



# Threshold Pre-budget Submission 2015

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To Department of Finance

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## **Summary**

Threshold is a national housing charity that helps 20,000 people with housing problems annually. We make this submission to the Department of Finance in advance of Budget 2015. The recovery of the housing market is fundamentally important to an overall turnaround in Ireland's economic fortunes and this must be a priority for the forthcoming budget. Threshold's recommendations fall into two categories i) measures related to threats currently facing the housing market and ii) measures related to improving the efficiency of the housing system.

### **A. Measures to overcome threats to the housing market**

- Housing construction has fallen to critically low levels. Output is not keeping pace with the 25,000 additional units needed each year.
- Local authority waiting lists are growing, but supply has dwindled. Almost 90,000 people are on waiting lists, but just 750 new units were built or acquired in 2013.
- The new Housing Assistance Payment is recognised as a critical measure to improve employment activation and the housing security of tenants, but its rollout has been delayed.
- Rents in the private rented are rising at an alarming rate, especially in Dublin but also in other urban centres, causing the displacement of low income households and giving rise to homelessness.
- Disruption is being caused in the private rented market by repossessions and receiver appointments to buy-to-let properties. This is negatively impacting on the lives of tenants and creating instability in the private rented sector.

### **Proposed measures:**

1. Introduce a stimulus for private housing construction in Budget 2015 that is predicated on the current needs of households in Ireland.
2. In considering any construction stimulus for Budget 2015, it is essential that the Government insists upon retaining the Part V requirement with a much stronger emphasis on securing completed units rather than alternative contributions.
3. Provide a significant financial package for the purchase and construction of social housing. It should be a goal that socially owned housing comprises at least 15% of overall housing stock. Social housing output should increase to a minimum of 6,000 units per annum.

4. Resource and prioritise the target of 2,700 additional units for people who are homeless over the period 2014-2016, as identified in the Government's implementation plan.
5. Promote institutional investment in the private rented and social rented sectors by financial institutions, pension funds and private investors by means of the Real Estate Investment Trusts (REITs) provision announced included in the Finance Bill 2013.
6. Safeguard those in receipt of rent supplement: i) No further cuts to the overall rent supplement budget; ii) rent supplement limits should be increased in a targeted way to help those living in high demand areas; and iii) any savings made during the year (for example, due to fewer claims arising from an improved economy) should be ringfenced for those households who need greater flexibility in their payments.
7. In order to facilitate tenants to remain in their rented homes and to provide greater protection for families with children, Threshold is asking that the security of tenure provisions in the Residential Tenancies Act 2004 be reviewed and extended beyond the current four-year period.
8. Protect family homes of tenants and overall stability of the private rented sector by changing the legal and regulatory code:
  - a. Amend the Residential Tenancies Act 2004 to state that receivers must 'step into the shoes' of the landlord and take on their obligations; and
  - b. Introduce a code of conduct on buy-to-let mortgage arrears similar to the CCMA for residential mortgages.
9. Put resources in place to overcome operational obstacles (e.g. IT systems) to the speedy rollout of the Housing Assistance Payment (HAP).
10. Include a provision for employment activation supports as part of the overall housing and welfare package under the HAP payment.
11. Make special financial provision to enable higher rent payments to be made under the HAP scheme to secure accommodation for people who are homeless.
12. Consider amending the tax code as a means of incentivising landlords to engage more fully with the State in providing accommodation for low income households.

## **B. Measures to improve the efficiency of the housing system**

### **Efficiency challenges:**

- The Government's revised homelessness strategy aims to reduce investment in emergency homeless services in favour of more lasting solutions to homelessness, but the funding mechanism is currently not aligned with the strategy.
- The Government is committed to increasing housing supply but it relies on the private rented sector to house many low-income households in receipt of state supports. Rising rents in Ireland's main urban areas pose a challenge for these schemes.
- Local authorities are responsible for enforcing standards in the private rented sector but do not have the capacity to inspect all properties. The growth of the private rented sector and the inspection requirements of new state housing initiatives delivered in the private rented sector calls the current approach into question.
- Threshold welcomes the planned introduction of a deposit protection scheme where tenancy deposits will be lodged with a third party. This will generate revenue and operational efficiencies for the State, but a speedy rollout is needed to optimise the benefits.

### **Proposed measures:**

13. Support the introduction of rent control measures to curb unsustainable rent increases and to give greater stability and certainty to tenants and landlords.
14. Rebalance existing homelessness spending towards the provision of homelessness prevention services and a housing-led approach to ending homelessness.
15. Amend Section 10 of the Housing Act 1988 to ensure that funding may be provided by local authorities to services that prevent homelessness.
16. Introduce a certification scheme for private rented properties that requires landlords to have their property certified as legally compliant by a qualified professional. Local authorities to become responsible for overseeing the scheme and for engaging in targeted inspections to complement the scheme.
17. Deposit protection scheme to be operationalised as soon as possible after legislation has been enacted, and should seed funding be required to make the scheme profitable more quickly, then this should be provided by the Department of Finance.

18. Ensure that any proposed third banking force acts as an enabler for those who could afford to take on a mortgage to purchase a home but who currently find it difficult to access mortgage credit.

## **Introduction and Context**

Threshold makes this submission to the Department of Finance for consideration as part of Budget 2015. The measures outlined have the potential to generate construction employment and economic growth, while fundamentally addressing the social needs of the thousands of families who seek Threshold's help with their housing problems.

Threshold is a national housing charity that provides housing advice to 20,000 households across Ireland annually through our advice centres based in Dublin, Cork and Galway. Our professional housing advisors help to resolve housing problems and to prevent homelessness. Homelessness carries an enormous human cost for the individual or family affected, but it also carries a large economic cost (for example, the cost of providing emergency homeless accommodation is approximately €22,000 per annum). In this respect, Threshold's 83% success rate in preventing homelessness is notable.

Historically Threshold's work has centred on the private rented sector, where the majority of low income households make their home. Despite the difficulties they face, it remains the case that many have aspirations toward home ownership or would be more appropriately housed in local authority housing. Our work therefore extends beyond the one in five households that now live in the private rented sector to include those living in the social rented and owner occupied sectors. This is reflected in the range of recommendations made in this submission.

Budget 2015 provides the Government with an opportunity to take important steps to promote a sustainable housing recovery. Ireland's property crash is recognised as one of the most severe ever experienced by a modern economy. Since 2008, significant prominence has been given to the problems faced by the owner occupied sector where house prices have dropped by 50-60% and 132,000 householders are in mortgage arrears. National house prices have started to rise again with an 8.5% increase in the 12 months to April, but much of this increase has been driven by the Dublin property market where there is a shortage of supply. The current housing position therefore remains volatile.

Remedying the problems faced by home owners must be a Government priority, but it is equally important to recognise other housing threats including rising rents, a lack of new social housing supply and an increase in the number of households becoming homeless. Budget 2015 provides an opportunity to meaningfully address those threats and generate greater efficiencies in the housing system by adopting new approaches.

## Addressing Current Threats Facing the Housing Market

The following recommendations are related to current threats facing the housing market and how to overcome them:

### 1. Housing Supply

The effect on housing supply of the property crash has been dramatic. The construction sector which accounted for almost 24% of GNP in 2007 now accounts for just over 5% leading to high and persistent unemployment among those formally employed in the sector. In 2006, at the peak of the property boom, 93,419 new housing units were constructed. By 2013, that figure had dropped by 90% to 8,301.

#### i) Owner Occupation

The evidence of a housing shortage is clear in urban areas. The most recent DAFT.ie property report shows that the total stock of property for sale nationally has fallen by 45% from an average of 60,000 in 2008-2011 to just over 33,000 in March 2014. While an estimated oversupply of 110,000 housing units did arise from the property crash, much was in geographical locations where there was no demand for housing in the first place, where there is little employment and where few families wish to live.

The Housing Agency report *Housing Supply Requirements in Ireland's Urban Settlements 2014-2018* (April 2014) identifies a minimum requirement of approximately 16,000 units per annum in urban areas. This matches the ESRI's assessment that 25,000 units per annum are needed for the entire country, including both urban and rural areas. Current output is far short of this figure. Planning viability, finance and infrastructure have been identified as the main blockages to increased output.

Threshold welcomes the Government's paper *Construction 2020 – A Strategy for a Renewed Construction Sector* (May, 2014) as a step towards creating a national framework for housing supply. We also welcome the establishment of a taskforce to address the undersupply of homes in Dublin. **The housing shortage has now become a full-blown crisis and must be addressed in Budget 2015. The Government and the Minister for Finance must consider a stimulus for housing construction in Budget 2015 that is directly based on the housing needs of families.**

#### ii) Private rented sector

The private rented sector has grown from 9.5% of housing stock in 2006 to 18.5% in 2011. The sector has absorbed many Irish families affected by the economic downturn over the past five years. The mix of households living in the private rented sector now includes low income families in receipt of welfare payments, the working poor who are in low paid

jobs, people who would traditionally accessed homeownership, as well as students and higher income workers.

A supply and affordability crisis has emerged in the rental market since last year and Threshold's services are in high demand from rent supplement tenants facing rent reviews, termination of tenancy and difficulties in accessing accommodation. This trend has continued in the first half of 2014; Threshold has experienced a substantial increase of 169% in the number of queries in relation to rent reviews. Rents are rising to unsustainable levels and the poorest people are being pushed out of their homes.

Threshold's clients face two serious difficulties; i) a reduction in their overall resources caused by reductions in rent supplement payments of up to 30% in recent years and ii) an overall reduction in the supply of available rented housing. It must also be noted that persistent reductions in the rent supplement payment and the manner in which this was conducted has alienated many landlords who would have accepted the payment in the past.

A recent property market report states that just 10,000 properties were advertised to rent in Dublin in the first four months of this year compared with 18,000 in 2012. This precedes the annual surge in demand for rented properties from students returning to college. It is therefore critical that the housing market is kick-started to ensure that an overall lack of supply does not further displace households with lower incomes. **Threshold would like to see the Minister for Finance promote institutional investment in the private rented sector by financial institutions, pension funds and private investors by means of the Real Estate Investment Trust (REIT) mechanism introduced in Budget 2013.**

Threshold notes that rent supplement payments were increased by 10% in some urban areas as part of a review of rent supplement limits conducted in June 2013. Unfortunately the position for Threshold's clients did not improve as market conditions seriously deteriorated in the final quarter of 2013. A further review of rent limits is currently underway and this must recognise the acute difficulties being faced by low income tenants, particularly in Ireland's principal cities.

**Threshold is asking that: i) No further cuts are made to the overall rent supplement budget in Budget 2015 ii) rent limits are increased in a targeted way for those tenants living in high demand urban areas and iii) any savings made during the year - arising from reduced rent supplement claims due to improved employment conditions - are ringfenced and directed towards households who are struggling to access or retain rent supplement accommodation.**

### iii) Social housing

Demand for social housing far outstrips supply. The *Summary of Social Housing Needs Assessment 2013* which counts the number of households qualified for social housing support from local authorities found that almost 90,000 households were in need of social housing. Almost three quarters (72%) were dependent on social welfare payments as their only source of income and 75% were living in the private rented sector. A priority for Budget 2015 must be to increase the supply of social housing for low income households.

#### a) Capital Expenditure

Since 2008, capital expenditure for social housing has fallen by over 80% from €1.3 billion to €223 million in 2014. A variety of revenue funded programmes including long-term leasing, Rental Accommodation Scheme and NAMA-sourced housing is being used to complement reduced capital spending, but this is not filling the gap. Social housing output by local authorities and voluntary and co-operative housing bodies fell from just under 7,000 units in 2008 to 750 units built or acquired in 2013.

The total number of local authority and housing association units is approximately 155,000, representing just 9% of total housing stock. A financial stimulus package provided by the Department of Finance is now needed to reverse the decline in the size of the social housing sector and to safeguard its role in stabilising the overall housing market by addressing the needs of the most vulnerable. It should be a renewed goal of Government to have a social housing sector that comprises a reasonable proportion of overall housing stock.

**Based on current demand, Threshold considers that 15% of all housing stock should be socially owned. In line with this ambition, the scale of annual social housing output should be increased to at least 6,000 units per annum. Long-term support for social housing will assist in stabilising the housing market and ironing out the peaks and troughs that have been a feature of the market to date. A significant stimulus package of approximately €1 billion for the purchase and construction of social housing should be included as a key measure in Budget 2015. As with the private rented sector, Threshold would also like to see REITs being promoted as a means of attracting social housing investment.**

#### b) Part V

Part V of the Planning and Development Act 2000 introduced an important new approach to the supply of Social and Affordable Housing in Ireland, which came into effect in November 2000. The rationale for Part V was to allow for the betterment value from a

grant of planning permission to be captured for the benefit of the community by setting aside up to 20% of units for social and affordable housing. A further goal was to promote social integration and more sustainable mixed-tenure communities across the country.

The impact of Part V was extremely disappointing. The Planning and Development (Amendment) Acts of 2002 and 2010 offered developers alternative ways to meet their Part V requirements, including the provision of sites in other locations, the transfer of other lands and payment of a financial contribution. According to the *Review of Part V of the Planning and Development Act 2000* (November, 2012), Part V should have delivered 60,000 units (15%) over the period 2002-2011 but instead it delivered just 15,114 units, representing just 3.8% of all dwellings (excluding one-off housing). This figure increases to 19,245 units (4.8%), when the potential units from site and financial contributions are included. This means that the actual output under Part V was just one-third of what it should it have been.

It is clear that Part V was a squandered opportunity that has contributed to the lack of social housing that exists today and the Government must learn from the mistakes of the past. **In considering any construction stimulus for Budget 2015, it is essential that the Government insists upon retaining the Part V requirement with a much stronger emphasis on securing completed units rather than alternative contributions that do not immediately add to the available housing stock.**

## **2. Maintaining the Stability of the Private Rented Sector**

### **i) Security of Tenure**

The Residential Tenancies Act 2004 (RTA) introduced a regulatory framework for the private rented sector. Under the RTA, tenants have security of tenure of up to four years during which time the landlord can only reclaim the property under certain circumstances and the tenant acquires to the right to longer notice periods should the landlord wish to terminate the tenancy.

The security of tenure provided under Part 4 of the RTA has considerably improved the reputation of the private rented sector as a sustainable accommodation option. However tenants who remain in their accommodation for longer than a four-year period – for example, five, ten or twenty years - do not acquire any additional right to security than those who stay for the four-year period. The RTA was introduced at a time when less than one in ten households in Ireland lived in the private rented sector, but the sector has almost doubled in size since its introduction.

Threshold believes that it is timely to review the security of tenure provisions in the RTA. **In order to facilitate tenants to remain in their rented homes and to provide greater protection for families with children, Threshold is asking that the security of tenure provisions in the Residential Tenancies Act be reviewed and extended beyond the current four-year period.** Threshold does not see any impediment to providing a longer security of tenure period, for example, 10 years or more. In the current climate, it is important to enhance security in order to avoid the unnecessary turnover of tenancies in a market with constricted supply.

## **ii) Buy-to-let mortgage arrears and receiverships**

The buy-to-let sector is faced with the twin problems of receivership and repossession which are having a negative knock-on effect on the position of tenants living in the sector. The most recent Central Bank statistics show that some 39,000 (27%) of 144,000 buy-to-let mortgages were in arrears at the end of March 2014. It is also estimated that 3,700 receiverships of buy-to-let properties are currently in place.

Given the scale of buy-to-let mortgage arrears and the growing importance of the private rented sector, **Threshold is calling on the Minister for Finance to support two critical measures that ensure that the family homes of tenants and overall stability of the private rented sector is protected from the volatility generated by mortgage arrears in the buy-to-let sector:**

### **a) Receivership Amendment to Residential Tenancies Act 2004**

The purpose of the RTA is to clearly specify the rights and obligations of both landlords and tenants, but it is not explicit regarding the extent to which a receiver has to comply with the statutory obligations of the landlord. As a result, tenants are being placed in stressful situations where they are in the middle of a dispute between receivers and their landlord. Many receivers are interpreting the RTA in a manner which does not uphold the tenant's security of tenure, the right to legal notice of termination or the obligation to carry out repairs.

Threshold's experience is that receivers are ignoring the RTA in a number of ways including: i) treating tenants as illegal occupiers ii) seeking to remove tenants without giving appropriate notice and iii) collecting rent but stating they have no obligations to the tenant. Tenants are being told to approach their former landlord when they are seeking repairs or the return of the rental deposit. Clearly no tenant will obtain satisfaction from a destitute landlord who retains no interest in the property.

**In order to safeguard the stability and sustainability of the private rented sector, Threshold believes that clarification may be achieved through amendments for inclusion in the Residential Tenancies (Amendment) (No. 2) Bill 2012 which is due shortly before the Seanad. The introduction of an amendment that clearly places the landlord's obligations on the receiver is needed. It will clarify that the receiver 'steps into the shoes' of the former landlord in all respects.**

The Minister for Housing and Planning has indicated that she will examine legislative change in this area. It is important to note that such an amendment will not impede the lender's security as under Section 34 of the Residential Tenancies Act 2004 a property may be legally recovered by giving the appropriate notice set out in law.

#### b) Code of Conduct on Buy-to-let Mortgage Arrears

A code of Conduct on Mortgage Arrears (CCMA) has been introduced by the Central Bank for residential mortgage arrears and Threshold is seeking the introduction of a similar code of conduct on buy-to-let mortgage arrears. Such a code would:

- Introduce a transparent process for financial institutions, landlords and tenants;
- Set out the required steps for engagement with the landlord and tenant and the forms of communication required; and
- Ensure that financial institutions respect and uphold tenants' rights.

Threshold has raised this issue with the Minister for Finance and we have recommended that this code would be drafted in way that includes all of the relevant State stakeholders including the Department of the Environment, Community and Local Government and the Department of Social Protection as well as those representing the experiences of landlords and tenants. **A code of conduct on buy-to-let mortgage arrears would ensure that the requirements of landlord and tenant law become an explicit consideration in the receivership and repossession processes and safeguard the private rented sector from volatility arising from a higher scale of repossessions and receiverships.**

Threshold believes that the above measures would bring greater certainty and stability as all of the parties would have legal certainty as to their position. A tenant will be empowered to switch rent payment to the receiver at an earlier stage because they are certain as to the identity of the landlord and because there is no adverse impact on their tenancy. A receiver will be aware of the correct legal procedure to obtain possession of a buy-to-let property in accordance with landlord and tenant law.

### 3. Rollout of the Housing Assistance Payment

Threshold strongly supports the introduction of the Housing Assistance Payment (HAP) and welcomes the current passage through the Oireachtas of the Housing (Miscellaneous Provisions) Bill 2014 which provides a legislative basis for HAP. Threshold believes that HAP will give existing rent supplement tenants a stronger foothold in the private rented sector and better access to other longer-term social housing options. The new payment will remove a significant barrier to taking up work for those currently in receipt of rent supplement and it should therefore be prioritised as an important activation measure in Budget 2015.

Given the critical difference that HAP is likely to make to the lives of longer-term RS recipients, it is important that HAP is fully rolled out without delay. We understand the importance of piloting the HAP payment, however **Threshold believes that the full rollout of the HAP scheme should be brought forward given the negative conditions that currently prevail in the housing market.** The delivery of this scheme is complex, involving local authorities, central Government and other actors, so it is vital to maintain the momentum. **We request that the Minister for Finance would set aside whatever resources are needed to overcome operational obstacles (e.g. IT systems, technical expertise) in order to ensure the speedy rollout of the HAP payment scheme in 2015.**

The best way to reduce the overall welfare budget for rent supplement is to provide long-term recipients with a real pathway back to work through the provision of a means tested payment. Many clients of Threshold have a desire to take up employment but are presently caught in the poverty trap caused by the rules of the rent supplement scheme operated by the Department of Social Protection. It is Threshold's experience that at least 20% of clients who move from the rent supplement scheme to the Rental Accommodation Scheme (on which HAP will largely be modelled) will immediately take up an opportunity of work if presented. **In order to increase the proportion of those who secure employment, we would recommend that additional activation supports be provided by the Department of Social Protection as part of an overall housing and welfare package for HAP recipients with financial support provided in Budget 2015.**

Threshold is pleased to note that the design of HAP will involve direct payment to landlords, as this will make the scheme more widely acceptable and it will safeguard the security of the tenant. We note the legislative amendments introduced by the Department of the Environment to streamline differential rent schemes nationally and by the Department of Social Protection to make welfare payment deductions a more viable option under the Household Budget Scheme. Nevertheless many landlords have become seriously disaffected with the rent supplement scheme due to payment cuts and administrative delays. **We believe that an additional incentive is necessary to ensure that a substantial cohort of rent supplement recipients is transferred to the HAP payment. The success of HAP will rely on landlords engaging in longer term rental**

**arrangements. Rents in the private rented sector are rising and it is our belief that the tax code could be amended for landlords that engage more fully with the State in providing accommodation for low income households. Models pursued in other European countries, such as Germany, could be considered.**

Threshold has engaged with the Department of the Environment and the Department of Social of Protection to offer our assistance in the piloting of the HAP payment, especially for households who are homeless or at risk of homelessness. In this respect, Threshold has undertaken exploratory research on behalf of the Dublin Region Homeless Executive as part of the design of a HAP pilot scheme for people who are homeless. A landlord survey conducted as part of this research found that landlords were favourably disposed towards key aspects of the scheme and would consider providing accommodation for homeless people under HAP. This is quite a positive response given current rented market conditions.

**Given the high costs associated with providing emergency homeless accommodation, we would ask that the Minister for Finance would ensure that a provisional financial arrangement is put in place to ensure that the current restrictions caused by rent supplement limits are not a barrier to securing accommodation for homeless people under the new HAP scheme. Where necessary, expenditure on HAP accommodation for individual homeless people should be permitted to exceed those levels. This will still result in a considerable net saving for the State.**

## **B. Measures to improve the efficiency of the housing system**

The following recommendations are related to overcoming inefficiencies and improving overall effectiveness of the housing system:

### **4. Targeting of Homelessness Expenditure**

It is estimated that there are at least 2,663 homeless persons in Ireland according to official data. The recently published *Implementation Plan on the State's Response to Homelessness* identified 80 actions to achieve the national objective of ending long-term homelessness by 2016 set out in last year's *Homelessness Policy Statement*. In order to deliver on this ambitious but achievable goal, it is critical that the full potential of the State's considerable investment in homelessness is targeted at those measures that are most likely to succeed. **The Government's homelessness strategy aims to reduce investment in emergency homeless services in favour of more lasting solutions to homelessness and measures to prevent it. The homelessness budget should be realigned in Budget 2015 to reflect these changed priorities.**

The Department of the Environment will incur expenditure of approximately €45 million on homeless services in 2014. A lot of resources are currently consumed by the provision of emergency homeless accommodation that delivers poor outcomes for homeless people because it does not lead to a longer term housing solution. For example, 70% of homeless people are capable of independent living but few are supported with move-on housing. On the other hand, only 10% of people in homeless services are chronic homeless but they take up 50-60% of resources. Long term homeless people also draw on resources from other services such as health and the justice system. **Threshold strongly supports the delivery of a housing-led approach where a person's long-term housing need is made a priority as the best solution both for the individual and the Exchequer. It is therefore critical that the target of delivering an additional 2,700 units for people who are homeless over period 2014-2016 is resourced and prioritised.**

Clearly prevention is better than cure when it comes to homelessness, but this type of work goes largely unfunded at present despite its efficiency and cost effectiveness. Both the Government strategy on homelessness *The Way Home 2008-2013* and the *Homelessness Policy Statement* identify the role of prevention measures. Housing advice and advocacy is identified in both as having a key role in preventing homelessness among vulnerable and at risk households. For example, Threshold is currently delivering a homeless prevention service for families at risk of homelessness in Dublin on behalf the four Dublin local authorities, Department of the Environment and Department of Social Protection. A housing advisor costs just €24 per hour, so this intervention is highly cost effective. **We would like to draw the attention of the Department of Finance to the potential outcomes to be achieved through a rebalancing of existing homelessness spending towards the provision of homelessness prevention services.**

It is acknowledged by the Department of the Environment that Section 10 of the 1988 Housing Act, which governs the scope of the remit of local authorities to fund homeless services is now out of date. This means that local authorities are not fully empowered to fund homelessness prevention projects. Threshold is seeking legislative amendments to the Housing Act, 1988, to ensure that homelessness funding is not just available to services that help people who are already homeless but also to services that prevent homelessness. **While the importance and cost effectiveness of homelessness prevention is widely accepted, the current wording of Section 10 of the Housing Act 1988 does not make any provision to fund them. We would ask the Minister for Finance, together with the Department of the Environment, to address this loophole in the law by introducing legislative amendments in the 2015 Finance Bill.**

## 5. Rent Control to Curb Unsustainable Rent Increases

The Government's priority at this time must be to keep people in their homes. It is clear that the current unsustainable rent increases being faced by families who have made their homes in the private rented sector is undermining security of tenure and is leading directly to homelessness. This is particularly the case in Dublin where over 140 families have been placed in hotels by homeless services mainly arising from the loss of rent supplement accommodation. Given the number of children affected, this is a new dimension to the housing crisis that is intolerable. Threshold is playing our part by working with families at risk to help them remain in their homes, but it remains the case that the affordability of rented accommodation is a wider issue that cannot be resolved on a case-by-case basis.

It is widely recognised that increasing overall housing supply is the best way to address the shortage of rental housing that is currently driving up rents, but the reality is that it will take up to three years for new supply to have an impact. In the meantime, rents will continue to rise and more families will bear the brunt as the crisis spreads from Dublin to other cities in Ireland. The State needs to ensure that rents don't keep continuously rising beyond affordable limits for individuals and families. To stem the current crisis in a sustainable way, Threshold has called on the Minister of Housing and Planning to introduce a system of rent regulation ('rent control') that allows for reasonable and predictable rent increases and provides stability for both tenants and landlords.

Ireland actually has a measure of rent control already, under the 2004 Residential Tenancies Act. It allows for rents to be reviewed annually and only to market levels. However this is not sufficient to protect tenants increases of 20-50% which some of Threshold's clients are facing. The Minister for Housing has asked the PRTB to commission a study to look at examples of rent stabilisation measures in other countries – for example, where rents are related to increases in consumer price indexes - and the findings will be reported to the PRTB in July.

**Threshold is asking the Department of Finance to support the introduction of rent control as a measure to give greater stability and certainty to private rented households and rent supplement recipients who face increased difficulties in accessing and retaining homes in the current rented market. Such a measure will also provide greater budgetary certainty for state supports such as the rent supplement scheme, RAS and the forthcoming HAP payment.**

## 6. Shifting the Cost Burden of Regulating Standards

Local authorities are currently responsible for enforcing accommodation standards in the private rented sector. These are prescribed in the Housing (Standards for Rented Houses) Regulations 2008 and 2009. The most significant aspect of this legislation was the abolition of the traditional bedsit with shared toilet facilities. With just 1,500 bedsits

remaining, this change has contributed to modernising the private rented sector with many previously substandard flats now converted into modern studio apartments or family homes.

Despite the clear successes of the new regulations, the challenge of enforcing standards has become more onerous for local authorities with an almost doubling in size of the private rented sector since 2006. **Given the growing number of rented properties and the limited capacity of local authorities to inspect all properties in their catchment area, Threshold is proposing that in future the burden of proof should rest with the landlord who will be required to provide a certificate to the local authority confirming that their property is legally compliant with all aspects of the law.**

Threshold received a total of 2,098 queries from clients related to standards and repairs in their private rented property in 2013. Many lacked the basic necessities for living, including for example, hot and cold running water and basic protection from cold and damp. A considerable proportion of these properties were funded by the State under the rent supplement scheme. It is totally unacceptable that the State should subsidise landlords who break the law. Given that responsibility for many of these properties will be shifted to local authorities under the new Housing Assistance Payment, it is vital that this opportunity is taken to remove substandard properties from the housing system. It is Threshold's view that the only solution is to ensure that all accommodation is certified as compliant prior to being offered for rent and to shift the burden of proof to the landlord.

Almost €27 million was provided to local authorities for carry out local authority inspections over the period 2005-2012. This money is derived from a portion of the tenancy registration fees paid by landlords to the Private Residential Tenancies Board (PRTB). The latest available inspection figures relate to 2012 and show that 16,055 properties were inspected in that year with over 7,348 (46%) failing to comply with the minimum standards. Given the considerable increase in size of the private rented sector and the requirement to ensure that all properties supported by state payments are inspected, a question arises as to the efficacy of the current approach.

For example, Dublin City Council, which has a conscientious and effective approach to private rented inspections, succeeds in inspecting approximately 1,700 of the 80,000 rented properties in its area on an annual basis. It does so by targeting the properties most likely to be non-compliant. Other local authorities carry out inspections but are less effective. The 2012 statistics show that three local authorities carried out a combined 1,200 inspections between them but found no substandard properties, while other local authorities with high concentrations of rented properties carried out few inspections. In the current economic climate, it is unacceptable that resources for inspections would not be put to maximum available use when the problem of substandard accommodation is so prevalent in the private rented sector.

**Under the proposed new certification scheme, landlords would have to prove their compliance with basic quality and safety standards before a property could be rented, rather than depending on inspections by local authorities. The scheme would require that a certificate be displayed in the rented dwelling in the same way that hotel rooms display certification and it would be an offence for a landlord not to do so.** This scheme would be beneficial to the State in a number of ways. The onus would put on landlords to prove that they are compliant with all aspects of the law, not just dwellings standards, but also fire safety, Building Energy Rating (BER) and registration with the PRTB (as appropriate). A certification scheme linked to tax compliance would inevitably increase Government revenue. A prospective tenant would be assured that the dwelling complies with all legal requirements and the certificate could, for example, be presented to a Department of Social Protection representative to process rent supplement payments.

A certification scheme will greatly assist with the rollout of the Housing Assistance Payment. The introduction of the new Housing Assistance Payment means long-term rent supplement recipients will in future become the responsibility of the local authority who will make payment to the landlord. This will put requirement on local authorities to inspect approximately 40,000 properties, which is impossible under current arrangements. The only way to resolve this problem without incurring the cost of an much enhanced inspectorate is to shift the burden of responsibility to the landlord by means of a certification requirement. **We would ask the Department of Finance to support the introduction of a certification scheme, complemented by a local authority inspection and verification system, as the most cost effective mechanism for ensuring that all accommodation subsidised by the State is legally compliant.**

## **7. Tenancy Deposit Protection Scheme**

Threshold welcomes the commitment by the Minister for Housing and Planning and the Government to introduce a tenancy deposit protection scheme at the final stage of the Residential Tenancies (Amendment) (No. 2) Bill 2012 which is shortly due before the Seanad. This is on foot a feasibility study carried out by Indecon International Economic Consultants on behalf of the Minister which made positive conclusions on the viability of a deposit protection scheme. **Threshold believes that the Deposit Protection Scheme will generate revenue for the State. It is therefore critical that the pool of rental deposits which is estimated at €250 million is lodged with the scheme at the earliest opportunity. The NTMA or another body could invest this fund (equivalent to the amount sought under the National Solidarity Bond) and generate deposit interest. Threshold would like to see this happen as soon as possible, and should seed funding be required to make the scheme profitable more quickly, then this should be provided by the Department of Finance.**

Deposit retention is a major source of disputes within the private rented sector. It is standard practice that a deposit (usually equivalent to one month's rent) is paid by the tenant to the landlord at the start of the tenancy, together with the first month's rent. The deposit is held on trust for the tenant by the landlord for the duration of the tenancy, and subject to certain conditions, is to be returned. The problem of deposit retention arises because many landlords regard the deposit as income and are reluctant to return it. The illegal retention of deposits is the most common area of dispute seen by both Threshold (almost 2,300 queries in 2012) and the PRTB (37% of all disputes according to the latest available figures which are for 2012). A tenant on a low income who does not secure the prompt return of the deposit faces the prospect of becoming homeless as they do not have the money to put down on a new home. This problem is increasing during the current economic downturn, as often landlords simply don't have the deposit to hand back at the end of the tenancy.

The introduction of a deposit protection scheme is an internationally recognised solution that will resolve the problem of deposit retention by ensuring the money is accessible at the end of the tenancy. It will have a number of significant financial benefits for the State i) a large pool of deposits can be invested and self-fund the scheme iii) deposits paid by the State under the rent supplement scheme and new Housing Assistance Payment will be protected and returned to the State which is not currently the case iv) deposits will be available to tenants affected by receivership or repossession and not entangled with the landlord's debts and iv) tenants will not have to avail of expensive emergency homeless accommodation because of the loss of a deposit and the consequent inability to afford new accommodation. The scheme will also have a significant effect on the deployment of resources within the Private Residential Tenancies Board which is currently congested with deposit retention disputes.

The PRTB is obliged to give a hearing to all complaints in relation to deposits, even where it is clear that there is no legal basis for the landlord's failure to return the deposit. Deposit retention amounts to almost 40% of all disputes heard by the PRTB annually. Over three-quarters (76%) of all such disputes in 2012 resulted in a determination that some or all of the money was to be returned to the tenant, thus proving that most deposits are illegally withheld. Dispute resolution takes an average of 8 months in the PRTB. In many cases where tenants secure a determination order, they face significant difficulties in having the determination enforced. Given the significant hearing and enforcement costs associated with the current PRTB process, the proposed deposit protection scheme will be a more cost effective approach to resolving these disputes. **Threshold is asking that resources be provided in Budget 2015 to ensure that the deposit protection scheme can become operational as soon as possible, in order to reduce dispute costs for the State.**

## **8. Access to Affordable Home Ownership**

It is important that as any supply of new housing begins to come on-stream that this is both affordable and accessible to families who wish to become home owners. A proportion of new stock should be set aside for affordable home ownership. It must be noted that a high proportion of the property transactions currently taking place involve cash investors rather than families with mortgage approval. The Minister for Finance has proposed that a third banking force be established to take on the dominance of the two main existing banks. This is recognition that a growing economy in Ireland has space for more banking activity, greater competition between banks and that a constricted supply of credit may prevent families who can afford it from satisfying their home ownership aspirations. **Threshold is calling on the Minister for Finance to ensure that any new third banking force focuses on enabling those who can afford home ownership but who have faced difficulties due to restrictive lending practices.**