



26 September 2014

Consultation response to Developer Contributions for Affordable Housing

Introduction

The Ulster Unionist Party welcomes the opportunity to respond to this consultation. Some of the opinions expressed in this response have been informed by consulting directly with developers of housing in Northern Ireland, as well as taking an impartial assessment of the overall likely outcomes.

The need for social housing

The Ulster Unionist Party has long had concerns in regards to the provision of social and affordable homes in Northern Ireland. Whilst we note the Programme for Government target to build 8,000 homes, in reality this falls far short of the required level. The current number of people in housing stress in the Common Waiting List would support this view.

We welcome any new suggestions as to how Government can meet the required need of social homes, and this includes the consideration being given to the introduction of developer contributions. This is especially relevant at a time of significant constraints on public finance.

We would wish to highlight however that the money within the DSD budget at present for the development of new homes has not been effectively spent. An example of this would be the entirely unacceptable underspend of £8m incurred in 2012/13. This demonstrated a lack of vision, and oversight of the Housing Associations, in the provision of social housing in Northern Ireland.

The timing of this proposal

Whilst the Department of Social Development believes now, as the housing market is beginning to recover, is an appropriate time to introduce developer contributions, the Ulster Unionist Party disagrees.

In fact we would go so far as to say that now would be a detrimental time to introduce such a policy given the potential harm it could have on the industry which is only just beginning to recover from a deep and prolonged period of economic decline. Whilst we do acknowledge, and welcome, the improvement there has been in the local housing market, we believe there has not been a sufficient enough distinction drawn between the overall market and the construction of new builds.

It is clear that by looking at the statistical information available that the overall improvement in the housing market has yet to be carried through to the construction of new homes. Therefore it is quite possible that introducing developer contributions at this stage could compromise the already fragile recovery of the industry.

The policy

The Ulster Unionist Party broadly supports the principal of developer contributions. We do believe it could be an effective tool in increasing affordability and increasing the supply of new homes. We believe that the development of new homes will always work best whenever Government and the construction industry work in tandem to deliver it.

We do have concerns, however, with a number of the specific aspects of the current proposals.

First of all we believe it is disingenuous to use the success of the schemes in the Republic of Ireland and England as a basis to encourage the adoption of the policy in Northern Ireland. What is being proposed by DSD here is notably different than the other schemes. In particular it is much more onerous than what is in place in England and the Republic of Ireland. For example, developers in Northern Ireland are being asked to contribute the land and the houses where in GB and the Republic of Ireland in most cases the developer gets paid for the cost of construction. That is a very fundamental difference and we do not believe this consultation exercise has pointed it out sufficiently.

Another issue of concern is the assumption that a new developer contributions policy would deliver 750+ new homes every year. That is on the basis that new developments of over 5 units would be making profits in excess of 20%. An important factor overlooked however is that a much smaller proportion than at present will be making a profit of over 15% when the 20% of social/affordable units are accounted for. Therefore we do not believe the current policy, as drafted, will deliver the suggested number of new social and affordable homes.

In addition, as mentioned earlier, the cost of the land and construction of the social and affordable homes will be borne by the developers and this presents the very real possibility that costs incurred through additional construction, or losses through non-sale of social units, will be passed to the buyers of the remaining units. This would have a dramatic and immediate impact on the price of new builds. This policy could effectively become a new tax or charge on people buying new build properties in developments.

The Ulster Unionist Party would broadly support the level of developer contributions to be based on a regional target and that a minimum level of profit is required. However because we cannot support the current proposals, in which developers would also incur significant costs through the purchase of land and construction of property, we do not believe either measure suggested in the consultation document would be applicable.

The Ulster Unionist Party very strongly supports efforts to promote mixed tenure housing developments.

Mark Ovens

Ulster Unionist Party

mark.ovens@party.niassembly.gov.uk