Property Industry Ireland

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Summary

The housing issue is resolvable only through a whole of Government/whole of society approach with full stakeholder participation. Over the period of the Housing for All plan, there is a need for a minimum of 350,000 new homes, in excess of the 300,000 foreseen in Housing for All, and arguably closer to 400,000. The projected new homes output will likely require mortgages, state ownership and institutional participation to the tune of €225bn (See Section 1 and 2).

- Comparisons of the cost of delivery between the public and private sector must be on a like-for-like basis having regard to all overheads including those in administration, cost of credit, cost of tender processes etc. Reductions in the indirect costs associated with new home delivery would help drive supply and reduce overall home prices and could be combined with a system of Certificates of Reasonable Value to make sure land values do not inflate. Funding and financing costs are directly proportional to risk. Where risk is reduced / mitigated, reduced funding costs and available equity will follow (See Section 3).

- Reform section 83D SDCA 1999 with a practical focus (See Section 4).

- There is a need for post-Covid investment in infrastructure including rapid transport to link suburbs and key towns to cities and employment centres. This will support sustainable living and hybrid working. The delivery of affordable new homes will be aided by extending the 'Help to Buy' scheme to 2025, helping developers plan and deliver more homes on the back of the certainty of this demand. The Shared Equity Ownership Scheme under which the Government acquires an equity stake in the home secured by a second charge to bridge affordability will also encourage supply. There is a need to increase resources for investment in essential infrastructure. There is an unfairness in new infrastructure costs, that benefit the entire community, being borne by first-time buyers through Development Contributions. This should be reformed or removed for this cohort (See Section 5).

- Fiscal measures, in recognition of the lesser environmental impact of city centre consolidation/Brown-field site development, are appropriate to be considered to drive the aspirations of the National Planning Framework that drive these policies (See Section 6).

- Government to provide a continuous and stable order pipeline for offsite homes. Pipeline and investment will lead to inward investment and subsequent expansion of the sector. Public procurement to engage with a Modern Methods of Construction Forum and companies at the pre-tender phase. Pre-tender engagement with the sector will define projects using building specifications that will allow the use of off-site construction in the delivery of units (See Section 7).

- The risk factor for institutional investors is too high with policy changing too frequently. Policy uncertainty will result in a slowdown in development funding and a pause in supply growth. The structures under Housing for All will be a welcomed addition to help secure and determine longer term policy for housing and will thus encourage long term capital and development financing into the sector to enable supply to increase. Government should set out a strategy for the rental sector including a strategy for institutional funding (See Section 8).

- Enforcement of RTB decisions must be increased to ensure good landlords and good tenants are protected as this, in parallel with taxation levels, are the biggest barriers for small landlords. PII recommend that the RTB be provided with the resources and enhanced powers to enforce RTB decisions in a more timely manner, and welcome that this is identified as an action in Housing for All (See Section 8).

- The announcement that rents will be linked to changes in the HICP could mean under renting will persist and landlords will continue to leave the market. In addition, persistent changes to policy means that this risk must be financed into any investment decisions. Failure to address the issue of under-renting will have a negative impact on a landlord's ability to continue to fund property maintenance and could result in a reduction in the quality of the rental housing stock (See Section 8).

- PII suggest that an incentive be put in place for the families of houses lying empty due to Fair Deal. Reform the Fair Deal scheme to allow a person in a nursing home rent their house for as long as needed to, without the State taking the money. This would allow the after-tax rental income to be used to maintain the property, so it doesn't fall into dereliction, and it brings the unit to the rental market. (See Section 9).

- Government should commit additional funds to Irish Water to allow it to carry out its functions. This will lead to a reduction in the length of time it takes to develop homes and bring them to the market (see Section 10).

- An absolute priority for the Government should be the reform of the State Procurement process, which, through an excessive focus on process is neglecting necessary emphasis on outcomes (See Section 11).

- The need for social housing provision remains as acute as ever. Government should fast-track the social housing programme (See Section 12).

- Government should support businesses through subsidies and tax incentives in facilitating working from home. In the medium to long-term, it is likely that working from home will be a central pillar for businesses in their long-term strategic planning (See Section 13).

- Like many other industries affected by Covid-19, cash flow is key for many property and construction businesses. Government can facilitate continued cash-flow through a number of measures (See Section 14).

Contents

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Introduction

- *This extraordinarily complex housing issue of affordability, supply and viability is a systemic issue. The debate is replete with mistaken perceptions, immersed in a fog of contradictions and a widespread desire to apportion blame that offers few real solutions.*

- *How is it possible to promote higher densities, that rely on apartment development, where the build-only cost of a 2-bed apartment is twice that of a 2-bed house, and not provide incentives to lower the cost of the desired apartment?*

- *Why load all the cost of development, including amenities not immediately available to them, on new home purchasers who can least afford it and, at the same time, continue to lower property tax on existing owners?*

We require long term housing policies to ensure consistency in supply and investment to bring about that supply. Uncertainty due to changing policy too often leads investment and finance to be more cautious. Longer term policy planning will help continued and consistent investment to drive housing supply in all sectors.

The housing issue is resolvable only through a whole of Government/whole of society approach with full stakeholder participation. We must build housing of all types without delay, and we will succeed only by sacrificing some sacred cows that, when we examine how they really work, have not served us best.

The number of housing segments within the overall housing sector needs to increase from four [One-Off, Private Sale, PRS and Social] to at least 7 or 8 to include [affordable purchase on public land, shared equity loan, affordable rental and cost rental]. This will help meet the housing needs of the Locked-Out Generation of 443,000 households (Households Earnings €42-€90k). Numerous supported housing policies are needed in parallel. If nothing is done to improve the ability for people to purchase entry-level homes, then supply will drop off. Supported housing policies for the Locked-Out Generation is vital to sustain the housing recovery.

It is in the public interest that there is a greater emphasis on the futility and, indeed, the counterproductivity of demonising the private homebuilders as an entity. In this connection, it is crucial to show vision and leadership in the creation of new models of collaboration for the public and private sectors. Indeed, it is valid to reflect that the same tradesmen, designers, specialists will build housing, regardless of the means whereby they are commissioned. It would be futile to reject the experience and skill exercised, for example, in responding to fundamental shifts in regulatory systems on building standards when all efforts concentrated on securing affordable homes as of right is available through real collaboration.

2

Housing Need

Ireland has for some time been dealing with a housing crisis of an imbalance between supply and demand. The property sector has increased the delivery of new homes into the market in recent years. Data from the CSO show that completions rose from below 5,000 in 2014 to over 21,000 in 2019. In 2020, despite the impact of COVID-19, there were approximately 20,636 new dwellings completed in Ireland.

Estimates suggest that in the order of 35,000 new households will be formed each year. This excludes any pent-up demand or replacement of obsolete housing stock. Thus, over the period of the Housing for All plan, there is a need for a minimum of 350,000 new homes, in excess of the 300,000 foreseen in Housing for All, and arguably closer to 400,000.

Property Industry Ireland (PII) remains of the view that there is no single solution. Homes will need to be supplied across the full range of tenures to meet demand from across the full income distribution. In the graph below we set out how this housing need might be met – including demand supported by the Equity Loan scheme proposed by PII in June 2020 and announced as part of Budget 2021.

We must secure the means to increase the scale of homebuilding to an output of 35,000 p.a. as soon as is practicably possible. This includes a significant scaling up in the delivery of new build social homes of different types to 50,000 over the next 10 years.

TARGET HOMES		35000
29%	Private - Own purchase	10000
14%	One off	5000
11%	Private - Supported purchase (EL)	4000
8%	Private rented (houses and apts)	3000
9%	Affordable and cost rental	3000
29%	Social incl.Part V (10%)	10000

POPULATION, MILLION

HOUSEHOLDS, MILLION

590,000 to 1.5 million more people by 2051

770,000 to 1.13 million more homes by 2051

Population projections for 2051 indicate we could need over 1 million more homes for this 30-year period.

These targets cannot be met without new thinking. They will not be met by the public or the private sector alone. Public/private collaboration involving dialogue and mutual support are essential. We need to move away from the rhetoric of public versus private sector to public and private sector. To sustain our housing recovery and increase supply across all housing market segments will require leadership and getting the public and private sectors to work in collaboration.

In considering the composition of housing needs and tenure by ownership/occupancy type it is also worth framing this need in the context of the capital requirements – both from a development financing and owner/mortgage perspective. If we assume 50% are apartments and 50% are houses and applying the SCSI current construction cost would equate to development financing/liquidity need in the order of €176bn.

The projected new homes output will likely require mortgages, state ownership and institutional participation to the tune of €225bn. Recent withdrawals from the Irish banking market mean the resulting lack of choice and competition is concerning. In addition to the investment required in the new homes market, for a functioning second-hand market to occur we likely require additional mortgage funding in the order of €14bn per annum, alongside institutional, state and cash participation. We need to ensure that residential development and housebuilding is a sustainable investment.

3

Enhance Viability

A key to solving much of Ireland's housing crisis lies in solving the mismatch between viability and affordability. Reports by the SCSI (2016, 2020 and 2021) show the actual build costs typically account for approximately 50% of the delivery cost. The other costs consist of development levies, VAT, land costs, professional fees, utilities, financing costs and margins.

Overall development costs are often avoided in public discussion. Many do not understand, or do not want to acknowledge the risk and the associated margin and financing requirements to deliver in an inherently risky development environment. Open and transparent data on housing construction costs must be agreed as a standard to base policy. Without this, debate on any policy gets mired in disagreement on fundamental costs.

Every stakeholder, public and private, must contribute to lowering the cost of housing delivery. For example, the German government established the Construction Cost Reduction Commission consisting of public and private sector members coming together to work collaboratively in reducing construction costs. This collaborative approach resulted in 71 recommendations for the federal, regional (Länder) and municipal governments, as well as the housing and construction industries, planners, researchers and others, in a country-wide effort to drive down construction costs.

Comparisons of the cost of delivery between the public and private sector must be on a like-for-like basis having regard to all overheads including those in administration, cost of credit, cost of tender processes etc.

Studies have found that build and labour costs in Ireland are in line with similar EU economies (see Housing Agency Study). It is the other non-construction costs, including indirect taxation, which drive the overall delivery cost higher. A reduction in the following would help drive supply and reduce overall home prices and could be combined with a system of Certificates of Reasonable Value to make sure land values do not inflate:

- A reduction in VAT or at least a holiday from it would drive supply and reduce overall development costs and in-turn the price of homes.
- Introduce a VAT back scheme on new housing for FTBs.
- 10% Part V [which is now proposed to be increased to 20% under Housing for All] is a cost on developers who must provide 10% of homes at cost minus a planning gain on land value. Bringing this up to 20% could reduce supply on land that has traded in recent years as some schemes will be less viable and some will be non-viable and unable to raise finance.
- Irish Water and Local Authority levies need to be reviewed.
- Reduce the price of land through an overhaul of the existing land use zoning system by outlining the identification of land from strategic land reserves to be selected by Local Authorities, on foot of submissions made by landowners who must meet pre-defined criteria including a plan, development partner and timelines for delivery of both affordable and social homes.
- Reduce construction costs through innovation in design/ construction techniques, particularly around the promotion of carbon-neutral solutions and increased efficiencies.
- The inequity inherent in loading all new infrastructure costs, that benefit the entire community, on first-time buyers through Development Contributions, must be reformed or removed for this cohort.
- Prioritise infrastructural investment in key target growth areas and amend legislation relating to compensation for compulsory purchase so that infrastructure delivered from public investment is disregarded for a specified period.
- Ensure viability for both private & institutional landlords so they can provide affordable and viable accommodation for social, student & private housing.

With the issue of labour/skills resources now seen as a major obstacle to the delivery of housing in Ireland, more should be done to incentivise both individuals and companies to participate in trade apprenticeships. In line with the Governments 'Apprenticeship Action Plan 2021-2025', companies should be financially incentivised to hire apprentices with a particular emphasis on female apprentices in trades that have traditionally been male dominated.

Funding and financing costs are directly proportional to risk. Where risk is reduced / mitigated, reduced funding costs and available equity will follow.

- Increase the threshold for cash receipts basis of accounting for VAT from €2m to €5m to help small/medium builders.
- Decrease CGT for property transactions to increase activity in housing sales and encourage property owners to sell properties to families.
- Reduce the CGT rate on the refurb and return to use of vacant homes
- Incentivise apartment delivery through tax incentives and / or grants for brownfield sites as it is currently uneconomical to deliver apartments for individual sale or rental at affordable levels for the majority of end users.

In light of the clear need for new housing in Ireland, much emphasis has been placed on the delivery of large residential developments, which often supply 100 or more new dwellings on completion. Due to their size, such developments can attract financing from large international professional investors and landlords, and this is to be supported given the important contribution that each development makes towards meeting Ireland's housing demand.

However, it is also clear that in order to meet Ireland's housing needs, a mix of residential developments will be required, including medium-scale developments which require significant financing to bring to market but which may not be of a sufficient scale to attract international investment in this regard. We believe that Irish investors can and should be given a stronger platform to participate in the housing market, in particular with respect to such medium-scale developments. We propose that this could be achieved by removing existing disincentives for Irish investors and landlords, thereby creating a business case for developments which might otherwise not exist. In this regard, we recommend the following:

- Simplify the Sch. D Case V system of taxation so that it is closer aligned with the principles of taxation for Irish trading companies.
- Allow for tax depreciation to be claimed on the cost of housing bought for the PRS or buy-to-let sector. A system akin to that currently in place for IBAs could be implemented, aligning domestic landlords' true economic profits with their tax base.
- Remove the close company surcharge for active residential landlords (>20 beds).

4

Reform of section 83D SDCA 1999 with a practical focus

Section 83D currently allows for a refund of 5.5% of the 7.5% of the stamp duty paid on the purchase of a greenfield site which is later residentially developed. This has the effect of giving the builder the overall 2% residential rate of stamp duty as an incentive for increasing the housing stock on the market, but only if certain conditions can be met.

Presently, construction must be commenced on the land pursuant to a commencement notice within 30 months of the date of the instrument of transfer. Additionally, the development must be completed within 30 months of the date of acknowledgement of the commencement notice. In practical terms, 30 months can be a very short timeline within which to complete construction of a site. This is particularly so when the site is to be completed in phases, the builder encounters issues on the ground which require time to resolve or the various county councils may have differing approaches to issuing site commencement notices.

- For example, if the builder gets one commencement notice for a site, the entire site has to be completed within 30 months from the date of acknowledgement of that commencement notice, regardless of the number of phases in which the site is actually being developed. Yet, if a builder gets a commencement notice per phase, each phase must be completed within 30 months of the date of acknowledgement of that particular commencement notice for that phase. Further, if a particular phase won't be completed within the 30 months or if construction operations begin after 31 December 2022 - the refund is not available in respect of that phase yet if there is one commencement notice and the construction is completed in phases, if the final phase is not completed with the required 30 months, the entire site will lose out on the refund, with no apportionment for the completed phases. It is understood that some county councils will issue one commencement notice for the entire site, while some will issue a commencement notice on a phased basis. The builder is at the mercy of the particular county council issuing the notice. This section should be amended to acknowledge the practical reality where a builder has to take a phased approach to completion of a development, regardless of the number of commencement notices issued.

- A further condition which can cause complications is that which states that 75% of the total surface area of the land must be covered by the footprint of the residential units or 75% of the gross floor space of the units must equate to 75% of the total surface area of the land. If there are a number of commencement notices per site but it is not possible to meet the 75% test until the last phase, if that last phase is not completed by 30 June 2025, the refund is lost on the entire development even though the other phases were completed within the 30 months. This complication arises as a "relevant residential development" is defined as the entire development when you defer claiming the refund until the completion of the development so as to meet the 75% test or when the development isn't built in phases pursuant to a construction notice for ease phase.

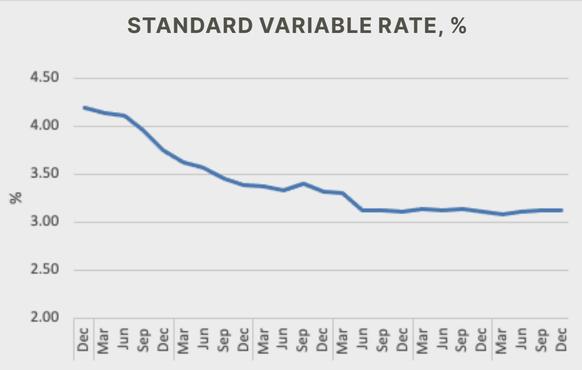
From a public policy perspective, the builder is fulfilling the objective of the legislation in increasing the availability of residential housing stock on the market to meet public demand. The current conditions have the definite, albeit unforeseen consequence, of penalising the builder, where, due to practical constraints the strict 30 month timelines for the refund cannot always be met in line with the strict legislative definition.

A revision of the section to make the rules more practical to accommodate phased construction on sites in line with the reality on the ground and increasing the timeline for commencement of construction from 30 months to 48 months and for completion of the development from 30 to 48 months would go a long way to meeting this public policy objective and easing the burden on those in the construction sector. In addition the time periods should not run during the time when construction work was ordered to cease by the government. The Residential Stamp Duty refund scheme, currently limited to 30 months, needs to be extended by at least a year and not account for time when work was closed down. The timeline introduced was already a challenge in particular for phased development of housing (the largest contributor to new housing) and because of the delay in development caused by Covid-19.

5

Improve Affordability

Affordability of accommodation is a key challenge for many Irish households, both owners and renters. In our cities, many households with annual incomes over €42,000 (thereby failing to qualify for social housing) or under €90,000 cannot afford to purchase a home due to:



- macro prudential rules limiting mortgages to 3.5 times income for first time buyers or the Loan to Value and deposit percentage requirements for second steppers; and
- the current average market cost of a quality A-rated (and now Near Zero Energy Buildings) e.g. standard home in the Greater Dublin Area is €360,000 - €380,000.

This results in high demand for rental properties driving rental levels to historic highs, combined with a resumption of long-commute travel from peripheral areas. There is a need for post-Covid investment in infrastructure including rapid transport to link suburbs and key towns to cities and employment centres. This will support sustainable living and hybrid working.

The delivery of affordable new homes will be aided by extending the 'Help to Buy' scheme to 2025, helping developers plan and deliver more homes on the back of the certainty of this demand.

PII welcomes the introduction of the Shared Equity Ownership Scheme under which the Government acquires an equity stake in the home secured by a second charge to bridge affordability will also encourage supply. This initiative will assist the 'Locked-Out-Generation' who do not qualify for social housing supports but are priced out of the housing market to purchase a home.

There is a need to increase resources for investment in essential infrastructure. There is an unfairness in new infrastructure costs, that benefit the entire community, being borne by first-time buyers through Development Contributions. This should be reformed or removed for this cohort.

The macroprudential rules have enhanced the robustness of the banking sector and individual borrowers in the face of economic shocks. However, they are currently an inflexible policy instrument that do not reflect changing conditions, for example the significant lowering in mortgage rates in the time since these rules were introduced in 2015.

PII will work with Government, the Central Bank and lenders to assess and understand the impact of the macro-prudential rules on the wider housing system and explore reforms to the rules.

6

Design and Density

Apartment building in our cities remain an objective, but there needs to be a recognition of the cost of providing same. Many Medium Density Housing permissions that have been granted to date include a quantum of Apartments that, due to the high difference in development costs from those of Housing, are not viable to develop at market-affordable prices.

Fiscal measures, in recognition of the lesser environmental impact of city centre consolidation/Brown-field site development, are appropriate to be considered to drive the aspirations of the National Planning Framework that drive these policies. The alternative is for the provision of measures for new, infill, own-door housing, that match and exceed the densities of existing houses in established areas of our cities.

7

Increase the use of Offsite Construction

PII believe that offsite construction can play an increasing significant role in meeting Ireland's housing need, but support is required to underpin an increase in scale and capacity. While many express a willingness to embrace MMC, the use of offsite construction is often only considered on a project-by-project basis.

Offsite construction will drive housing output and can do so with less labour requirements, and greater site safety. One of the main benefits from modern methods of construction (timber frame and modular/volumetric construction) is the speed and scale at which housing units can be constructed. Offsite building solutions create local jobs – feeding into the national balanced rural development agenda. Using offsite construction approaches to house building has been demonstrated to reduce delivery time by up to 70%.

Offsite construction is increasingly recognised as having huge environmental benefits such as increased energy efficiency, reduction in waste produced during construction and reduced construction times. Modern Methods of Construction create improved whole lifecycle costs – some cost savings will be upfront, but the lifecycle costs will include energy cost savings to the home dweller(s)/housing body and recyclability of the building matter.

Offsite construction represents a contribution to solving the issues facing housing delivery in Ireland. This will require work and engagement by all stakeholders, including the offsite construction sector itself. There are challenges, discussed below, but these can be overcome through cooperation and consultation. To help realise the benefits from offsite construction PII make the following recommendation:

- Government to provide a continuous and stable order pipeline for offsite homes. Pipeline and investment will lead to inward investment and subsequent expansion of the sector.

- Public procurement to engage with the MMC Forum and companies at the pre-tender phase. Pre-tender engagement with the sector will define projects using building specifications that will allow the use of off-site construction in the delivery of units.

8

The Private Rented Sector

The Rental Market plays a significant role in the overall property market and in the economy. Ireland is a small open international economy. One of the most successful economic stories in Ireland has been the ability to attract foreign direct investment (FDI). This investment has delivered economic growth and jobs. Much of this new employment draws a young and international workforce to our urban centres, for whom renting, in purpose built rental accommodation, is the preferred form of housing tenure.

Using the mid-growth population scenario an additional 272,154 households could be in the rental sector by 2051. This equates to an annual increase of over 9,000 rental homes a year. PII welcomes that in Housing for All government has established a target delivery to indicatively set out the various tenure sub-categories of homes that need to be delivered. However, this should be broken down further to identify the specific requirements in each tenure type.

Stability and certainty of policy is important for all in the rental sector. Policy stability and certainty for the rental sector is an important element in maintaining supply and the ability to meet housing need based on the population growth figures. Government should set out a strategy for the rental sector including a strategy for institutional funding. Government policy must reflect the needs to the rental market in tandem with the home ownership market and recognise and encourage the segment of the market that needs and desires PRS homes as well as those in other sectors of the rental market.

RTB data show that an exodus of landlords from the market. This trajectory must be reversed to ensure that good rental stock is available through smaller landlords in Regional Ireland beyond Dublin and Cork. Homes are needed across the full range of tenures to meet demand from across the full income distribution, both for home ownership and for rental. The retention and expansion of private investor remains a key necessity in terms of supply in the rental market for the next decade at least.

The announcement that rents will be linked to changes in the HICP could mean under renting will persist and landlords will continue to leave the market. In addition, persistent changes to policy means that this risk must be financed into any investment decisions. Failure to address the issue of under-renting will have a negative impact on a landlord's ability to continue to fund property maintenance and result in a reduction in the quality of the rental housing stock.

Provide the RTB with the resources and enhanced powers to enforce RTB decisions, and PII welcomes that this is identified as an action in Housing for All. PII also welcomes that enforcement of RTB decisions should be increased to ensure good landlords and good tenants are protected. The perception of a bias in favor of tenants as found in the RTB survey needs to be addressed.

There is too much debate about the real basis of cost of developing homes. The Government must establish an index of real construction and development costs to remove ambiguity and debate on the facts to enable debate focus on the solutions.

Local authorities be required to reflect government planning policy on ‘Build to Rent’ housing developments.

9

Providing Accommodation for Third Level Students

The return of students to our colleges in the forthcoming academic year may well present challenges for the provision of student accommodation. While the Government's vaccination program is proceeding apace, the Delta variant is an added concern.

PII suggest that an incentive be put in place for the families of houses lying empty due to Fair Deal. Reform of the Fair Deal scheme to allow a person in a nursing home rent their house for as long as needed to, without the State taking the money. This would allow the after-tax rental income to be used to maintain the property, so it doesn't fall into dereliction, and it brings the unit to the rental market.

Linked to this, is the person should be allowed to sell the house into the market and the person and their family keep the funds after the three-year hold period has expired. Under current rules, the HSE would continue to take 7.5% every year (after the 3-year period expires) while the person is alive until the funds are gone – effectively the persons assets pay for their care and there is a limited cost for the state.

10

Infrastructure and Warranties

Lack of responsiveness by Irish Water to new development is delaying home construction, delaying the release of completed new homes into the market, and preventing developers from planning ahead and submitting planning for future developments. This is because Irish Water is not sufficiently funded to support its activities. In light of the policy decision not to introduce a universal water charge based on polluter pays principle, Government should commit additional funds to Irish Water to allow it to carry out its functions. This will lead to a reduction in the length of time it takes to develop homes and bring them to the market.

Increased investment by Irish Water (IW) and increasing the provision of capacity of Irish Water networks serving development land is key. Many sites which have received planning permission [both SHD and normal] are held up by constraints in the water network. The capacity of IW infrastructure is of real concern. Many sites now have capacity or upgrade issues. This is a real concern going forward. IW needs funding and adequate resources as housebuilders cannot always bear this cost and are often not in a position to resolve the issues.

The legislation around compulsory purchase orders also requires review. The process is slow and does not assist in bringing forward solutions in a timely fashion. A change to the legislation would assist Irish Water.

Insurance provisions and collateral warranties required by the HFA and AHB sector which are disproportional to the scope of work of individual consultants and contractors are driving up costs unnecessarily and many cannot secure the requisite insurances in the market.

11

Procurement

An absolute priority for the Government should be the reform of the State Procurement process, as recognised in Housing for All, which, through its excessive focus on process is neglecting necessary emphasis on outcomes.

The use of frameworks for the procurement of social housing will greatly accelerate the procurement process which is currently a significant system bottleneck. It has been calculated that the use of framework led procurement can reduce procurement timeframes by at least 60% versus conventional public procurement approaches (Lalor et. al, 2020).

Framework use will facilitate early contractor involvement (ECI) which prevents downstream delays in terms of logistics and design related challenges.

The successful consortium can take responsibility for planning applications – freeing up local authority resources for other complimentary tasks such as further site identification and development.

Procurement competition should evaluate bidders based on Key Result Areas (KRA) which not only include standard cost and technical parameters but also increasingly important considerations such contractor sustainability and building whole life cycle costs.

By rewarding high performance business practices in house building, the government can incentivise quality. This has the potential to motivate quality building practices, instead of motivating a “cost minimisation” approach which is often seen in the industry.

12

Delivery of Social Housing

The need for social housing provision remains as acute as ever. Government should fast-track the social housing programme through:

- Housing First (for Homeless) prioritised through locally based multi-agency task forces delivering coordinated action, with the LA using CPO powers to acquire and refurbish homes. PII welcomes the expansion of Housing First under Housing for All.
- Capital Programme of investment to support delivery of Ireland's ambition, including by promoting the use of Modern Methods of Construction.
- Review Procurement to support the use of "all-of-life" standards. This will help with improving the overall sustainability of construction and reduce waste.
- Develop a clear parallel investment plan to include social and productive infrastructure.

13

Support for Remote Working

Remote working is likely to be a more permanent feature of the Irish Labour Market. The overwhelming majority of all office-based work transitioned to employees' homes during the Covid-19 lockdown. With modern IT capabilities, many companies are examining how remote working may become a permanent feature, given that the experience has been companies continuing to operate remotely as efficiently as in the traditional office-based setting.

The most significant benefits of WFH are environmental through reducing commuting journeys (both in private cars and on the public transport system). Beyond environmental benefits, WFH has a broad range of tangible social and health benefits. Reduced travel time means people have more time for other responsibilities as well as pastimes. Furthermore, flexible working and WFH are intrinsically linked: employees can choose from a broader range of start and end times as well as more flexible break times.

In addition, Ireland's regions would greatly benefit from an increased working age population, this benefit would be both economic and social.

While recognising that it is important that staff spend some of their working week in an office environment to ensure the collaborative side of work is enhanced and also to ensure that younger employees benefit from direct interaction with their peers, Government should support businesses through subsidies and tax incentives in facilitating WFH which will continue for many Irish businesses while social distancing protocols are in place. In the medium to long-term, it is likely that WFH will be a central pillar for businesses in their long-term strategic planning.

For employees, additional costs arise as a result of working from home – suitable home offices, space constraint solutions and daily home office running costs. The Irish tax regime is currently not supportive of the cost of facilitating WFH or contributions by employers towards the significant capital cost for employees of remote working on a (more) permanent basis – loans by employers are subject to BIK rules which make them uneconomical for the employee in many instances, while in certain limited instances an employer can make a €3.20 per day tax-free payment towards remote working running costs.

Substantial taxation supports are needed to give our economy a competitive edge as global work practices transition towards WFH. This should include a WFH tax credit for both employees and self-employed who work from home for more than 50% of the time.

To ensure that homes are also suitable for work purposes and contribute to the Climate Action Plan, Government should re-introduce a home renovation scheme. The scheme was successful in helping families enhance their existing home and could be amended to encourage sustainability/energy efficiency improvements and to alleviate costs related to Covid-19 such as in renovating home offices.

14

Facilitating Cash-Flow

Like many other industries affected by Covid-19, cash flow is key for many property and construction businesses. Government can facilitate continued cash-flow through a number of measures. These should be introduced in the form of low-interest loans, rather than subsidy/grant/ tax incentives:

- ow landlords pay tax need to be considered. Currently, if rent is due but not paid (and the debt is not "bad") then the landlord has to pay tax on that income in the year that it is earned (even though it may not be received for months/years). Guidance from Revenue on this matter would be helpful.
- Introduce a "borrow back" tax paid scheme, with the State providing a loan to employers equal to 25% of tax paid in 2019 interest free. A similar scheme has been introduced in Denmark.
- Postpone the review of residential property tax to alleviate the burden on households during these challenging times.

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