



# **FIANNA FÁIL HOUSING PROPOSALS REVIEW**

**2019**

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## Table of Contents

Introduction.....	3
Fianna Fáil Housing Proposals.....	4
Proposal 1 – Special Saver Scheme .....	4
Proposal 2 – Planning and Development (Amendment) (First-Time Buyers) Bill 2019.....	5
Proposal 3 – Affordable Housing Scheme .....	5
Proposal 4 – A National Redevelopment Agency .....	6
Proposal 5 – Reduced VAT, First-Time Homes.....	6
Proposal 6 – Rental Payments, Central Bank.....	7
Proposal 7 – Shared Ownership Scheme.....	7
Proposal 8 – Rent Freezes .....	8
What do Fianna Fáil really think about progress in housing? .....	9
Endnotes.....	10

## Introduction

Fianna Fáil's housing plan is now clear.

1. They will endlessly criticise the Government's housing plan.
2. When asked to present their own policies, they will only produce soundbites.
3. They will not produce any meaningful policies until the last possible moment – if even then – so that they avoid all scrutiny of their policies.
4. They will hope that this approach hoodwinks the Irish people, and that they get into office.
5. They will then not change existing policy. Rather, they will seek to claim credit for the delivery of the current Government's housing policies: with more houses due to be built again in 2020; more than 11,000 new social housing homes in 2020; the operationalisation of the Land Development Agency, amongst other measures.

Fianna Fáil just don't do solutions.

Instead, as we have seen across a number of issues, Fianna Fáil opt instead to bluster about producing policies, or throw out half-baked ideas that don't stand up to even the faintest hint of scrutiny.

We already saw last year that since 2016, just five out of 22 Fianna Fáil front bench TDs have produced a policy paper. They lack plans for issues including Brexit, health, broadband, climate, jobs and childcare to name but a few policy areas.

Housing is no different. It will soon be two years since Fianna Fáil were on the verge of producing their big housing policy.<sup>i</sup> In the time that we have been waiting, Fine Gael have delivered thousands of homes and have taken significant action to increase supply. In that time, Fianna Fáil have offered a series of ideas that sound as though they were made up on the spot, are unimplementable and in some cases illegal.

This short paper examines several housing proposals put forward by Fianna Fáil. Broadly speaking, all fall under 4 categories:

- illegal;
- counterproductive;
- already in place;
- paper thin.

## Fianna Fáil Housing Proposals

### Proposal 1 – Special Saver Scheme

**Proposal:** “We will launch a new Special Savers scheme to help tenants save up a deposit to get out of the rip off rental market .”<sup>ii</sup>

“Establish a Special Savers Scheme for over 100,000 first time buyers with a 25% top up to help reach your deposit.”<sup>iii</sup>

**Issue with Proposal:** **UNCOSTED BY FIANNA FÁIL AND PAPER THIN**

**Comment:** Fianna Fáil have not provided a cost for this proposal. A simple estimate for this proposal results in a price tag of €1.74bn.

The average deposit is €87,000 according to the Central Bank (see endnote).<sup>iv</sup> A 25% top up to reach this level of deposit would be €17,400 or 20% of the total. (as in savers save 80%, and Government adds 20% of total, which is 25% of the 80% from savers) This would cost €1.74bn for 100,000 mortgages (the minimum figure quoted).

We already saw Fianna Fáil make unsustainable spending calls of €4.35bn in the first 6 months of 2019.

Fianna Fáil also do not clarify whether this would replace the Help to Buy Scheme or if it would be in addition to it. The Help to Buy Scheme allows those saving for a deposit, to claim back up to €20,000 of tax they paid for their deposit?

Fianna Fáil also do not clarify if, like the Help to Buy Scheme, this will be focused on new builds – and therefore a means to continue stimulate the market place – or available to be used to purchase second hand homes, and thereby inflate the market place?

Fianna Fáil also do not clarify if, like the Help to Buy Scheme, there will be a cap on the value of the home that can be bought with the support of the scheme? Or whether this will be a scheme that will be available to purchase millionaire mansions as much as three bed starter homes.

## Proposal 2 – Planning and Development (Amendment) (First-Time Buyers) Bill 2019

**Proposal:** Fianna Fáil housing spokesperson, Deputy Darragh O’Brien, claimed that this Private Members’ Bill “forms part of a suite of measures Fianna Fáil has worked on to build a ladder of opportunity for young people to achieve home ownership.”<sup>v</sup>

**Issue with Proposal:** **UNWORKABLE & COUNTERPRODUCTIVE**

**Comment:** This Bill would actually incentivise institutional investors to stop providing social housing in developments, rather than do anything to help first time buyers. This is because it allows developers building properties for rent to avoid having to provide any social housing homes. It would also affect Approved housing Bodies, which are delivering hundreds of social homes.

It does nothing for affordability and it’s unworkable.

This Bill does the exact opposite of what it claims to do.

## Proposal 3 – Affordable Housing Scheme

**Proposal:** “We will launch an ambitious €2bn Affordable Housing scheme to boost the supply of homes available to ordinary workers.”<sup>vi</sup>

**Issue with Proposal:** **ALREADY IN PLACE**

**Comment:** Fine Gael has allocated €310 million under the Serviced Sites Fund (SSF) over the period 2019 to 2021. This funding will provide for infrastructure to support the delivery of some 6,200 more affordable homes on local authority lands. SSF is being made available in areas where local authorities have demonstrated a requirement for affordable housing and a viability to deliver such housing on their sites.

Some €200m has also been made available under the Local Infrastructure Housing Activation Fund (LIHAF) to help open sites for housing, which will result in discounts, while local authorities are providing serviced sites free of charge to developers of affordable properties. In addition, the Land Development Agency (LDA) will develop 3,000 homes in the near-term on State lands for affordable purchase and rent. The LDA expects to lodge its first planning application for 600 homes in early 2020.

## Proposal 4 – A National Redevelopment Agency

**Proposal:** “The National Redevelopment Agency will focus on constructing new units on existing state lands which has the capacity to deliver over 42,000 units.”<sup>vii</sup>

**Issue with Proposal:** **ALREADY IN PLACE**

**Comment:** This proposal appears to be little more than a rebranding of the Land Development Agency (LDA). The LDA, which was established by the Government in support of Project Ireland 2040 in 2018, is advancing a number of projects on State lands, with a minimum requirement of 40% of the housing to be provided as affordable housing in addition to Part V affordable housing.

The LDA has an immediate focus on managing the State’s own lands to develop new homes, and regenerate under-utilised sites. In the longer-term, it will assemble strategic land-banks from a mix of public and private lands, making these available for housing in a controlled manner, bringing essential long-term stability to the Irish housing market.

The Joint Oireachtas Committee on Housing, Planning and Local Government recently carried out pre-legislative scrutiny of the General Scheme of the LDA Bill which will establish the LDA on a primary legislative footing.

## Proposal 5 – Reduced VAT, First-Time Homes

**Proposal:** “It (Fianna Fáil) is also cautiously considering reducing VAT on first-time homes.”<sup>viii</sup>

**Issue with Proposal:** **ILLEGAL UNDER EU LAW**

**Comment:** This proposal was suggested by Micheál Martin in an interview with the *Sunday Independent*, published on the 3<sup>rd</sup> of November 2019. Deputy Colm Brophy subsequently submitted a parliamentary question to the Minister for Finance, Paschal Donohoe, querying the legality of the proposal.

Responding to the parliamentary question, Minister Donohoe noted “I am advised by the Revenue Commissioners that the VAT rating of goods and services is subject to EU VAT law, with which Irish VAT law must comply. Under the Directive it is not permissible to differentiate the supply of new residential property for different buyers, such as first-time buyers, for the purpose of applying VAT rates.”<sup>ix</sup>

In short, the proposal is illegal.

## Proposal 6 – Rental Payments, Central Bank

**Proposal:** “We will ensure the Central Bank recognises rental payments to open up the mortgage market.”<sup>x</sup>

**Issue with Proposal:** **INTERFERENCE WITH THE INDEPENDENCE OF THE CENTRAL BANK**

**Comment:** This is an entirely disingenuous proposal. Under EU and Irish law, the Central Bank is independent in its functions and cannot be directed in matters of policy by the Government.

As Minister Donohoe noted in a parliamentary question response regarding this proposal: “These mortgage lending measures have been put in place by the Central Bank by way of regulations made by the under section 48 of the Central Bank (Supervision and Enforcement) Act 2013. While the 2013 Act requires the Bank to consult me before making any such regulation (including any amending regulation), the Central Bank is nevertheless the statutory authority for the making of these regulations and I do not have any authority to direct the Bank to change or otherwise modify regulations it makes under that statutory function.”<sup>xi</sup>

It is always open to politicians to propose measures to the Central Bank. However, the claim that Fianna Fáil will ‘ensure’ that the Central Bank will do something is entirely disingenuous.

## Proposal 7 – Shared Ownership Scheme

**Proposal:** “We will establish a shared ownership scheme where the Government takes a stake in your home to reduce the price for you.”<sup>xii</sup>

**Issue with Proposal:** **ALREADY IN PLACE**

**Comment:** In June 2018, Part 5 of the 2009 Housing (Miscellaneous Provisions) Act was commenced which provides a new statutory basis for the purchase of affordable homes. The local authority will take an equity share of the home made available for purchase under the scheme. This stake will be repaid over time, or when the property is sold. Homes under the affordable purchase scheme will be sold at a discount of up to 40% on market rates.

Construction work is underway on a project of 116 homes at Boherboy in Cork, with the first homes to be made available in Q3 2020. They will be available at a cost of €198,000 for a 2 bed unit and €223,000 for a 3 bed unit.

Affordable homes are also being delivered in other local authorities using the Serviced Sites Fund, LIHAF funding and by local authorities providing land at zero cost and servicing sites free of charge. Some 2,000 homes will be made available by the end of 2020, with thousands more in the pipeline.

## Proposal 8 – Rent Freezes

**Proposal:** “We will freeze rents to reduce costs for young people.”<sup>xiii</sup>

**Issue with Proposal:** **NO DETAIL & POTENTIAL IMPACT ON HOUSING SUPPLY**

**Comment:** As usual, Fianna Fáil provided no detail on this proposal.

How long would the rent freeze last? Would it be for a few years or for ever? Would it apply to existing tenancies only? Or would it apply to new tenants coming into the market? Has it been reviewed for constitutionality, given the previous Supreme Court rulings on this matter? If so, by whom? Have Fianna Fáil considered the impact this would have on supply into the market?

One of the biggest landlords in Berlin, where a rent freeze will be introduced in 2020, has recently said it is reviewing almost €1bn of investment in new homes and renovations, and has earmarked almost 5,000 properties to be taken out of the rental sector. Applications for building permits in the city fell by almost 40% in September 2019 compared with September 2018, impacting on supply of new homes.

In addition, Fianna Fáil are speaking out both sides of its mouth on the issue of a rent freeze. On December 10<sup>th</sup> last, housing spokesman Deputy Darragh O’Brien told RTE’s *Drivetime* that his party was “not wedded” to the idea.<sup>xiv</sup>

His fellow frontbench colleague, Deputy Stephen Donnelly stated that long term rent freezes “don’t work”.<sup>xv</sup>



## What do Fianna Fáil really think about progress in housing?

In public, Fianna Fáil are saying the Government's housing plan is not working. However, in private they are saying something quite different. They are saying that the heavy lifting has been done and that the dividends will be seen over the next few years.

As reported on the *Floating Voter* podcast on December 12<sup>th</sup>:

*“I was talking to a very senior member of your party last night [Fianna Fáil] ... that person said that the housing minister in the next Government will be one of the best portfolios to have, because things will have kickstarted by then, and it will be all that ribbon cutting and that it will be houses galore for everybody and prices will go down...”<sup>xvi</sup>*

## Endnotes

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- <sup>i</sup> <https://www.irishtimes.com/news/ireland/irish-news/fianna-f%C3%A1il-proposes-new-state-body-to-build-90-000-homes-1.3352378?>
- <sup>ii</sup> <https://www.fiannafail.ie/speech-of-micheal-martin-td-uachtaran-fhianna-fail-national-youth-conference-portlaoise-november-16th-2019/>
- <sup>iii</sup> <https://www.fiannafail.ie/our-policies/housing/helping-first-time-buyers/>
- <sup>iv</sup> <https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/no.-12-a-measure-of-bindingness-in-the-irish-mortgage-market.pdf?sfvrsn=6>
- <sup>v</sup> <https://www.kildarestreet.com/debate/?id=2019-11-27a.479>
- <sup>vi</sup> <https://www.fiannafail.ie/speech-of-micheal-martin-td-uachtaran-fhianna-fail-national-youth-conference-portlaoise-november-16th-2019/>
- <sup>vii</sup> <https://www.fiannafail.ie/our-policies/housing/building-affordable-homes-for-all/>
- <sup>viii</sup> <https://www.independent.ie/irish-news/politics/leo-needs-to-respect-people-a-bit-more-than-he-does-micheal-martin-38656067.html>
- <sup>ix</sup> <https://www.kildarestreet.com/wrans/?id=2019-11-07a.121&s=I+am+advised+by+the+Revenue+Commissioners+that+the+VAT+rating+of+goods+and+services+is+subject+to+EU#g123.r>
- <sup>x</sup> <https://www.fiannafail.ie/speech-of-micheal-martin-td-uachtaran-fhianna-fail-national-youth-conference-portlaoise-november-16th-2019/>
- <sup>xi</sup> <https://www.kildarestreet.com/wrans/?id=2019-11-26a.333&s=speaker%3A433#g334.q>
- <sup>xii</sup> <https://www.fiannafail.ie/speech-of-micheal-martin-td-uachtaran-fhianna-fail-national-youth-conference-portlaoise-november-16th-2019/>
- <sup>xiii</sup> <https://www.fiannafail.ie/speech-of-micheal-martin-td-uachtaran-fhianna-fail-national-youth-conference-portlaoise-november-16th-2019>
- <sup>xiv</sup> Circa 57 seconds in: <https://www.rte.ie/radio/radioplayer/html5/#/radio1/21673367>
- <sup>xv</sup> <https://twitter.com/oconnellhugh/status/1204367157011910658>
- <sup>xvi</sup> Philip Ryan at 16'31: <https://soundcloud.com/the-floating-voter/a-newly-elected-fianna-fail-td-has-revealed-he-is-open-to-working-with-sinn-fein-in-government>