso.ie/en/releasesandpublications/er/rpp/regionalpopulationprojections2016-2031/>

⁴ The Dublin Transport Office estimated a 20% growth rate from 1999 to 2016, raising the population by 290,000 to 1.75m (*A Platform for Change: An integrated transport strategy for the Greater Dublin Area 2000-2016*, p.14, https://www.nationaltransport.ie/downloads/archive/platform_for_change_2001.pdf#page=14).

Census 2016 (CSO EP001, Population and Actual and Percentage Change 2011 to 2016 by Sex, Province County or City, Census Year and Statistic), revealed a GDA population of 1,904,806, a rise of c. 444,806 from 1999, representing a growth rate of over 30%. The population increase was underestimated by 154,806, while the rate of growth was underestimated by 50%.

Dublin Chamber notes with concern the negative social impact that the lack of available housing has on life in Ireland's capital. The problem of homelessness in the city is a matter of particular concern, bearing long-term social and economic costs. Social integration and cohesion are important factors in overall quality of life in any city. Following our partnership with the Peter McVerry Trust in 2016, Dublin Chamber is proud to partner currently with the Dublin Simon Community. We are conscious of the expertise that both groups possess with respect to homelessness and we ask that their policy advice be closely heeded by the Department of Housing, Planning, Community, and Local Government as it reviews the Housing & Homelessness Action Plan.

3. Housing Policy Principles

As Ireland works to consolidate its recovery and brace itself for new challenges, the Government must learn from the lessons of the past to avoid the closely connected dangers of bad planning, poor infrastructure investment decisions, and spiralling house prices. With this in mind, Dublin Chamber recommends that the following principles should inform housing policy.

3.1. Housing should be delivered where demand is highest

Inadequate availability of housing in high-demand areas is at the core of Ireland's current residential crisis. The dysfunctionality is illustrated by the fact that inflation for residential properties currently stands at c. 12% per annum,⁵ despite Ireland having 245,460 vacant dwellings.⁶ This anomaly is due to decades of poor planning in which Ireland dramatically oversupplied housing in low-demand areas, while failing to provide adequate capacity in areas like East Leinster where demand for accommodation is highest. Dublin Chamber strongly encourages the Department of Housing, Planning, Community, and Local Government to take this experience into consideration when preparing the upcoming National Planning Framework.⁷

Home to 40% of the State's population, the GDA is – and will remain – Ireland's economic and demographic hub, playing a similar role to that of Vienna in Austria, or Copenhagen in Denmark.⁸ The proportional strength of Dublin's population relative to the rest of Ireland, and its continued growth, is a normal feature of urbanisation in a small country with limited opportunities for urban critical mass.⁹ Urbanisation is an overwhelming global trend, driven by ordinary people rather than governments. Top-down attempts to disrupt this social pattern will only undermine Irish economic performance and quality of life. Instead, the Government

⁵ National residential property inflation rose by 11.9% in the year to May 2017. CSO, HPM06: Residential Property Price Index by Type of Residential Property, Month, and Statistic, <http://www.cso.ie/px/pxeirestat/Statire/SelectVarVal/Define.asp?maintable=HPM06&PLanguage=0>

⁶ CSO Census 2016, Profile 1 Housing in Ireland, Vacant Dwellings, <http://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/vac/>

⁷ Dublin Chamber, *Submission on the National Planning Framework*, March 2017, <http://www.dubchamber.ie/docs/policy-reports/dublin-chamber-npf-submission-march-2017>

⁸ CSO Press Statement 14 July 2016, Census 2016 Preliminary Results

⁹ Ireland's urbanisation rate has reached the European average. The UN estimates that by 2050 Ireland's population will be 75% urban. Ireland's proportional urban population will have then caught up with the European average of today, but will remain below average for its time and still markedly lower than the Northern European average, estimated to be almost 90%. UNFPA State of the World Population 2007.

must support the natural growth of Ireland's only major conurbation into a city of international scale, and avoid the mistake of trying to 'contain' it or redirect its population elsewhere. As a supporter of urbanisation, Dublin Chamber welcomes the population growth of other Irish cities on an organic basis. But the solution to relieving pressure in Dublin is to provide more capacity in Dublin, not elsewhere.

3.2. New housing should be appropriate to public needs

It is important that new housing supply is appropriate to the changing demands of Irish society. Urbanisation and changing household structures mean that the traditional model of suburban residential development is no longer adequate to meet Irish housing needs on the scale that is currently required. Housing policy should adapt to meet changing social needs and aspirations, rather than expecting newcomers and new and ageing generations to fit into a pre-existing mould.

For example, estates of three-bedroom semi-detached houses located in car-dependent commuter zones, while appropriate for growing families, are not an answer to the housing needs of single people or young professionals who now constitute one of the biggest cohorts of prospective buyers and renters. Feedback from international firms, particularly in the valuable tech sector, suggests that younger staff have a lower tolerance for commuting times and generally expect access to accommodation in central locations for convenience and quality of life. This is supported by the preliminary results of *The Great Dublin Survey*, currently being undertaken by Dublin Chamber, which show a greater degree of enthusiasm for urban apartment living among under-35s.¹⁰

Similarly, specific solutions will be required for Ireland's growing populations of students and the elderly. With unmet demand for an estimated 23,634 student beds,¹¹ and a 34% rise in the capital's student population over the last decade,¹² Dublin Chamber supports continued investment in centrally located purpose-build student accommodation to relieve the pressure on Dublin's rental market and strengthen Ireland's offering as a location for education and research. We welcome the recent publication of the National Student Accommodation Strategy, and the use of quarterly tracking for this sector as a model for the broader housing market. Meanwhile, the elderly will require access to appropriate accommodation in or close to their own neighbourhoods, allowing them to downsize without losing their social networks.

All this will necessitate greater population density in urban areas. In our submission on the National Planning Framework, Dublin Chamber has explained why urban consolidation based on higher population density is unlikely to be achieved on the basis of current planning models, and why a new form of regional coordination will be required.¹³ Regional coordination of this kind will require either reform of local government, or the direct intervention of national government.

¹⁰ Preliminary results. *The Great Dublin Survey* is currently live at: <http://www.greatdublinsurvey.ie/>

¹¹ Department of Education & Skills, *National Student Accommodation Strategy*, p. 25, <http://www.education.ie/en/Publications/Policy-Reports/National-Student-Accommodation-Policy.pdf#page=13>

¹² Knight Frank Research, *Dublin Student Housing Report 2017*, p. 2

¹³ Dublin Chamber, *Submission on the National Planning Framework*, March 2017, pp. 13-14, <http://www.dubchamber.ie/docs/policy-reports/dublin-chamber-npf-submission-march-2017#page=13>

4. Policy Recommendations

While Dublin Chamber welcomes efforts to assist first-time buyers, the supply problem is at the crux of the housing crisis, and priority should be given to delivering more homes to the market. This should be done through new residential construction combined with better management of the existing housing stock.

4.1. Increase Residential Output

The data compiled by the Dublin Housing Supply Coordination Taskforce suggests that there is currently adequate zoned land and planning permission to meet the short-term demand for residential accommodation in the Dublin region, but that sites are not being developed accordingly. The financing model for residential construction has changed in recent years on account of the experience of the previous decade, and a more cautious approach is being taken to protect the economy from risks associated with speculative development. However, there is potential for Government to act with respect to the infrastructure planning and commercial concerns which are playing a role in the current impasse.

4.1.1. Coordinate Infrastructure & Housing Development

Dublin Chamber wishes to stress in the strongest terms the importance of joined-up thinking between planning, infrastructure delivery, and housing development in the Greater Dublin Area. For many years, the Chamber has highlighted the problem of disjointed local government in Dublin and the absence of a coherent vision for the Irish capital as a whole.¹⁴ Dublin Chamber has repeatedly argued for a holistic long-term plan for the city region, coordinating land-use, planning, transport and infrastructure investment with residential and commercial development across the four current local authorities and beyond. This will be crucial if Ireland is to have a world-class city region to keep it relevant in an increasingly urban world.

It is regrettable that little progress has been made in this regard. Given the wide range of public policy issues upon which housing delivery is contingent, it is unlikely that Ireland will succeed in responding adequately to the housing crisis without a high degree of coordination across the relevant state bodies at both local and national level. A proper framework for such coordination does not currently exist.

The results of this can be seen, for example, in the formulation of plans for a new neighbourhood at the Poolbeg West SDZ. The original plans did not sufficiently take into account the need for high density in light of the housing crisis and the relative centrality of the SDZ location. Moreover, the Chamber is concerned that there is a disjunction between the housing and transport plans for Poolbeg West. The NTA has categorically stated that the original plan for 3,000 units would leave the area considerably short of the population level required to make construction of a Luas line viable. While the provision for a potential 500 further homes is very welcome, there is still no clarity as to whether this will be adequate to support the necessary transport improvements that were originally planned. There is now a

¹⁴ E.g. Dublin Chamber, *Democracy Now! Submission to the Dept. of Environment, Heritage & Local Government – Green Paper for Local Government Reform*, 1 November 2007; *Response to the Local Government (Dublin Mayor and Regional Authority) Bill 2010*, June 2010; *Commentary on the Local Government (Dublin Mayor and Regional Authority) Bill 2010*, November 2010; *Submission: Directly Elected Mayor for Dublin*, 19 November 2013; *Submission to Dept. of Environment, Community and Local Government on Statement of Strategy 2015-17*, 3 November 2014.

danger that the Luas extension to Poolbeg will never be built, permanently undermining the success of the SDZ, due to a lack of joined-up thinking.¹⁵

An empowered local government with a citywide remit would be well positioned to formulate and implement a long-term plan to properly accommodate population growth in the GDA. However, in the absence of such radical local government reform, Dublin Chamber advises that greater intervention will be required by national government. The creation of the Dublin Housing Supply Coordination Taskforce, to compile data on the progress of various residential development sites across Dublin's four local authority areas, was a modest but important step in the right direction. Meanwhile, inadequate infrastructure continues to be a major obstacle to the building of new homes. Central Government must now move beyond its monitoring function towards a more directive approach.

Dublin Chamber proposes the establishment by the Minister for Housing, Planning, Community, and Local Government of a housing taskforce that is empowered to:

- Draw up a long-term plan for the infrastructural and residential development of the whole capital city and its hinterland;
- Coordinate the activities of the Department, local governments, the National Transport Authority, and other relevant state bodies such as the National Asset Management Agency and the National Treasury Management Agency, to ensure implementation.

This could take the form of a Ministerial-led monitoring committee that comprises representatives of all relevant parties and is granted statutory powers; or the role of 'Housing Tsar' could be granted to a new or existing state agency. The formal structure of this body would be of secondary importance to its function of ensuring joined-up planning and coordinated implementation.

Government should be open to adopting a more direct and expansive role in urban land management. Dublin Chamber takes this opportunity to note two international examples. In Hong Kong virtually all land is owned by the state, which leases it to private developers on a planned basis. Leaseholders also pay annual rents to the government, providing a major source of state income. This model allows for moderation of high property prices and provision of high levels of social housing. While such a system may not be feasible in the GDA in the medium term, Ireland could learn from the Danish capital, which is frequently ranked among the world's most liveable cities.¹⁶ In Copenhagen, large land banks have been built up by the state for future urban growth, allowing the state to set the price it is willing to pay for new residential developments. Instead, developers must compete on the basis of building quality and design, and can only commence building once the required services, including utilities and transport, are in place.

Chamber notes the unimplemented recommendations of the 1974 Kenny Report, which would aid the implementation of a similar strategy in Ireland in the medium term. In the short

¹⁵ Dublin Chamber, Submission on the Poolbeg West SDZ Planning Scheme Material Alterations, July 2017, http://dublinchamber.ie/DublinChamberofCommerce/media/Policy-Documents/Dublin-Chamber-Poolbeg-Submission-July-2017_1.pdf

¹⁶ E.g. *Monocle* Quality of Life Survey 2017, <https://monocle.com/film/affairs/most-liveable-city-copenhagen/>

term however, the State should ensure that it makes best use of its existing land bank. The existence of a clear and enforceable plan for housing and infrastructure in the GDA over the next 20 years would ensure domestic and international confidence in Ireland's offering. It would also have a calming effect on the current housing market by creating certainty about future supply and reducing the impulse towards speculation.

4.1.2. Re-Commit to Social Housing

Ireland's social housing system is not functioning. For too long, there has been an overreliance on private and local initiative to deliver what is essentially a public good of national importance. With responsibility devolved to local authorities and voluntary housing bodies, output of newly built homes is negligibly low while demand is at an all-time high. Meanwhile, the reliance of local authorities on private housing acquisition rather than social housing construction merely serves to exacerbate the pressure on the private rental sector by reducing availability.

Dublin Chamber has argued in recent policy submissions that important capital investments should be prioritised over broad-based tax cuts or social welfare increases. While funding for social housing should be maximised to the extent that is practicable in the upcoming capital investment plan, it will be difficult to deliver social housing on the scale that is required in the coming years under current EU fiscal rules. The Government should seek a derogation from the fiscal rules with specific reference to this component of Ireland's housing crisis, highlighting the social and economic costs that will arise if it is not addressed.

In the interim, there is a need for structural reform of the social housing system. Consideration should be given to the transfer of local authority functions into a central agency, which would provide the social housing sector with the critical mass needed to undertake large projects, and possibly avail of private sector funds. This could take the form of a new state company, or an existing state agency with the requisite expertise in the financing and management of residential assets.

A state agency with responsibility for ensuring the infrastructural and residential development of state-owned lands, including social housing provision, would be well-placed to contribute to the implementation of a long-term government-directed plan for the GDA as suggested in the preceding section of this document.

4.1.3. Improve Commercial Viability

Dublin Chamber acknowledges the widely voiced view in the construction industry that residential construction in Dublin involves a high cost base, and that larger returns may be necessary to make homebuilding commercially worthwhile in high-demand areas. According to a study conducted by the Society of Chartered Surveyors of Ireland last year, the total cost of delivering a three-bedroom semi-detached house to the market in Dublin was €330,000, a figure that then matched or exceeded the average market value of such a house in many areas of Dublin. Only 45% of the expense was found to be attributable to the 'hard' costs of construction, with other costs such as land and acquisition, financing, levies

and professional fees accounting for the rest.¹⁷ To obviate further upward pressure on house prices, Dublin Chamber advises a cautious examination of how the costs associated with residential construction (including taxation) might be reduced in a prudent and responsible manner.

Government should maintain appropriate buildings standards whilst also ensuring that there are no undue regulatory barriers to residential development. In particular, there is room for adjustment of regulations governing the specifications of high-rise buildings. Requirements for underground car parking, for example, add considerable costs to high-rise residential construction, while being in conflict with the broader policy objective of promoting public transport use in high density areas. High-density developments should be encouraged along existing and planned public transport routes.

4.2. Manage the Existing Housing Stock Better

Measures to ensure greater output of new housing can be undertaken immediately; in practice, however, they will take several years to notably affect the level of supply. In the short-term, other measures should be taken to relieve pressure on the market. With Census 2016 results showing some 117,381 vacant homes located within Ireland's cities, towns, and villages, including some 28,188 in Dublin City and suburbs, there is clearly scope to manage the existing housing stock more efficiently.¹⁸ Along with greater funding for the Probate Office to process cases more speedily, Dublin Chamber recommends the following actions.

Dublin Chamber supports the establishment of an Empty Homes Office to oversee the management of vacant properties in urban Ireland. In the UK, local authorities employ Empty Homes Officers to visit vacant properties and liaise between property owners and the appropriate state agencies. Ireland – and the GDA in particular – requires dedicated officials of this kind to undertake this time-consuming business. Empty Homes Officers would be tasked with identifying vacant properties, identifying who the property owners are, why said properties are vacant, and what the barriers are to leasing, selling, or renting them, while also providing information on the options available to the owners of these properties.

If the Government chooses to pursue a more forceful approach to the management of vacant properties, a tax or charge on these properties may also be appropriate. In light of the threat that the housing crisis presents to Irish economic competitiveness, the Government should prioritise the needs of people looking for a home above the needs of those interested in maintaining a non-primary residence or other vacant property. Dublin Chamber notes that of the 28,188 vacant dwellings in Dublin City and suburbs last year, census enumerators recorded 1,265 as being vacant long-term.¹⁹

¹⁷ SCSi, *The Real Cost of New House Delivery: Analysis of Real Market Data to Evaluate Viability & Affordability of New Housing Development*, May 2016,

https://www.scsi.ie/documents/get_lob?id=885&field=file#page=5

¹⁸ CSO, Census 2016, Profile 1 Housing in Ireland, Vacant Dwellings,

<http://www.cso.ie/en/releasesandpublications/ep/p-cp1hii/cp1hii/vac/>

¹⁹ Ibid.