



# HOUSING IRELAND

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# NEED FOR AFFORDABLE HOUSING



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With the current housing crisis dominating the news headlines, it's easy to forget that we seem always to be in a housing crisis of one kind or another – and it's almost always a consequence of the things we did to solve the last 'crisis'. The one constant in all this is an inability to meet demand for social housing. The phrase is chosen carefully. It may not be that we have always failed to ensure an adequate supply of social housing, but it is certainly the case that there is never enough of it to meet demand. There are many reasons for this. Shifting demographic patterns and economic fluctuations account for part of it. Generous differential rent regimes, lifetime and even heritable tenancies, and virtually no maintenance costs make the traditional social tenancy a very attractive housing choice. Many years of tenant purchase schemes that depleted the stock at prices below replacement cost, and uneven rhythms of supply that beat to the pulse of factors in the wider economy rather than to the actual needs of households mean that the numbers of social housing units available never meets demand.

However, many households on moderate incomes also struggle with housing costs, and do not qualify for social housing support, even with the relatively generous income thresholds that are in place. As the National Economic and Social Council pointed



out last year, "around one-quarter to one-third of the population will not find satisfactory housing through the market alone". A household on the median disposable income in Dublin can afford a rent of just over €1,000 per month, making all but one-bed units unaffordable.

There is a need for a new intermediate tenure of affordable rental housing, especially in cities, where households on moderate incomes can find secure, long-term accommodation. A lack of affordable housing threatens the economic wellbeing not just of individual households, but also the economy as a whole. People who cannot afford housing in the market will obviously turn to the social housing sector for support, adding to overall demand and cost.

Social housing provision will always be a blend of direct state supply and voluntary provision with the private sector also playing a role. In the past, the private sector has been used as a kind of safety valve to meet excess need where no council/approved housing body housing was available or via Rental Accommodation Scheme/leasing arrangements – and most commonly under the rent supplement regime. Government policy now in the social housing strategy is that 75,000 households will have their housing needs met under the new Housing Assistance Payment scheme which



will be integrated into the social housing system. A further portion of the 35,000 new social housing units promised under the strategy will be leased, inevitably from the private sector too.

Where this supply is going to come from is less clear. The evidence generally is that the supply of private rental accommodation is dwindling, and that properties previously rented are being sold into owner occupation. Moreover, the traditional 'mom-and-pop' Irish landlord that has been the mainstay of the private rented sector for decades is not the ideal candidate to meet the needs of today's rental market. If the objective is to make renting an attractive long-term option for households – be they private, affordable, or socially renting – we need a new type of professional landlord who is in the business for the long haul, and whose business model is based on the rental income and not the rising capital value of the properties.

We have seen some limited investment in private housing from Real Estate Investment Trusts and other large-scale investors, but nothing like enough. Moreover, investors generally are nervous of social housing investment, and can find far better returns in commercial property. But if we are to meet the requirements of policy, there needs to be concerted private sector activity to provide homes in this sector. The government is faced with a choice. Either it can wait for development activity to resume in earnest and procure units in the market, or it can take action to secure a supply of units at non-market rates, developed specifically for this sector, for example at cost rents. There are a number of policy instruments available: the state could bring its land bank to bear, it could provide capital or soft loan type subsidies, or guarantees that would bring down the cost of providing the units and attract investment to the sector. Taxation measures are of limited use in attracting institutional investment. Waiting for the market is a risky enterprise. First, it is inevitable that rents/prices will rise, and the state



will be on the hook for whatever that price is. Second, given the pent-up demand, the state could end up competing with the very households who will end up in need of support if they cannot succeed in accessing the properties.

One of the most important objectives of the government social housing strategy is to develop a "national policy aimed at increasing investment, and supporting the supply of good quality, secure, and affordable accommodation". In the hubbub about general housing shortages, this vital piece of the housing jigsaw has gone largely unnoticed and certainly has not attracted the attention it deserves.

A longstanding pillar of housing policy in Ireland has been the need for tenure mix. However, volume provision of social housing militates against this objective: we have been there before in the mass development of social housing.

Providing mixed tenure rental communities of social, affordable, and private tenants in sustainable developments can meet all of the objectives of government policy. Moreover, it can break down the barriers to institutional and large-scale investment in this type of housing. In this model, social housing tenants would pay social rents and would be supported by the state via the usual leasing/payment and availability agreement methods,

while affordable tenants would pay rents at below-market or low-market rents: state support in bringing down the cost of the development makes this possible. Market tenants can also be accommodated, and crucially households can move through the system without moving home, thus creating a more integrated and inclusive housing model.

In short, private sector investment in low-income housing will not happen on its own; but there are ways to unlock huge amounts of funding, and one of the keys is recognising the need for affordable housing. The other elements are mixed tenure, and a committed partnership between the public, voluntary and private sectors. The mechanisms to bring this about already exist, and require very minor adaptations. With all of the elements in place, it's time to get it done.