



# POSITION PAPER

**Self-Catering Tourist Sector in No Man's Land**

IRISH SELF CATERING FEDERATION

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## INTRODUCTION

On the 25th October 2018, Eoghan Murphy, Minister for Housing released a press release detailing proposed changes to short-term letting. The press release was titled '**Bringing homes back into the long term rental market**' with the sub-heading '**Regulating short-term letting and supporting home sharing**'

His aim is to introduce new regulations in respect of short-term lettings. The purpose of these changes to the planning code is primarily to address the longer-term rental issues arising from the use of properties for short-term letting.

With it, he has single-handedly brought the fear of the potential near collapse of the self-catering tourist accommodation sector in Ireland.

## OBJECTIVE OF THIS DOCUMENT

The objective of this document is to highlight the inconsistencies of the new legislation put forward by Minister for Housing. Much remains unclear to the short term letting of tourist accommodation across the country.

The Irish Self Catering Federation has grave concerns about the longevity of its members – operators of short term letting of tourist accommodation as well as the sector in general.

## INTRODUCING THE IRISH SELF CATERING FEDERATION

The Irish Self-Catering Federation, represents 3,500 Irish self-catering holiday homes, employing thousands of people throughout Ireland. Members of the Federation are owners and managers of cottages and holiday homes, committed to welcoming guests into high quality accommodation and providing excellent service. We are members of the Irish Tourism Industry Confederation ([ITIC](#)) and the European Holiday Homes Association ([EHHA](#)).

We play an integral role in Ireland's tourism offering which is worth €4.9 billion annually in exports, attracted 8.9 million staying international staying visitors in 2017, and employs 230,000 nationally.

1 in 10 jobs nationally are in the tourism and hospitality sector and every euro spent by tourists generates 23c in tax receipts.

The role played by the self-catering sector in this context is to provide choice to tourists, opportunities to small and medium-sized enterprises, job creation and commercial opportunity to otherwise deprived rural and coastal communities.

There is an increased popularity in self-catering holiday rental by non-residents and in Q 1 2018, self-catering proved to be more popular with international visitors than hotels (see Annex I). This is a growing trend that we have witnessed and not purely as a result of any multinational booking engine platform.

## THE PROPOSED LEGISLATION

The proposed legislation is lengthy. The minister aims to reform the short term letting sector in order

- *“to bring homes, once available on the traditional rental market, back into typical long-term renting,*
- *to regulate for the first time STLs,*
- *to allow home sharing to continue as it was originally meant to be – a homeowner hosting people in their own home for short periods of time.”*

## LET’S LOOK AT THE LANDSCAPE OF THE SHORTAGE OF HOUSING

The Minister says that *“as home sharing has become more popular as a form of tourism letting, it has resulted in some professional landlords withdrawing houses and apartments that would normally be rented on a long-term basis to instead rent them out as short-term lets (STLs).”*

The Minister continues that *“in a time of housing shortage it is unacceptable that rental homes would be withdrawn from the letting market, particularly in our cities and large towns where rents are high and supply is still constrained.”*

**Our question is this - how many landlords are withdrawing houses?** That figure is unknown to any contributor that we have spoken with within the Department of Housing or the Department of Tourism.

There is no evidence to suggest that short term letting to tourists is a leading contributor to the housing shortage.

The booking engines which allow for home sharing is not a Pied Piper leading all long term landlords to move away from long term into short term tourist rentals or self-catering tourist operators.

## LONG TERM LETTING DECLINING

The number of units to rent has declined and the number of people looking for units have increased. It's simple maths but to blame short term letting to tourists is unfounded.

There is no actual figures which show the number of long term letting decreasing and the number of short term letting increasing.

### A. LACK OF LANDLORD SUPPORTS

There are known reasons for long term letting declining and these include lack of supports for landlords, particularly those who have become accidental landlords because of negative equity or even those who bought for a pension. These include:

- no incentives for property landlords to let their properties long term.
- case 5 tax is applicable: Only 80% of interest is allowable before tax.
- USC is payable on rental income.
- Property Tax is not allowable and the new cumbersome rules of the PRTB where landlords are unsupported when there are issues about unpaid rent and severe damage to property make it very unattractive.

## B. HOUSES REPOSSESSED FOR NON-PAYMENT OF MORTGAGES

A lot of figures have been bandied about in terms of the amount of self-catering accommodation that is available on certain websites.

However, if we look at the latest figures (Sep 2018), from the Central Bank – the homes of 343 residential mortgage-holders were repossessed during the second quarter of the year.

A total of 245 principal dwellings were taken into possession by lenders during the quarter. Similarly, 98 buy-to-let properties were also repossessed by lenders during the quarter, 25 of which were taken on foot of a court order.

A further 47 principal dwellings and buy-to-let properties were taken into possession by non-bank entities between April and June, up from 43 properties for the previous three months.

There are no restrictions on vulture funds under the Code of Conduct on Mortgage Arrears (CCMA).

## C. VACANT PROPERTIES

The Minister of Housing in his strategy document ‘National Vacant Housing Reuse Strategy, 2018 – 2021’, the minister acknowledges that there are 183,000 vacant homes around the country in his strategy document.

In a recent report last December, the GeoView Residential Buildings Report found that some 95,114 properties are vacant across Ireland, a figure that equates to 4.8 per cent of the national residential housing stock.

Where is the legislation and regulation that requires owners of vacant properties to let out their properties?

The short term or self-catering accommodation provider employs people, provides tax euros to the exchequer and makes a positive impact on the economic landscape of where it is located – whether rural Ireland or in urban areas.

Homelessness is an evolving social issue. To make out short term letting is a significant cause of the housing shortage which leads to homelessness is disingenuous to the people who run self-catering accommodation around the country, in particular rural Ireland. The suggested legislation has no geographic divide – as it stands, it is applicable to every self-catering accommodation in the country.

## GLARING CONTRADICTIONS IN THE LEGISLATION & REFORMS

The legislation is lengthy and is far from clear. We have highlighted a number of issues with the legislation, some of which are contained here for discussion:

### 1. DEFINITION OF SHORT TERM LETTING

‘Short-term letting’ will be defined in the proposed legislation as ‘the use of a bedroom or bedrooms in a home as paid overnight guest accommodation for a continuous period of up to two weeks’.

Short term letting, otherwise known in the industry as self-catering accommodation has been around in Ireland for many, many years. There are many different types of holiday properties available for short term self-catering:

- Houses in dedicated holiday villages
- houses in rural areas
- houses in urban areas

- apartments in urban areas
- cottages
- yurts
- treehouses
- converted garages

However, within the legislation – does it refer to self-catering industry, B&Bs or both? Does it apply to all types of accommodation? The definition is unclear.

## 2. PLANNING PERMISSION FOR STL

The regulations state - *Where a person owns a second property and intends to let it as a STL, they will no longer be allowed to do so unless the property is already permitted to be used for tourism/short-term letting purposes. Planning permission for a change of use to STL can be sought and it will be up to each local Planning Authority to grant permissions, based on guidance that will issue from the Department of Housing, Planning and Local Government. In areas of high housing demand and, taking into account other relevant factors such as cumulative impacts, it is unlikely that permission would be granted.*

Most self-catering accommodation around Ireland do not have planning permission for their use except for the Registered Group Schemes, which is in the minority. It is estimated that 80% of holiday lettings in Ireland do NOT have planning to do so.

So as such, there will be immense pressure placed on already stretched local planning departments around the country.

## 3. HOLIDAY HOMES AS TYPICALLY UNDERSTOOD

The legislation says ' These proposed changes will not affect the operation of holiday homes as typically understood'

What does typically understood mean? At the moment, as point number 2 said, most self-catering holiday homes do not have planning permission.

## 4. HOME SHARING V SHORT TERM LETS

Let's imagine two house side by side. House One is a self-catering house, House Two is a home share.

The owners of house one operate a self-catering premises. The owners of house two rent out a room typically during the winter season. In the summer season, they go to their Spanish home for the summer and let out their own entire house.

House One is subject to the new legislation and reforms. This involves the cost of employing a surveyor to help them apply for planning permission. Thereafter they have to seeking planning permission for their self-catering house.

House two is not subject to the new legislation. "An annual cap of 90 days will apply for the renting out, on a short-term basis – i.e. for 14 days or less at a time, of a person's entire home where it is their primary residence."

If the two houses are in Dublin, House one is unlikely to get planning permission as a self-catering unit. House two can market their house unrestricted.

If the two houses are in rural Ireland, house one will incur the costs as well as stress to have it all done by June 1st. House two can market their property.

#### 5. WHEN THE PLANNING CHANGES COMMENCE

The minister states that “it is intended that the new planning changes will come into effect on 1 June 2019, to allow property owners to prepare for and adapt to the new laws.”

If planning permission is needed for every short term let or self-catering accommodation in the country, this will place pressure on the planning. Will the planning permission be given within the six months?

Do operators take bookings for the summer season of 2019?

#### 6. WHICH DEPARTMENT ENFORCES THE LEGISLATION

Self-catering accommodation would have also looked to the Department of Tourism for information and discussions on industry affairs. These reforms are proposed by Department of Housing. Where will the proposed register sit? In which department?

#### IMPACT ON SELF- CATERING SECTOR

If the new legislation comes in as is, the aim of which is to restrict short term lettings, will negatively impact and restrict holiday rentals in all self-catering types of premises.

While Airbnb has shone a light on self-catering globally, self-catering in Ireland has been around for decades.

The Self-Catering industry supports the hotel and tourism sector. In fact, there are many areas in Ireland where there are no hotels, where tourists stay in self-catering accommodation or short term lets.

There is a lack of hotels around Ireland. This is where the self-catering industry, providing short term lets, really supports the tourism industry.

There is an increased popularity in self-catering holiday rental by non-residents and in Q 1 2018, self-catering proved to be more popular with international visitors than hotels (see Annex I). This is a growing trend that we have witnessed and not purely as a result of any multinational booking engine platform.

#### THE COST

As over 80% of the self-catering accommodation providers do not having planning, operators will now have to undertake the cost of hiring a surveyor or planner to draw plans, submit them to the planning department and hope to be accepted.

Many self-catering operators are not professional landlords and who do not make enough money to cover the costs of planning, rates, and other costs that the new reforms will bring.

#### THE WIDER ECONOMY

The more accommodation in an area, the more visitors. The more visitors, the more they spend. Similarly, operators can take on part time workers who spend locally. This means with the butcher, the hair dresser, the local shop. If the restrictions occur, there will operators who will no longer operate as a self-catering premises.

There is already discussion ongoing at present about the decline in rural areas. Tourism is a massive employer and brings economic activity to many areas where there are no other industry.

One need look no further than the mining towns of the UK to understand the closure of an industry can decimate a local, rural landscape.

## WHAT WE RECOMMEND

### 1. CLARITY

The legislation as is, is unclear. Self-catering accommodation is short term letting. This legislation as it appears to affects us all – from the rent pressure zones of urban areas to the rural areas of Ireland.

We have no facts to share with our members who collectively own/ manage 3,500 self-catering properties. We would like some assurances from either Department of Housing or Department of Tourism so we know exactly where we are and what we are supposed to do as tourism operators.

### 2. RESEARCH

Another of our recommendations is Government sponsored research into this vibrant, tourist sector to analyse the economic impact of such legislation.

The first piece of research would be to quantify the number of the *'some professional landlords' who have withdrawn their house and apartment that is normally rented on a long-term basis to instead rent them out as short-term lets (STLs).'*

The reality is that there aren't as many long term landlords attracted by the shiny new option of short term, holiday letting, as is being portrayed in the media. Our evidence of this is circumstantial which is why we would like the research completed.

The second piece of research is the impact of the legislation as it is today. Right now, it impacts every operator of a short term let, so we would like to see a measurement of the impact Vis a Vis:

- economic impact in rural areas
- economic impact in urban areas
- the cost of planning on existing providers who currently do not have planning
- the loss of accommodation bed nights if existing providers decide not to go down the cost of the planning route

### 3. A REGISTER OF ACCOMMODATION PROVIDERS

In the legislation, we welcome and have recommended is a register of accommodation providers.

Not all self-catering tourist accommodations are created equal. There are differences in how self-catering accommodation operators operate. The members of the ISCF are actively involved in tourism, they are part of the tourism accommodation sector. They are health and safety compliant and affiliated with Fáilte Ireland and Tourism Ireland – all with its procedures and regulations.

### 4. DIVIDE OUR SECTOR INTO SUB SECTORS

In order to avoid duplicating existing provisions, our sector should be broken down into three distinct sub-sectors with fit-for-purpose rules applied to each. By this we mean:

1. Owner operators 8+ properties and/or using “prescribed terms”, sufficiently covered in terms of registration with Fáilte Ireland - Under the Tourist Traffic Acts (1939-2011), there is a statutory obligation for operators with 8 or more properties and/or businesses which use certain prescribed description terms ([click here](#)) to register with Fáilte Ireland. As part of this registration, Fáilte Ireland highlight the statutory obligations relating to other requirements e.g. Building Regulations, Planning Regulations, and Fire Safety Regulations.

2. Owner operators 1-7 properties, unregulated unless they are either Failte Ireland approved on a voluntary basis or they are using certain 'prescribed terms' to describe themselves. Absent any planning change requirement, we would support the introduction of a minimum standard for these owners to demonstrate an acceptable level of insurance, building standards, health and safety, guest experience, tax compliance and to ensure that this cohort "Uphold the interests and reputation of Ireland as a high-quality destination for guests from home and overseas." (Fáilte Ireland, [Welcome Standard](#)). In other words, regardless of the amount of time the property is let in any given year, standards remain the same. As part of this regime, we would support a registration system and an information-sharing requirement for hosts.
3. Regulated and unregulated short term property letting companies - In the case of individuals or companies wishing to short-term rent a property which they do not own (primarily property management companies) this should be a licenced activity, where the licence is granted by the local authority on the basis of criteria such as registered business with a company number, VAT registered where applicable, tax clearance certificate, corporation tax registered and ability to prove public liability insurance. Any licensing regime for this sub-sector should be simple, clear and separate to the current PRSA system for long-term lets.

Our sector would support and accept a system as outlined above but will not support the following on the basis that they are either unnecessary or will disproportionately disadvantage our sector:

1. Any limits on day's rental by operators offering short-term stays at their properties on a full-time basis.
2. Biased promotion of home-sharing and home owners renting at high season only by encouraging them to rent their "primary residence for a period of 90 days or less per year". All properties should be subject to the same legislation.

## CONCLUSION

Let's not crack a nut with a sledgehammer.

It's tempting to boil down the housing shortage and homelessness to the Airbnb culture or short term letting that has grown up recently. However the reality is self-catering accommodation is the backbone of the Irish tourist landscape. This legislation, if passed as is, will create another situation for the Government – that of addressing the lack of accommodation for tourists.

What is the point of pumping millions into Tourism Ireland and Failte Ireland on initiatives like Ireland's Ancient East and The Wild Atlantic Way if there is not enough places to stay?

The Government and the Minister has already written a strategy document about Vacant Housing, its objective "*to return as many recoverable vacant properties back to viable use as possible, increasing the supply of sustainable housing available, while also revitalising the vibrancy of local communities.*"

Should the Minister not be focused on this rather than putting fear and confusion into the heart of self-catering operators across the country?

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## ANNEX I

(CSO statistical release, 13 June 2018, Tourism and Travel *Quarter 1 2018*, <https://www.cso.ie/en/releasesandpublications/er/tt/tourismandtravelquarter12018/>)

**Table 4 Number of bednights spent in Ireland by non-residents on overseas trips cross classified by type of accommodation used and area of residence, Quarter 1 2017 and Quarter 1 2018**

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Bednights Type of accommodation used	Area of Residence								Total	
	Great Britain		Other Europe		USA & Canada		All Other Areas		Jan- Mar 2017	Jan- Mar 2018
	Jan- Mar 2017	Jan- Mar 2018								
Hotel	889	875	945	1,125	613	757	252	279	2,700	3,036
Guest House/B&B	151	163	404	637	186	262	91	120	832	1,182
Rented House/Apartment	198	232	941	1,073	206	265	454	645	1,799	2,214
Friends/Relatives	1,425	1,268	1,167	1,234	432	438	707	648	3,730	3,588
Other	494	540	979	1,329	313	323	302	272	2,088	2,464
<b>Total</b>	<b>3,157</b>	<b>3,079</b>	<b>4,436</b>	<b>5,397</b>	<b>1,750</b>	<b>2,045</b>	<b>1,805</b>	<b>1,963</b>	<b>11,148</b>	<b>12,484</b>