



CONSTRUCTION DEFECTS ALLIANCE

Apartment Defects Campaign Update, 3 September 2020 – PLEASE SHARE

Alliance Proposes Redress Fund for Budget 2021

The Construction Defects Alliance is hopefully now in a process of engagement with Government to develop – by summer 2021 – a comprehensive package of measures to tackle the defects issue. In this context, we're due to have another meeting with Minister Darragh O'Brien before the end of September.

However, in the meantime, while we're working in this process with the Government, we've also recently proposed some short-term measures to alleviate the hardship being experienced by many apartment owners in our Budget 2021 Submission ([https://www.constructiondefectsalliance.ie/assets/files/pdf/cda_submission_for_budget_2021 .pdf](https://www.constructiondefectsalliance.ie/assets/files/pdf/cda_submission_for_budget_2021.pdf)). There is anecdotal evidence from OMCs that payment of levies is slowing down – hardly a surprise given that so many people have been laid off and have found their work and income shrinking – which in turn is affecting some OMCs' ability to undertake or complete urgent fire safety works in a timely manner.

Given that apartment owners are in no way responsible for the defects affecting their homes, the Construction Defects Alliance's preferred option for helping owners and OMCs tackle the defects is the creation of a €20 million to €30 million Redress Fund to cover the costs of remediation works in 2021.

As the Apartment Owners' Network have proposed, the monies for such a fund could be sourced from the profits which the National Asset Management Agency (NAMA) is due to make on the purchase and disposal of developer loans. Given that these profits have come from the property developer sector – who are significantly responsible for the Celtic Tiger era apartment defects – it is entirely appropriate that some of these profits be directed towards the rectification of such defects.

An alternative route for creating the €20 million to €30 million Redress Fund for 2021 that the Construction Defects Alliance is proposing is to follow the recommendations of the Oireachtas Housing Committee's *Safe as Houses?* report – namely to finance the fund jointly through the Exchequer and a levy on the construction industry.

Alternative Proposals

While the Alliance's preferred route for tackling the costs of remediation works in 2021 is through a Redress Fund, if the Government cannot see its way to setting up such a fund, then access for OMCs to long-term (20-year) soft loans – provided there is a mechanism for ALL owners to recover the cost of some of their loan repayments through tax credits – could be an acceptable second-best way forward.

We agree with the Apartment Owners' Network that such loans could be facilitated through:

- Home Building Finance Ireland – subject to sustainable interest rates and loan terms from HBFi;
- The agencies providing finance to Approved Housing Bodies including Housing Finance Agency, Irish Strategic Investment Fund and the Social Finance Foundation.

In order to ensure that apartment owners are not left taking full financial responsibility for the costs of rectifying the defects, the Alliance is proposing that a refundable tax credit – or similar financial benefit – be introduced for ALL apartment owners on their levy payments. At present landlords – apart from local authorities and AHBs – can write off remediation levies against their taxes. It's only fair that owner-occupiers should be offered equality of treatment with landlords on this front.

We would estimate that such a measure would incur an additional cost of less than €12 million to the State in 2021.