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Review of Irish Social and Affordable Housing Provision

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Review of Irish Social and Affordable Housing Provision

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Abbreviations

AHBs
Approved Housing Bodies

CALF
Capital Advance Leasing Facility

CAS
Capital Assistance Scheme

CIB
Citizen's Information Board

CLSS
Capital Loan and Subsidy Scheme

CPI
Consumer Price Index

CSO
Central Statistics Office

DECLG
Department of the Environment, Community and Local Government

DPER
Department of Public Expenditure and Reform

DSP
Department of Social Protection

ESB
Electricity Supply Board

ESRI
Economic and Social Research Institution

EU
European Union

HAP
Housing Assistance Payment

HFA
Housing Finance Agency

HSE
Health Service Executive

ICSH
Irish Council for Social Housing

NAMA
National Asset Management Agency

NTMA
National Treasury Management Agency

P&A
Payment and Availability

PRTB
Private Residential Tenancy Board

RAS
Rental Accommodation Scheme

REITs
Real Estate Investment Trusts

THFC
The Housing Finance Corporation

Review of Irish Social and Affordable Housing Provision

1. Introduction

This paper provides a description of social and affordable housing provision in Ireland.

Section 1 provides an overview of the housing sector and the existing and potential sources of housing need. The remaining section of the paper describes the three main channels of provision—local authorities, housing associations and private rental. For each of these it outlines the relative cost and scale and the issues that arise within and about these channels.

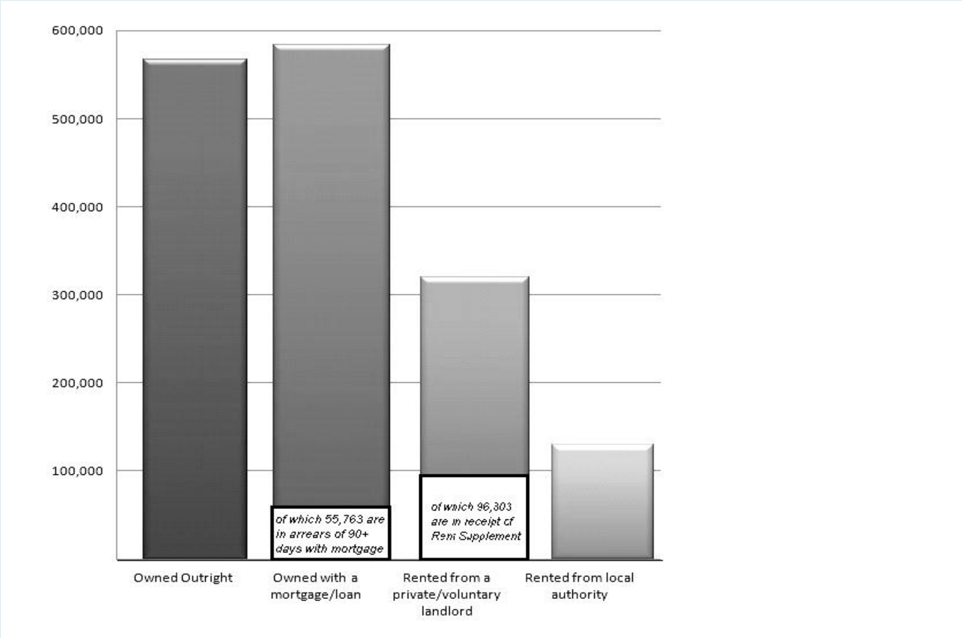
Each section finishes with a summary of the key current and future challenges.

2. Brief Overview of Housing

Figure 1 outlines the type of tenures in which permanent private households live in Ireland, using data from Census 2011. Just under 70 per cent of Irish households live in homes which are either owned outright or owned with a mortgage/loan. Houses owned with a mortgage are concentrated around Dublin, while homes owned outright are concentrated on the west coast. Approximately 14 per cent pay for rented accommodation from their own means (mostly in large urban areas); while 8 per cent live in local authority accommodation and a further 6 per cent live in privately owned or housing association-owned accommodation, paid for through rent supplement payments. This indicates that 225,836 households (14 per cent of the total) live in a form of State-supported rented social housing. A further 55,763 households (3.4 per cent) were also in arrears of over 90 days with mortgage repayments.

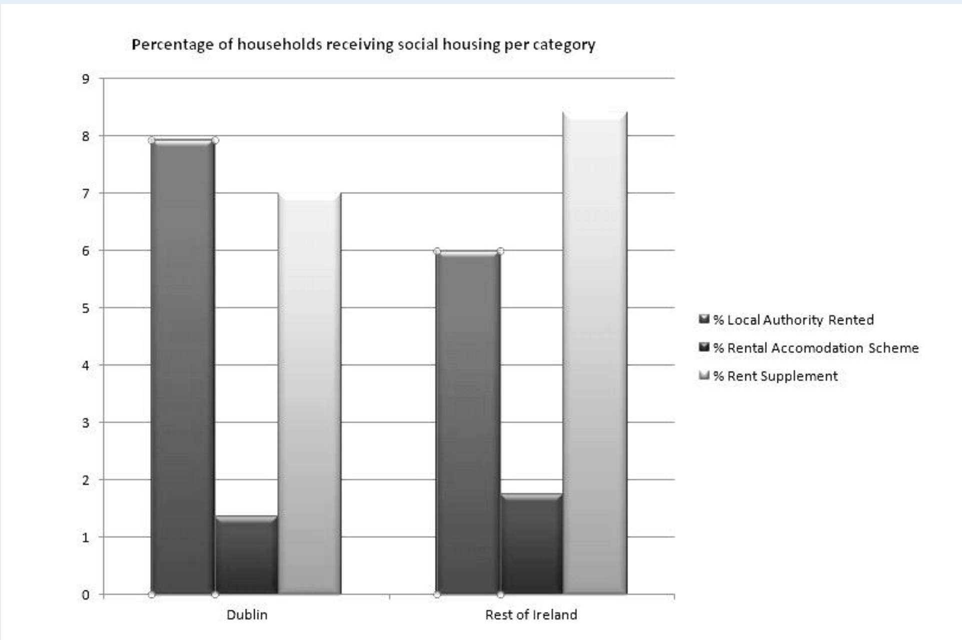
The percentage of all permanent private households occupying different forms of socially supported housing are outlined in Figure 2 (see appendix 1 for more detail by county).

Figure 1: Permanent Private Households in Ireland—Nature of Occupancy, 2011



Source: CSO, 2012a; DSP, 2013a; Central Bank, 2014a**.**

Figure 2: Percentage of All Permanent Private Households Receiving a Form of Social Housing, 2011-2012



Source: CSO. 2012a; DSP, 2013a.

Work is underway in the ESRI to develop a comprehensive assessment of social housing need. This section identifies three main sources of unmet long-term housing need.

- **Identified Long-term Social Housing Need**: This includes all those now on local authority housing lists but for whom local authority, RAS[1] or housing association accommodation has not been provided. In May 2013, there were just under 90,000 households on the waiting lists. Of these just under 67,000 are in private rented accommodation; with 42,000 in receipt of rent supplement. This means that around 23,000 are living with parents, friends, in emergency accommodation (around 1,700) or in their own property (around 600) (Housing Agency 2013).

- **Projected Need**: Future demographic changes are predicted to increase demand further. A recent study (Housing Agency, 2014) estimates that 80,000 residential units would be required between 2014 and 2018, or 16,000 per year; almost half of which is required in Dublin and surrounding areas like Swords and Balbriggan.

- **Hidden Need**: There is likely to be pent-up demand associated with young adult children living with parents—12,000 people on the waiting list are living with their parents. The figures from identified and projected need are likely to be minimum requirements. The Housing Agency study does not include sources of pent-up demand (such as people currently living in over-crowded accommodation). There are also a further 47,000 households who are on rent supplement but not on the local authority housing lists. Their need may be short-term, but they are a group who cannot afford to pay for accommodation from their own resources.

- **Special need:** An important aspect of housing need includes groups with special needs who are particularly reliant on social housing supports, both to cover the costs of their accommodation, and to source accommodation which meets their specific needs. These include the homeless, with 3,808 people identified as homeless in Census 2011, with most male and most living in the Dublin region. 2 per cent were living rough at that time, 43 per cent were in emergency accommodation, 26 per cent in long-term homeless accommodation, and 15 per cent in transitional accommodation. These homeless people had both poorer health and lower levels of education than the general population.[2]

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1 Under RAS (the Rental Accommodation scheme), households who have been on long term rent supplement, and who have been assessed as having a long-term housing need, can be housed in accommodation leased by the local authority housing division.

2 Only 60 per cent of homeless people stated that their general health was 'very good' or 'good', compared to 90 per cent of the general population. Forty-two per cent had a disability, compared to 13 per cent of the general population. The most common disability was a psychological or an emotional condition. See CSO, 2012b.

In addition, people with disabilities can be particularly reliant on social housing. For example, there were 59,680 people who were unable to take up employment due to their disability in 2011 (CSO, 2012c). Although many live with their family, it gives some indication of the proportion who could require specialised housing. The Report of the Working Group on Congregated Settings (HSE, 2011) also recommended that 4,000 individuals living in settings of 10 or more people with disabilities should be moved into smaller community based settings, with all institutional settings closed. This has many implications for the provision of suitable accommodation for them, and the supports that will be needed with that accommodation. Special funds are already in place to provide housing for people with disabilities (e.g. CAS [Capital Assistance Scheme] for construction of social housing, and the Disabled Persons Grant to modify private housing). However as will be shown in this paper, the funding for these schemes has been cut with the downturn.

Another group with special accommodation needs is Travellers. The number of Traveller households accommodated by or with the assistance of local authorities increased from 4,522 in 2002 to 5,595 in 2011. A further 561 households accommodated themselves through their own resources, with 49 sharing housing, and 2,559 renting privately. Traveller-specific accommodation declined from 176 in 2000 to 104 in 2011 (DECLG, 2014a). Travellers are reported to currently be experiencing severe problems with homelessness, as landlords let to other tenants in areas of high demand.

This paper is focused on the provision of social housing in Ireland. There are various ways of defining social and affordable housing, as outlined in Box 1.

In Ireland social housing is defined as housing provided by a local authority or a housing association to people who cannot afford housing from their own resources. Property rented or leased from the private sector by local authorities or voluntary housing bodies is now also included in Ireland's social housing sector. Accommodation provided under Ireland's rental accommodation scheme (RAS) would qualify as social housing in Haffner's definition but would be in the profit renting sector using Kemeny's definition.

Box 1: Defining Social and Affordable Housing

A common distinction made is between social and private rental sectors. Landlords with a non-profit character, such as local authorities, voluntary agencies, co-operatives and housing associations, are identified with the social rental sector; whereas all other types of landlords are identified with the private rental sector (Hoekstra, 2009).

In addition, social housing is sometimes defined as subsidised rental housing regardless of ownership. This is of particular relevance to Germany where a significant feature of its housing model is that housing subsidies have long been available to all types of landlords, and rents are regulated for a period to time as a condition of the subsidy. At the end of the regulated period, landlords are free to set market rents although non-profit landlords may continue to set rents below the market level.

Other researchers focus attention on how accommodation is allocated (Haffner *et al.*, 2009). Under this view, social housing is allocated according to need rather than demand and price, with need politically or administratively defined and interpreted. This social housing exists because governments have decided that some housing, at least, should not be allocated by market forces. In economic theory, the market will only supply housing for effective demand when the market price is paid, and not for some level of need set by society which cannot be achieved at the equilibrium price on the market. In these terms, therefore, social housing is filling the gap between effective demand on the one hand and need on the other (Maclennan and More, 1997). Need then is a level of housing that is socially designated as desirable. If the market will not provide social housing, then the provision of social housing must be made attractive in some way. Usually this is done through subsidies (Haffner *et al*., 2009).

An alternative is to identify how to assist demand (rather than supply) so that effective demand increases to a level at which it is sufficient to encourage a level of supply that meets demand. Such demand-side support may take the form of housing allowances or housing vouchers that increases the financial resources available to households (Haffner *et al.*, 2009). However, where households use a housing allowance to secure private rental accommodation this is generally not considered to be social housing.

Kemeny is critical of the term social housing (1995). He notes that it generally refers only to rental housing so excludes all owner occupation from the definition of social housing. He sees this as unfortunate since much owner occupation could be considered ‘social’. Substantial subsidies are paid to owner occupiers, for example, in tax privileges and in selling public rental housing at large discounts to purchasing sitting tenants. In addition a range of policy measures are often taken to provide a public safety net for owner occupiers (for example against mortgage default). This concern can be avoided by using the term ‘social rental’ rather than ‘social housing’ but Kemeny also views the concept of social rental as excessively vague. Kemeny proposes distinguishing between ‘cost renting’ and ‘profit renting’.

- **Cost renting: All rental housing, irrespective of ownership, the rents of which cover only actual incurred costs of a stock of dwellings. This may be achieved by a number of different means, such as rent regulatory legislation or political decree or because of the charters or policies of particular organisations.**

- **Profit renting: Irrespective of ownership, the rents of which are largely or entirely unregulated and where the aims of the owners of such rental housing—whether these be private individuals or the central or local state—is to maximise profits in the form of returns on the current capital value of residential property.**

Apart from Germany,[3] the social housing sector in five of the six countries looked at in a CECODHAS study is considerably larger than in Ireland.[4] The largest social housing sector is in the Netherlands where one third of the housing stock and three quarters of the rental stock consists of social housing. In Ireland just under 8 per cent of the housing stock and approximately 30 per cent of the rental sector consist of social housing.

Table 1 provides an outline of the scale of each channel of provision of social housing in Ireland. It shows that the two major channels have been local authorities and private rental. By comparison to both, housing associations have been a relatively small source in terms of overall supply. However it is important to note that they have been a key supplier of housing for people with specific needs.

The table provides an overview of the costs associated with provision. The estimated cost, of just under €1bn, is likely to understate the actual cost quite significantly. For example, in relation to local authorities, it does not include the cost of the gap between the rent paid by tenants and the actual cost of supplying accommodation. If this opportunity cost was included the overall costs would rise significantly. In addition, the table does not include the revenue forgone associated with tax relief provided to investors, about 30 per cent of whom rent to people in receipt of rent supplement. The full cost of this was estimated to be in the region of €730m in 2012.

The table helps to put policy in this area in perspective. It highlights just how small the housing association channel is and the scale of the task that current policy seeks it to embrace.

This remainder of this paper is structured around the three main channels through which support for social and affordable housing is provided:

- Local authorities
- Housing Associations
- Private Rental

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[3] CECODHAS (2013) reports Germany's social housing as 3.4 per cent of the housing stock. This however understates the true size of the social housing sector because it excludes non-profit housing that is no longer subject to mandatory rent control as a condition of subsidies provided but nonetheless continues to be rented at below market rents.

[4] In international comparisons of social housing, the statistics are typically based on the accommodation provided by non-profit entities, whether publically or privately owned (i.e the first definition in Box 1).

Table 1: Scale and Cost of Three Channels of Social Housing Provision and Support

Channel	Additions 2012	Stock	Annual Cost (€m) 2012 (unless otherwise stated)
Local Authority	714[5] (of which 159 in Dublin)	107,000	249[6]
		24,000 (RAS)	125
		4,737 (Leasing)	67[7]
		Homelessness provision	75.5[8]
Housing Associations	677	27,000	52[9]
	(of which 56 in Dublin)		13.5[10]
Private Rental (Rent Supplement)		79,788[11]	372.8
Total			**€954.8m**

5 DECLG, 2014b.

6 Capital expenditure in 2012, DECLG Housing Statistics Database, Accessed March 27th 2014.

7 See http://www.kildarestreet.com/wrans/?id=2014-03-12a.43&s=rental+accommodation+scheme, downloaded 20 March 2014. It is not clear how many years of expenditure this figure covers.

8 This is made up of €45m allocated to local authorities for homelessness services by the Dept of Environment, Community and Local Development in 2013, as well as HSE funding of €30.5m to homelessness services in 2012 (HSE Annual Report). The HSE figure could be higher as the €30.5m applies to funding to the larger well-known homelessness charities that could be identified in the HSE's annual report for 2012. Stakeholders interviewed for this research also reported that local authorities in and near Dublin were spending over their DECLG allocation on homelessness services, paying for this through general local authority budgets.

9 DECLG, 2014b.

10 Expenditure as of February 2014 since the scheme's introduction in 2011. http://www.environ.ie/en/DevelopmentHousing/Housing/News/MainBody,36777,en.htm.

11 Provisional outturn data provided by Department of Social Protection to NESC.

3. Local Authorities

3.1 Overview

Local authorities are the largest single providers of socially rented housing in Ireland, owning approximately 107,000 dwellings.[12] These are let to people who cannot afford to buy their own homes, and who are on the local authority social housing list. Those on the list meet various criteria in terms of income, need and connection to the local area. As local authority dwellings become vacant, they are then allocated from the waiting list in order of priority, taking account of all the relevant circumstances. Each housing authority draws up its own rules for deciding order of priority on the waiting list, with some operating a points system, giving each household on the list a number of points depending on its circumstances.

Tenants in local authority dwellings pay weekly rents which are based on the household's ability to pay, a method known as differential rent. If the tenant's household income changes, they must inform the local authority, so that the rent paid can be adjusted accordingly.[13] Each local authority operates its own differential rent scheme, with different rates, and different minimum and maximum rents payable,[14] although these rents average about 15 per cent of household income. From 2015 a single national differential rent scheme will apply, with a minimum payment of €30 per week.[15]

3.2 Scale and Cost

As noted above, there are approximately 107,000 local authority dwellings in the state. On average in 2012, 3.4 per cent of each county's stock is recorded as empty at any one time, although as this figure excludes properties subject to major refurbishment,[16] the actual number which are empty may be higher. Two thirds of

[12] DECLG social and affordable housing statistics lists a total of 132,485 local authority dwellings at the end of December 2012. However this figure includes dwellings which are leased from private sector landlords under RAS, approximately 25,000 dwellings.

[13] See http://www.citizensinformation.ie/en/housing/local_authority_and_social_housing/applying_for_local_authority_housing.html, downloaded various dates March 2014.

[14] In Dublin City for example, the minimum weekly household payment in 2013 was €23.40. The maximum (for a house with more than three bedrooms) was €423. See http://www.dublincity.ie/Housing/Pages/RentAssessment.aspx, downloaded 31 March 2014. Heating, waste management and concierge charges may also apply.

[15] Personal communication

[16] Some stakeholders noted that it was difficult to get funding to refurbish local authority housing.

the 3.4 per cent are unavailable for letting.[17] There were 4,844 new tenants in local authority housing in 2012.[18]

Part V of the Planning and Development Acts 2000 allows local authorities to purchase up to 20 per cent of properties on larger sites[19] zoned for housing development, at "existing use" value rather than at "development value". The payment by local authorities for Part V dwellings therefore includes the value of the land pre-construction, the cost of construction, and normal profit, and so the price is lower than that which would be paid for this housing on the open market. The housing acquired through Part V must be used for social housing (and until 2011, for affordable housing also)[20]. At first developers had to provide homes on the sites on which they were building, but the legislation was amended in 2003 and 2006 to allow provision of off-site dwellings, sites or serviced sites to the planning authority; and/or payment of a financial contribution. The policy had a number of aims—for example, moving some of the 'betterment' value of development land into public ownership, and promoting greater social integration of social housing through having social and affordable housing in mainstream housing developments.[21]

Part V delivered 15,114 units of social and affordable housing between 2002 and 2011, with 62 per cent of this affordable housing. Altogether, approximately 9,393 of the units became affordable housing; 3,757 became local authority social housing; and 1,964 became the property of approved housing bodies. This represents just under 4 per cent of all housing completed in those years, excluding one-off housing. In addition, 83 land transfers occurred, resulting in a total area of 67.52 hectares, although it is not known how much social housing was built on these. A number of local authorities also received financial contributions in lieu of Part V housing, with this amounting to €122.4mn between 2002 and 2011 (DKM Economic Consultants & Brady Shipman Martin, 2012: iii). These contributions can only be used to deliver social housing.

Census 2011 showed that the average weekly rent paid by a household to a local authority was €59 (CSO, 2012a). In 2012, total local authority rental income was €329m, with rent arrears of €53m in 2011 (DECLG, 2014a).

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17 On average, it takes 18 weeks from the date of vacation of dwelling to the date when all necessary repairs are carried out which are deemed necessary to re-let the dwelling.

18 See http://www.lgma.ie/sites/default/files/service_indicators_2012_report_for_website_0.pdf, downloaded 31 March 2014.

19 Those with more than four dwellings.

20 The various affordable housing schemes were stood down in 2011. See http://www.citizensinformation.ie/en/housing/owning_a_home/help_with_buying_a_home/affordable_housing.html for further information, downloaded 7 April 2014

21 See http://www.environ.ie/en/Publications/DevelopmentandHousing/Housing/FileDownLoad,1794,en.pdf, downloaded 20 March 2014; and DKM Economic Consultants & Brady Shipman Martin, 2012.

3.3 Issues Within Local Authority Provision

The main issues within Local Authority provision are capital constraints and supply, yields from differential rent and how this is spent, and the management of the properties and tenants.

Capital constraints and supply

In the past, funding for local authorities to build or purchase socially rented houses came from central Government. This high level of funding began to decline in the late 1980s, in line with high Government debt at that time. This has contributed to the decline in the proportion of social housing, from approximately 15 per cent in 1971 to 10 per cent currently (although with some recovery in the 2000s) (Norris, 2011). Since the most recent downturn, funding to local authorities to build and purchase social housing has been reduced. This can be seen in the decline in local authority output of new build and acquisitions, from 4,986 in 2007, to just 253 in the first nine months of 2013 (DECLG, 2014a).[22]

This reduction in capital funding has led to greater reliance by local authorities on private rented housing to meet social housing needs. One problem with reliance on standard private rental accommodation is that it is then difficult to find accommodation for e.g. people with disabilities, older people, etc. When local authorities constructed housing they were able to build more flexibly-sized and shaped housing to meet specific needs. Some CAS funding remains which funds construction of housing for people with special needs but it has reduced considerably since the start of the downturn. Even for those without special needs, the size of standard accommodation may not be particularly suitable. For example in 2011, over 70 per cent of dwellings in Ireland consisted of five or more rooms (excluding kitchens, bathrooms, halls, storage cupboards, etc) (CSO, 2012a), while in Dublin city and county 44 per cent of those on the social housing list were single-person households. It was reported that single people can languish on the social housing lists due to lack of smaller units (except for older people), and as families with children often get preference over single people.

In relation to Part V, most payments and land/housing transfers occurred between 2006 and 2009, but have declined considerably since the fall of the Celtic Tiger, and the associated sharp decline in housing construction. As land values have fallen, the difference between the 'existing-use' land price and the market value of it for development has also fallen, so that there is much less financial gain for the State from transfer of land or housing. As local authorities need to borrow to purchase dwellings for sale under Part V, stakeholders interviewed for this research reported that local authorities were now taking financial contributions from developers to meet their Part V commitments. Many local authorities borrowed to buy housing

[22] The decline in acquisitions can also be related to the decline in construction.

made available under Part V and not subsequently sold as affordable housing, and are now paying back those loans.[23]

Yield from Differential Rent, and how it is spent

As outlined above, local authority rental income was €329m in 2012 or €3,133 per dwelling per year. This is too low to cover the costs of constructing and maintaining the dwelling. The low rent can be attributed to a number of factors. One is the increasing poverty of those living in social housing, as this housing provision becomes more residualised.[24] Another is the relatively low upper limits which can be charged for rent, although the proportion of tenants who could pay over this upper limit is likely to be declining as social housing becomes more residualised.

The rent paid to local authorities becomes part of local authority funds, although it is typically not all allocated to housing, with much of it going into general local authority budgets. Those interviewed for this research reported low maintenance budgets for local authority social housing,[25] although budgets for homelessness services were increasingly going beyond the annual allocation, due to the increase in homelessness.

Management

Management of local authority housing, which was often located in large estates, has been criticised heavily in the past, although it is judged to have improved since changes were made to it in the late 1990s and early 2000s (Norris & O'Connell, 2014). Problems which have beset social housing estates in the past in particular included a high level of disadvantage (grappled with in the late 1990s and earlier in the 2000s through smaller infill estates, as well as the social integration aims behind Part V). Stakeholders interviewed for this research also noted that as social housing has become more residualised, that there are more vulnerable tenants who need more supports, which local authorities are not always able to provide. Local authorities are said to historically have had a 'culture of bricks and mortar' in relation to social housing, concentrating heavily on construction and acquisition of housing, with management of housing estates and support of tenants a smaller area of work. For example, one county reported just one tenant liaison officer for over

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[23] A review by the Auditor General found that in 2009 there was a stock of 3,700 unsold affordable dwellings held by local authorities. See http://www.audgen.gov.ie/viewdoc.asp?DocID=1152&CatID=5&StartDate=1+January+2014, downloaded 26 March 2014.

[24] Residualisation is the concentration of more lower income and disadvantaged tenants in social housing. This is more inclined to occur where only a small amount of social housing is available, meaning that the most disadvantaged are most likely to be eligible for it. Some tenant purchase schemes can also contribute to tenants who have higher incomes leaving social housing.

[25] One stakeholder interviewed reported a maintenance budget of approximately €350 per year per house in a local authority. Meanwhile in 2014 local authorities pay approved housing bodies between €436 and €543 per house for management and maintenance, where these homes were built under the capital Loan and Subsidy Scheme (see below for further details). See http://www.icsh.ie/content/icsh-news/circular-142014-clss-management-and-maintenance-allowance, downloaded 31 March 2014.

4,000 dwellings. Local authorities also often have quite a low maintenance budget, and low refurbishment budgets, particularly in the context of tenant turnover. This can lead to some dwellings being left vacant until higher budgets can be found to refurbish them,[26] which does not enhance the community spirit of the area.

3.4 Issues About Local Authority Provision

The main issue which arise about local authority provision are the wisdom of reducing Part V obligations, and scope for stock transfer.

Wisdom of Reducing Part V Percentage Now

Government is currently reviewing the Part V requirement and is expected to make a decision shortly on whether to keep it, change it or abolish it (DKM Economic Consultants & Brady Shipman Martin, 2012). In considering this Government needs to weigh carefully the arguments for retaining it, as it is one of the few mechanisms available at the moment which might increase the stock of social housing owned by local authorities and/or housing associations. However some stakeholders were not in favour of the provision to receive sites at use value, as they could not afford to buy them. Indeed many sites which local authorities had control over, but now cannot afford to pay the loans on, have been transferred to the Housing Agency and so are not in the control of local authorities.

Stock Transfer

Within Dublin, the possibility of transferring stock to approved housing bodies (AHBs)[27] has been debated, and in some cases has taken place (for example the Ballygall Road development under which stock to be refurbished was transferred to the Fold housing association). However in other local authorities this possibility is not viewed so positively, as transferring stock could mean that the rental income goes to the housing association instead of the local authority. Large urban local authorities have a large rates base to draw on, and so it was reported that they are less reliant on rental income from local authority housing to fund local authority budgets. This is not the case in rural areas. At the same time some housing associations are concerned about stock transfer under schemes which would only pay them differential rent, as they are concerned that this rental income would not be adequate to pay the costs of maintaining the properties. In the UK, local authority housing stock was transferred to housing associations, but the evidence suggests that the population living in social housing in the UK is less residualised,

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[26] A new allocation of funding to refurbish local authority dwellings was made recently.

[27] Under Section 6 of the Housing (Miscellaneous Provisions) Act, 1992, local authorities can provide assistance to 'approved housing bodies' in order to provide housing. The bodies are to be approved by the Minister. They can be—limited companies formed by guarantee of their members and not having a shareholding, registered under the Companies Acts, 1963-2001; societies registered under the Industrial & Provident Societies Acts, 1893-1978; or trusts incorporated under the Charities Acts.

and so the rental income is not as low as would be the case in Ireland. In addition, rents in UK social housing can be higher because tenants can claim Housing Benefit if necessary.

3.5 Summary: Key Current and Future Challenge Concerning Local Authority Housing

Most of the considerable long-term strengths and particular weaknesses of Irish local authority housing are well known and need not be discussed here. Since this form of provision has many positive features, much the most important current and future issue is the constraint on new supply, arising from the constraints on public borrowing. Supply could be further constrained if Part V were to be reined back. It is largely because of these constraints that Irish policy now sees housing associations as the main conduit of social housing provision and relies increasingly on rent supplement and other supports for tenants (and landlords) in the private rental sector. We discuss the challenges facing these approaches below. A second set of issues arise concerning the system of differential rent, which has been an integral feature of local authority housing for many decades. These include problems of housing maintenance and management within the local authorities and, more broadly, whether it is a good idea to extend the differential rent system into the provision by housing associations and in supports for those in the private rental sector.

A third issue arising in both local authority and other forms of 'social' housing concerns the coherence of Ireland's policy approach to social segregation and disadvantage. On the one hand, as reflected in Part V and other measures, policy strongly resists any concentration of disadvantaged families and social groups; on the other hand, the overall approach to social housing policy implies increasing residualisation of social housing. Not only may this lack policy coherence, it may also be based on an exaggerated view of the significance of neighbourhood effects relative to other factors. In a buoyant supply context this might not matter. But, in the current situation it may be further limiting overall provision. At the limit, Irish policy may be saying that it would prefer disadvantaged people to be in unsatisfactory, unaffordable, housing—and possibly in a mixed-income neighbourhood with a transitory population—than to house them well near similarly situated families.

A further issue is the possibility of stock transfer from local authorities to housing associations. A fifth issue is that reliance on other forms of housing provision may deny new housing developments, especially for people with disabilities, of the high-quality, tailored, design and development capabilities that the best local authorities accrued in the past two decades. Indeed, this is one dimension of a wider issue: with the reliance on non-local authority channels of provision, what is the best use of the relevant human resources in the local authorities? This relates to a final issue which arises in all three areas of social housing—and, indeed, across the whole housing system: what institutional arrangements do we need to perform and coordinate key functions: planning and land management, finance, development and construction and housing management.

Primary Issues:

***Supply**:* limitations on future supply reflecting borrowing constraints and threats to Part V;

Differential rent: its long-term suitability.

Secondary and related issues:

Social segregation: does policy limit total provision and is it based on an accurate view of neighbourhood effects?

Stock transfer: Would stock transfer to AHBs be useful, and financially sustainable for them and local authorities?

***Capabilities**:* best future use of the design and development capabilities in local authorities?;

Institutional arrangements for planning and land management, finance, stock transfer, development and construction and housing management.

4. Social Housing Provided by Housing Associations

4.1 Introduction

There are around 300 approved housing bodies (AHBs) in operation in Ireland, which manage around 27,000 homes (ICSH, 2012). They own approximately 19 per cent of social housing in the state (Norris, 2011). A Voluntary Regulation Code for Approved Housing Bodies in Ireland was introduced in July 2013, and is expected to become statutory in 2014. Under the new legislation, which is currently being debated, most housing association tenancies[28] will need to be registered with the Private Rental Tenancies Board. AHBs are now also required to pay local property tax on all their properties.

Box 2 describes the way in which provision by housing associations was funded until recently.

4.2 Payment and Availability Agreement & CALF: Overview

This section focuses on the main financing arrangement now in place to support the AHB sector.

Current policy is that projects involving a mixture of capital and debt funding will become the major means of increasing AHB housing. This has four major components:

- **Capital Advance Leasing[29] Feasibility (CALF)**: The AHB can apply for a capital advance from government (DECLG) to raise finance for the leasing, acquisition or construction of housing. It covers a maximum of 30 per cent of the total. It is repayable with interest (fixed at 2 per cent per annum and accrued on a simple basis) at the end of the term, usually 30 years.

- **Debt Finance**: The AHB can raise debt finance from commercial banks or the Housing Finance Agency (HFA).

- **Payment and Availability Agreement** (P&A): The P&A is a legal agreement in which the AHB agrees to make a property available for social housing for a set period of up to 30 years and agrees to manage and maintain it, to act as landlord and to accept the nomination of tenants from the housing authority.

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[28] Excluding for example hostel accommodation and accommodation with care support services.

[29] The term leasing is somewhat of a misnomer. In the original conception leasing was emphasised, however, the capital is now primarily used to acquire or build property.

- **Own Resources**: The AHB can also use their existing resources to fund new housing acquisitions or developments. Housing associations typically cover some costs of new development using their own equity which helps keep rents down. In other countries, for example Netherlands, sale of existing stock is a key way of raising equity. In the Netherlands, equity is typically 20 to 25 per cent of new development.

Box 2: Housing Associations in Ireland—Traditional Approach to Funding

In the past, Irish housing associations worked closely with local authorities as the design, planning and funding of much of housing association stock was carried out by local authorities.

The two principal means of providing new housing were:

- **Capital Loan and Subsidy Scheme (CLSS): In operation until 2011, this provided 100 per cent capital funding. All the housing had to be allocated to applicants on the local authority housing list, and the rents which they paid were related to their income, applying the local authority differential rent system. A management and maintenance allowance was also paid to the housing association on a yearly basis under this scheme, and continues to be paid to associations who received funding.**

Between 2002 and 2012, 6816 dwellings were completed or acquired through this funding. This included over 900 dwellings in each year from 2007 to 2009, but this had fallen to 223 in 2012, and none in the first nine months of 2013 (DECLG, 2014a).

- **Capital Assistance Scheme (CAS): This second funding scheme still exists. This provides funding to construct or purchase homes for people with special housing needs, such as older people or people with a disability. Funding of up to 100 per cent of the approved cost is available. The approved housing body can allocate up to 25 per cent of the dwellings to those whom they nominate, while the remainder have to be allocated to those on the local authority housing list.**

Between 2002 and 2012, 8,213 dwellings were built or acquired with this funding, with 2009 the year with the largest number (1,076). By 2012, the number had fallen to 100 (*ibid.*). A new tranche of funding has been made available for the 2014-2016 period, with €41m to be allocated in 2014.[30]

Housing bodies apply for certification from the HFA and then to DECLG for capital funding (under CALF). The DECLG examines proposals put forward and considers if

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[30] Seehttp://www.icsh.ie/sites/default/files/attach/icsh-news/705/circular_housing_5-2014_cas_2014-2016.pdf, downloaded 20 March 2014.

a P&A should be signed. Under the P&A the housing association receives 92 per cent of market rent (95 per cent when management charges apply) and this is reviewed every four years based on the CPI rental index. There is also a one-off administration payment to cover start-up costs (approximately 5 per cent of costs). The housing association receives a differential rent, of approximately 15 per cent of income, from the tenant. In practice this means that the housing association is likely to receive in excess of the market rent (see example below). In addition, not all of the units in a development funded by CALF and covered by P&A have to be allocated to social housing. For example, Cluid acquired 58 apartments in Dublin from NAMA at a cost of €10.3m. This was funded by HFA (75 per cent) and Cluid resources and CALF. It is reported that 34 of the apartments will be allocated to social housing; the remaining 24 will be rented through the private market.[31]

A potential new source of provision by housing association arises from the work of NAMA. NAMA may sell property for social housing at a modest discount. The property sourced from NAMA is first offered to local authorities to assess its suitability and they approach approved housing bodies to gauge their interest. The AHB then negotiates with NAMA[32] to buy or lease (sometimes with an option to buy) the properties from NAMA. Local authorities to date have not bought any properties from NAMA.

4.3 Scale and Cost

While it is expected that CALF and P&A will be central to the future provision of social housing it is currently relatively small in terms of expenditure. In 2011, €15m was available for CALF and there were P&As with 6 AHBs. In terms of debt finance, by 2014, the HFA had approved seven[33] housing bodies for direct lending, for a total of €40m. Some finance has also been raised through commercial banks.

The low take up is despite what seem like generous terms. This probably reflects the need to incentivise AHBs to adopt what is quite a radical change in their approach and funding structure. Box 1 provides an example of 2 bedroom apartment in Dublin in which the gross yield is around 7 per cent and net yield just under 6 per cent.

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[31] See http://www.cluid.ie/New_Approach_for_Social_Housing_Unveiled_by_Cl%C3%20BAid_and_the_Department_of_the_Environment/Default.2511.html

[32] NAMA also negotiate agreement on this with the developer of the property.

[33] The seven are: Circle Voluntary Housing Association, Clúid Housing Association, Clanmil Ireland, Oaklee Housing Trust Limited, The Iveagh Trust, Túath Housing Association and NABCo

Box 3: Payment & Availability Agreement and CALF—Practical Financial Example

Housing Association Purchases Two Bedroom Apartment in Dublin

Market Rent:	€950		
Market Price:	€180,000		
Capital Advance:	20 per cent		
Expenditure	80% Finance @ 5 %	€781	
	Management and Maintenance	€175	
	Total		€956
Income	92 % Market Rent	€874	
	Differential Rent (Average)	€200	
	Total		€1074

Source: Housing Agency, Approved Housing Bodies: Overview of Payment and Availability Agreement and CALF

4.4 Issues Within the New Association-Based Social Housing Approach

Introduction

While there may have been some initial teething problems with the CALF and P&A, the process is now perceived by most of those interviewed for this project as streamlined and efficient. However some noted that the process of getting approvals remains lengthy and that uncertainty caused by lack of a multi-year plan for the allocation to CALF is problematic.

The key issues which arise within the new approach are access to finance; supply of land and property; ability to fund projects outside main cities; and pressure on own resources.

Access to Low Cost Finance

Access to fixed-rate, low cost finance seems to be an obstacle. In Ireland, the HFA, which is government owned, provides long-term (10 years) finance at an average cost of 6.57 per cent, though this is under review. Variable rate finance is currently set at 3.3 per cent (Euribor Three month, currently .31 per cent, plus 3 per cent). Most finance to date has been based on variable rates.

The Housing Finance Corporation (THFC) in the UK can provide long term 20-30 year finance at a fixed rate of 5 and 5.5 per cent. THFC is a non-profit organisation which has in recent years made increasing use of capital markets. Its costs of funds has been about 1 per cent higher than UK gilts. The higher cost in Ireland may reflect current financing challenges, smaller scale and the fact that financing of Irish social housing is a new area for investors or financiers.

In addition, it would seem that when an organisation has wider social activities the HFA are cautious. For example, one housing association noted that its reliance on donations and HSE funding was giving rise to HFA concern, despite the fact that the payment and availability agreement provides dedicated funding that would service the debt. But the HFA assesses the organisation as well as the funding stream.

In addition, it is also evident that this new approach does require a greater level of financial expertise within the housing associations. It is unlikely that this will be available except in the larger associations.

Pressure on own resources

Although the arrangement seems to promise more than 100 per cent of market rents, the model does require housing associations to use their own resources. This in part reflects costs that fall outside the scope of the P&A—for example, start-up costs, such as surveying and some financing and legal fees—but also it seems that lenders may require associations to use some of their own resources in projects. This seems to be a major constraint for associations in carrying out large scale developments.

In addition, pressure on housing associations to use their own resources may be amplified by the way in which housing acquired under the CLSS was secured by the local authorities. Under CLSS the housing associations entered into a mortgage agreement with the local authority. These are non-repayable mortgages: capital repayments and interest charges are waived so long as the housing association complies with the terms of the scheme. However, as these properties are subject to a mortgage agreement it means that the housing associations cannot use these assets to raise debt finance as the local authority retains title to these properties. As stated, under CLSS around 7,000 houses have been acquired by housing associations.

Supply of Land and Property

It is not clear if housing associations can make this model work when they have to acquire land or property at current or future higher market rates, in particular in Dublin. To do so will depend on both accessing lower cost finance and achieving high and potentially rising rents. As discussed below high rents and rising rents increases the cost to the State.

Developments to date have been based on stock transfer and acquisitions from NAMA. The ability to get these types of assets (sites or property) is seen by many AHBs as a binding constraint on further expansion. The Land Aggregation scheme[34] would seem to offer an important means of creating supply for housing associations.

Ability to fund projects outside main cities

A strength of the new approach is that it is most viable where demand and market rents are strongest. This has the advantage that it incentivises housing provision where demand exists. However, it also means that in current circumstances social housing is not viable in many areas (rural areas and large towns) under this model. In these cases CALF plus P&A leaves a significant funding gap that must be financed using other means, principally own resources which are finite.

The blanket claim that rents offer a good guide to what is demanded may not always hold. For example, an association may have to build new property in a specific location and to particular specification. A P&A based on 92 per cent of market rent, which is low because of general excess in capacity, can result in a very significant funding gap.

4.5 Issues About the New Association-Based Social Housing Approach

This section discusses three issues about the new association-based social housing provision: low take-up; the risk of changing rents and interest rates; and the question of unbundling the various roles of the housing associations.

Low Take-Up

There is both a low rate of application to the HFA (18 in 2012) and a low rate of approval, with just seven housing associations approved in 2014 for total lending of €40m.

It is early stages in the development of this new approach. A survey of members carried out by the ICSH suggests a target of around 5,000 new units over the three year period 2014-2016. However, placing this in context, under the old grant funding model just over 600 new dwellings were added in 2012. This lower bound figure needs to be kept in view when discussing the overall approach to affordable and social housing. Even if issues within this approach to funding are addressed it is

[34] This scheme was set up by Government in 2010 and discontinued in 2013. Under it, local authorities could have loans taken out to purchase land for social and affordable housing repaid, with the land then transferred to the Housing Agency. 73 sites had been transferred by the end of 2013 (Irish Times, *Government scraps €600m scheme to pay council land debts*, 22/12/2013).

likely that the contribution of the sector will be modest in relation to the scale of the problem.

In addition, it is also important to note that for many housing associations managing risk will be challenging because they do not have history of having to manage this type of risk or the necessary financial or housing market expertise. It may be that many smaller associations will not see expansion based on CALF as a viable option; and increasing provision may be confined to what can be achieved for specific needs under CAS. The other possibility may be mergers or acquisitions.

Risk of Rising Rents and Interest Rates

A key issue about the process is how it allocates risk between housing associations and the State. The most significant issue is the risk that the State is exposed to as market rents rise. Under the P&A the State is required to review rent every four years and to adjust it in line with CPI rental index. This creates a significant and ongoing exposure for the State.

In the arrangements the housing association are asked to deal with risk associated with rent and interest rates changes. Risk can be minimised by selecting developments where rents are less likely to fall (that is areas where there is strong demand and need for social and affordable housing). It can also be managed by the approach to design and maintenance. For example tenancy voids are less likely (assuming low overall demand) when the association's housing is of better quality in terms of heating systems, insulation, furniture etc, than private housing. In this sense, the allocation of greater risk to AHB can be seen as positive. In terms of interest rates, the HFA and commercial banks offer 10 year fixed rates which reduce this risk in the short-term. However, associations may still feel cautious about what rates might prevail beyond this period. As interest rates are currently low it is currently the case that most financing has taken place at variable rates.

Unbundling the Role of Housing Associations: Financial Management, Development and Management

This discussion suggests that under the emerging policy associations will have three explicit roles. First, AHBs are expected to become the main conduit by which funding can flow from the state and markets (via HFA/ NTMA and banks) into the provision of housing. Money borrowed by the HFA and lent to housing associations is part of government debt but does not count as part of the government deficit. Second, they are expected to have a key role in the development and design of new build and refurbishment projects. Third, they will continue to have a role in the management and provision of housing.

However, this will be challenging for the sector. In relation to finance, DPER estimate that as few as 10 AHBs might be able to access finance in this way (2011). A number of the larger organisations have significant in-house design and development capacity, however most do not. The core competency of most is in the third area, management of housing services and commitment to maintaining the quality of the assets. But the scale of provision from most is small. It is important to ask, therefore, if the sector can or should take all of these roles?

In this context, it may be useful to consider if a degree of differentiation—based on expertise and capacity rather than size—within the sector might be warranted. Thus, there may be a number of associations which could be seen as preferred partners in relation to finance or design or shared services.

It is also important to ask if there may be more effective ways to ensure that costs of housing provision are 'off-balance sheet'—that is, that the role of AHBs in financing provision might be reduced.

4.6 Summary: Key Current and Future Challenges Concerning Reliance on Housing Associations as the Main Providers

The Government's Housing Policy Statement of 2011[35] is very clear in stating that housing associations will be the future providers of new social housing. Consequently, it is of great importance to ascertain the existing effectiveness and potential of this approach. Our account shows that there has been a very limited uptake of CALF and P&A, and housing association dwellings constitute a small percentage of total 'social' provision and a miniscule share of overall housing. In part, this may reflect factors at play in recent years—such as the limited involvement of the banks, design features of the various schemes, legacy planning, land and construction sector issues and NAMA's gradually increasing involvement—which might be addressed. But the limited response may also reflect the capabilities of the Irish housing associations, which it might not be easy to change significantly. While regulation of the housing association sector will improve the credit-worthiness of some associations, it will not turn committed niche providers into major developers and bodies capable of large-scale financial management. A central plank of Irish housing policy remains problematic.

A second major issue is that, where the new model works in yielding new supply, it will expose the state to meeting the costs of rising private rents, since the P&A agreements commit the state to providing 92 per cent of private sector rents. Exposure to market rents might not matter where there is a healthy supply of rental accommodation and, especially, where a large cost rental sector (see Box 1) provides a degree of discipline and stability. But the overall policy approach does not seem to contain measures that can either (a) secure adequate supply in either housing associations or private rental sector or (b) control rents. Indeed, it may be that the policy of relying on housing associations can only work as part of a long-term strategic approach aimed at building the scale and 'solidity' of a cost rental

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35 See http://www.environ.ie/en/DevelopmentHousing/Housing/HousingPolicy/PublicationsDocuments/FileDownLoad,26867,en.pdf, downloaded 23 March 2014.

sector. If so, it is important to explore the elements of such a strategy and to ensure that all short-term measures are consistent with this long-term logic. As noted above, one necessary element might be a departure from the differential rent system. Stock transfer from local authorities might be another necessary and feasible element of such an approach. Indeed, we attach considerable significance to the current exploration of this possibility by the Department and Dublin City Council.[36] As well as possibly providing a significant stock transfer and provision of refurbished apartments, this could uncover the kind of institutional arrangements necessary to make the overall policy work. Indeed, although we have listed institutional arrangements as a secondary and related issue in the summary box below, it may be the keystone without which the edifice of Irish social housing policy—and, indeed, overall housing policy—will not stand.

Primary Issues:

Supply: small uptake of CALF and P&A, reflecting a range of factors, including the scale and capabilities of the housing associations;

State exposure to rising private rents, unless supported by measures that secure adequate supply and limit rent increases.

Secondary and related issues:

A strategic approach aimed at building the 'solidity' of a cost-rental sector with provision of affordable rental housing for more of the population;

Differential rent;

Institutional arrangements for planning and land management, finance, development, construction and housing management.

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[36] Plans are underway to develop a project for the regeneration of 2,000 units of local authority flats using a special purpose vehicle. This would involve stock transfer to a new entity. Efforts are being made to involve four to five approved housing bodies in the project. It would be financed as follows: 25 per cent Exchequer, 25 per cent ERDF and 50 per cent EIB loan. It remains to be confirmed if this can be structured off-the exchequer balance sheet.

5. Supports for Tenants and Landlords in the Private Rental Sector[37]

5.1 Overview of Ireland's Private Rental Sector

For a number of reasons, the private rental sector is becoming increasingly important in Irish 'social' housing and housing for those on relatively low incomes. First, this arises because of the sharp reduction in supply of new local authority dwellings, reinforcing earlier large reductions in total stock. Second, in this context public policy is increasingly seeking to meet social housing need through the private rental sector—through provision of Rent Supplement and other schemes. Indeed, international analysis underlines the degree to which the social dimensions of the housing system, and policies aimed at meeting social need, cannot be understood and amended without taking account of both the character, scale and regulation of the private rental sector and the position of owner occupation.

Census 2011 showed that 320,319 permanent private households were in accommodation rented from a private or voluntary body in 2011,[38] 19.4 per cent of all households. This is a considerable rise of 64 per cent from 2006, when 195,797 households were renting from a private or voluntary body (13.4 per cent of all households).

Rental accommodation is spread among all dwelling-types, but the largest group of private/voluntary renters rent apartments, either in purpose-built blocks (89,993—28 per cent) or in converted houses or commercial buildings (21,884—6.8 per cent). Renting is the most common tenure category for apartments, with approximately 75 per cent of apartments rented in April 2011.[39] Meanwhile the second largest group of renters live in semi-detached dwellings (87,790—27 per cent). The smallest group, 4,579, lived in bedsits in 2011, down from 8,751 in 2006. There are few large landlords, with approximately 70 per cent of residential property let by a landlord who owns at most two properties (Dunne & Sirr, 2012).

The average private rented dwelling has 3.9 rooms,[40] with 2.5 occupants. This compares to 5.9 rooms in homes owned outright, with 2.4 occupants; and 6 rooms in homes owned with a mortgage, with 3.2 occupants. This shows that accommodation is used more intensively in rented homes.

Most rented property in Ireland is located in urban areas, with the proportion of households rented by their occupants in the cities of Galway (39.8 per cent) and Dublin (34.1 per cent) much higher than the average (29 per cent).

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[37] All data in this introductory section is taken from CSO 2012a6.

[38] Only 14,942 dwellings were rented from a voluntary housing body, and 305,377 from a private landlord.

[39] Compared to 69 per cent in 2006.

[40] 'Rooms' exclude kitchens, bathrooms, and storage cupboards.

There are also different tenure patterns by nationality in Ireland, as Table 2 below outlines:

Table 2: Number and percentage of Irish and Non-Irish Permanent Private Households Renting from Private Landlords in 2006 and 2011

	2006	2011	Increase 06-11	% increase 06-11
No. of Irish households renting	118,867	182,906	64,039	53.9
No. of non-Irish households renting	76,930	137,413	60,483	78.6
Total no of households renting	195,797	320,319	124,522	63.6
% of Irish households renting	9.2	12.9		
% of non-Irish households renting	46.4	60.3		

Source: Data abstracted from Census 2011, The Roof Over our Heads

Table 2 shows that the proportion of non-Irish nationals living in rented accommodation is very high—60 per cent of non-Irish households were renting in 2011, compared to 13 percent of Irish households. Although the increase in households renting between 2006 and 2011 was quite evenly split among Irish and non-Irish, proportionately the increase was much greater among non-Irish nationals. The likelihood of renting is highest of all where the householder originated from countries that joined the EU from 2004 onwards, with over 90 per cent of this nationality group renting (72,825 households). Households headed by a foreign national which lived in rented accommodation were most likely to be in an urban area.

The average weekly rent paid to a private landlord or voluntary body throughout the State in 2011 was €167, with the highest average rent paid in Dun Laoghaire (€260). This represents a decline since 2006 (CSO, 2012a), although rents are rising rapidly again in large urban areas. For example in Dublin, rents have increased by over 15 per cent since their lowest point in quarter 1, 2011.[41]

The private rental sector is regulated by the provisions of the Private Rental Tenancies Act, 2004. It outlines the behaviour required of tenants (e.g. pay rent on time and avoid causing damage to property) and landlords (e.g. carry out repairs). This Act also introduced improvements in private tenant's rights in relation to security of tenure and rents which could be charged. Tenancies under the Act are

[41] See the PRTB rental indices, http://www.prtb.ie/docs/default-source/rent-index/prtb-quarter-4-report-final.pdf?sfvrsn=2, accessed 7 April 2014.

based on a four year cycle. They can be ended for any reason during the first six months; and for the remaining three and a half years only if:

- the landlord intends to sell the dwelling in the next three months
- the landlord requires the dwelling for own or family member occupation
- the landlord intends to refurbish the dwelling
- the landlord intends to change the business use of the dwelling
- the accommodation is overcrowded, or if
- the tenant does not comply with the obligations of the tenancy.

Tenants must be given 28 days notice to leave for the first six months, and this notice period rises over time, to 112 days for four years or more.

Under this Act, rent may not be greater than the open market rate and may be reviewed (upward or downward) once a year only (unless there has been a substantial change in the nature of the accommodation that warrants a review). Tenants are to be given 28 days notice of new rents.

Disputes on rent and other issues can be referred to the Private Residential Tenancies Board.[42] All tenancies are required to be registered with the Board, which had 281,000 tenancies registered at the end of 2013.[43] Comparing the number of registered tenancies to Census 2011 data on private residential tenancies indicates that approximately 14 per cent of these tenancies are not registered with the PRTB—although the unregistered also includes cases where an individual rents a room in a private house, which does not require registration.[44]

The requirements of the act apply to private residential tenancies, but these requirements will be extended through new legislation[45] to most of the voluntary housing sector.

Although the 2004 Act constituted a significant improvement, the degree of security of tenure and rent regulation in Ireland remains low in comparison to that in much of continental Europe. This both creates, and reflects, a housing system in which

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[42] See http://www.threshold.ie/download/pdf/residential_tenancies_act_2004_a_quick_guide.pdf, downloaded 31 March 2014.

[43] See http://prtb.ie/landlords/rent-index

[44] See Threshold's guide to the act, at http://www.threshold.ie/download/pdf/residential_tenancies_act_2004_a_quick_guide.pdf, downloaded 4 April 2014

[45] The Residential Tenancies (Amendment) Bill, 2013.

long-term rental is not seen as a secure and viable option for most people and is seen as an inferior tenure to owner-occupation.

Supports for Landlords

Before outlining the main support available for tenants[46] we outline supports for landlords. The principal support is tax relief on expenses including 75 per cent of mortgage interest, management and letting fees, insurance costs, service charges, repairs and maintenance and general wear and tear. However these represent a reduction from the situation several years ago. For example, before 2009, 100 per cent tax relief could be claimed on mortgage interest by investors. Budget 2014 also introduced a provision whereby PRSI has to be paid on non-PAYE income over €3,174, such as rents. Property tax charges have also been introduced. These changes in tax all reduce the profit that can be made from renting property. In addition, in quarter 4 of 2013, 21 per cent of residential mortgage accounts for buy-to-let properties were in arrears for over 90 days, for 30,706 properties (Central Bank, 2014b).[47]

Section 23 schemes which provided higher levels of tax relief were introduced to encourage specific types of developments, for example urban regeneration. Introduced in the 1980s, and broadened in the 1990s and 2000s, most were abolished in 2006. There is also Section 50 relief which incentivises investment in provision of student accommodation. In addition, there is also a rent-a-room relief in which home owners can rent rooms and receive up to €10,000 per year rent tax-free. Finally, a new development in Ireland was the introduction in 2013 of legislation to allow real estate investment trusts (REITs).

As noted above, Irish policy increasingly seeks to meet social need through the private rental sector. In this respect, three elements of housing policy are of particular importance:

- Rent Supplement,
- Leasing and RAS, and
- HAP (Housing Assistance Payment).

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[46] Income tax relief is available on rent paid for private rented accommodation used as a sole or main residence. However, this relief is being phased out, and can only be claimed by those already renting on 7 December 2010. The amount of relief is being reduced gradually and will end after 2017. For this reason this is not discussed further in this report.

[47] This represents almost 10 per cent of privately rented homes in the State. It can be very problematic for the tenants concerned, as there is no clarity on their rights when their home is repossessed—see Threshold's pre-budget submission on this, at http://www.threshold.ie/download/pdf/threshold_prebudget_submission_to_dept_of_finance_august_2013.pdf, downloaded 26 March 2014. The Government has agreed to look at this issue.

In the following sections we describe each of these policies, identifying the scale and cost of each. We then identify the issues arising within this approach and some more fundamental questions about the viability and effectiveness of the overall approach.

5.2 Rent Supplement: An Overview

Tenants in private rented accommodation who cannot afford to pay the rent from their own resources may be able to claim rent supplement payments from the Department of Social Protection. The majority of rent supplement tenants are in accommodation owned by private landlords, although a small number are in accommodation built by voluntary housing associations through CAS. Those eligible include those on local authority housing lists, those who have been living in accommodation for homeless people, those who have been living in an institution, and those who could originally afford their accommodation but no longer can do so due to a change in circumstances. Those working over 29 hours a week, or with a spouse/partner engaged in such employment, cannot claim rent supplement.[48]

Under the scheme, there is no direct relationship between the Department of Social Protection and the landlord. The tenant applies for the supplement and the Department processes the application, which includes documentation from the landlord (e.g. PPSN and tax number). The rent is usually paid directly to the tenant who then pays it to the landlord. However the payment can be made directly to the landlord if the tenant requests this and the claims officer agrees to it. As with differential rent in local authority housing, any changes in household income must be reported to the claims officers immediately so that payment of rent supplement and tenant contribution can be adjusted. In any case, the recipient's claim for rent supplement is reviewed regularly, usually every six months. Any overpayments by the Department must be repaid by the tenant.

There are limits on the amount of rent supplement paid, and on the amount of rent that can be paid for the property, and these limits vary according to area and to family composition. The current maximum monthly limits in Dublin (excepting the Fingal area) are outlined below.

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48 See http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/supplementary_welfare_schemes/rent_supplement.html, downloaded various dates in March 2014

Single person not sharing	Single person sharing	Couple not sharing	Couple sharing	Couple/ OPF* with 1 child	Couple/ OPF* with 2 children	Couple/ OPF* with 3 children
€520	€350	€750	€400	€950	€975	€1000

*—One Parent Family

These rates were set in June 2013, and will be in place until 31 December 2014, following the next review of rent supplement levels. These reviews take place regularly in the Department of Social Protection, and are undertaken using PRTB data on the value of rental tenancies, in addition to CSO and Daft.ie rental indices. The share of rental accommodation occupied by those on rental supplement is approximately 30 per cent (down from 40 per cent, due to the increase in the numbers renting), and the rent supplement limits are set at the 35th percentile of availability, to ensure that 35 per cent of the relevant market is suitably priced for rent supplement recipients.[49] Where the reviews lower the amount of rent supplement which can be paid (as happened in many rural counties in the last rent limit review), the tenant is obliged to negotiate a decrease in rent with the landlord, as there is no direct relationship between the Department of Social Protection and the landlord.

The rent level limits are set by county, but stakeholders interviewed for this research outlined that the limits aim to cover the rents charged in urban areas of each county. In areas of the county with lower demand and lower rents, a lower rent limit operates depending on the rents asked for locally. However these limits are set informally based on local knowledge among DSP staff (similar practices occur under RAS in the local authorities).

Rent supplement is calculated to ensure that an eligible person, after the payment of rent, has a minimum income equal to the rate of Supplementary Welfare Allowance appropriate to their family circumstances, less a minimum weekly payment of €30 for a single person and €40 for a couple (which have increased in recent years). Therefore a household, depending on their income, may not be allowed to rent accommodation which costs more than the amounts specified by the Department of Social Protection, even if they pay the rest of the rent themselves. For example, a single person living alone in Dublin who cannot afford to

[49] See http://www.welfare.ie/en/pressoffice/Pages/pr050613a.aspx, downloaded 31 March 2014.

pay their accommodation costs, may not, depending on their income, rent a property for €969 (the average rent for a one bed in Dublin 1 in Q4, 2013),[50] claim €520 (the rent limit set for a single person there), and organise to pay the remaining €449 themselves. Instead the person must move to accommodation which costs €520 or less. One reason is to avoid the individual being placed at risk of poverty.

Under the rules for rent supplement, a recipient who refuses two offers of social housing from a local authority within a twelve month period will have their rent supplement stopped, and it cannot be claimed again for twelve months.[51] This rule is monitored through engagement at local level between the staff of the local authorities and of the Department of Social Protection. However it is not clear how effective the rule is. Its application is likely to be facilitated by the move of responsibility for all long-term social housing need to the local authorities, under HAP.

Rent supplement was originally intended as a short-term payment for those whose circumstances had changed. However almost two thirds of its recipients have been on it for over 18 months, and there are also concerns that the conditions of the payment may act as a disincentive for recipients to seek full-time work. A number of schemes have been introduced to address this—the Rental Accommodation Scheme in 2004, and the Housing Assistance Payment which is currently being piloted. See below for further details.

5.3 Leasing and RAS: An Overview

There are an increasing number of leasing arrangements between local authorities and private landlords, and one stakeholder interviewed referred to ten. It is clear from looking at arrangements in local authorities that there is more than one arrangement. However most are short-term (less than 10 years), with some (about 10-20 per cent) long-term (10-20 years). The key schemes which are used by local authorities to lease accommodation for those in need of social housing will be outlined here.

The first scheme is the Rental Accommodation Scheme, or RAS, which was introduced in 2004. Under this scheme, individuals who have been on long term rent supplement, and who have been assessed as having a long-term housing need, can be housed in accommodation leased by the local authority housing division. This accommodation is in the private rented sector and in the voluntary housing sector. Recent data is not available on the proportion in each, but the 2007 Social

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50 See the Daft rental report for that quarter, p.6, at https://c0.dmstatic.com/536/report/Daft-Rental-Report-Q4-2013.pdf downloaded 31 March 2014.

51 See http://www.citizensinformation.ie/en/social_welfare/social_welfare_payments/supplementary_welfare_schemes/changes_to_rent_supplement.html, downloaded 1 April 2014. The person's place on the local authority housing list will also be suspended for 12 months.

Housing report showed that by end of 2007, 2,846 had been transferred from rent supplement into voluntary and co-operative accommodation; 2,910 to private-rented accommodation; and 5,340 to local authority accommodation.

Under RAS, there is a three-way relationship between the landlord, the local authority and the tenant. In general, the local authority seeks a contractual arrangement with a landlord to make housing available for RAS for an agreed term. Arrangements vary, but a perusal of the various types in different local authorities indicates three main types of arrangement. The first is where the local authority secures medium to long-term availability of the accommodation and nominates the tenant. A second arrangement involves tenancy by tenancy arrangements with a landlord to meet short-term accommodation requirements. For example, the tenant could be an existing tenant of the property who is currently on rent supplement and is eligible for RAS. Finally, long-term arrangements can be made between developers and local authorities for long-term availability of accommodation. This arrangement can use blocks of accommodation that were not sold in the boom, and sometimes involves blocks of accommodation leased from NAMA. This option appears similar to the social housing leasing scheme, which was introduced in 2009. This scheme also involves housing authorities leasing properties from private property owners to provide accommodation to households on social housing waiting lists. However under this scheme properties are only leased for a long-term period, of e.g. 10 to 20 years.

The local authority guarantees the rent on behalf of the tenant under RAS, and makes the full payment directly to the landlord. The rent level is determined by negotiation between the landlord and the local authority. It was thought that the involvement of the local authority could help better negotiation on rent reductions than relying on tenants (some of whom are particularly vulnerable) to try and negotiate these. The amount paid cannot exceed the current rent supplement rent level in the areas for each type of household, and these levels are to act as an upper limit in negotiations between local authorities and landlords. However the local authorities will seek to pay rent below these levels, as RAS will reduce landlord costs in a number of ways. For example, the landlord does not have to collect rents during a RAS tenancy, prompt rent payment is guaranteed, and under longer-term arrangements, the landlord does not have to fill vacancies.[52]

The tenant then pays a differential rent, according to their income, to the local authority. This means that the tenant can take up full-time employment which is an improvement on the conditions under rent supplement.[53]

The conditions of tenure under RAS are as in the 2004 Private Residential Tenancies Act. As outlined above, this Act introduced many improvements for tenants in

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52 See for example the RAS landlord leaflet for Tipperary North, at http://www.tipperarynorth.ie/housing/housing_acc_ren_rll.html, downloaded 31 March 2014.

53 See e.g. http://www.sdcc.ie/services/housing/finding-a-home/ras-for-tenants, downloaded 31 March 2014

Ireland, but it does however provide accommodation with less security of tenure than local authority accommodation. Tenancies under the 2004 Private Residential Tenancies Act run on a four year cycle,[54] and can be terminated for a number of reasons related to private ownership, which do not apply to local authority-owned housing.

The 2004 Act also outlines that rent may not be greater than the open market rate and may be reviewed (upward or downward) once a year only.[55] Changes in rent according to market rates can represent a problem for RAS tenants, if the market rate of rent increases to above a level which is mandated by rent supplement rent limits. This introduces an element of tenure insecurity linked to the annual rent review.

On the other hand, local authorities inspect all accommodation before agreeing contracts under RAS, which is argued to have helped increase the standard of accommodation available to those renting socially (Haffner *et al.*, 2009). An example can be seen in Dublin City Council, which decided not to pay RAS in respect of bedsit accommodation (before the new regulations to abolish bedsits came into effect in January 2013).

5.4 HAP: An Overview

In July 2013 the Minister for Housing and Planning announced the introduction of a Housing Assistance Payment (HAP), which those on rent supplement with a long-term housing need will be transferred on to (those with a short-term housing need will remain on rent supplement, under the Department of Social Protection). HAP will be administered by local authorities, although the accommodation will be sourced by the tenants, which is a key difference from RAS.

The HAP will use privately owned (as well as housing association-owned) accommodation to provide social housing. It will differ from rent supplement, and be more similar to existing local authority housing and RAS, in that it will be possible to be in full-time employment and receive HAP, as a form of differential rent will apply. The tenant will pay the differential rent to the local authority, who will pay a market-related rent to the landlord. The amount of HAP paid will be withdrawn as the tenant's income from employment increases, until it reaches a level when the HAP payment is withdrawn altogether. However it is planned that in this case the recipient will be able to stay in their home provided they pay the market rent to the landlord.

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54 The landlord can end the tenancy earlier under specified circumstances, such as selling the dwelling. These conditions are outlined in the 2004 Private Residential Tenancies Act.

55 See http://www.threshold.ie/download/pdf/residential_tenancies_act_2004_a_quick_guide.pdf, downloaded 31 March 2014.

As with RAS, the local authority will inspect the property and ensure it meets certain standards, before it agrees to pay HAP for that property.

The new payment is being piloted in Limerick from the end of March 2014, and will then be piloted in five other local authorities, before being rolled out nationwide in 2015. Part of this pilot will include testing a mechanism to make direct deductions of differential rent from tenants' social welfare payments. This will be difficult to do, but it is an important part of ensuring that local authorities are less exposed to rent arrears than they can be under RAS.

5.5 Scale and Cost of Rent Supplement, RAS and HAP

By the end of 2013, there were 79,788 recipients of rent supplement, with 63 per cent of them claiming rent supplement for over 18 months. The cost was over €373m, down from the cost in 2011 (DSP, 2013b). When rent supplement was first brought in (in 1997), the numbers claiming it were relatively low for quite some time, but began to increase significantly from the 1990s on. In 1994 there were 28,800 claimants and the cost was €56m. By 2004, there were 57,872 rent supplement recipients, at a cost of €354m. The number of households accommodated via rent supplement increased by 100 per cent between 1994 and 2004, while social housing tenancies increased by 13 per cent. This is related to changes in household composition (more single person and lone parent households), increased immigration, the declining number of local authority homes constructed and available, and housing inflation (Norris & Coates, 2010).

By the end of 2013, almost 48,000 households had been transferred to RAS since 2005. Data in a recent parliamentary question showed that 6,337 people had been transferred to RAS or another form of social housing in 2011; 5,451 in 2012; and 4,701 in 2013. €130.8m was spent on the scheme in 2013.[56]

Under the social housing leasing scheme, by the end of February 2014, 4,736 social housing units had been delivered, of which 2,256 units were leased or rented from private property owners.[57] Expenditure on this initiative to the end of February 2014 has been €66.9m.[58] This expenditure includes the cost of recouping the interest on 1,985 unsold affordable units to local authorities and leasing costs on 497 units in the ownership of approved housing bodies or the NAMA special purpose vehicle. The remaining 2,256 units have been acquired under lease or rental arrangements from private property owners. The current cost of the private

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[56] See http://www.kildarestreet.com/wrans/?id=2014-03-12a.43&s=rental+accommodation+scheme.

[57] See http://www.kildarestreet.com/wrans/?id=2014-03-12a.43&s=rental+accommodation+scheme.

[58] It is not clear from the source (a parliamentary question) what time period this refers to.

property owner units is an average of €6,472 per unit per annum[59] (so approximately €14.6m for these private units).

It is planned that all those in long-term need of housing who are on rent supplement over 18 months will be transferred to HAP. At the end of 2013, this figure amounted to approximately 50,000 households. RAS is also to be replaced by HAP, and there are currently approximately 25,000 households on RAS. Therefore HAP can be expected to provide accommodation to at least 75,000 households. However these are not new costs (unless the number of eligible recipients increases). The scheme will however not increase the supply of social housing in the control of government over the long-term.

5.6 Issues Within Rent Supplement, RAS and HAP

The main issues within these schemes are the rent limits for rent supplement; administration issues; the insecurity of tenancies; issues with sourcing suitable supply and the resources needed within local authorities.

Rent Supplement rent limits

Over the past few years, rent supplement payments have been reduced, both to reduce expenditure, and also as the Government has been concerned that rent supplement rents are acting as a floor to rent levels, given that rent supplement pays for 30 per cent of rented accommodation in the State. However despite the reduction in rent supplement rent levels, rents have increased significantly in Dublin and a number of other areas over the past few years (suggesting that supply and demand factors have more influence over rent levels than the floor set by rent supplement limits in these areas). There are many anecdotal reports, and reports from stakeholders interviewed for this research, that it is difficult for people to find accommodation within the rent supplement limits. In addition, many landlords will not accept rent supplement at all. There are also anecdotal reports of recipients paying landlords above the specified tenant contribution, although this is prohibited. These patterns were identified by the Citizen's Information Board (CIB) as far back as October 2012, when they reported that rent supplement queries were the single most-asked about policy issue in that quarter (10 per cent of all queries). In a survey of 200 callers with rent supplement queries to the CIB in September 2102, problems with finding accommodation within the rent supplement limits were cited by 29 per cent of these callers.[60] Even though rent supplement limits have been reviewed since, the increase in rents is considered to have outstripped

59 See PQ asked by Richard Boyd Barret, as the bottom of this page: http://oireachtasdebates.oireachtas.ie/debates%20authoring/debateswebpack.nsf/takes/dail2014031200070?opendocument#WRA01450.

60 See http://www.citizensinformationboard.ie/publications/social/downloads/Submission_Rent_Supplement_Nov2012.pdf.

the increases in rent supplement, which the CIB attributes to the number of renters in full-time employment who are renting as they cannot buy. Therefore rent supplement recipients are increasingly priced out of this crowded rental market. Groups who can suffer discrimination, such as Travellers, are particularly badly affected. The CIB also reported that vulnerable tenants have difficulty negotiating rent reductions with landlords. Some stakeholders also reported people moving into over-crowded and sub-standard accommodation paid for by rent supplement and RAS, due to these low rent limits.[61]

Another issue reported is the reduction in social welfare payments for those under 24, who are entitled to claim only €100 of Jobseeker's Allowance per week (unless they are in education or training approved by the Minister for Social Protection, in which case a higher rate of €160 applies). If they receive rent supplement they are still required to pay €30 towards their rent (if single), leaving them with €70 per week to live on. Those in this position may be at risk of poverty, particularly if they are not living in the family home, for example young Travellers, who typically marry early. Department of Social Protection staff do however have discretionary powers to deal with the most vulnerable cases, such as those affected by domestic violence, etc.

Rent supplement limits for single people were increased in a number of urban areas in 2013, as new regulations came into effect in January 3013 which abolished bedsit accommodation. There were 6,259 persons living in bedsits at the time of Census 2011, and it would seem that most of these have moved into alternative accommodation. However there continues to be an increase in the numbers homeless, with the Housing Agency reporting an increase from 73 people sleeping rough in spring 2012, to 94 in spring 2013, and 139 in winter 2013. The latter is the highest figure recorded since they began collecting this data in 2007.[62] Stakeholders considered it likely that these figures include some of those who were previously in bedsit accommodation.

Administrative issues

The CIB survey cited above found that unavailability of DSP staff to answer queries on rent supplement was the second most common complaint, cited by 22 per cent of the callers. The application form for rent supplement is 25 pages long, and can be difficult to complete (although it has been improved in recent years). Processing of rent supplement applications has also been centralised in some areas, which has the advantage of dedicated staff and longer hours during which they can be contacted. However in practice the CIB found that this does not work satisfactorily in all of these new centres, and there are reports of phones not being answered, applicants being placed on hold for hours, applications being lost, and difficulties

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[61] This is also reported to be happening in privately rented accommodation not paid by rent supplement, also due to the increase in rents in urban areas.

[62] See http://www.homelessdublin.ie/about-rough-sleeping.

gaining information.[63] Stakeholders interviewed for this research also indicated variable service in relation to rent supplement, with some centres processing applications very efficiently while there were delays in others. This can lead to vulnerable people losing their accommodation—which means that they continue to seek other accommodation options through public services. The Department of Social Protection notes some improvements since the CIB survey in 2012, with for example an amended application form which has led to an increase in the number of fully completed applications received, facilitating improved claim turnaround times. Where complete information is supplied rent supplement applications are generally processed within five working days, but delays arise when the necessary information is not initially supplied.

A number of stakeholders also noted that the administration of rent supplement is problematic for landlords. It takes approximately 8 weeks for rent supplement to be approved, and so a landlord could be letting his/her property for some time before receiving full rent. This can be particularly problematic for landlords with buy-to-let mortgages, who need rent to be paid promptly so that they can meet their mortgage repayment deadlines. Where the individual is not awarded rent supplement, the landlord then may need non-rent paying tenants to leave the property. In line with rent reductions overall in the State (until recently), rent supplement rent levels were cut several times between 2009 and 2012/3, which reduces costs for Government, but does not leave discretion to the landlord and tenant to decide on the appropriate rent for the property. Stakeholders were of the view that some of these aspects of rent supplement do not suit the modern rental market.

RAS is also considered to be administratively heavy, particularly to lease a single house. It is efficient to process RAS for a block of accommodation, but less efficient for one dwelling. Similar issues arise with the Social Housing Leasing Initiative. Local authorities reported that the administration associated with the scheme was quite time-consuming and so they preferred to take out leases on a block of properties. Leasing a block of properties also led to greater ease and efficiency in management, compared to managing a number of properties in different locations.

In some cases complicated legal issues arise due to the three-way relationship between the landlord, local authority and tenant in RAS; and the fact that the tenancy is governed by the Private Rental Tenancies Act 2004, which only applies to landlord and tenant. So if for example the tenant is in arrears paying his/her rent to the local authority in respect of the RAS property, the local authority, which is not the landlord, cannot evict them. The local authority needs to rely on the landlord (who can meanwhile be receiving guaranteed rent from the local authority) to evict the tenant. In some cases, the landlord is a non-resident, for whom the local

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[63] See http://www.citizensinformationboard.ie/publications/social/downloads/Submission_Rent_Supplement_Nov2012.pdf, p.5-7.

authority management of the tenancy could be particularly attractive. However this can present particular difficulties for local authorities in dealing with a non-paying tenant, or a tenant who behaves anti-socially, as it is difficult for a landlord who does not live in the country to tackle this.

Insecure tenancies

Since 2011, RAS recipients are deemed to be housed without any further long-term housing need, and so their name is removed from the local authority housing waiting list. However as outlined above, these tenancies are covered by the conditions of the Private Rental Tenancies Act, and so are not as secure as those provided by local authority-owned accommodation, which tenants usually could occupy for life. This can be very disruptive for the tenant—and can also lead to them returning to the local authority to source other housing supports.

Stakeholders interviewed as part of this research reported that although RAS could work well when there was low demand for private rental properties, now that this demand has returned in some areas, landlords are leaving leasing schemes. This is particularly the case in urban areas such as Dublin and its surrounds, which have the highest numbers seeking social housing. As HAP will also rely on private accommodation, similar supply-and-demand problems are likely to occur with HAP, again meaning that previously housed tenants may return to public services seeking more help with their housing needs

Supply of Suitable Property

Originally it was planned that all those on rent supplement for over 18 months would be transferred to RAS. However with the increase in numbers on rent supplement, by the end of 2012, 41,670 households receiving rent supplement had been receiving it for 18 months or more, and clearly had not been moved into RAS (DSP, 2013: 88). This may indicate difficulties in finding enough RAS properties. As noted above now that demand for rental properties has increased a number of landlords are now leaving RAS to let to other tenants. Stakeholders also indicated that most leasing under the Social Housing Leasing Initiative had been of larger developments in urban areas, particularly when the scheme was first introduced. There had never been much suitable property offered in rural areas. Stakeholders were also of the view that most property owners did not want to lease their properties for such a long time period, preferring to retain some control over it during a period of flux. This could account for the low number of units acquired through the Social Housing Leasing Initiative. One stakeholder described this scheme as ‘stagnant’.

One stakeholder also reported that if a developer has unsold units, and has claimed back VAT on their construction, then if s/he rents the properties s/he must charge VAT on this rent, and if s/he subsequently sells the properties s/he must re-pay the reclaimed VAT. This does not incentivise developers to rent unsold vacant property.

Another disadvantage reported was that most leased housing was a standard size and design. It was particularly difficult to source accommodation which was accessible for people with disabilities, and also difficult to source accommodation for both larger and smaller families.

On the plus side, under RAS all accommodation is inspected by the local authority before a RAS contact is signed, and so it is considered to have increased the quality of accommodation.

Resourcing of transfer to local authorities

Local authorities see the value in having one housing body which deals with all social housing, supplied by either public, private or social organisations. However they are concerned about the workload associated with taking on responsibility for HAP, in particular how this will be resourced.

One specific issue is how rent will be deducted. Direct deduction of bills at source from certain social welfare recipients already occurs through the Household Budget Scheme. Under this scheme, which is operated by An Post, a fixed amount is deducted from the social welfare payment each week, which allows the cost of some household bills to be spread over the year. The relevant bills are those for local authority rent, ESB, Bord Gais, Eircom and Airtricity. The person's social welfare payment must be paid through the local post office, and the scheme operates free of charge. This Household Budget scheme will be used to facilitate the collection of rents during the initial roll out of HAP. Legislative[64] amendments specific to housing authority rents were recently introduced by the Department of Social Protection ensuring that once a person participates in a household budgeting arrangement, that person cannot subsequently withdraw from such agreement without the consent of the relevant housing authority or housing body.

Social rents, including those payable under HAP, will be deducted from social welfare payments and the necessary legislation is due to be enacted mid-year. There are a number of operational issues to be progressed prior to the implementation of this facility including the establishment of a centralised body to engage with the Department of Social Protection on behalf of the local authorities, development of the necessary systems and supports and access to real-time social welfare information. A Project Board comprising of officials from the Department of the Environment, Community and Local Government, the Department of Social Protection, local authorities and the Local Government Management Agency are working to progress the necessary issues.

[64] Section 15 of the Social Welfare Act 2012 (Number 43 of 2012), S.I. No. 578 of 2013—Social Welfare (Section 290A) (Agreement) Order 2013,

5.7 Issues About

The main issues within the private rental market are questions about supports for landlords; exposure to rising market rents; influence over supply; role of REITs; and an effective approach to social segregation.

Whether to Provide Further Supports for Landlords

The key issue about private rental is whether to provide further supports to landlords. The temptation to do so is strong given the supply shortage, however, the long-term sustainability of providing further supports must be considered.

Ireland does have one policy instrument which requires developers to agree to a degree of influence over its rental policy. Section 50 of the Finance Act, 1999 provides for a scheme of tax relief for rented residential accommodation for third level students. The guidelines do not create any requirement for the rent to be set at specified levels but does state that property must be let to students. This requirement applies for ten years after the first letting. Outside this term it can be rented to non-students. Guidelines are provided to ensure a high overall standard of design and construction: specifying, for example, floor areas for study rooms, internet connections, shared facilities and common services. In Dublin costs for accommodation, which includes utilities and insurance, are in the region of €5,000 to €6,000 for an academic year (42 weeks) or just over €130 per week.[65] In some cases it seems the accommodation will return to the university at the end of the period.

It is beyond scope of this work to consider the supply and demand for student accommodation and likely future rents; currently anecdotal evidence suggests that the market remains under-supplied. However, the scheme is important in thinking about the degree to which further supports might include directions and guidance on rental policy. It would seem that it is possible to get developers to agree to conditions about how property will be rented.

State Exposure to Rising Rents

Rent supplement was originally intended as a short-term payment for those whose circumstances had changed. But by 2009, the cost was €510m and is €373m in 2013,—along with €125m for RAS. As outlined above, this can be related to changes in household composition (more single person and lone parent households), increased immigration, and the declining number of local authority homes constructed and available. It also reflects the fact that rent supplement is set relative to market rents, and these have increased significantly. The state has enhanced its capacity to adjust these rents as market conditions change. However, it remains the case that state costs rise and fall largely in line with wider market

[65] Example based on full academic year for UCD Student Residency for 2013/2014. See www.ucd.ie/residences/residential-services/finance/fees

trends. This means that the state, in the private market sector, is exposed to considerable market risk.

HAP will have a number of benefits: not acting as a disincentive to taking up full-time employment (at least not to a certain level of income), and offering tenants the possibility of continuing to stay in their home when earning above a certain income limit. However HAP will rely mostly on private landlords to provide accommodation, and will pay market rent. This again leaves the State open to the dangers of cyclical market changes in supply and rents to be paid.

A key problem with rising rents is that people are becoming pushed out of the private rental market, with knock-on impacts on the demand for State housing services. As noted exposure to rising rents also arises in relation to AHBs.

Possible Role of REITs in Social and Affordable Housing

The Finance Act 2013 enabled REITs to be introduced to Ireland. A REIT is a listed company used to hold rented investment properties. It is exempt from corporation tax on qualifying profits from rental property. The aim of the REIT is to make the mode of property ownership tax neutral: if someone invests directly in property they pay tax on net income; using a REIT no corporate tax is paid on rental income but when it is distributed to shareholders tax is paid at the marginal rate. In both cases investors, capital gains are subject to similar tax treatment.[66]

In principle there is no reason why an existing REIT could not include residential and social housing within their portfolio (Pruitt & Wotpaka, 2013). In practice there are reasons, which include: the lower rate of return (particularly for social housing) than commercial or retail property, and the dispersed and diverse nature of residential property. There are also issues related to how tenants in social housing might be treated, for example in the event of falling into arrears; and, in terms of how REIT-owned social housing would be regulated.[67] In the UK it seems investors in social housing REITs will accept lower returns (6 per cent versus 8-9 per cent which is common for REITs) as the revenue stream is index-linked (until 2015) and seen to be underpinned by welfare payments (Property Wire, 2012).

In this sense, REITs could play an important role in helping to address the social and affordable housing challenge in Ireland and in bringing about greater stability and professionalisation of the rental sector. However, offering large institutional landlords both supply supports (tax exemptions) and rental guarantees needs to be considered in the context of the exposure created for the State. In this context, it is

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[66] The REIT may be more favourable in tax terms as there is some scope to reinvest in the REIT without paying tax.

[67] HM Treasury (2012). The Government's response to consultation on reforms to the real estate investment trust (REIT) regime: a) to explore the potential role social housing REITs could play to support the social housing sector; and b) to consider the tax treatment of REITs investing in REIT.

important to consider the issue of cost and unitary rental systems with rent restrictions.

Effective approach to social segregation

Following the very disadvantaged communities which developed in large local authority social housing estates in the 1970s and 1980s (particularly following sales of social housing that had been purchased by better-off tenants), local authorities have been very keen to ensure that social housing is integrated into mainstream housing. This is the reasoning behind the provision under Part V that developers allocate 20 per cent of dwellings in mainstream developments for local authority purchase for social housing. This is agreed to have led to somewhat greater social integration of social and affordable housing (DKM Economic Consultants & Brady Shipman Martin, 2012).

However this provision does not apply to tenants of rent supplement. While it is not relevant to short-term rent supplement payments, it is of relevance to the long-term RAS (and HAP) payments and views differ about what is happening in practice. Some local authority stakeholders reported that they tried to ensure that areas did not become ghettoised through a large preponderance of those on RAS or rent supplement. Others reported that those on rent supplement and RAS were being concentrated in particular towns, usually peripheral ones, where there was less demand and rents were cheaper and more likely to meet the rent supplement limits. While this may have an economic benefit for the State in the short-term, the dangers of a new form of ghettoisation, with its attendant long-term economic and social costs, need to be borne in mind.

One example of how social segregation has been addressed through rent supplement is in Ballymun. It was decided that rent supplement applications would not be granted for properties on the periphery of the area covered by Ballymun Regeneration. The reasoning behind this was that as much work and finance had been invested in regenerating Ballymun to address segregation of less advantaged groups there, that it would run counter to this to allow further numbers of disadvantaged people to live there on rent supplement payments. This may provide a model for addressing segregation through RAS and HAP (and possibly rent supplement) in the future.

5.8 Key Issues Arising in Meeting Social Housing Need Through Support for Tenants and Landlords in the Private Rental Sector

Our account shows that a number of both immediate and long-term issues arise concerning Ireland's increasing reliance on meeting housing need through support for tenants and landlords in the private rental sector. These issues arise from a central feature of this approach: it makes social provision significantly dependent on the quantity, cost, security and quality of accommodation in the private rental sector. But every one of these elements has long proven both unstable and unsatisfactory. This is so, first and foremost, because Ireland's private rental sector displays all the characteristics of a dualist, profit-rental, system: insecurity of rental tenure as a long-term option, the prevalence of amateur landlords, challenges in attracting institutional investment and provision, unstable private rental supply and competition between rental and owner occupation. But several of these standard dualist rental system features have been exacerbated because of characteristics of Ireland's construction sector, planning system, macroeconomic management and banking system. While these generally deepen the long-standing problems—for example, through the weak financial position of many buy-to-let borrowers –they may also, through the crisis they have generated, create an imperative and opportunity for fundamental reform.

The most immediate and disturbing effects are the sharply increasing rents in the private sector. This is putting tenants in receipt of rent supplement and RAS in extreme difficulty, with a number forced out. There are concerns that this may be giving rise to increased homelessness, overcrowding and associated health and safety risks.[68] For these people, and therefore for us, this is a housing crisis. And for many above these income levels the increasing scarcity and rents in the private rental sector are extremely problematic.

A second significant issue is that this approach—through rent supplement, RAS and HAP—also tends to expose the State to the costs of rising private rents, generating increasing exchequer cost. As noted above, without measures that can secure supply and limit rent increases, this means that either the State could have to pay increasing benefits or offer tenants less, or, as been happening in recent years, a bit of both.

This relates to a third issue, noted above: the extension of the traditional local authority system of differential rent to housing provided by both housing associations and private landlords. On rents, Irish policy faces in two different directions that may lack policy coherence and militate against long-term effectiveness: it asks tenants to pay differential rent, while offering landlords virtually whatever rents are generated in the profit-rental sector, with the taxpayer paying the increasing difference between these two. The other side of this coin is that on social housing provision Irish policy has faced in two different directions for several decades: to those who were accommodated when local authority social housing was in good supply it offers secure and highly affordable housing; to those on low incomes setting up home since the late 1980s it offers a range of much less secure and affordable options.

[68] Various stakeholders including the Department of the Environment, Community and Local Government, Department of Social Protection, local authorities and other agencies are working together on an inter-agency basis in the area of homelessness.

Primary Issues:

Housing crisis facing many on low incomes in the private rental sector;

State exposure to rising private rents, unless supported by measures that secure adequate supply and limit rent increases.

Secondary and related issues:

The private rental sector: continued dualist profit-rental or a strategic approach aimed at building the 'solidity' of a cost rental sector capable of providing affordable rental housing with secure tenure to a wider section of the population;

Differential rent;

Institutional arrangements for planning and land management, finance, development, construction and housing management.

Appendix 1: Types of Social Housing per County, Ireland, 2011-2012

Table A1: Counties with above average percentage of permanent private households in receipt of a form of social housing

County	LA (local authority) dwellings (including RAS), 31.12.12	RAS—cumulative cases transferred, 31.12.12	Approximate no of LA owned dwellings, 31.12.12	Rent supplement recipients, 31.12.2012	Mortgage Interest Supplement recipients	Traveller families in LA halting sites, 2011*	Accommodation provided to travellers by voluntary bodies with LA assistance, 2011	Total all LA social housing** & rent supplement	No of permanent private households, Census 2011	*% of all households receiving a form of social housing****	% of perm. private households in LA rented dwelling	% of perm. private households getting RAS	% of perm. private households getting rent supplement
Carlow	**2018**	**596**	**1422**	**1239**	**307**	**5**	**2**	**3264**	**19365**	***16.86***	**7.34**	**3.08**	**6.40**
Dublin	**43289**	**6322**	**36967**	**32584**	**3593**	**305**	**20**	**76198**	**466461**	***16.34***	**7.92**	**1.36**	**6.99**
Wexford	**4796**	**754**	**4042**	**3700**	**1011**	**10**	**0**	**8506**	**52345**	***16.25***	**7.72**	**1.44**	**7.07**
Longford	**1799**	**400**	**1399**	**511**	**75**	**4**	**8**	**2322**	**14410**	***16.11***	**9.71**	**2.78**	**3.55**
Waterford	**4659**	**1147**	**3512**	**1773**	**372**	**27**	**9**	**6468**	**42239**	***15.31***	**8.31**	**2.72**	**4.20**
Wicklow	**4745**	**536**	**4209**	**2495**	**539**	**36**	**0**	**7276**	**47579**	***15.29***	**8.85**	**1.13**	**5.24**
Louth	**3778**	**323**	**3455**	**2549**	**367**	**5**	**12**	**6344**	**43897**	***14.45***	**7.87**	**0.74**	**5.81**
Cork	**16445**	**2576**	**13869**	**9878**	**1235**	**83**	**1**	**26407**	**187555**	***14.08***	**7.39**	**1.37**	**5.27**
TOTAL/AVERAGE	**132485**	**25463**	**107022**	**87684**	**14437**	**920**	**146**	**221235**	**1649408**	***13.41***	**6.49**	**1.54**	**5.32**

Sources (Tables A1 and A2):
RAS, LA rented dwellings, Traveller accommodation—Dept of Environment social housing statistics online spreadsheet, downloaded 27/28 Feb 2014.
Rent supplement—Statistical Information on Social Welfare Services 2012, Dept of Social Protection
*—Travellers are also accommodated in standard local authority housing and local authority group housing. These figures have not been included as they are assumed to already be included in the total of rented local authority dwellings
**—This includes those in local authority owned dwellings, in RAS accommodation and traveller accommodation
***—Those in local authority owned dwellings (including traveller accommodation), or housed through RAS or rent supplement
Note—there are also approximately 25,000 dwellings provided by voluntary and co-operative bodies. These organisations are most represented in Dublin, Cork, Donegal and Limerick. There are also approximately 4,737 dwellings leased by local authorities which are not included in this table.

Table A2: Counties with below average percentage of permanent private households in receipt of a form of social housing

County	LA (local authority) dwellings (including RAS), 31.12.12	RAS—cumulative cases transferred 31.12.12	Approximate no of LA owned dwellings, 31.12.12	Rent supplement recipients, 31.12.2012	Mortgage Interest Supplement recipients	Traveller families in LA halting sites, 2011*	Accommodation provided to travellers by voluntary bodies with LA assistance, 2011	Total all LA social housing & rent supplement	No of permanent private households Census 2011	*% of all households receiving a form of social housing*	% of perm. private households in LA rented dwelling	% of perm. private households getting RAS	% of perm. private households getting rent supplement
TOTAL/AVERAGE	**132485**	**25463**	**107022**	**87684**	**14437**	**920**	**146**	**221235**	**1649408**	***13.41***	**6.49**	**1.54**	**5.32**
Tipperary	**5473**	**1363**	**4110**	**2199**	**456**	**26**	**8**	**7706**	**58275**	***13.22***	**7.05**	**2.34**	**3.77**
Donegal	**5180**	**709**	**4471**	**2411**	**274**	**10**	**5**	**7606**	**57721**	***13.18***	**7.75**	**1.23**	**4.18**
Sligo	**2283**	**626**	**1657**	**591**	**49**	**29**	**3**	**2906**	**24428**	***11.90***	**6.78**	**2.56**	**2.42**
Limerick	**4776**	**1383**	**3393**	**3323**	**482**	**84**		**8183**	**69421**	***11.79***	**4.89**	**1.99**	**4.79**
Laois	**2145**	**318**	**1827**	**1097**	**229**	**1**	**6**	**3249**	**27916**	***11.64***	**6.54**	**1.14**	**3.93**
Offaly	**1763**	**335**	**1428**	**1240**	**276**	**35**	**7**	**3045**	**26543**	***11.47***	**5.38**	**1.26**	**4.67**
Leitrim	**1000**	**135**	**865**	**374**	**57**	**12**	**0**	**1386**	**12228**	***11.33***	**7.07**	**1.10**	**3.06**
Kerry	**3953**	**969**	**2984**	**2037**	**191**	**24**	**1**	**6015**	**53088**	***11.33***	**5.62**	**1.83**	**3.84**
Kildare	**3525**	**607**	**2918**	**4338**	**1156**	**14**	**3**	**7880**	**70504**	***11.18***	**4.14**	**0.86**	**6.15**
Roscommon	**1617**	**537**	**1080**	**997**	**263**	**9**	**0**	**2623**	**23601**	***11.11***	**4.58**	**2.28**	**4.22**
Westmeath	**1726**	**504**	**1222**	**1592**	**188**	**50**	**6**	**3374**	**30624**	***11.02***	**3.99**	**1.65**	**5.20**
Cavan	**2151**	**538**	**1613**	**519**	**423**	**1**	**0**	**2671**	**25720**	***10.38***	**6.27**	**2.09**	**2.02**
Galway	**4951**	**1540**	**3411**	**4134**	**414**	**78**	**10**	**9173**	**88341**	***10.38***	**3.86**	**1.74**	**4.68**
Kilkenny	**2097**	**841**	**1256**	**1365**	**356**	**20**	**5**	**3487**	**33583**	***10.38***	**3.74**	**2.50**	**4.06**
Clare	**2550**	**523**	**2027**	**1722**	**235**	**11**	**2**	**4285**	**42534**	***10.07***	**4.77**	**1.23**	**4.05**
Monaghan	**1539**	**338**	**1201**	**438**	**180**	**10**	**0**	**1987**	**21176**	***9.38***	**5.67**	**1.60**	**2.07**
Meath	**2819**	**413**	**2406**	**2143**	**1205**	**27**	**15**	**5004**	**61922**	***8.08***	**3.89**	**0.67**	**3.46**
Mayo	**1408**	**1130**	**278**	**2435**	**504**	**4**	**23**	**3870**	**47932**	***8.07***	**0.58**	**2.36**	**5.08**

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