



MINORITY REPORT



Why 'the market' won't solve the Housing Crisis

Housing emergency: Why the Housing Committee Report falls short

Introduction by Ruth Coppinger TD

As a campaigning TD, I interact daily with people being made homeless, facing eviction or living in horrifically stressed overcrowding. The housing crisis is the most pressing issue facing this country and the human suffering it causes has been ignored by government.

The establishment of a Dáil committee on Housing & Homelessness before the new government was even formed shows how even the political establishment, dominated by property interests, can no longer ignore it. While some Recommendations of the Committee Report are very welcome, overall, it doesn't go anywhere near far enough in its targets for social and affordable home-building. It will not eliminate the misery of the longest housing lists in our state's history.

It doesn't locate the roots of the problem in the private market itself or even mention the fact that private developers are currently hoarding land and housing, waiting for prices to rise further on the backs of suffering families.

Most importantly, it doesn't identify the means by which a housing programme can be funded. By opting not to breach the EU fiscal rules – which effectively prevent large-scale public spending – and in clinging to an impossible off-balance sheet model, homes will not be provided at the scale and speed needed. The houses will be more expensive to build than if built directly by councils. And they will ultimately remain in private control and less secure for the tenant.

It was disappointing that the target on Social Housing was watered down in the final Committee session. An original proposal “that local authorities return to direct building of social housing and that 50,000 new social housing units would be built up to 2020” was amended to: “Increase the social housing stock of both local authorities and approved housing bodies by at least 50,000 ... through a programme of acquisition, refurbishment and new build”. This would only bring public housing annually to just over what was supplied in 2007 – hardly reflective of an emergency.

Considering there are up to 140,000 households waiting for a council house, at the Committee's rate, it would take 15 years to clear the existing list. Nothing would be provided for the those who would join the list during that period, nor for the tens of thousands more trapped in the private rented sector because their wages are too high to qualify for social housing. The Committee refused to increase the income eligibility for public housing.

The most obvious gap is where will the money come from? The Committee opted not to clearly call for the government to breach EU rules if that is what's necessary to resolve our housing emergency. These rules outlaw borrowing for capital investment and limit how much of our own money we can spend. For instance, even though it is savings, we are forbidden from spending €5.4 billion in the Ireland Strategic Investment Fund on social housing under these rules! We are also barred from using NAMA's €2.4 billion cash reserves. Both of those funds could resolve much of our housing crisis.

The Committee voted down a proposal to increase tax on big business and the wealthy to fund a housing programme, which is allowable in the EU rules. In fact, the inclination is still to give tax breaks to the wealthy and developers.



Neither does the Report grapple with the major issue of the day – rocketing rents. It's second major recommendation is to introduce very limited rent certainty, linked to inflation – but only for existing tenancies. On its own, this reform could give landlords an incentive to evict tenants and jack up the rent. Rents would still constantly increase without controls on new rental properties. But the Committee refused to go further with real rent controls to actually cut rent levels and make them affordable.

While there are some welcome reforms, the Report is missing most of what's needed to really solve the housing crisis and includes at least one important recommendation that would make matters worse.

The Committee's proposal for a new model of so-called 'public housing' would actually mean handing over valuable public land to developers and allowing them build mainly private houses for profit. The only condition would be they hand over a much smaller percentage of social housing and supposedly 'affordable' or 'cost' rental housing. The model cited is Dublin City Council's Land Initiative, which will deliver a maximum of 30% social housing. If this were adopted nationally, almost half a million houses would have to be built just to clear the existing housing list of 140,000 households.

The mantra of officials and right wing politicians, is 'avoid the mistakes of the past' and 'not build any more Ballymun's'. Apparently, any more than 30% social housing will automatically turn into a ghetto, so the solution is for council tenants to live in 'mixed tenure' estates, where their neighbour's mortgages will apparently have some sort of civilising effect on them!

On the one hand, this is pure snobbery and an insult to the millions of people who grew up on council estates before the system was undermined by such severe cutbacks that, to have any hope of getting a house, you either have to be homeless or waiting many years.

On the other, mixed tenure ideology has an underlying economic rationale, which is connected to the Committee's refusal to consider breaking the EU rules or raising additional taxes from big business and the wealthy.

Since all new housing investments must be classed by EUROSTAT as 'off-balance' sheet, they can only happen if the state's investment is part of a commercial project that generates a profit for private investors. That's the real economic reason the new model of so-called 'public housing' will only have a maximum of 30% social housing. Otherwise private investors wouldn't make a big enough return. This just so happens to tally with the interests of landowners and developers – the same class who have dominated this state since its foundation and blew up the bubble that caused the housing crash in the first place.

No one has been able to come up with a workable off-balance sheet model for housing that would abide by the EU rules. So there's no guarantee even an ultra-modest level of co-financing with private investors, that ends up being a rip-off for the taxpayer, will make it past the neoliberal hawks in Brussels.

As this Minority, left, Report argues, it is the market which has caused the crisis. Housing should not be for speculation. We have the wealth and resources to provide affordable homes for all. But it's clear the neoliberal model of capitalism won't allow us to provide them. We need a left government that will not accept that philosophy but will demand what is necessary to give people affordable and secure accommodation in properly planned communities.

I would like to thank Diana O'Dwyer, Socialist Party / Anti Austerity Alliance researcher, for her incredible work on this document, which we hope can illuminate why the market cannot resolve the housing crisis and can arm and inform all those concerned about this social disaster.

Executive Summary - Ten key points

- 1. Directly build 100,000 public homes over the next 5 years at cost price for €10bn.*
- 2. Acquire 60,000 vacant homes for public housing and to rapidly house all those who are currently homeless, at a cost of €5bn.*
- 3. Establish a Real Public Housing System to make these homes available to all to rent or buy, based on a system of differential rents and mortgages ranging from 10-25% of income.*
- 4. Finance this by raising taxation on big business and wealthy and using some of the billions of euro in the Ireland Strategic Investment Fund (ISIF), NAMA, and publicly owned banks.*
- 5. Repurpose NAMA as a Real Public Housing agency that will use its land and financial resources for social and affordable housing.*
- 6. Reduce the cost of new build housing by more than two-thirds by directly building the homes, eliminating profiteering, using state-owned land and through economies of scale.*
- 7. Introduce real rent controls linked to the Consumer Price Index for all rental properties and backdated to 2011 when rents were more affordable.*
- 8. Ban economic evictions, including intention to sell as grounds for terminating a lease.*
- 9. Write down owner-occupier mortgages to affordable levels via a publicly owned banking system.*
- 10. Introduce the legal right to a home and repeal the EU fiscal rules as an unworkable constraint on the public investment needed to solve the housing crisis.*

- Chapter 1** outlines the underlying causes of the current housing and homelessness crisis and why neither the government nor any of the establishment parties are capable of solving it.
- Chapter 2** puts forward an alternative model of Real Public Housing open to all, and a National Public Housing Plan to build and acquire the homes needed to provide secure, affordable accommodation for all, while providing good public jobs for thousands of construction workers.
- Chapter 3** explains how the cost of a home would be reduced by more than two-thirds by using state-owned lands and cutting out profiteering so houses are built at cost price on a non-profit basis. This would be financed from a variety of sources, including higher taxation of big business and the wealthy, and existing state monies held by the Ireland Strategic Investment Fund (ISIF) and NAMA.
- Chapter 4** explores in more detail how NAMA could be repurposed as a public housing agency and its resources used to help solve the housing crisis.
- Chapter 5** outlines how the AAA would prevent further homelessness and cater for groups with special housing needs.
- Chapter 6&7** outline the measures needed to ensure affordability and security of tenure in the private rented sector, steps to reduce reliance on the private rental market in order to provide for people's housing needs, and how to deal with unaffordable mortgage through write-downs and a publicly owned banking system.
- Chapter 8** suggests some legal changes that are needed, including a guaranteed right to a home that takes precedence over the right to property and private profit and the need to repeal the EU fiscal rules which obstruct the public investment needed to solve the housing crisis.
- Conclusion** The Conclusion outlines the political obstacles to a left public housing programme and how they can be overcome.

Chapter 1. Causes of the Housing and Homeless crisis

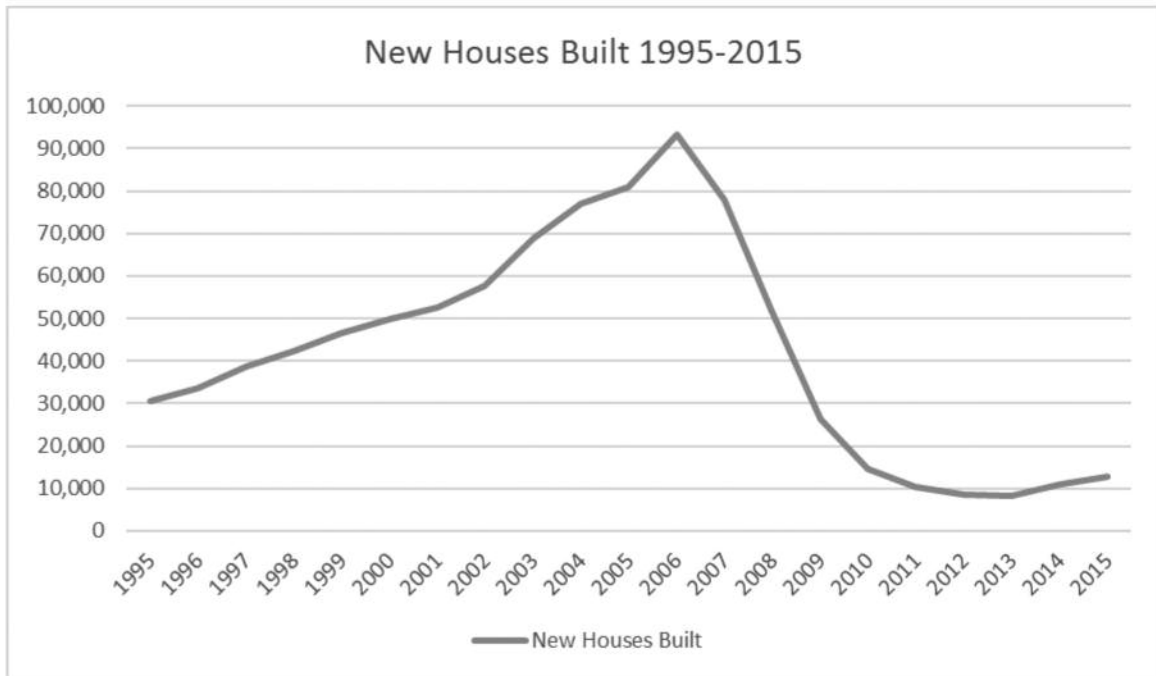
IN LESS THAN two years, the number of homeless families in emergency accommodation has trebled to more than 1,000, with over 2,000 homeless children. A recent survey found a third of renters nationally and nearly half of all renters in Dublin fear losing their homes² 33,000 owner-occupier mortgage holders are in danger of repossession. The government's own Housing Agency says extortionate housing costs are 'the single biggest factor' in the high cost of living in Ireland. Tenants spend 34% of their net income on rent, rising to 36% in Dublin. A third of tenants spend over 40% . This is well in excess of the 30% maximum considered affordable internationally . The same is true for many mortgage holders, especially those unfortunate enough to have gotten a mortgage during the bubble. The latest AA survey of the cost of owning and maintaining a home found it adds up to 41% of average wages for a new buyer and 57% if you bought in 2007 . Insecure, unaffordable housing has unfortunately become the norm for many workers in Ireland.

The fundamental reason for the housing and homelessness crisis is that the right to profit has taken precedence over the right to a secure, affordable home. This has driven up the cost the housing across the board and allowed tenants and mortgage holders to be evicted to protect the property rights of landlords and banks. Increased reliance on the private market, precipitated by savage cuts to local authority construction, has caused the current housing crisis.

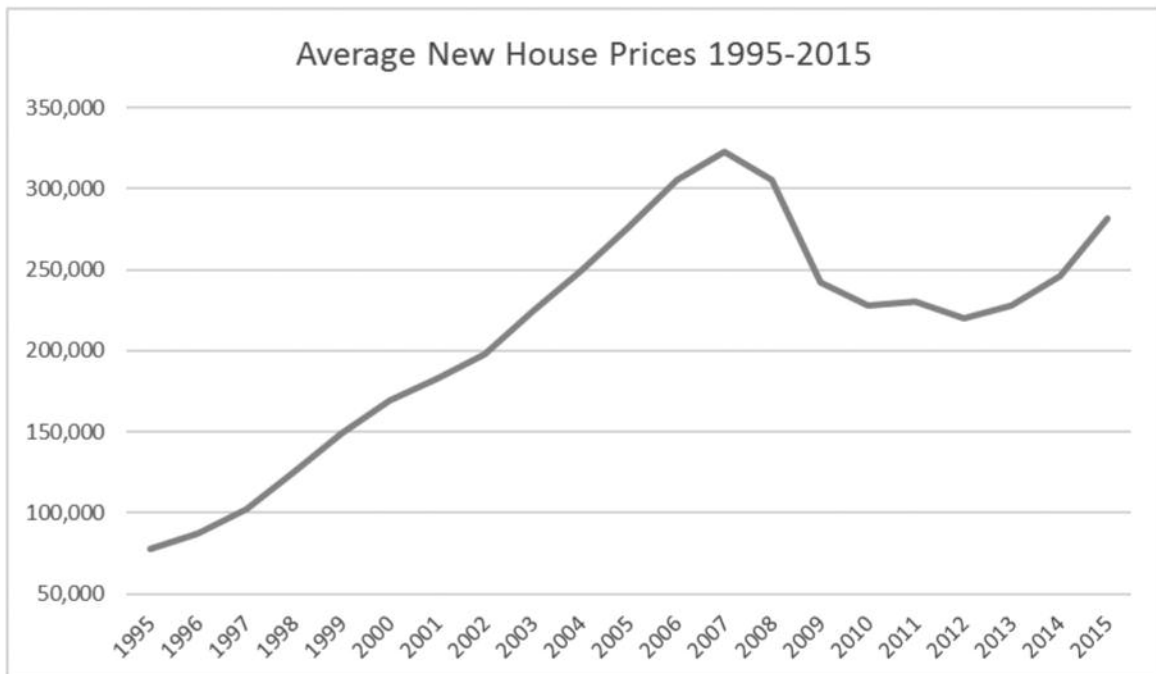
The percentage of new builds by local authorities and/or housing associations has plummeted from a third of all new homes in 1975 to 4% last year – the lowest since records began. Had 1975 levels of local authority construction been maintained, an additional 285,000 council homes would have been built and we wouldn't have a housing crisis. Not only would upwards of half a million more people be living in secure, affordable council accommodation, this would have kept rents and house prices down for everyone else.

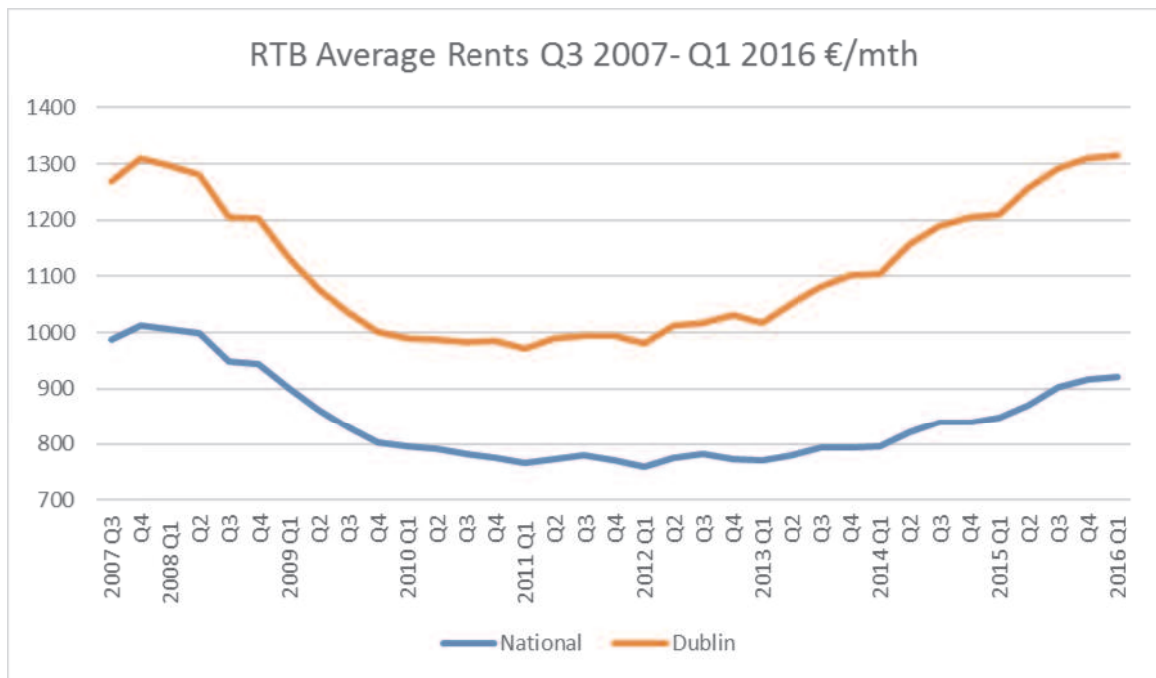
Instead, all those people were driven into the private rented sector or the owner-occupier market. This drove up rents via government subsidies to private landlords as Rent Supplement was introduced in 1989 to compensate for cuts to local authority construction. Along with other rent subsidy schemes like the Housing Assistance Payment (HAP), the state now subsidises a third of the so-called 'private' rented sector and has been one of the main drivers of its doubling in size from 2006-2011 . Meanwhile, more and more people were looking to buy their homes. This helped drive up house prices, along with a giant credit bubble that made billions for developers and banks before eventually bursting and crashing the economy.

This highlights how depending on the private market has also exposed housing to the boom and bust cycle of capitalism, whether measured in terms of new builds, house prices or rents.

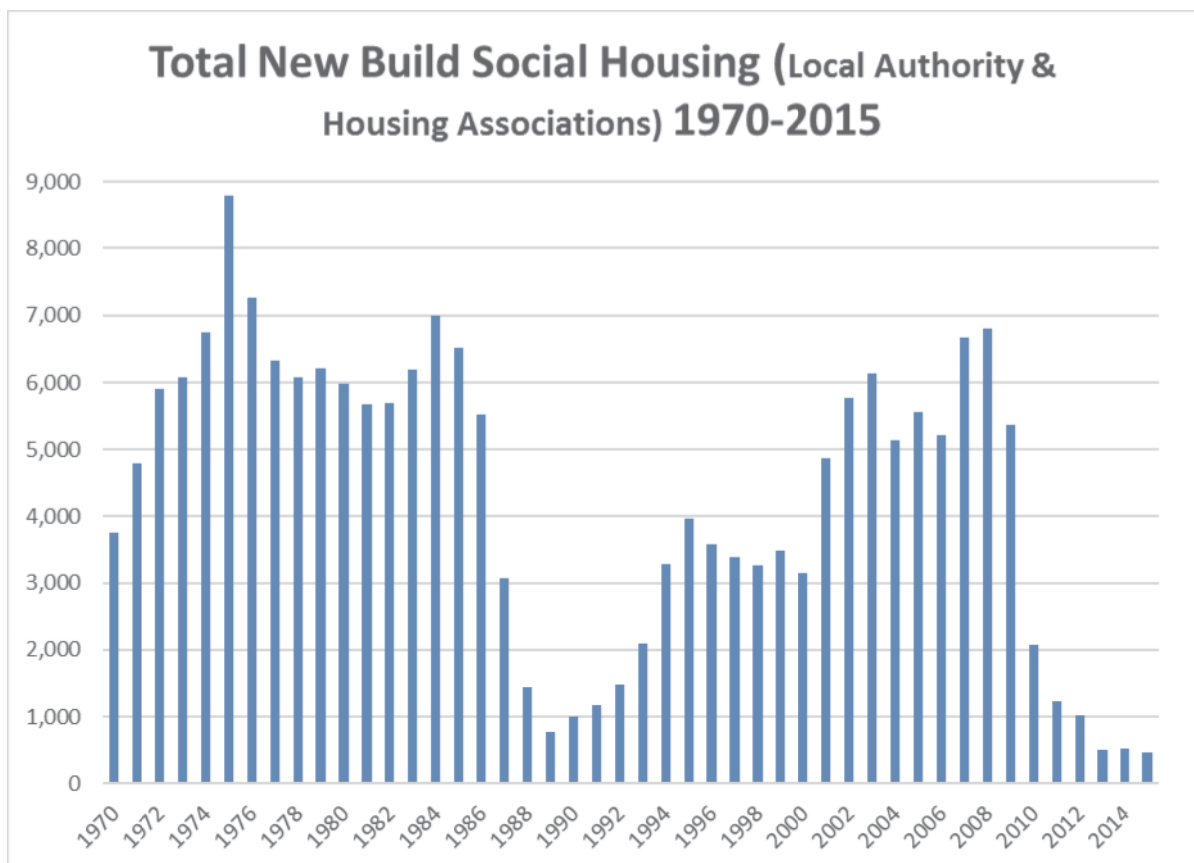


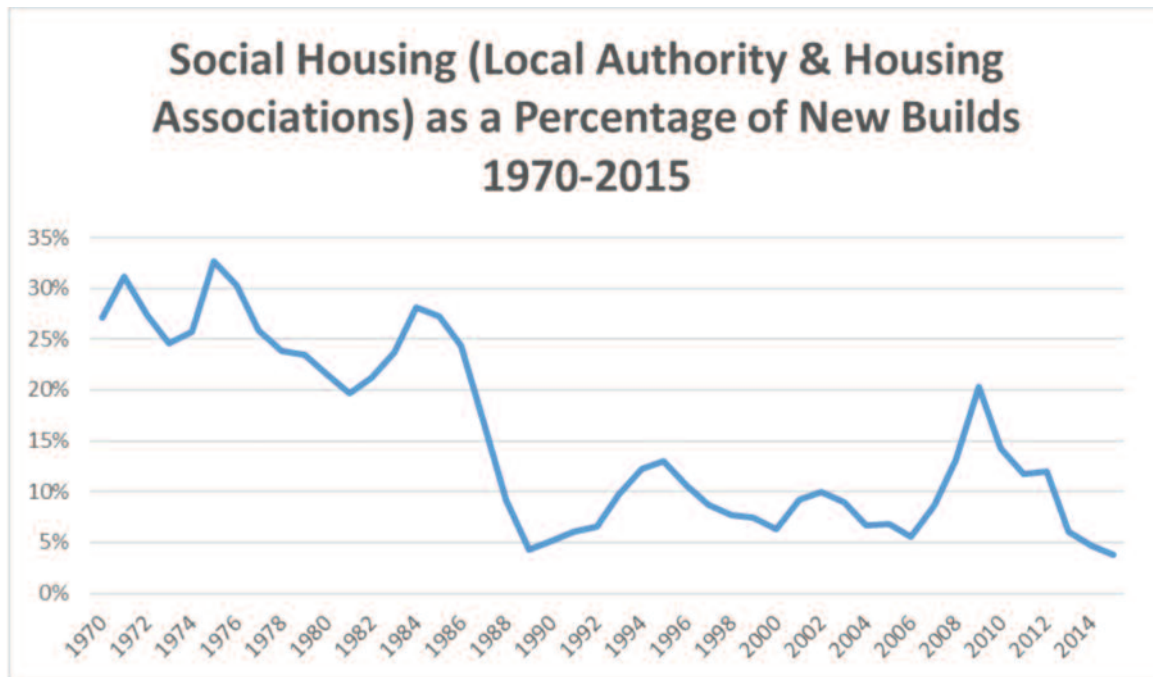
Average New House Prices 1995-2015¹¹





Total New Build Social Housing (Local Authority & Housing Associations) 1970-2015



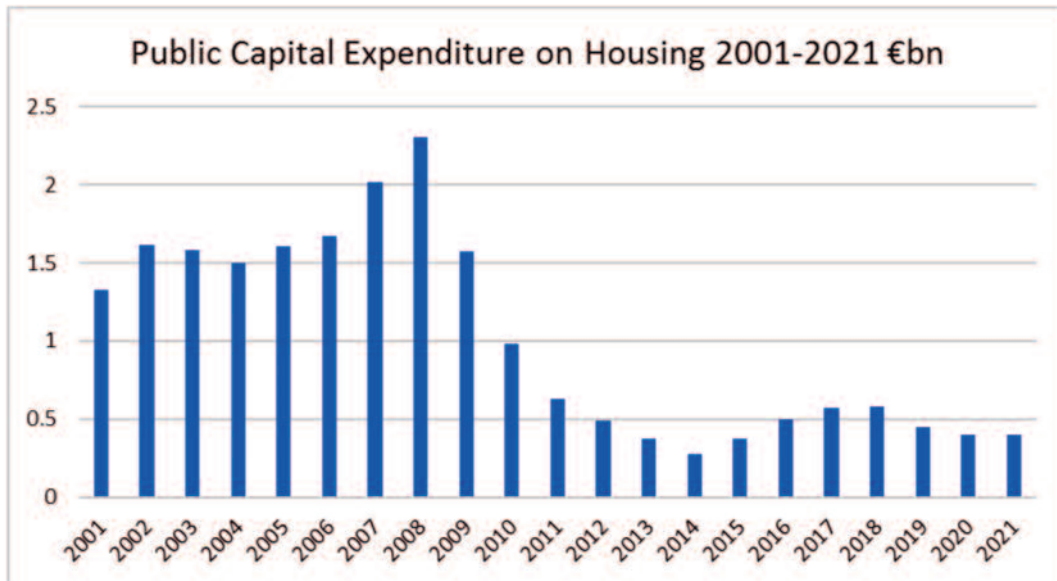


Clearly, providing secure, affordable housing and maximising profits on housing are in fundamental conflict. Yet in spite of all the evidence that the market is the problem, the new Fine Gael-Endependent government, in de facto coalition with Fianna Fáil, are sticking rigidly to relying on the private market to solve a crisis it created. So the goal of government housing policy, as stated in the new Programme for Government is 'to create a functioning housing market', not to provide secure, affordable homes for all.

SINCE THE PROPERTY bubble burst and crashed the economy, €150bn in cumulative austerity tax increases and public spending cuts have been imposed to bailout out the developers and the banks. Along with job losses and pay cuts, this has led to a huge decline in peoples' living standards. According to the ESRI, household incomes were down 15-27% once housing costs were taken into account by 2014 and rents have continued to rise dramatically since, increasing by 8.6% in the last year. The biggest single area targeted for public spending cuts has been housing.

Rather than the councils or NAMA taking advantage of historically low land and property prices after the crash to build up a stock of public housing, the previous two governments instead decided to basically abolish the capital budget for housing. €11.4 billion was cut from the public capital budget for housing from 2009-2015, with an 84% cut between 2008 and 2013. Each year of the last government's term of office marked another all time low in council home building (Graph). The graph below shows how low the capital budget still is by historical standards. Despite all Alan Kelly's plámás-ing about "the largest housing programme in the history of the state", the state will invest less money in housing in 2016 than any year from 2001-2011.

Even taking into account local authority acquisitions, 2015 saw the third lowest social housing output on record – after 2014 and 2013. Only 1,561 new units were built or bought by local authorities or housing associations for the 90,000-140,000 households on waiting lists for a council house. Meanwhile, only around 6,000 new houses were built by developers despite the fact that we clearly have a serious housing shortage, especially in Dublin, and there is enough zoned land with planning permission to provide for all the capital's



housing needs. Of the 27,000 planning permissions granted in Dublin, only 4,400 are currently being used by developers .

The reason for this is that developers are waiting for house prices and rents to rise even more before they start building. Accustomed to bubble-era profits, they are holding out for 'super-normal profit'. According to the CEO of NAMA, Brendan McDonagh, many developers are "not satisfied" with a €20,000 profit on a €300,000 home. They would rather wait until prices rose to a point at which a €50,000 profit was possible.' He explained to the Housing Committee that 'if sales prices went up by 5%, the profit would increase to €30,000. If they went up 10%, the profit would increase to €40,000. That is the dynamic of the market.' This is also shown by estimates of the component costs of a €330,000 house provided to the Committee by the Society of Chartered Surveyors of Ireland (SCSI), which allow for nearly €40,000 in developer's profit (see Chapter 3).

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Brendan McDonagh,
NAMA CEO

Clearly, what we are witnessing is a strike of capital. Greedy developers and private investors have deliberately created a housing shortage in order to drive prices up and up. Meanwhile, they are holding us all to ransom by demanding a host of new tax breaks and 'incentives' to entice them to start building houses now,

rather than in a few years' time when another 10,000 or 15,000 or 20,000 people will have been made homeless. Others may never build and are simply hoarding land and watching while prices rise. For example, last December , Cairn Homes, bought up over 6,000 sites in North Dublin for €19,000 each. Equivalent sites are now selling for €100,000 , adding €81,000 straight onto the price of each house, and meaning Cairn Homes and its backer, the US vulture fund, Lone Star, could make a profit of nearly half a billion euros just by selling the sites.

The obvious solution is for the state to step in and start building and acquiring affordable public housing. The local authorities and NAMA between own and control more than enough land to provide for all current and future housing needs (see Chapters 3 and 4). In addition to the government's

ideological aversion to doing anything by itself that doesn't create opportunities for profit by the private sector, there are two other reasons it won't take major action to solve the housing crisis. First, it refuses to even consider increasing taxes on big business and the wealthy, which could raise billions to fund a public housing programme without breaking the EU fiscal rules (see Chapter 3). Second, it is hidebound by the EU fiscal rules, which prevent the government from borrowing to invest in housing despite the existence of historically low interest rates of less than 1%. The rules also ban the government from increasing spending by more than 0.5% in real terms even though we've billions available to us to spend in the Ireland Strategic Investment Fund (ISIF) and have been through years of vicious austerity that cut €11.4bn from the capital housing budget.

In order to solve the housing and homelessness crisis and provide secure, affordable homes for all, it will be necessary both to increase taxation of big business and the wealthy and to break the EU rules in order to raise the billions of euros needed. The EU rules are an unreasonable barrier not only to the human right to a home but also the public investment so desperately needed in other areas like education and health. This will mean challenging the power of landlords, bankers, property developers and their political supporters and demanding that the right to a home take precedence over the right to profit. The next chapter outlines a left housing policy that would make secure, affordable housing available to all, based on a new model of Real Public Housing.

Chapter 2. A New Model of Real Public Housing Open to All



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HE AIM OF A LEFT housing policy would be to provide secure, affordable homes for all, in areas people want to live near decent jobs and with good public services. A Real Public Housing Plan would be democratically developed based on a new model of Real Public Housing, open to all and based on two fundamental principles:

- 1. *The right to a secure home for as long as you want it***
- 2. *The right to an affordable home relative to your income, not 'market rates'.***

Secure, affordable housing would be supplied via a combination of new builds and acquiring existing stock. Construction would be carried out by publicly owned construction companies using direct labour which would provide good jobs for thousands of construction workers. Costs would be reduced by building the homes on a non-profit basis using council and NAMA-owned land and there would also be substantial economies of scale involved in such as large scale housing programme. Funding would be provided from the range of sources outlined in Chapter 3.

Once the system was up and running, it would also benefit from significantly increased income from public housing rents and mortgage payments. This is because the new model of Real Public Housing would be open not only to those who currently qualify for social housing but to workers of all incomes, who could rent or buy their homes at affordable differential rents or mortgages, based on their varying income levels. This would significantly reduce living costs for all who availed of it and free up money for spending in the wider economy. It would also reduce the cost of housing for everyone else by putting huge downward pressure on private house prices and rents. Additional measures like rent

controls and mortgage write-downs would further ensure that everyone except the housing speculators benefits.

The Scale of Public Housing Need

A first step in developing a Public Housing Plan would be to set up a new democratic Public Housing Authority, with input from communities and construction workers. This would bring in new people from outside the local authority and Department of the Environment/Housing to deal with the problem from a fresh perspective involving public input, while also drawing on the knowledge, expertise and resources of local authorities, the Department of the Environment/Housing, and coordinating all the other existing state housing bodies, including NAMA, the Housing Agency, the Housing Finance Agency and the Residential Tenancies Board. The Public Housing Authority would carry out a full assessment of the scale of public housing need but could also start immediately building and acquiring units on the basis of the following existing estimates.

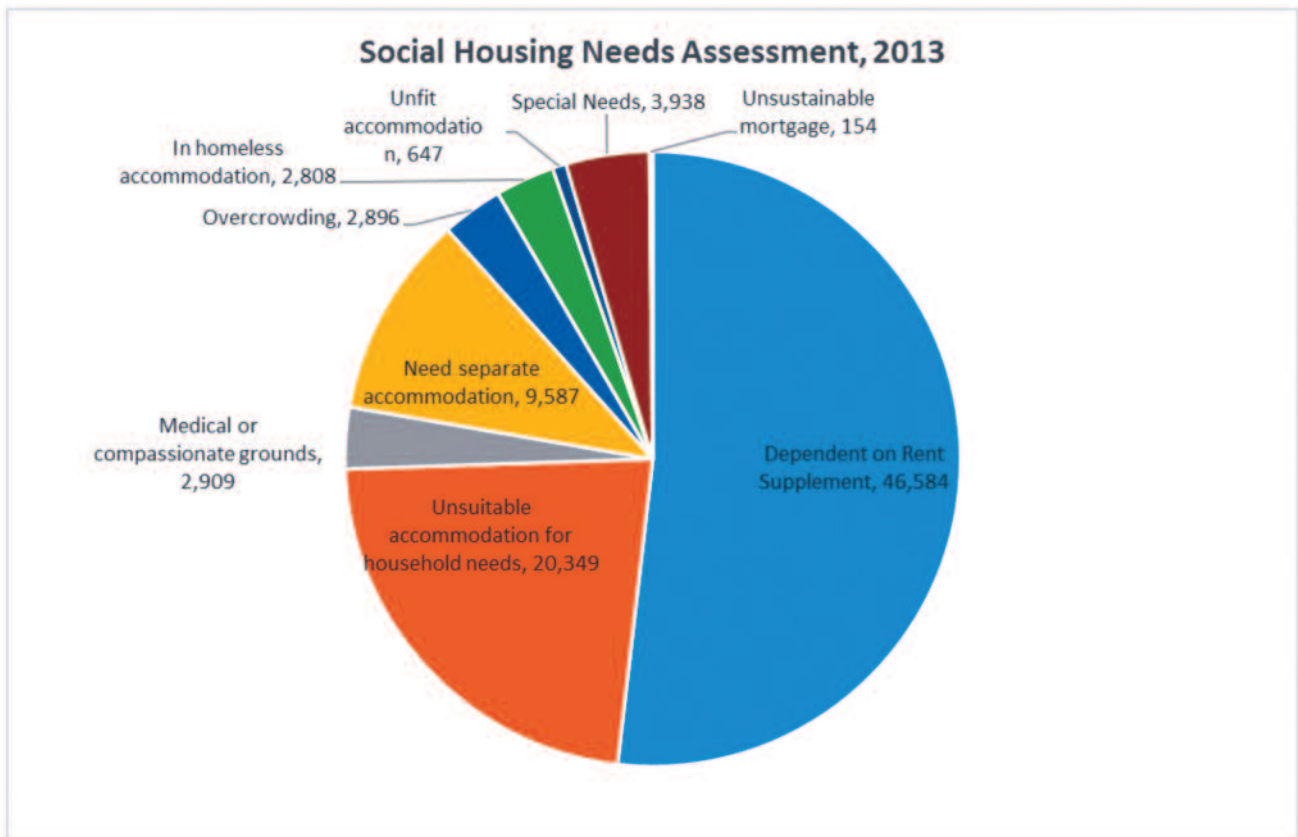
The Housing Agency estimates a third of households need some state housing support or have affordability issues, which works out around 550,000 households. As the Agency rightly points out, 'This is as much an economic issue as a housing issue'. It reflects the huge inequality of income and wealth in Irish society that such a large proportion of the population are struggling on a daily basis to keep a roof over their heads. Similarly, housing expert PJ Drudy, who appeared before the Committee, recommended that a third of the housing stock should be social housing, which would bring it back to the level constructed during the 1970s. There are currently only around 160,000 households in social rented housing (local authorities/housing associations), which makes up only 9% of the housing stock. So this will mean more than tripling the social/state-owned sector via a new system of Real Public Housing open to all. This can be done through a combination of

new builds and acquiring vacant houses, apartments and existing private rented accommodation for public housing.

1. Households on the Social Housing List

The last official social housing need assessment in 2013 found that just under 16,000 of the 90,000 households

on the housing list needed to form a new household, as distinct from needing secure permanent, affordable accommodation for their existing household . Applying the same percentages to the current estimated housing list of 130,000 -140,000 indicates a need for 16,000-25,000 additional houses or apartments. These could be new builds or vacant housing acquired by the state.



2. Annual New Household Formation

The Housing Agency estimates a minimum annual new housing need of 21,000 units a year between now and 2017 as a result of population growth and new household formation . The ESRI puts it at 19,000-33,000 units a year . This includes all new households so would include new social housing need.

In the Programme for Government, the government seemed to have settled on a target of 25,000 new units a year across the public and private sector, which would provide only 125,000 and likely fail to meet the demand for additional homes. Simon Coveney subsequently told the Committee he would prefer to be building 30,000-35,000 a year, or 150,000-175,000 in total, including for social housing , which is closer to what is actually needed. However, it ignores the much larger cohort of people who have some form of accommodation for their household at the moment but whose accommodation is insecure, unaffordable or both. They would also benefit from a Real Public Housing Programme that would take existing private rented accommodation into public ownership to provide them with secure, affordable housing and build up the public housing stock towards a medium term goal of 30%.

= Total New Build or Vacant Units needed for Household Formation

- From the Housing List: 16,000-25,000
- New units needed per year: 19,000-33,000

= 111,000-190,000 new units

Taking a mid-range estimate suggests a total need for around 150,500 new homes over the next five years, to be supplied via 100,000 new builds and acquiring 50,000 vacant houses or apartments.

3. People in state-subsidised private rented accommodation

Approximately 100,000 households are living in state-subsidised 'private' rented accommodation, which now accounts for roughly a third of the private rented sector and a third of all households receiving state housing supports. In effect, a third of 'social housing' has been privatised by outsourcing it to private landlords. This accommodation is generally both insecure and unaffordable. Many 'social' tenants are forced to pay substantial illegal rent 'top-ups' out of their own money just to stay in their homes. The Department of Social Protection has long denied or ignored this but was forced to finally acknowledge this reality under questioning at the Housing Committee.

In light of this, it's unsurprising that the 2014 EU Survey on Income and Living Conditions (EU-SILC) found more than half of those renting 'at below the market rate or rent free' (i.e. in local authority housing or more likely in state-subsidised private rented accommodation) were suffering from deprivation and over a fifth were living in consistent poverty.

Many of these privatised 'social housing' tenants are on the housing list, but many are not. This can be because the state deems them to only have a short term need for Rent Supplement or because they are deemed to have had their long term housing need met through schemes such as the Rental Accommodation Scheme (RAS), Housing Assistance Payment (HAP) or the Social Housing Capital Expenditure Programme (SHCEP).

A 2014 NESC report found there were 47,000 households on Rent Supplement not on the housing list. According to the Department of Social Protection, in 2014-15, there were 30,000-31,500 RAS-supported tenancies renting from private landlords, who would have been taken off the housing list. In addition, there are 8,800 households on the Housing Assistance Payment (HAP) and roughly 6,000 households on SCHEP (excluding NARPS units owned by NAMA).

All these schemes cost around €500m a year in hand-outs to private landlords – money that could be better spent building and acquiring permanent public housing. The €6 billion spent on rent subsidies to private landlords since 2004 could have built 60,000 permanent council homes by now – which is roughly the

number currently on Rent Supplement. In keeping with the principle of secure housing for all, the state could seek to acquire some of these existing homes of people living in state-subsidised private rented accommodation. People could stay where they are or move into alternative public housing, as they so wish. Meanwhile, this group would benefit from the measures outlined in Chapter 6 for the private rented sector, such as increasing Rent Supplement and improved security of tenure.

4. People in unaffordable private rented accommodation who are neither on rent subsidies nor on the housing list

This is the largest group and would include all those paying over 30% of their income for rent or a mortgage. This would include most renters in Dublin and many outside Dublin, given average rents of 36% of net income in Dublin and 34% outside it.

The Housing Agency estimates there are approximately 153,000 'involuntary' renter households who would prefer to buy a home or get a council house but can't.

Like most people on the housing list, these households already have a home so a Public Housing plan could seek to acquire their homes for public housing, while also enabling them to move into other public housing if they want. In the meantime, this group would benefit from rent controls and improved security of tenure, as recommended in Chapter 6.

To supply secure, affordable accommodation for all these groups, a range of responses would be needed, including:

- a Public Housing Construction Programme
- a Public Housing Acquisition Programme
- a new Public Housing System open to all, based on differential rents and mortgages

In addition, a range of measures are recommended to immediately improve security and affordability for all households in the private rented sector and with mortgage difficulties (Chapters 5 and 6).

A Public Housing Construction Programme

The state should directly build the 100,000 new homes needed as part of a Public Housing Construction Programme coordinated by the new Public Housing Authority, which would also be responsible for renovating or adapting existing homes and ongoing maintenance. This could directly employ thousands of construction workers and major Irish construction companies could also be taken into public ownership in order to take advantage of existing supply chains, organisational structures and tens of thousands of experienced construction workers.

Direct labour would be cheaper and faster than outsourcing the construction by private construction companies. It would immediately reduce construction costs by at least 15%, by eliminating developers' profit margins, and cut out profits for other construction materials companies and professional firms usually involved in the various stages of the construction process, many of which are extremely profitable. For example, the three largest Irish construction companies made nearly €1.4bn in profits last year.

Direct labour would also be much cheaper and faster than Public Private Partnerships (PPPs) with developers, which prove far more expensive in the medium to longer term. It would avoid repeating the mistakes of the failed regeneration PPPs, all but one of which collapsed. In addition, it would avoid the state paying extortionate rates to construction companies that exploit their workers and/or engage in bogus self-employment that defraud the state of employers' PRSI and tax revenue under the Electronic Relevant Contracts Tax (eRCT) system and workers of their pension and social welfare entitlements.

Direct labour would therefore partially pay for it itself by significantly increasing the income to the state from PRSI and PAYE. Estimates vary as to how much revenue the state is currently losing as a result of bogus employ-

ment in the construction industry. However, a submission by ICTU to the Department of Finance and the Department of Social Protection last March estimates that €640m has been lost in PRSI alone over the last eight year.

A Public Housing Construction Programme would provide tens of thousands of new jobs for construction workers, on decent pay and conditions. Once the houses were built or renovated, some of the workers could be taken on as maintenance staff to prevent the neglect that caused some local authority estates to fall into disrepair in the past. Democratic involvement of residents could also play an important role in this. The overall impact of a major Public Housing Construction Programme would therefore be huge in terms of the tens of thousands of construction jobs that would be created, increased tax revenue and the broader multiplier effects of billions of euro of public investment (see Chapter 3).

Finally, if the state built the housing directly, this could also massively speed up the construction process by avoiding all the delays associated with the drawn out tendering and procurement processes mandated by EU rules. These currently account for far more of the 2-3 years it takes to build houses than strictly 'planning' issues. Emergency planning powers could also be introduced to further speed up the process.

****Building 100,000 new homes would cost approximately €10bn over the next 5 years, or €2bn per year, based on an average cost of €100,000 per unit.***

A Public Housing Acquisition Programme

Vacant Housing

A programme of public housing acquisitions could begin by acquiring 60,000 vacant homes. Immediately housing the 6,000 homeless people currently in emergency accommodation would be the number one priority. Census 2011 found 230,000 vacant houses and apartments – an incredible 12% of the entire housing stock. This compares to a vacancy rate of only 2.5% in England, which despite having a much bigger population and housing stock has only 200,000 long term vacant properties. 43,000 of the empty homes in Ireland in 2011 were in Dublin, including 24,000 in the city centre. According to the latest CSO estimates in April 2015, the population has increased by just over 47,000 since. Given an average household size of 2.73 people, this equates to around 18,000 extra households.

However, the population has fallen in some regions and increased in others. For instance, the population of Dublin has increased by around 44,000, or 16,000 households. Meanwhile, from 2011 to 2015, just under 51,000 new houses or apartments have been built nationally, but only 3,147 of these have been in Dublin. Logically, this should mean there are now approximately 236,000 empty houses and apartments outside Dublin and as many as 30,000 in Dublin. Based on these figures, all 1,900 homeless households in Dublin could be easily housed by buying up vacant properties. However, we won't know this for sure until the preliminary results from this year's Census are released at the end of June.

Obviously not all the vacant houses/apartments, in Dublin or elsewhere, would be suitable for public housing and some will be in remote areas with little demand. Others belong to people who wouldn't want to sell, for example former family homes inherited between siblings, or belonging to elderly people in care. Notwithstanding this, the Housing Agency's suggestion of utilising only 41,000 vacant homes by 2026 seems conservative, especially as they simultaneously recommend reducing the vacancy rate by 50%. Going on today's estimated vacancy numbers, that would free up as many as 133,000 houses and apartments so a target of 60,000 seems doable. Based on the costings out-

lined in Chapter 3, acquiring and renovate 60,000 vacant properties would cost €5bn.

*** Acquire and renovate 60,000 vacant properties at a cost of €5bn.**

Buy-to-Lets in Long Term Arrears and Properties already in the Banks' Possession

An additional way the state could add to the public housing stock is by acquiring Buy-to-Lets in long term arrears. According to the latest Central Bank figures, there are almost 21,000 Buy-to-Lets in arrears of over six months. Around 4,500 have been bought by vulture funds, leaving around 16,500 with mainstream banks, much of which is owed to state-owned banks. At the moment, Buy-to-Lets in long term arrears are being repossessed by the banks, evicting tenants, so that the property can be sold on the market.

Instead, the state should use its ownership of AIB and PTSB and part-ownership of BOI to ensure the properties are repossessed for public housing, with existing tenants kept on. As well as preventing more people from being made homeless, this could add up to 12,000 homes to the public housing stock relatively quickly without the need for investment by the Exchequer as the costs could be easily absorbed by the banks.

Compulsory Purchase Orders (CPOs) could also be used to buy back the 4,500 Buy-to-Lets in long term arrears sold to vulture funds, as suggested by the Master of the High Court, Edmund Honohan. In addition, the banks currently have nearly 2,500 properties already in their possession that could be acquired for public housing. This would bring the total number of homes that could be added to the public housing stock via the banks to 18,500.

The state's ability to do all this depends on maintaining ownership and control of AIB and PTSB and retaining its shareholding in BOI rather than re-privatising the banks. This should be extended to democratic owner-

ship and control of the banking system as a whole so that it can be run as a public utility and help fund the investment that's needed in all areas and not just housing, after years of austerity.

Other private rented properties

An alternative or additional approach would be for the state acquire other suitable private rental properties in order to build up the public housing stock. This could include buying back some of the estimated 9,000 houses and apartments sold to vulture funds, REITS and other large landlords and property investors in large portfolio sales since 2010, 7,500 of them in urban areas of Dublin, Galway and Cork. Compulsory Purchase Orders could be used as necessary (Honohan). A voluntary acquisition programme could be used to purchase properties from small BTL landlords.

A survey in 2014 found 29% of landlords (approximately 50,000 people) want to sell 'as soon as they can'. A more recent survey in April, found 11% plan to sell in the next two years while almost another third are waiting for prices to improve first.

One in four landlords also say they are in negative equity, while rental income doesn't cover loan payments for nearly half of landlords and nearly all BTLs taken out since 2004 are making a loss. This would account for a large chunk of the other 116,500 outstanding BTL mortgages (besides those addressed above that are in long term arrears). It appears many landlords are only holding onto their properties in the hope prices will rise and/or are unable to sell because of negative equity. Via a voluntary programme, the state could buy up suitable properties at a level to cover small landlords' debts, or use state-owned banks to write off debt in exchange for the property being handed over. It's difficult to cost these measures, so they are not included in the summary below, but between them, the state could potentially acquire up to 50,000 units.

Summary of Public Housing Construction & Acquisition Programmes

Via a combination of all the above measures, 178,500, mostly new, units could be added to the public housing stock over the next five years, composed as follows:

- 100,000 new builds @ €10bn
- 60,000 acquisitions & renovations of vacant properties @ €5bn
- 18,500 properties via the banks – most of these would be occupied buy-to-lets, aside from the 2,500 repossessed properties already in the banks' possession

This would cost an estimated €15bn over 5 years or €3bn a year (excluding write-downs by state-owned banks paid for out of their profits). This is comparable to the annual public capital expenditure on housing as recently as 2008 when €2.3bn was spent, with an additional premium in order to begin to compensate for the €11.4bn cut out of the public capital budget on housing from 2009-2015. It would more than double the existing public housing stock to 337,500 units, or around 20% of households, bringing us towards the goal of 30% public housing recommended by housing experts, such as the Housing Agency and Professor Drudy.

A New Public Housing System

The 178,500 additional public housing units provided via new build and acquisitions could be divided roughly evenly between those on the housing list, who currently qualify for social housing, and those who currently don't. Opening up access like this would generate broad support for the new model of Real Public Housing and promote class solidarity as higher paid workers would benefit too. It would also create an income mix that would help to pay for the housing through higher rents and mortgage payments than under the current social rental system. People could choose to rent or buy their homes, based on a progressive system of differential rents or mortgage payments.

For renters, this would be the same as the current system of differential rents for households earning less than around €35,000, which is pegged 10-15% of incomes. Those earning more than that would pay an affordable rent of 15-20% which would ensure that public housing was attractive to middle income workers. In keeping with the other fundamental Real Public Housing principle of, permanent security of tenure, tenants would be free to pass on the family home to their children without having to worry about restrictions around succession. The current requirement for children to have been living in the house for two years before the parent's death would be abolished.

For those wishing to buy their homes, a premium would be charged. This would also be differential relative to income, but range along a higher scale from say 20%-27.5%. This would ensure public housing remained good value even for middle income workers, whose participation would help pay subsidise those on lower incomes.

In order to avoid the commodification and speculation that might otherwise result from affordable purchase, buyers (or their children) would only be allowed to sell the house back to the state and would be prohibited from ever renting it out. This would allow people who value it the sense of financial security associated with home ownership and the ability to pass the family home on to their children, while ensuring public housing either remains with the original occupiers or their families, or returns to the public housing stock.

To further guard against speculation, the state would buy the house back at the purchase price, minus depreciation, or plus a premium for improvements made. This would ensure that unlike with previous tenant purchase or affordable schemes, housing built by the state doesn't result in disproportionate financial gain for buyers or end up owned by landlords in the private rented sector.

A portion of rents and mortgage payments in all Real Public Housing developments would be ring-fenced for maintenance and to fund the operation of elected residents' associations to ensure to ensure all estates are kept in good condition and democratically managed by the community.

Real Public Housing would also have much wider benefits for society as a whole. By substantially reducing living costs for all who avail of it, it would free up large amounts of consumer spending previously paid over in rents to private landlords, which would boost the economy generally. The creation of a much larger pool of affordable housing would also put downward pressure on private house prices and rents and help reduce housing costs more broadly.

'Mixed Tenure' & 'Sustainable Communities' - The Neo-Liberal Housing Model

This single model of Real Public Housing open to all is vastly superior to the so-called 'public housing' in the Committee's report and supported by local authority management, housing NGOs, various Independent politicians and political parties from Sinn Féin to Fianna Fáil and the Labour Party. This fake public housing model actually involves handing over state-owned land to developers .

The economic justification for this is that such estates can be made more self-financing through a mix of social housing, so-called 'starter homes' sold at private market prices, and 'cost' or 'affordable' rental charged at 70-85% of market rent. The ideological justification is based on the neoliberal ideology of 'mixed tenure' (see Box), often alluded to in the fluffy language of 'sustainable communities'. Eugene Cummins of the County and City Management Association explained to the Committee that in the view of local authority management, it is neither possible nor desirable to build out large tracts of land for social housing only. History shows that a good social mix is needed. We must be very careful, therefore, that we do not go down that road again. It is very tempting to obtain 40 acres of land and build social houses on it but that would create untold difficulties. It is unfair, inequitable and has caused huge problems in the past. . . we must have full regard for the concept of sustainable communities.'

At their second appearance, they explained that a policy called 'Sustainable Communities' dictates that although 'local authorities and the State own a sizeable land bank. . . social housing can only be built, for the most part, on a small percentage of these sites' . This, along with a lack of funding, was part of the reason they rejected most of the units offered by NAMA despite the housing crisis.

Dublin City Council is piloting this new fake public housing approach, under its 'land initiative'. This is consistent with neoliberal mixed tenure/sustainable communities ideology as it only allows a maximum of 30% social housing, even though all the housing will be built on state-owned land. The remaining 70% will be divided between so-called 'starter homes' sold for profit on the private market by developers and an undefined quantity of so-called 'affordable' or 'cost rental', which will reportedly mean

tenants paying 80% of the market rent - rather than what they can actually afford.

The redevelopment of the O'Devaney Gardens in Dublin 7, which was formerly 100% council housing, shows that in practice this can actually mean a huge reduction in social housing provision. Whereas the site previously provided 300 council homes, under the 'land initiative' redevelopment, only 120 units will be social housing even though 400 homes are now to be squeezed into the same site. If this happened on every re-developed council estate or flat complex, it would mean a 60% reduction in social housing. Yet this is the model championed by Dublin City Council and held up as an example in the Housing Committee's report.

The Minister for Housing, Simon Coveney, has also confirmed that the government intends to expand the sell off of public land to developers for private housing. He is cited in the Irish Independent as saying that 'more public land must be availed of for building starter homes, as a site for a €300,000 house in Dublin costs almost €60,000 at present' and that the government's new housing strategy 'will include a special emphasis on increasing the supply of "starter homes" for first-time buyers in Dublin' .

Likewise, in an interview with the Irish Examiner, he mentioned "talking to state companies like Irish Rail" about using their lands for "a combination of social housing and private housing." This indicates that the government wants to gift public land to developers, either for nothing or substantially below the market price, in an attempt to reduce the price tag of private housing for house buyers and increase private housing supply.

This is effectively yet another subsidy to developers whose complaints about not making enough profits have been swallowed whole by the government. Rather than listening to them and trying to come up with ways to make housing supernormally profitable for developers, to entice them to start building again, the government should be focused on reducing the cost of a house and funding a Real Public Housing programme. Both these issues are dealt with in the next chapter.

Chapter 3. Housing Finance

3

“We do not have a shortage of money”,

Michael Noonan, Minister for Finance to the Committee on Housing & Homelessness, May 5th 2016

- ISIF has €5.4bn in cash
 - NAMA has €2.4bn in cash
- = Total Cash on Hand Right Now = €7.8bn

A PUBLIC HOUSING CONSTRUCTION programme could build 100,000 new public homes and acquire 60,000 vacant properties at a cost of €15bn over 5 years. At €3bn a year, this is comparable to annual public investment in housing as recently as 2008. Yet the government will cry that this level of investment is ‘impossible’ and ‘unrealistic’ despite simultaneously claiming money is not the issue. This first half of this chapter outlines how the costs of new builds could be reduced to €100,000, mainly by cutting out profiteering by developers, landowners and banks, and how the costs for acquisitions were calculated. The second half shows how it all could be financed. As the Minister for Finance, Michael Noonan told the Committee, “We do not have a shortage of money.”

1. Reducing Costs to Make Housing Affordable for All

New Builds for €100,000

The main approach taken by the Committee towards lowering housing costs is to offer tax breaks and other incentives to developers and landlords. For developers, the report mentions cutting VAT on construction from 13.5% to 9% and reducing development levies, yet again. For landlords, and landlord-developers, it recommends ‘Increasing supply of rental properties by pro-

fessionalising and incentivising landlords’ and cites advice from the Housing Agency to use ‘targeted tax measures’ to incentivise ‘Build-to-Let’ by large landlords. This in top of the host of tax breaks already available to Real Estate Investment Trusts (REITs). Throughout the report, a shopping list of demands for tax breaks and incentives are cut and pasted from submissions by all the various property industry lobby groups.

The simplistic neoliberal justification is that lowering costs for property investors will boost supply, which in turn will lead to lower prices. However, as we saw during the bubble when supply rocketed to over 90,000 new homes in 2006, house prices and rents still went up and up. Cutting costs for developers and landlords doesn’t reduce housing costs because they simply pocket the difference and add it onto their profit margins. There is also no public support for it. An online poll carried out by the Irish Independent found 69% were opposed to tax breaks for Build-to-Let while ‘financial incentives to encourage landowners/developers to build more homes’ also emerged as the least popular option for solving the housing crisis in a March 2016 opinion poll of 1,000 people.

Instead, the state should reduce housing costs by building new public housing at cost price and eliminating profiteering by developers, landlords, landowners

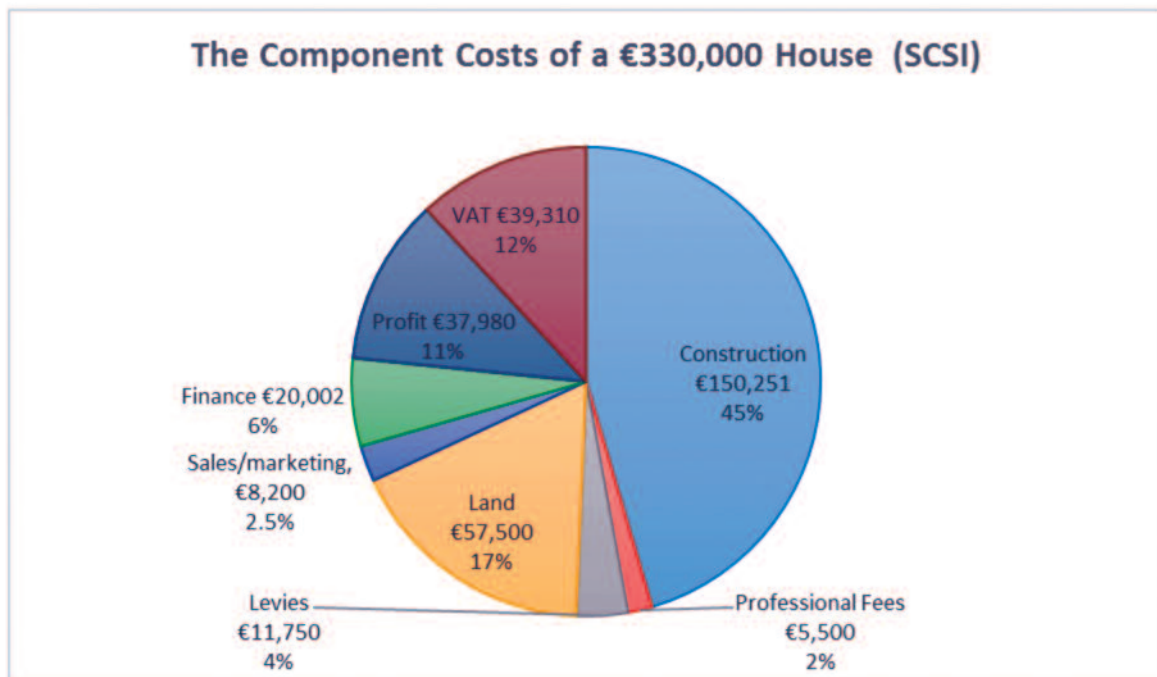
and banks. That alone could cut the cost of a new home by more than a third, based on the figures for new housing costs provided to the Committee by the SCSI. Many of these measures were suggested by the NGO, Threshold, in its submission to the Committee, which argued that the state should 'use existing State land' and 'By financing, designing and building such developments itself, the State may drive down building costs by removing or greatly reducing profit margins, site costs, part V costs and VAT.'

Land

The largest single cost is the site. Although the SCSI put this at 17% of the price of a new house, the small print of their report on 'The Real Cost of New House Delivery' reads: 'Site price not based on actual values...Current site prices in Dublin can exceed this level'. For example, we know that sites in North Dublin are selling for €100,000, which would add an additional €42,500 straight onto the SCSI's house price. During the bubble, land costs increased from around 15% of the cost of a new house in the early 1990s – the norm across the EU – to 40-50%. In effect, half your monthly mortgage

went on paying land speculators for the site. According to the Chair of NAMA, Frank Daly, land speculators in Dublin are currently seeking returns of 15-20% so we can expect land prices to increase by at least that much over the coming years.

These extortionate costs could be eliminated by using state-owned or controlled lands. The state currently owns or controls enough land to provide for all current and projected future housing needs. The City and County Management Association told the Committee that 'the availability of land is not an immediate problem' for the local authorities as they 'have sufficient lands at present to build out.' However, in some areas of high demand, such as Fingal, councils own very little development land and would need to access more through NAMA (see Chapter 4). As part of a Public Housing Construction Programme, an audit of all state-owned and controlled land could be carried out. Compulsory Purchase Orders (CPOs), for example against vulture funds, could then be used to free up land in high priority areas.



Developer's Profit

A second major area of profiteering is the developer's margin. In the example above, it's 11% which adds €38,000 onto the price of a house. Given current annual mortgage payments on homes bought last year of around €9,400, this means paying over €1,000 a year for the developer's profit. We also know developers' profits are often much higher than this; one of the largest development companies, Manor Park House builders, had a profit margin of 41% in 2006! Unless we change the housing model in Ireland, the private market will inflate again and land prices and profits will return to these 'supernormal' levels. Other costs associated with selling homes for profit, like sales and advertising costs, could also be eliminated, saving another €8,200 or 2.5% in the SCSCI's example.

Bankers' Profit

The third major form of profiteering is by banks and financiers, which in the example above adds €20,000 to the price of a house. The reason for this is the high interest rates charged to developers by banks and investment funds because residential property development is seen as high-risk. In the early to mid-2000s, it was huge profits on development lending that encouraged the banks to lend billions to developers, causing the property bubble and the banking crash.

Under a Real Public Housing model, finance costs could be eliminated entirely by funding new builds from increased taxation on big business and the wealthy, including large landlords, or by using existing public funds such as the €5.5bn in state savings in the Ireland Strategic Investment Fund (ISIF – formerly the National Pension Reserve).

Alternatively, finance costs could be reduced to 1% or less, if the resources of a nationalised publicly owned banking system run for people's needs not profit were used to fund new builds. None of these options was considered by the Committee. An alternative cheap source of finance that the Committee did discuss was for the NTMA to borrow on international markets on behalf of the Housing Finance Agency (HFA). It can currently do this for 20 years at rates of 1.75%-2%, which would have been a no-brainer for the Committee except it's legally the same as Exchequer borrowing and so is banned under the EU fiscal rules (see Box).

This would mean paying another €1.9-€2.1bn in interest to bondholders over the course of the loan but

that's still far cheaper than any of the crazy off-balance sheet models being suggested (see Box).

Tax

In the SCSCI example, VAT and levies together come to €51,060, or 16% of the cost of a house – far less than the inflated 36% tax take from the cost of a house falsely claimed by CIF. Nevertheless, this is the basis for the calls by CIF, SCSCI, IPAV and other property industry interests for VAT to be cut to 9% and for development levies to be cut yet again. Rather than reducing costs and increasing profits for developers in this way, under a Real Public Housing Model there would be no point in the state taxing itself so the €50,000 really would come off the cost of a house rather than going straight into developers' pockets.

The 15 Property-Related Tax Breaks floated in the Committee's Report

1. VAT cut from 13.5% to 9% on new build housing
2. Reduction or abolition of development levies
3. Tax breaks for renovating vacant properties
4. Tax breaks for landlords that rent out vacant properties
5. Tax breaks for landlords that rent out vacant properties to people on RAS or HAPs
6. Town and Village Renewal tax breaks to incentivise owner-occupiers to convert vacant commercial or residential property into residential units
7. Urban regeneration tax breaks
8. Extension of the Living City Initiative geographically and to landlords as well as owner-occupiers
9. Tax breaks for owners of commercial premises to convert 'over the shop' to residential accommodation
10. Tax breaks for Build to Let
11. Increase Mortgage Interest Relief to 100% for landlords
12. Increase allowable tax deductions for expenses for landlords
13. Reintroduce Capital Allowance Schemes for residential property investors
14. Exempt landlords from Income Tax on Long Term Letting
15. Reduce Capital Gains Tax on land sales

Construction costs and Professional Fees

By now we're down to the bare production cost of a house, which according to the SCSI is €155,751. This is the largest single component and the hardest to reduce as it made up of real labour and material costs rather than the various layers of profit creamed off by landowners, developers and financiers. However, there are still several ways this could be lowered:

- *Huge economies of scale from a large scale public house building programme. David McWilliams has estimated this at up to 30%, which by itself would reduce construction costs to €109,000. The SCSI's costs are based on small developments of 30 units or less and would be far less for large-scale housing developments.*
- *The SCSI figures are for a 3-bed semi-d whereas based on current household sizes, most of the new homes needed would be 1- or 2-beds, which would cost significantly less.*
- *The cost of key building materials like cement could also be reduced. The cement market is dominated by Ireland's largest and third most profitable company, CRH, which is currently under investigation by the Competition Authority for anti-competitive practices. CRH was originally a state monopoly before being privatised and assuming a private monopoly over cement. This points to the broader need to take the major construction companies into public ownership so as to facilitate the provision of affordable housing.*

Combined with all the measures to eliminate profiteering, a Public Housing Programme could easily reduce costs to €100,000 per new build home. It's worth noting that under the government's current Social Housing 2020 policy, €3.8bn is budgeted for 35,000 'additional' units from 2015-2020. This works out at €108,571 per unit even though only 11,200 of these units are to be built or acquired; the rest are to be either

leased units or renovated voids, which aren't really new units at all but existing council housing that the state allowed to fall into disrepair.

Acquiring & Renovating Vacant Properties

A simple comparison of housing lists in the different local authority areas with the number of vacant units identified in Census 2011 suggests that housing lists in 16 counties and the County Council areas of Galway and Cork could be completely cleared by buying up vacant homes. Based on the average prices for two-bed houses in those counties, all 47,000 households on the housing lists there could be housed for just over €3bn. This works out at less than €64,500 per home (Table). All these figures are obviously rough estimates and would need to be checked against this year's Census figures when they become available.

An additional 10,000 vacant units could be acquired in other counties. This would include 2,000 units in Dublin to house everyone who is currently homeless. Based on the average price paid by local authorities for acquisitions in Dublin last year of €227,000, this would cost €454m. The other 13,000 vacant units could be acquired across other counties, including approximately 6,500 to clear the housing lists in Limerick and Waterford, where there are three times as many vacant units. This would cost around €472m, or €72,000 each. The remaining 1,450 vacant units could be bought for a similar cost across areas outside Dublin where the population has increased since 2011 but house prices are still cheaper than new builds, such as the Midlands, Mid-East, South-East and South-West. This would cost around €104m, bringing the total estimated cost for 60,000 vacant units to €4.255bn.

Funding would also have to be provided for renovating the units. Based on average costs cited by the Department of the Environment for councils renovating 'voids', this would cost around €12,000 each or €720m, bringing the total cost to €4.975bn. A generous rough estimate is therefore that to acquire and renovate 60,000 vacant properties would cost €5bn.

Where would the money come from?

Tax Big Business & the Wealthy*

- Stop opposing the European Commission's pursuit of Apple for back taxes & raise up to €17bn
- A 2% Millionaires' Tax on wealth: €2.7bn
- A Financial Transactions Tax (FTT): €1bn
- Enforce the headline 12.5% rate of corporation tax as the effective minimum rate: €2bn
- A 10% increase in effective rate of income tax paid by top 10% of earners: €2.7bn
- Raise employers' PRSI towards the EU average to raise billions more every year.

Tax Property Speculation

As well as raising valuable funds for investment in public housing, these could also be used to deter property speculation:

- Levies on vulture funds, calculated on the basis of their assets to stop them avoiding tax. Goldman Sachs subsidiary, Beltany Property Finance, which has threatened mass evictions in Tyrrelstown, paid only €250 in tax in 2014 despite holding over half a billion euros in assets.
- Increase Capital Gains Tax on sales of investment properties
- Introduce a new tax on rental profits targeted at big landlords
- End the €200m+ in tax breaks every year for developers, property speculators and landlords

*Rapidly using any of these sources of finance would break the EU rules, which currently ban Ireland from increasing public spending by more than around 2% a year, even if it's money we already have rather than borrowing. Regardless of the rules, using such readily available sources of finance is a necessity to solve the housing crisis. It would also eliminate the endless delays caused by the fruitless search for workable 'off-balance' funding mechanisms. Sources: Committee on Housing and Homelessness, "National Asset Management Agency." NAMA, "NAMA 2015 Annual Report Presentation," 6. Central Bank, "Money and Banking Statistics – April 2016," May 3, 2016, 2, https://www.centralbank.ie/polstats/stats/cmab/Documents/2016m04_ie_monthly_statistics.pdf.

End corporate welfare

- Redirect more and more of the €500m a year currently paid in rent subsidies to landlords to Real Public Housing
- Reinvest significantly increased income from public housing rents and mortgages rather lining landlords' and developers' pockets.

Other (non-tax) sources of finance*

- ISIF's €5.4bn in cash
- NAMA's €2.4bn in cash + €2.8bn yet to come from NAMA's foreign asset sales
- Irish banks have €6.5bn more on deposit than they have given out in loans. Public ownership of the banking system would enable this to be invested in public housing.

→ Potential Funds of €17.1bn

- Repudiation of socialised private bank debt, in conjunction with other indebted EU countries, such as Spain, Portugal, Greece, could free up an additional €2.3bn annually just on the interest.

'Off Balance Sheet' or 'Off Their Rocker'?

For the last two years, officials in the councils, Department of Finance and Department of the Environment, have been obsessed with dreaming up clever off-balance sheet financing schemes to get around the EU rules. Nothing was learned from the Irish Water debacle, which ended up back on-balance sheet despite all the government's chicanery. Now Eurostat 'is making it more difficult by the month to get things off balance sheet' precisely to stop governments from bending the rules.

RTE recently reported that the Department of the Environment hasn't been able to come up with a single viable off balance sheet model despite setting up a special New Funding Models Section and carrying out a lengthy consultation process with private investors.

The Committee came up similarly emptyhanded.

Given this never-ending quest, you'd think off-balance sheet funding must be cheaper, or easier, or have some tangible benefit besides just complying with the EU rules. On the contrary, all the off-balance sheet models explained to the Committee would be far more expensive than ordinary Exchequer borrowing!

What are the EU Fiscal Rules?

1. *The structural balance rule: the budget has to move towards a 'structural balance' where government revenue and spending are 'structurally' rather than actually financially equal in any one year. This is supposed to net out 'cyclical' revenues and expenditures related to the boom/bust cycle but the capitalist system is so unpredictable it's impossible to accurately calculate. The real function of the rule is to justify continuing austerity. Legally, the Irish government must move towards a 'structural balance' by "more than" 0.5% of GDP a year. Ever eager for a pat on the head, it's aiming for 0.8%-1.1%.*

2. *The 'expenditure benchmark': Until the 'structural balance' is reached, spending can only be increased by 'less' than the 'medium term potential economic growth rate'. This can't really be predicted either but is projected at 3.5% from 2017-2021. The upshot of how this combines with the structural balance rule is that the government is only allowed increase spending this year by 0.5% in real terms, or 2% in nominal terms, even though we've been just through years of vicious austerity and are supposedly having a recovery. Crucially, though, this doesn't apply to spending increases matched by new revenue raising measures. So if the government brought in a recurring €1bn wealth tax, it could increase spending by €1bn.*

3. *The debt rule: to move towards reducing the debt to GDP ratio to 60%. This can happen either by increasing GDP or paying down debt so it's possible to reduce the debt to GDP ratio even while borrowing more money, so long as the amount borrowed is less than the GDP growth. Progress is assessed by the EU Commission and EU finance ministers who expect one-off revenues (like banks repaying bailout funds) and 'cyclical' increased revenue/reduced spending to be used to pay down debt.*

After Years of Austerity, Why Won't the State Invest?

From 2009-2014, nearly €34 billion was cut from capital expenditure. Now the 'recovery' is (supposedly) underway, the government's miserly capital spending plan will continue to starve our economy and society of the resources we need for a real recovery. Between 2016-2021, it plans to invest €27 billion across all areas of the economy. This sounds like a lot but is only €130 million more than was spent from 2009-2014 so it effectively means six more long years of austerity.

The government has three main reasons for refusing to invest:

1. *It refuses to consider raising taxes on big business and the wealthy to fund investment. This was never even considered as a way of raising for funds for housing by the Committee!*
2. *The EU rules basically make any increase in public spending not financed by increased taxes raised in the same year pretty much illegal – even if it's money we already have like ISIF.*
3. *A shrunken state opens up more space for private investment and profit-making by the wealthy elites the government represents – the housing shortage created by abolishing council house building has given landlords a golden opportunity to jack up rents.*

'The Law is an Ass': What's Wrong with the EU Rules

Fine Gael, Labour and Fianna Fáil all campaigned for a 'yes' vote on the EU rules in the Fiscal Treaty referendum in 2012. Yet Barry Cowen admitted during the Committee that:

"...the rules and regulations governing the spending of public funds does not allow us to make the capital investment needed to address this [the housing crisis]. That is the bottom line...The rules relating to Government spending are such that we would not be able to invest as we would want and need to in a crisis or emergency."

'Even though we saved it, we're not allowed spend it': Government officials explained to the Committee that the ban on increasing spending under the EU 's 'expenditure benchmark' even applies to money saved from our taxes in earlier years, like the €5.4bn left in the ISIF (formerly the National Pension Reserve),

'The state can borrow money, but it can't spend it': Department of Finance officials told the Committee that the debt rule doesn't constrain borrowing because the debt-to-GDP ratio is falling automatically due to GDP growth. So the state could borrow money at less than 1% but it wouldn't be allowed to spend it because of the EU expenditure benchmark.

Current and capital spending are treated largely the same: This is like classing what you spend on food or alcohol as no different from saving or borrowing to buy a house or a car – or treating handouts in rent subsidies to landlords the same as investing in building permanent public housing.

Chapter 4. NAMA

4

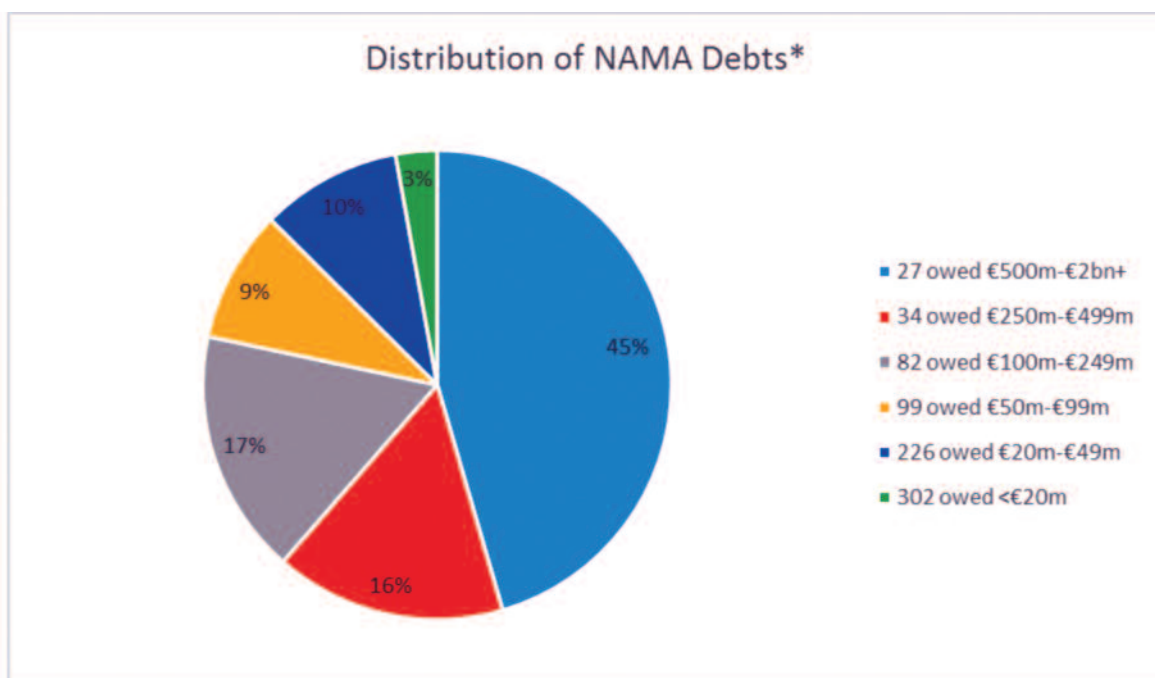
NAMA was set up during the depths of the crash to bail out developers and banks. It quickly became one of the largest bad banks in the world. Beginning in March 2010, it took 15,000 property and construction loans with a book value of €74bn off the balance sheets of the Irish banks. In exchange, NAMA gave the banks €32bn in NAMA bonds, a form of government debt that represented a promise by NAMA/the state to pay the banks €32bn in cash (plus interest). All the loans were developers' and builders' debts, belonging to 772 debtors. The vast majority of those debts were owed by a mere 61 big developers, who between them had run up €46bn in debts – amounting to 61% of NAMA's entire loan book.

NAMA by Numbers

Book Value of Loans taken on	€74 billion
Price NAMA paid (in NAMA bonds)	€32 billion
Bonds redeemed/cash given to banks to date	€25 billion
Total Loss when NAMA set up	€42 billion
Projected 'surplus'	€2.3 billion
Projected Real Loss	€40 billion
NAMA Sales €29 billion	
90% of which to vulture funds	€26 billion
Other NAMA income, including rents billion	€6 billion

Total NAMA revenue to date: €35 billion

Senior Bonds redeemed/cash handed to banks to date: €25 billion



A €40bn bailout for Developers

By the time NAMA is wound up, its debtors will have collectively received an effective €40 billion write-off. This is because the so-called 'surplus' NAMA is projecting (which outrageously is sometimes even reported in the media as a 'profit') is calculated relative to the €32bn NAMA will have paid the banks for the loans, rather than their €74bn book value. The taxpayer has already made up the €42bn difference between the two, which accounted for an incredible two-thirds of the €64bn bank bailout. In his evidence to the Banking Inquiry last year, the CEO of NAMA, Brendan McDonagh admitted that the vast majority of NAMA debtors will never repay their debts and that at that stage 'less than five' of the original 772 debtors had repaid their debts in full. Unfortunately, because NAMA operates in total secrecy, we have no way of knowing how much of an effective write-off each developer has got and have only scattered media reports to go on. For example, one of the biggest developers to have exited NAMA, Michael O'Flynn, reportedly had his €1.8bn in loans sold on by NAMA to Blackstone, a vulture fund, for €1.1bn, leaving a €700m loss to the state - more than the entire budget for public capital expenditure on housing in 2014-2015. Another example is Maple 10 Anglo developer, Sean Reilly, who reportedly cost the state €153m in losses on his NAMA loans when he 'exited' the agency last year. That hasn't stopped him being chosen as the first developer to borrow from Activate Capital, an off-balance sheet financial vehicle set up by ISIF last year to lend what's left of the National Pension Reserve to developers.

What's Left?

1. Cash

NAMA has since sold off most of its original portfolio of loans and handed over around €25bn of the proceeds to the banks in cash. By the end of 2015, it had only €9.6bn worth of assets left and €9bn worth of bonds still left to redeem with the banks. NAMA told the Housing Committee on May 12th that it currently has €2.4bn in cash. This could be immediately invested in public housing if NAMA suspended its bond redemptions with the banks. So far this year, it's handed over €2.5bn to the banks and it plans to give them another €1bn by the end of month. So just the money it'll have given the banks in the first six months of this year could have more than funded a whole year of a Real Public Housing Programme.

If NAMA stopped redeeming its bonds with the banks, it would just mean they'd still have €9bn in NAMA bonds on their books rather than cash - which is still a form of government debt or asset from the banks' point of view so it wouldn't make any real difference to their balance sheets. Moreover, the vast majority of the NAMA cash is now going to AIB, a state-owned bank, which doesn't really even need the money as it's profitable and has no liquidity issues. So instead of all those billions being used to solve the housing crisis, they're just being passed from one arm of the state to another. Last year, of the €5.5bn in cash NAMA handed over to the banks to redeem senior bonds, €3.8bn (69%) went to AIB.

NAMA's excuse for this crazy behaviour is that the only real consideration is to reduce its debt as fast as possible because this is a 'contingent liability' that adds to the national debt. Whatever about that rationale a few years ago when NAMA had €32bn in debt on its books and the state's debt-to-GDP ratio was over 120%, it makes even less sense now when NAMA has only €9bn in debt left and GDP is rising rapidly. Even if all the €9bn was reclassified by Eurostat and added straight onto the national debt, it would only increase it by around 4%, which is less than the projected growth rate of GDP this year. This would be unlikely to have any discernible effect on Ireland's credit rating and probably wouldn't even break the EU fiscal rules. But the government and NAMA would rather be good boys and keep getting patted on the head by the ECB than use NAMA's resources to solve the housing crisis.

2. Land & Property

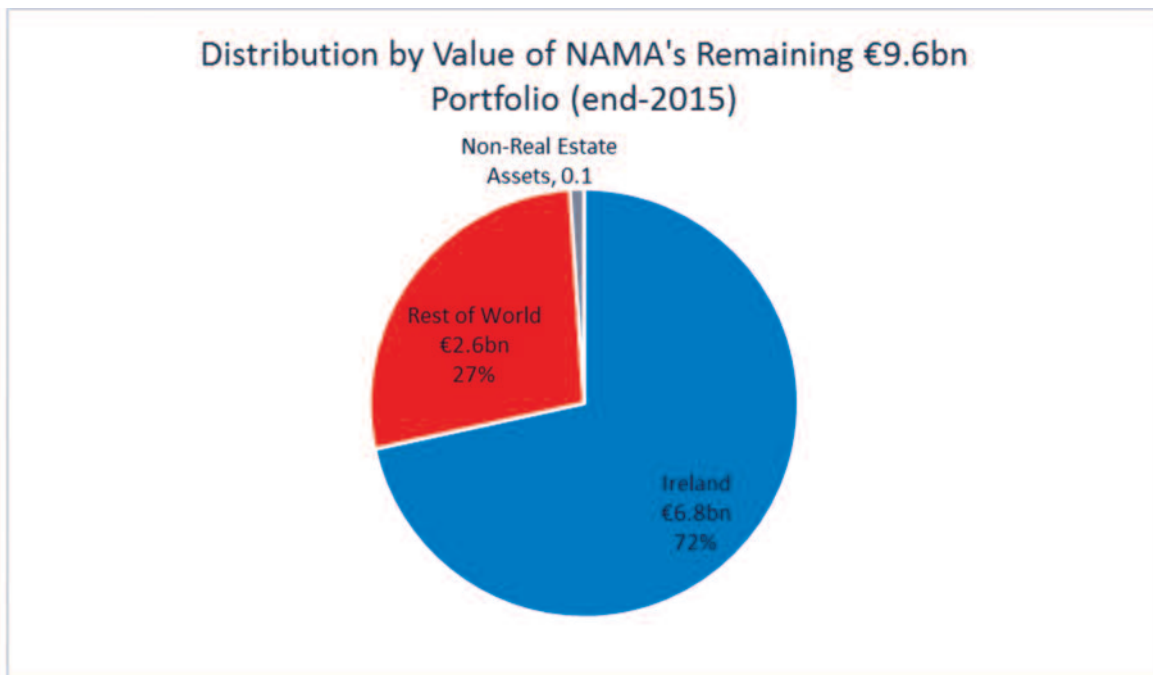
The chart below shows the distribution of NAMA's remaining property portfolio. €6.8bn worth is land and property in Ireland and €2.6bn worth is overseas property. This means that by selling off the remaining foreign assets it could raise €2.6bn in cash. Rather than handing this over to the banks, it could use it to build 26,000 houses, on some of the 2,800 hectares of residential development land NAMA still controls in Ireland (see Box).

To kick-start this, NAMA should be repurposed as a social and affordable housing agency that works in conjunction with other state agencies as part of the Real Public Housing Plan. To ensure full transparency, the secrecy surrounding NAMA must be ended and its books opened up to enable a democratic public housing plan to be developed. Changing NAMA's remit in

this way towards solving the housing crisis could make a huge difference, especially as up to now it's actually been contributing the housing crisis by hoarding land to drive up property prices (See Box: NAMA's disgraceful record on housing). This would require legal changes to the NAMA Act and challenging the EU fiscal rules.

NAMA has a claim on, or already directly controls, 2,800 hectares of residential development land, including over 1,100 hectares in Dublin and 620 hectares in Cork . This is more than enough to provide for all new housing needs. At a reasonable density of 75-100 units per hectare, it could be used to build 82,500-110,000 homes in Dublin alone.

Yet NAMA is only planning to fund developers to build a maximum of 20,000 homes on this land by 2020 and intends to flog the rest off to vulture funds and private investors. Only 2,000 of these NAMA-funded homes will be social housing – which is the 10% minimum legally required for all developments under Part V. If NAMA's existing developments are anything to go by, the other 90% will be expensive housing out of reach for all but the top 10-20% of the population (See Illustration). The Committee has proposed NAMA's plans be altered to provide 20% social housing but there is no good reason why it cannot build 100% public housing on land it controls.



NAMA's disgraceful record on Housing

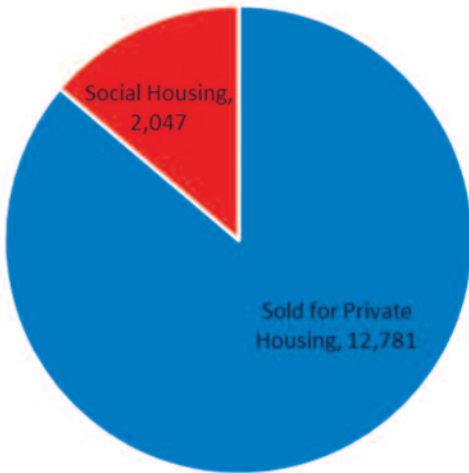
NAMA has invested a pitiful €260m in social housing out of the €35bn in revenue it has raised to date (0.007%). Of the nearly 15,000 houses and apartments in its original portfolio, only around 2,000 (14%) have been provided for social housing. The rest have been sold on the private market, including more than 1,500 sold off in large lots to vulture funds and other property speculators.

On top of this, since 2014, NAMA has sold off enough land for 21,700 homes 'in the most sought-after areas of the capital, the commuter counties of Wicklow, Kil-

dare, Meath and Louth and the cities of Cork, Limerick and Galway' - i.e. at the height of the housing crisis and in the areas where the crisis is worst. It recently admitted that only around 1,100 units have been built on this land so far. Most of the developers who bought it are just sitting on it, waiting for prices to rise. This is so obvious that even NAMA acknowledges 'Rate of Return being sought' is a factor .

This type of loan hoarding is also why NAMA has so much Irish property left. 72% of its remaining portfolio by value is here whereas at the beginning, only 54% was in Ireland . This is because NAMA sold off the foreign property first where property prices were higher

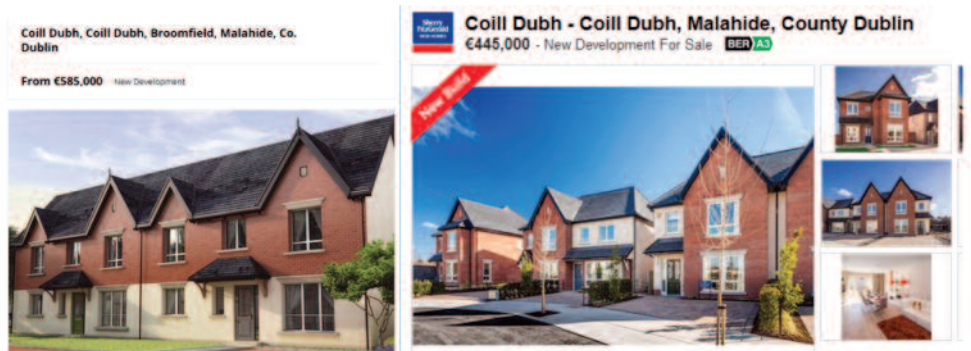
Where did all the NAMA Housing go?



and sat on its properties here. In effect, NAMA hoarded its Irish properties and waited for a housing shortage to develop so land and property prices would rise and it could make more money from selling its Irish assets. This was confirmed by a Freedom of Information request reported in the Irish Independent last month, which found Michael Noonan had written to NAMA, 'concerned that the State's bad bank could be encouraging a trend of holding on to land in the anticipation of price increases' and that this 'hoarding distorted the value of development land that could otherwise be used to ease the mounting housing crisis'.

*refers to opening stock of houses & apartments

Are these NAMA's idea of a 'Starter Home'?



What's the Story with NARPS?

Time and again during the Committee hearings, NAMA's Special Purpose Vehicle (SPV) for social housing, NARPS, was held up as an exemplar of the elusive 'off-balance funding model' of our dreams. Supposedly, copying the NARPS approach will magically enable the public investment needed to solve the housing crisis without breaking the EU rules.

NARPS' original role was to acquire existing properties for social housing from NAMA's debtors, which it then leases on to housing associations or local authorities. According to NAMA, this was a way of getting around the fact that neither local authorities nor housing associations have the capital to buy. In practice, nearly all the leases have been to housing associations, which are a better fit with the government's broader policy of privatising and outsourcing social housing as much as possible.

As of the end-March 2016, of the roughly 2,000 social housing units finally delivered by NAMA, less than 10% were leased or sold to local authorities. Since late 2014, NARPS has also been put in charge of lending money to NAMA debtors to build the 10% Part V element of NAMA-funded developments. This doesn't seem to have produced any units yet; if it had Alan Kelly would surely have been on TV already knocking on the door, like he did when the prefabs/'modular housing' was finally installed in Ballymun.

Unfortunately for the Committee, there are several reasons why a) the NARPS model won't work and b) will be so contingent on generating a 'commercial return' that it would make social housing prohibitively expensive:

1. The restrictions placed on what NAMA can do as a condition of its off-balance sheet status should serve as a warning of the many problems that will be caused by relying on off-balance sheet funding in the future. Time and again, we've heard NAMA cannot do this or that because it 'has to' operate on a 'commercial' basis and generate a 'commercial return', or else it wouldn't qualify as off-balance sheet under the EU rules. This is one of the main reasons given for why it "can't" provide more than 10% social housing in new developments. On a more fundamental level, it means NAMA is incapable of prioritising public needs over turning a

profit, even during the worst housing crisis in living memory.

2. NARPS can fund itself because it's part of the larger NAMA group that's flogging off billions of euros of property assets and which, crucially, is all already off-balance sheet. This means NARPS doesn't have to borrow any money or receive any funding from the state, which would count as government spending for the purposes of the EU rules. It's possible NAMA's 'surplus' when it winds up could be recycled into NARPS and spent on social housing then, but that would mean waiting another 2 years. By then, tens of thousands more people could be homeless.

3. The only other possible alternative to NARPS funding itself via NAMA is for it to attract private investors – like ISIF has done with Activate Capital as part of ensuring it's classed as off-balance sheet. This would obviously copper-fasten the requirement for a commercial return and would effectively be a form of privatisation of social housing. Privatisation was alluded to by the NAMA CEO, Brendan McDonagh, in explaining how a NARPS-type for social housing could operate:

"Effectively, it involves the creation of a vehicle which purchases the assets on-balance sheet and then leases them out, resulting in an income into the company. Over time, it becomes like a Government bond on the basis that money is accruing per annum. It is a product that we believe an insurance company, perhaps, would be interested in buying in the future because, effectively, doing so is akin to buying an income stream similar to that of a Government bond"

Of course, the crucial difference for a private investor between investing in a government bond and investing in an off-balance sheet social housing SPV would be that the SPV would pay a higher rate of return. Otherwise, the investor would just buy the government bond. This means that, by definition, funding social housing off-balance sheet will be more expensive than funding it through government borrowing or taxation. This is confirmed by a presentation NAMA made to a Property Industry Ireland conference last year which addressed a range of issues relating to 'Social Housing & institutional investment', including whether it represented 'Good returns?' for private investors. Given that at the end of the day social housing is paid for either out of

tenants' rents or government funding, and given the restrictions on the latter, it seems inevitable that off-balance funding will mean higher rents for tenants.

4. Eurostat has tightened the rules on off-balance sheet funding mechanisms since NAMA was set up, precisely to prevent states from designing vehicles purely to get around the EU rules. John Palmer from the Department of Finance explained to the Committee that nowadays Eurostat 'can decide that although one ticks every rule, one is doing so specifically to try to avoid having something on-balance sheet and it can say that, ultimately, that this is expenditure for a public policy good by a general Government body and is, therefore, on-balance sheet...'. This was not the case when the EU initially allowed NAMA to go off-balance sheet. The political context then was also very different. The Irish government had just imposed most of the cost of the European financial crisis on its population so allowing NAMA to go off-balance sheet and not be counted as part of the national debt basically represented the ECB throwing the government a bone for

being such a good dog during the crisis .

5. Relying on NARPS to finance the state's social housing programme would mean only NAMA developers – the same guys who crashed the economy and cost us €40bn – would be funded by the state under the proposed national housing programme. This is because NAMA can lend to NAMA developers . What's more, the 'fake public housing' this will involve will mainly consist of private housing for profit, so will end up being an even bigger taxpayer-funded subsidy to developers. From that perspective, the €160m already spent by NAMA on buying properties off NAMA developers for social housing is yet another way the state has bailed them out from their debts, as it's effectively meant the state stepping in to buy up their assets and pay off their debts. It doesn't even seem to have been a particularly good deal from a unit cost point of view as NAMA paid €160m to acquire the properties and also had to invest an additional €100m to make them habitable , which works out at about €127,000 per unit on average .

Chapter 5. Homelessness & Groups with Special Housing Needs

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HE DOUBLING OF social/public housing provision over the next five years under the AAA's Real Public Housing Plan would end the homelessness crisis once and

for all. Housing the homeless would be an immediate priority under the Public Housing Acquisition programme, which in buying and renovating 60,000 vacant houses and apartments would rapidly provide homes for all 6,000 people who are currently homeless. This would include 2,000 units in Dublin to house all everyone who is currently homeless in the capital.

In the meantime, short-term measures to make life more bearable for homeless families living in emergency accommodation, such as the Committee's recommendations to introduce a travel allowance and ensure the availability of cooking facilities must be implemented. In addition, anyone accommodated on an emergency basis in hotels or B&Bs without cooking facilities must be given an emergency food allowance to allow them to buy healthy food. Garda vetting of staff working in hotels and B&Bs used as emergency accommodation for homeless children must also be introduced. This was recommended by the ISPC for reasons of child protection .

In addition, emergency measures must immediately be taken to prevent more people from being made homeless for economic reasons, which are by far the most important cause of family homelessness in particular. Specific additional recommendations for groups with special housing needs are addressed separately at the end of this chapter.

Preventing Economic Homelessness

Since the crash, falling wages, regressive austerity taxes like the USC and water charges, cuts to Rent Supplement, and now rising rents and a chronic shortage of affordable housing have combined with the increased reliance on the private rented sector since the 1990s as major economic causes of homelessness. This was pointed out to the Committee by the Peter McVerry Trust, which highlighted that 'Two decades of trying to accommodate low income families primarily in the private rented sector has been a major contributor to the current crisis'.

A significant contributing factor is the appalling lack of security of tenure for renters in Ireland. The chronic insecurity of living at the mercy of profiteering landlords means a third of tenants nationally and nearly half of tenants in Dublin fear losing their homes .

Threshold, was very clear in its evidence to the Committee that 'A growing affordability crisis for low income households living in the private rented sector (PRS) has become the main cause of family homelessness'. In fact, it went so far as to say that 'the PRS is as much a cause as a solution to the current family homelessness crisis'. This is backed up by research by the Department of the Environment which found that more than half of all homeless families were either evicted by their landlord from private rented accommodation or couldn't find anywhere to rent that they could afford. It's also shown by the fact that the PRTB dealt with over 14,000 eviction cases from 2010-2013 (even though most people don't complain to RTB), compared to 2,342 mortgage repossessions over the same period .

Two emergency measures needed to address this are:

1. *An immediate ban on economic evictions, both from the private rented sector and of owner-occupier mortgage holders in arrears.*
2. *Immediately increase Rent Supplement to market rates to help people find private rented accommodation*

1. Ban economic evictions

The Peter McVerry Trust recommended banning banks from evicting people into homelessness, but there's no reason why this shouldn't also apply to landlords as well. Economic evictions should never be allowed to happen. This would be backed up by the measures in Chapter 6 to improve security of tenure for all tenants, in particular removing sale as grounds for terminating a lease, and introducing legislation to address the problem of evictions of tenants from repossessed buy-to-lets.

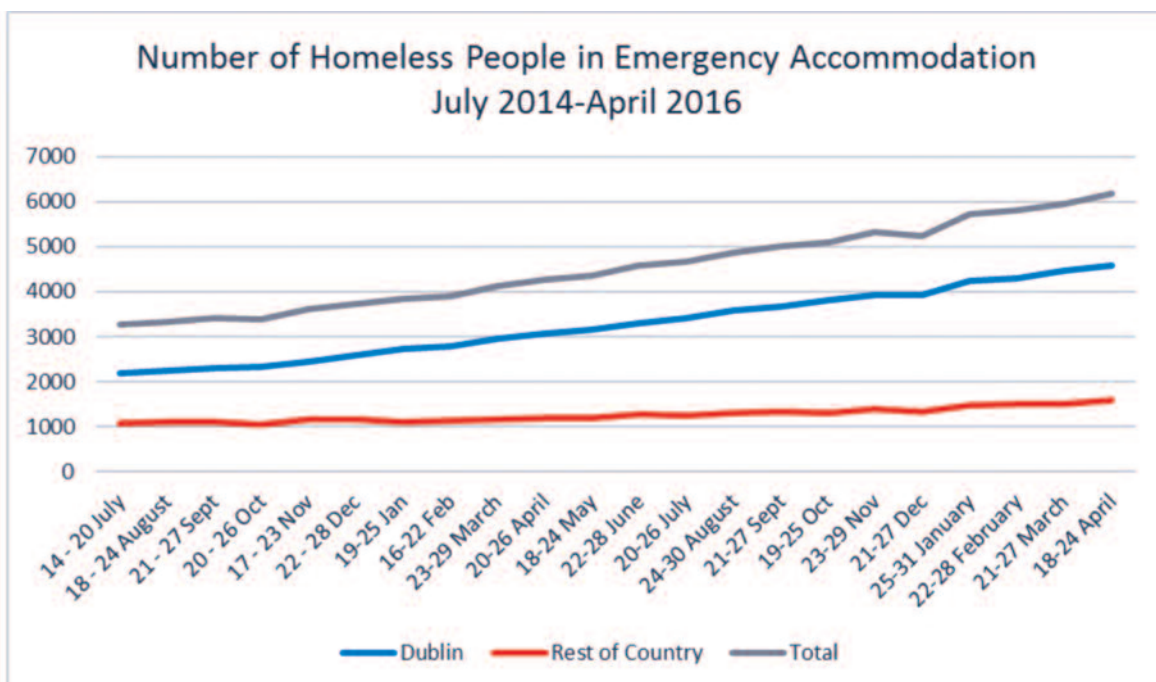
Unfortunately, not only have successive governments deliberately neglected to deal with the issue, the last government actually made it worse by imposing 'challenging performance targets' on the banks to deal with mortgage arrears. This has been a direct cause of increased evictions of buy-to-lets. A referendum to insert into the Constitution a guaranteed right to a home as

taking precedence over private property rights would further copper-fasten this (Chapter 8).

2. Immediately increase Rent Supplement to market rents

A second emergency measure, which the Committee also recommended, is to immediately increase Rent Supplement to market rents. Rent Supplement rates were slashed after the crash and have not been increased despite rents returning to bubble levels in Dublin and elsewhere. The Department of Social Protection's policy of forcing people to plead with them or Threshold on an individual basis for an 'uplift' in their Rent Supplement – which is granted or not at the discretion of officials – is deeply unfair. It's also clearly not working as homelessness has continued to spiral.

Raising Rent Supplement by only 15%, and only in certain geographic areas, as promised in the Programme for Government also clearly won't work as rents have increased by far more than that. Rent Supplement must be raised to market rents but this has to be accompanied by an immediate ban on economic evictions, the introduction of strict rent controls and a broader range of measures to reduce reliance on the private rented sector and bring down rents (Chapter 6).



Groups with Special Housing Needs

As with homeless people, groups with special housing needs often find themselves at the sharpest end of the housing crisis and are often among those worst affected by the insecurity and unaffordability of the private rented sector. Space does not permit properly addressing these complex issues, but the AAA's main recommendations include:

- Reverse all cuts to women's shelters and other services for survivors of domestic violence and immediately allocate enough resources to ensure that no woman ever has to return to a violent or abusive partner because of a lack of housing.
- Restore Jobseekers' Allowance for those aged under-26 to the full rate – this was identified by NGOs working in the area as one of the main causes of youth homelessness – and ensure decent accommodation is always provided for young people leaving care.
- Address the shortfall of 25,000 student bed spaces (which equates to around 9,000 households) and the resulting crisis in student accommodation as part of the broader Real Public Housing Plan to build and acquire 178,500 houses and apartments. Real rent controls (Chapter 6) would also benefit students in the private rented sector.
- Reverse all cuts to Traveller accommodation and Establish a dedicated Traveller Agency with ultimate responsibility for traveller accommodation, including ensuring that all funding provided for traveller accommodation is actually spent.
- Abolish the inhumane system of direct provision and ensure that secure, affordable housing is provided for all refugees and asylum seekers.
- Ensure adequate funding of rehabilitation services for people suffering from drug and alcohol addiction.

Chapter 6. The Private Rented Sector

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IN JUST THE FIVE YEARS between the 2006 and 2011 censuses, the private rented sector doubled in size to 19% of all households. Migrants and young people are disproportionately represented. 42% of households that rented from a private landlord in 2011 were headed by a foreign national, compared to 12% of the general population, and 80% of migrant households overall were renters.

People aged under 35 now make up 63% of renters. At the time of the 2011 Census, there were 305,377 households renting from a private landlord and the numbers have continued to grow since, with 324,000 tenancies registered with the RTB in the first Quarter of 2016. However, given around ten percent of rental properties are likely to be unregistered, the true number of tenancies is probably closer to 360,000, indicating an increase of around 55,000 households renting since 2011. So it's probable that at least one in five households now depend on a private landlord for their accommodation.

Government policy since the late 1980s has been to privatise housing supports for low income households by slashing budgets for building council housing and outsource 'social housing' to private landlords. Since Rent Supplement was introduced in 1989 to compensate for local authority construction cuts, the annual cost of rent subsidy schemes has ballooned from €7.7m to 'over €500m'. Via schemes like Rent Supplement, the state now subsidises a third of the so-called 'private' rented sector and has been one of the main drivers of its explosive growth.

The €6 billion doled out to landlords in Rent Supplement since 2004 could have built 60,000 permanent council homes by now – which is roughly the number that are currently on Rent Supplement. What lies behind this are political decisions taken by successive governments, involving all the establishment parties, to serve the interests of landlords rather than the majority in society. Political decisions to stop building council housing and privatise social housing have driven hundreds of thousands of people who would previously have had the security and affordability of a council house into insecure, unaffordable and state-subsidised private rented accommodation.

It's no coincidence that more than a quarter of TDs in the Dáil are landlords, including the previous minister with responsibility for housing, Alan Kelly, the Junior Minister for Housing in the last government, Paudie Coffey, and the new Minister for Housing, Simon Coveney. This may help to explain why Ireland has some of the weakest tenants' rights and some of the strongest private property rights in Europe and why the government has refused to bring in proper rent controls. It's not just tenants who would favour this but a clear majority of the population.

An online poll for the Irish Independent last year found 60% agreed rents should be 'capped and increases only allowed in line with inflation'. Likewise, when asked to choose the one measure the government should prioritise to solve the housing crisis in an opinion poll of 1,000 people last March, 'strict rent controls' were the second most popular option, second only to 'The Government should build more houses itself'. Among 18-34 year olds, who are worst affected by rising rents, rent controls were by far the most popular option.

Real Rent Controls and Rent Reductions are needed Now!

The so-called 'rent certainty' measures introduced by the Fine Gael-Labour government last December have failed. Rents are still spiralling. A survey of estate agents at the beginning of the year predicted rent increases of 'as much as 10pc in 2016'. RTB figures for the first quarter indicate an increase of 0.5% in rents, although the DAFT figures show a 2% increase.

The slower pace of growth in the RTB figures reflects the fact that it includes existing as well as new tenancies, whereas the DAFT figures only measure asking rents for new tenancies. Many landlords already jacked the rent up on their existing tenancies last year, in anticipation of rent controls coming in so it's no surprise the rate of increase, when you include existing tenancies, has slowed.

That the rate of increase in asking rents has actually increased, from 1.5% in the last quarter of 2015 to 2% in the first quarter of 2016, should act as a warning to those who think introducing 'rent certainty' within existing tenancies only will stop spiralling rents – which includes the majority of the Committee, including Sinn Féin. In fact, unless controls are introduced on all rents alongside legislation to guarantee security of tenure, rent regulation within existing tenancies could actually make things worse by giving landlords an extra incentive to evict tenants so they can jack up the rent. This danger has been recognised in many other Western countries, where rent controls apply to both new and existing tenancies, including in France, the Netherlands, Sweden, New York and Washington DC.

Moreover, even though the Housing Committee has nominally come out in favour of rent regulation within existing tenancies, Fianna Fáil's sincerity on this is doubtful to say the least given they voted down a Private Members' Bill to introduce this type of rent control the day before the report was published! It's also unlikely Fine Gael, the landlords' party, will legislate for it. Fine Gael were strongly opposed to introducing that type of rent control last year and Coveney has reiterated this stance since coming the office, claiming rent controls would disincentivise developers from building rental accommodation.

Unsurprisingly, neither Coveney nor any proponent of this 'trickle-down theory' of housing supply have ever

come up with so much as a rough estimate of how many units would need to be built before rents become affordable. Is Coveney seriously saying supply will fix the problem when the last time rents were this rent was when the supply of accommodation to rent was at all time peak?

The elephant in the room, which even rent controls linked to inflation for all rental properties wouldn't address is that rents are already far too high and completely unaffordable for many people. On average, tenants are spending 34% of their net income on rent and a third of tenants are forced to spend over 40%. The strain this is putting people under was shown by a survey in April, which found nearly one in ten tenants had missed a rental payment in the last year because they didn't have the money.

Just how far in excess of what people consider reasonable rents have become was shown by an online poll for the Irish Independent, which found 61% of people believe 'a "fair" monthly rent for a 3-bedroom home in a city should be less than €1200. 23% think it should be €700-€900 and 38% €900-1200 (38%)'. By that measure, there's not a single postcode in Dublin where tenants can get a "fair" rent. Average rents for a 3-bed now range from €1,289 a month in Dublin 10 to €2,017 in Dublin 2.

As the Anti-Austerity Alliance proposed in a Private Members' Motion on housing last year, real rent controls linked to inflation should be introduced for all tenancies and backdated to 2011 when rents were more affordable. Tenants paying rents that have increased by more than the rate of inflation since 2011 could apply to the RTB to have their rent reduced. The RTB would need be revamped, democratised and better resourced to deal with the influx of cases that would result and to generally act as a better protector of tenants' rights.

Real Security of Tenure

Irrespective of the form of rent control that is introduced, it is vital to also ensure full security of tenure for tenants. Along with emergency legislation to ban economic evictions so as to prevent further homelessness, intention to sell must be removed as a grounds for eviction. This would mean rental properties can only be sold with the tenants in place, as is already the norm for commercial tenants and in many countries across Europe; or after the tenants have chosen to move out.

There could be exceptions written into the legislation for amateur or accidental landlords who would suffer severe personal economic hardship if they could not sell. In such a situation, the state could step in to buy the property for public housing so that the tenant could be kept in situ. In addition, as the Committee has also recommended, the standard length of a Part IV lease should be increased from 4 years to indefinite duration. However, it should also be made clear in the legislation that Part IV leases override the terms of any other lease that the landlord may induce the tenant sign, such a shorter one-year lease.

Reduce Reliance on the Private Rented Sector

As explained in Chapter 5, the private rented sector has become the main source of evictions into homelessness and housing insecurity generally. Yet despite this, current government strategy is to further increase its size and role, including in providing social housing. This is illustrated by Social Housing 2020, under which '3 out of 4 households on the social housing waiting lists are to be provided with accommodation in the private rented sector, through the HAP scheme'. The Peter McVerry Trust described this to the Committee as 'both unrealistic and undesirable'. The AAA also agrees with Peter McVerry that:

'Two decades of trying to accommodate low income families primarily in the private rented sector has been a major contributor to the current crisis; trying to get out of the crisis by accommodating even more households in the private rented sector seems illogical and given the dire shortage of private rented accommodation available is unrealistic' .

Rather than continuing even further down this dead end and paying landlords ever increasing subsidies and incentives, there should be a complete reversal of direction: the goal should be to reduce reliance on the private rented sector. Within this context, rent controls can play an important role not just in making renting more affordable, but in disincentivising private landlordism and reversing the trend over the last 25 years of ever increasing reliance on the private rented sector to provide housing for people on low to middle incomes. This has proved a disaster for tenants and has led to the crisis of affordability and homelessness that is causing so much suffering today.

In this way, strict rent controls could help shrink the private rented sector by taking the profit out of landlordism and encouraging landlords to sell, either to the state which would be building up its public housing stock or to first-time buyers who can't afford to buy at the moment because high rents are driving up house prices across the board. Rent controls could therefore be used as a tool to make housing affordable for everyone – and not just for tenants. Interestingly, this was a key part of the original intention of so-called 'first generation rent controls', which aimed to encourage the transfer of properties from landlords to tenants .

Chapter 7. Mortgage Difficulties & the Need for a Public Banking System

The final elements in the housing crisis are the mortgage arrears time bomb and house prices that remain much too high relative to wages. 60,000 or 8% of owner-occupier mortgages are still in long-term arrears and many of 120,000 households whose mortgages have been restructured are in danger of falling back into arrears if interest rates rise, or anything happens to worsen their financial situation. The scale of arrears is also likely to increase when ECB interest rates finally rise, after years of historic lows. This would make tracker mortgages, which make up half of all mortgages, a lot more expensive.

The Central Bank has been pressuring the banks to find 'sustainable solutions' to the mortgage arrears crisis for years. But disgracefully, it defines this to include repossessing people's homes! The banks resisted this for several years while house prices were at their lowest, but now house prices are rising again they can turn a profit by making people homeless, rather than losing money from selling properties in negative equity. As a result, 33,000 owner-occupier mortgage holders are in danger of repossession. The ban on economic evictions recommended in Chapter 5 should also apply to owner-occupier mortgage holders to reassure people in this frightening situation.

However, the only real long term solution is to write down mortgages to affordable levels, starting with mortgage holders in distress but expanding to the many more mortgages that are unaffordable, even for the majority of people who haven't fallen behind on their payments. This is shown by the latest AA survey of the cost of owning and maintaining a home which

found it works out at €16,200 for a new buyer and €22,457 for the unfortunate 2007 buyer. This is equivalent to 41% of average wages for a new buyer and 57% if you bought in 2007 which is very expensive.

A mortgage write down could only be done via a state-owned banking system, so it would mean halting the proposed privatisation of AIB and PTSB and the sale of the state's shareholding in BOI and expanding democratic public control over the banking system as a whole.

To address the mortgage affordability crisis, the government should instruct AIB and PTSB – which account for 42% of all mortgages and are already under state control only the government chooses not to use it – to write down owner-occupier mortgages to affordable levels. Private banks that refused to do this could have their licenses withdrawn and the mortgages could be transferred to state-owned banks. This would end years of distress for all those in arrears or sacrificing a decent standard of living to make interest payments to bailed-out banks.

In this way, rather than selling off AIB and PTSB to the highest bidder they could form the basis of a democratic banking system that would operate as a public utility to serve people's needs not profit. As part of this, mortgage books that have been sold onto to vulture funds should also be taken back into public ownership, using compulsory purchase and paying the sale price at a maximum, as was recommended to the Committee by the Master of the High Court, Edmund Honohan.

This would allow democratic planning of lending to all areas of the economy and the prioritisation of produc-

tive investment, rather than increasing debt peonage for people and the financialisation of housing. To give an example of how this could work, the banks currently charge interest rates of 1-3.93% on the €100bn worth of owner-occupier mortgages, depending on whether the borrower is on a tracker or variable rate mortgage. As a very rough calculation, a 20% write-down would still leave nearly €2bn in annual interest payments for re-investment by a public banking system in housing – or any other area of economic or social need.

By lifting people out of negative equity, a write down would allow families to move on from houses bought during the bubble that are no longer suitable for their needs. This would increase turnover and so help reduce house prices. Rather than promoting ever-increasing house prices as in the past, reducing them should be a core aim of government policy as it would reduce the cost of living for everyone.

Lowering house prices is also a much better way of making mortgages affordable than tinkering with interest rates or extending loan terms to 35 and 40 years. As well as causing credit bubbles and property crashes, these transfer far more wealth from workers to bankers and developers as people take out bigger loans on the back of low interest rates and pay much more over the longer life of the loan.

The emphasis of the recommendation in the Committee's report that the Central Bank should review the mortgage rules is therefore misplaced as the goal should be to reduce house prices, in other words the real cost of housing, rather than to make borrowing cheaper as was done during the bubble. The same applies to the references in the report, taken straight from lobbying by the CIF, to re-inventing SSIs to incentivise the saving of deposits and introducing a 'Help to Buy' scheme explicitly modelled on the Tory scheme in the UK. 'Help to Buy' is so central to the ongoing inflation of an enormous property bubble in the UK that even the IMF, OECD, and the Royal Institution of Chartered

Surveyors have all warned against it. Less than a year after it was introduced, average asking prices had jumped 22%, pricing eight times as many renters out of market as were helped to buy, while shares in construction companies rose by up to 60%. Presumably, those are the effects the builders backing it would like to see here. By contrast, this is what UK First Time Buyers' group, Priced Out, thinks of the scheme:

'Help to Buy should really be called Help to Sell, as the main winners will be developers and existing homeowners who will find it easier to sell at inflated prices. Pumping more money into a housing market with chronic undersupply has one surefire outcome: house prices will go up... The major problem faced by first-time buyers is high prices and the daunting levels of debt needed to enter homeownership. Of all the policies you could think of to tackle this, it is harder to think of a riskier or more short-termist policy than Help to Buy. House prices across much of the UK are already unaffordable for young adults and families with ordinary earnings, so this extra upward pressure on prices will create far bigger problems in the future. If the government is happy to take on exposure to the housing market, it would be much wiser to invest directly in building more houses'.

A much better approach would also be to write down mortgages to affordable levels and to seek to reduce house prices more generally, including by introducing strict rent controls as well as increasing the stock of public housing. This would benefit everyone struggling with unaffordable housing costs and help end the housing crisis.

Chapter 8. Legal Changes

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MANY OF THE LEGAL changes needed to provide secure, affordable homes for all have been discussed elsewhere in this report, including rent controls, banning economic evictions and legislation to ensure security of tenure for tenants. To reinforce this shift towards a Real Public Housing policy based on people's needs not profits, the Right to a Home should be legislated for and also inserted into the constitution. This would also help to clear up any potential legal difficulties around Compulsory Purchase Orders.

Virtually every NGO working in the area that appeared before the Committee called for a right to housing, including the Mercy Law Resource Centre, the Free Legal Advice Centres (FLAC), Focus Ireland, Simon Communities, the Peter McVerry Trust and Social Justice Ireland. The Anti-Austerity Alliance supports this but would also go further and call for legislation and a constitutional amendment to clarify that the right to a home must take precedence over private property rights. This would target the fundamental underlying cause of the housing and homelessness crisis, which is that the right to profit of developers, landlords, landowners and banks takes precedence over the human right to a home. Holding a referendum on this basis would also open up a much broader debate in society.

The self-interested claims of the property industry,

which are so often repeated by politicians, government and the media as established fact, could be vigorously challenged and contested by the voices of tenants, homeless people and all those at the sharp end of the housing crisis, who are so often erased from the public debate.

An additional legal change that is urgently needed is to repeal the EU fiscal rules. These were rushed into the Constitution in 2012 under the threat of economic catastrophe if we dared to vote no, in a classic example of disaster capitalism and neoliberal 'Shock Doctrine' in action. They represent an unreasonable and undemocratic constraint on the ability of any state to finance public investment, particularly in a way that doesn't involve opening up public services for privatisation.

At bottom, that's what off-balance sheet funding models that depend on generating a 'commercial return' and attracting private investors are all about. We have all learned that much from Irish Water. If the government continues to follow the EU rules, we will be condemned to a future of permanent austerity and continued underfunding and privatisation of vital public services, from housing to health and education.

A referendum must therefore also be held to remove the Fiscal Compact/Austerity Treaty from the Constitution. In the meantime, the government must be prepared to break the EU rules as necessary in order to solve the worst housing crisis in the history of the state.

Chapter 9. Conclusion

9

DIRECTLY BUILDING 100,000 public homes, acquiring 60,000 vacant properties, introducing real rent controls, security of tenure, and writing down mortgages would benefit everyone struggling with unaffordable housing costs and end the housing and homelessness crisis. These measures would also have huge popular support.

An opinion poll last March found that 60% of people think that the government's number one priority in solving the housing crisis should be to 'build more houses itself (32%)' or introduce 'strict rent controls' (28%). 21% said the government should 'Cut the level of bureaucracy to speed up building new homes'. Direct build would also be of huge assistance to that, as it would eliminate delays caused by tendering and procurement, which take up a lot more of the 2-3 years it takes to build a housing estate than strictly 'planning' issues.

The least popular option, chosen by only 19% of people was 'financial incentives to encourage landowners/developers to build more homes'. Yet this is the cornerstone of government housing policy – and has been for decades. The Programme for Government contains nine new property-related tax breaks for landlords, developers and property owners (see Chapter 3). The Committee's report mentions fifteen!

The first reason for this discrepancy, or gulf, between what the majority of people want, and what the government is prepared to do, is the historic alliance between builders, landlords, bankers, property developers and the Irish state. Government and establishment politicians in this country have always represented the interests of a small property-owning and

-dealing elite. 40% of all declared donations to Fianna Fáil from 1997-2007 were from 'property and construction' or banking and financial services interests.

Nearly all the big developers who were called before the Banking Inquiry admitted making political donations and when the Department of Finance was asked to release records of lobbying by developers during the property bubble, they said they were too numerous to count. The revolving door between politics and the property industry works the other way too.

Representing the Construction Industry Federation at the Housing Committee was its CEO, Tom Parlon, who took up that role immediately after being Minister of State for the OPW with responsibility for handing out state construction contracts. As he told an Irish Independent interviewer: "I'm in and out of the Dáil every other day, any chance I get...everybody does it".

It's connections like these, and the fact a quarter of TDs are landlords, that help make the political establishment so open to property industry interests. Just how powerful the big developers still are is shown by how many of them are now back into business, with the help of the state. This is less than ten years after they caused the worst crash in Irish history and while many of them still owe billions to NAMA that will be written off over the next two years.

So far, 398 of the 442 developers that have 'exited' NAMA have failed to pay back their debts to the state, leaving us all with a €9bn loss – the equivalent of nearly three years' funding for a Real Public Housing Programme. Even that is chicken feed compared to the scale of the write-offs to be completed by the time NAMA winds up: it's a case of €9bn down, €31bn to go.

The catastrophic losses caused by the last property crash should be all the evidence we need that the private market, private developers and private banks cannot be relied on to provide for public housing needs. But there's also the inherent contradiction between the interests of the vast majority of workers, students and pensioners in keeping housing costs as low as possible and the drive of developers, landlords, landowners and banks to make as much profit as they possibly can out of housing. Right now, they're on an 'investment strike' and are telling the government that those profits aren't high enough and that they need more tax breaks and higher house prices and rents before they'll invest their wealth in the housing we need.

The government and the media call this a 'market failure' but although everyone acknowledges the housing market has failed, no one is coming to the obvious conclusion that the solution is not to 'fix' the market, by restoring extortionate profits for housing speculators, but to de-commodify housing and find alternative ways of providing it as a right. The problem is not some temporary dysfunction in the housing market that can be 'fixed' with more tax breaks and incentives but is far more fundamental: 'the market' simply cannot provide for basic human needs like housing. 'Fixing' it by restoring rates of profit either makes housing more unaffordable for people or means workers paying higher taxes to pay for tax breaks and 'incentives' for housing speculators.

The second reason Fine Gael and the Endependents won't solve the housing crisis is that they are hopelessly restricted in what they can do by the EU fiscal rules. Previously, Irish governments could borrow on international markets to fund large scale public investment projects like social housing. This mean they could avoid raising taxes on the big business and the wealthy, whose interests they share and represent, as it allowed them to spread out the cost of public investment over many years and so get the working population to gradually pay for it through taxes on their wages. The EU rules have now made this option impossible and the government refuses to countenance taxing profits and wealth to pay for it instead so it is left in a real conundrum where it cannot find a way of financing public investment.

From the point of view of the big European capitalist interests that the EU represents, however, this presents

a major opportunity for them to open up Irish public services for private investment and, ultimately, privatisation.

This is because the rules effectively prevent governments from making significant investments in public services without also involving private investors (unless they significantly raise taxes on their own business class which of course they don't want to do). Whether this is called off-balance sheet funding or Public Private Partnerships, the common denominator is that ends up as a rip off for the taxpayer and a bonanza for capitalists with money to invest. In fact, the EU fiscal rules are so biased in their favour that government officials seem to be internalising the notion that all public projects should make a commercial return – just so some private investor can come in and buy or profit from them in the future. This shows that we need to break and repeal the EU rules as they are incompatible with the large scale public investment needed to solve the housing crisis.

Achieving the radical Real Public Housing Programme outlined in this report will mean tackling the profiteering, privatisation and financialisation of housing that caused the property bubble and the crash. With more than a quarter of TDs landlords and even more with property, banking and construction investments, such a programme would be resisted by the political establishment and big business. This means the only way to win it will be through mass mobilisation of ordinary people affected by the housing crisis – from homeless families to those threatened with eviction, languishing on the housing list, or struggling with unaffordable mortgages or rents.

The mass movement against water charges shows what can be achieved and how the political agenda can be shifted to the left when masses of ordinary people become politically active and start fighting for their rights. A broader struggle in society both here and internationally, not only on housing but on all the other key issues affecting workers, women and young people, is also needed in order to build alliances with working class movements in other peripheral EU countries and fight the EU rules and the neoliberal EU agenda generally. All this will be necessary to rebuild working class political representation and fight for genuine left governments that put our needs first.