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**SUBMISSION TO OIREACHTAS COMMITTEE ON
HOUSING, COMMUNITY, PLANNING
AND LOCAL GOVERNMENT**

**'Addressing the issue of vacant housing,
derelict sites and underused spaces'**

1ST FEBRUARY 2017

**DR LORCAN SIRR
MS ORLA HEGARTY
MR MEL REYNOLDS**

1.0 INTRODUCTION

Thank you for the invitation to speak to the Committee.

I am Lorcan Sirr, lecturer in housing policy at the School of Real Estate and Construction Management at Dublin Institute of Technology, and visiting professor of housing in the Faculty of Law, at URV in Tarragona, Spain. My colleagues are Ms Orla Hegarty, lecturer in UCD, with an expertise in the construction industry and the regulatory environment; and Mr Mel Reynolds, an architect in private practice with an expertise in building standards.

Name	Employment	Expertise
Dr Lorcan Sirr	Dublin Institute of Technology	Housing policy
Ms Orla Hegarty	University College, Dublin	Construction industry; the regulatory environment for building
Mr Mel Reynolds	Self-employed in private practice	Development; building regulation and standards

2.0 STRUCTURE

The structure of our statement is as follows: context; why the issue is of importance; obstacles as we perceive them; and possible solutions. We have also provided an appendix on reducing the costs of regulation and ensuring consistency of standards through an enhanced approval (permit) system.

3.0 CONTEXT

At over 198,000 out of a total housing stock of 2.022 million units, vacancy rates in Irish housing in particular are very high, up to twice as high as should be expected in a housing system. Contrary to popular belief, not all of the vacant housing or land is in what might be called "the wrong places": unfortunately, a lot of vacant housing, derelict sites and underused space is in locations where there is high housing demand, and in places where their better use would have a very positive impact (rural towns in particular). In addition, not all of the vacant housing, derelict sites or underused spaces are in private ownership, which is of some concern in itself. The vacant sites register, when finally populated by the local authorities, will prove interesting reading in this regard. At the moment, it is our understanding that over half of the vacant land in Dublin City is owned by Dublin City Council.

A more productive use of existing housing stock, property and land is the "low hanging fruit" in steps to resolve the current housing supply issue, for reasons we shall come to presently. Given this context, we'd like to turn now to the first of our three substantive components of Why, Obstacles and Solutions.

4.0 WHY IS RESOLVING THE VACANCY ISSUE SO IMPORTANT?

There are many good reasons why resolving the issue of vacant and underused property should be a priority, but for reasons of time, we shall focus on three.

4.1 Higher than normal rates

Rates of vacant houses at nearly 10 percent of the housing stock are just over twice what should be expected in a housing system. It is not possible to compare underused space and derelict sites to other jurisdictions, but it would appear that these rates are unjustified in an Irish housing context. Dublin City Council has identified more than 60 hectares of derelict land in its bailiwick. In December 2016, using a variety of sources the *Dublin Inquirer* newspaper carried out a survey of vacant sites, land and buildings in Dublin City, and found some 389 sites, 179 of which for which they could identify owners, and of this 88 were in the ownership of Dublin City Council.

4.2 Good planning and sustainability

It is a key component of good planning that the appropriate use of existing resources, and sustainable development that the potential of our current housing stock, underused spaces and derelict sites are maximised to its fullest extent. Our vacant housing stock also has great potential as a tool for urban regeneration in towns and villages across the country. Finally under this heading, given changing demographics, reusing existing stock gives the potential to provide accommodation appropriate to the broader needs of society, as it is likely that the housing that is currently and will be provided (3 bed semi-detached houses) will only cater for a small proportion of the population.

4.3 Actual numbers of new builds

The methodology used by the Department of Housing to calculate “housing completions” – connection to the ESB grid has a significant margin of error, certainly more than the 20 percent that has been previously estimated. Connection or re-connection to the electricity grid is a very unreliable method of assessing levels of house-building.

When different measures are used, for example stamp duty transactions and other market indicators, it can be reliably calculated that the numbers of new houses and apartments being built each year is about half of what the official “completion” statistics suggest.

For safety reasons, housing units that have been vacant for more than two years require a new connection to the grid and given the numbers of ghost estates and residential units in NAMA (c.14,000 apartments at the start), it is very likely that these units being reconnected to the ESB have been propping up the official housing statistics. A DKM Report from October 2016 (*Demand for Skills in Construction to 2020*) confirms that: “Establishing the level of supply is further complicated by data problems and by the fact that the published figures for housing completions, which are based on electricity connections, have included dwellings which were either finished or near completion during the boom years and remained unsold due to the financial

crisis. The issue is likely to become less prevalent from 2017 onwards.” We would concur with this prognosis, but as the problem becomes less prevalent, it will also highlight the lack of newly built housing each year.

In effect, we are building far fewer houses than we think (perhaps just over 8,000 in 2016), which casts serious doubt over the government’s plan to build an average of 25,000 houses per annum between this year and 2021. (CIF have recently reported that just 5,626 residential units “starts” were registered with Homebond in 2016.)

Another aspect of the construction industry that will affect housing supply is the lack of available skills and capacity in the construction industry for large-scale solutions, all of which means that the better use of our existing stock of land, housing and sites is the “low hanging fruit” of resolving the current housing supply impasse.

5.0 OBSTACLES TO RESOLVING THE ISSUE OF VACANT HOUSING, DERELICT SITES AND UNDERUSED SPACES

There are (at least) seven obstacles to resolving the issues at hand. These are:

1. Identifying ownership of the properties in question.
2. Raising finance to bring the land, housing or spaces back into meaningful use.
3. The lack of any meaningful incentive: if house sales prices rise by 10 percent, then the value of appropriate vacant land will rise by 35 percent, so the incentive is to do nothing. A potential rates rebate on vacant commercial property is not helpful either.
4. Land hoarding, and the lack of a meaningful measure to counteract it (the vacant site levy and its poor legislation is not enough, and too easy to gain exemption from).
5. The political will, or absence of it. Government policy is geared towards inflating the price of houses (on which the viability of NAMA’s residential portfolio depends), which in turn will raise the value of land which, and in the absence of an incentive to do otherwise, will mean owners sitting on land (hoarding). Significant landowners currently have companies dependent on land price appreciation within the government’s five year remaining period for zero capital gains. The market expectation is that profit-taking in the form of land transactions will take place over the next 2-3 years rather than by new build commencements and assumption of development risk by the entities involved.
6. The prohibitive regulatory costs associated with property and land in Ireland, and in particular for under-used spaces. The change of use of a 35 square metre upper floor in outer Dublin from commercial to residential will cost a minimum of €10,150 (including VAT) to potentially €12,635 *in regulatory fees and costs alone*, in addition to

a lot of time and subsequent construction costs. See Appendix 1 for a breakdown of these regulatory costs and timelines.

7. The regulatory environment for a simple change of use involves three different approvals (planning, fire and disability access), and four statutory appointments, all on different timescales, submission requirements and fees (which may also involve up to three different people). If the application fails on one approval component, it fails *in toto*, meaning that the new conversion cannot happen (and will need to begin the entire process over again). This is hardly an encouragement to owners of potentially useful property. Ironically, compliance with these approvals is left to the owner meaning that there is no independent assurance of compliance or safety when the works are completed. Applicants are often left wondering what the multiple fees were actually for.

6.0 SOLUTIONS

Potential solutions are presented below in table format, centred on the three components of vacant housing, derelict sites and underused spaces and based on issues raised previously.

	VACANT HOUSING	DERELICT SITES	UNDERUSED SPACES
1	Data collection: the CSO methodology is 'horizontal', thereby ignoring the 'vertical' component of housing (eg upper floors), and thus missing a real assessment of unused spaces.	The Vacant Sites Levy exemption needs to be reduced from 0.5 hectare, which is over an acre, to 0.05 hectare. The rate of taxation at 3 percent is derisory when land prices are rising, so this needs to be at such a rate that will encourage it's more productive use.	Where an unused commercial space is capable of being used for residential purposes, any rates rebate from a local authority should be refused. A refund in commercial rates (of up to 50 percent) does not act as an incentive to maximise underused space.
2	Discovering ownership of properties is sometimes problematic. The development of a public register of ownership of land and housing would be more of a benefit than any impingement on property rights.	There are far too many exemptions in the Vacant Site Levy. These need to be removed.	The regulatory burden involved in reusing underused spaces needs to be examined. As has been shown earlier, there are significant costs involved in merely securing permissions before there is any expenditure on refurbishment or conversion.
3	Accuracy and transparency in data. In the same way that the Department of Housing have their own (significantly inaccurate) methodology of measuring housing activity, local	The Vacant Site Levy should apply until the completed development is ready to occupy. A refund could then be issued if necessary.	Guidance and information for owners of underused spaces is non-existent. Given the regulatory complexities involved, it is recommended that local planning authorities (or the

	<p>authorities too have their own measurement issues. For example, Dublin City Council estimates their vacancy rate in council housing at less than 1 percent. However, various exclusions means that about 6.7 percent of their social housing is empty at any one time. It's difficult to manage what you can't measure.</p> <p>The HRI scheme has been very successful and is a tax efficient targeted measure.</p>		<p>Department of Housing) issue such guidance. We would also recommend the establishment of a one-stop permission shop for obtaining statutory permission for maximising the use of underused spaces.</p>
4	<p>The Fair Deal scheme as it is currently structured offers no incentive to rent the home. Financial exposure if the home is not rented out is about 7%, but much more if it is (due to taxation of rental income, letting fees etc.).</p> <p>Participants in the Fair Deal scheme should be able to rent out their homes tax-free up to the value of the Rent-A-Room scheme (€14,000pa).</p>	<p>A lack of mainstream of bank financing is a recurring theme coming from industry. Private 'mezzanine' finance is available, however at rates of up to 20 percent, which has a significant impact on residential development viability in many locations. It is recommended that the state and ISIF should consider the establishment of a state-backed fund aimed at vacant building refurbishments.</p>	<p>The requirement in the Building Control (Amendment) Regulations for "absolute compliance" and buildings to be 100 percent complete before occupation is a considerable barrier to staggered usage (eg people who move into a partially completed building and finish it as they acquire the resources). This needs re-visiting.</p>
5	<p>Taxation solutions are an obvious measure, but should be used as both carrot and stick. Tax reliefs can be deployed to reduce the costs of using maximising housing use, whilst an annually incremental property tax (increasing by 100 percent for each year of non-use) would also be useful.</p> <p>The Department of Housing's Repair and Lease scheme is also a good example of encouraging better housing use.</p>	<p>We note that when we recently looked at 75 housing schemes under development or for sale, only three had units priced less than €300,000 (in outer Dublin). Nama funded schemes are in areas where a maximum return can be achieved, and as such state-funded development has concentrated on middle to upper middle sections of the market. In regional areas, such as Longford, where 2-bed residential units can be bought for as little as €50,000, construction costs for new or refurbishment means development will remain unviable for some time. For targeted areas, pro-cyclical stimulus measures should</p>	<p>Due to the increasingly centrist nature of planning in Ireland – with, for example, Orwellian "mandatory guidelines" for apartment sizes – there is limited opportunity for flexibility from local authority planners in what can and cannot be permitted. Planners should be permitted far more leeway and judgment in working with owners to maximise the potential of their properties.</p>

		be considered for these areas.	
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Appendix 1