

Joint Committee on Housing, Planning, Community and Local Government

Opening Statement by Jim Baneham,
Head of Housing Delivery, Housing Agency

In relation to Affordable Housing

Introduction

Chair, Members, we are pleased to be here this morning to assist the Committee in its examination of the issues facing us in relation to Affordable Housing. I am accompanied by my colleague Daragh McCarthy, Researcher.

The Agency's vision is to promote the building of sustainable communities. Critical to this is that everyone is able to live in good quality and affordable housing.

This morning I intend to focus on two areas relating to affordable housing:

- Affordable Purchase Housing
- Cost Rental Housing

Affordable Purchase Housing

It is widely recognised that there is a need to address housing affordability issues faced by low to middle income households, particularly in Dublin and other main urban areas. As a general rule, housing costs should be below one-third of a household's income; and long-term below one-quarter of income. Households on very low incomes may require social housing or other housing supports to meet their needs. Other households with higher incomes have adequate means to purchase or rent at market prices.

The **new affordable purchase scheme** aims to target lower to moderate income households in who are living in areas of the country where housing affordability issues are greatest. The scheme lowers the initial cost of buying

a home making it more achievable for low to moderate income households to access homeownership.

This new scheme follows the commencement of Part 5 of the Housing (Miscellaneous Provisions) Act 2009. The first set of regulations under this legislation were commenced earlier this year and allowed local authorities to establish a Scheme of Priority under Section 85 of the 2009 Act.

An important feature of the new scheme is that the discount offered to purchasers, which will be up to 40% of market value, will be retained by the local authority as equity in the property. When this equity is repaid the monies can be reused to provide more affordable housing. While the local authority stake in the home must be repaid in full, households will have a large degree of choice about the timing of the repayments of the equity charge.

Cost Rental

Cost rental and the Vienna model has been the subject of a lot of discussion recently. It is a model of rented housing where the rents charged are linked to the cost of delivering, managing and maintaining the properties. This differs from private renting where rents are set by the market, which may lead to high rents in high demand areas. In cost rental, rents are not driven by market demand and are more stable over time. This is expected to result in rents that are affordable for lower to moderate income households.

It is also different from social housing where the rent paid by these households is linked to income levels.

Cost rental has the potential to deliver secure and more affordable rental accommodation for lower to moderate income households. Over the longer term, as cost rental homes are delivered at scale, cost rental is likely to have a stabilising effect on the broader private rented market.

The importance of affordable rental accommodation

One of the primary aims of the National Planning Framework under Project Ireland 2040 is to encourage compact growth in our towns and cities. Up to 40% of future housing development is to be built within and close to built up areas, using infill, brownfield and publicly owned sites.

Housing densities need to be increased to make public transport and other infrastructure more viable, reduce urban sprawl and make our communities more sustainable.

Building affordable, secure and well-planned rental accommodation is critical to achieving these goals.

Households can be offered the choice to live in secure, affordable accommodation, within walking distance of local amenities and with access to good public transport.

In recent years, more households are renting and are doing so for far longer, either by choice or because they cannot afford to buy or have yet to find a home to purchase. Cost rental could be an attractive form of tenure for these households.

A steady support of secure, affordable accommodation is also a key element underpinning our economic competitiveness.

Affordability

There are a number of essential elements which must be in place to ensure that cost rental housing is affordable. These include:

- Provision of land at no or low-cost
- Design good quality housing to achieve reasonable delivery cost and with long-term maintenance in mind
- State contribution to development costs and removal of infrastructural constraints (e.g. Serviced Sites Fund)
- Availability of low-cost, stable finance that is paid back over a long period of time, often more than 40 years.

The Enniskerry Road Pilot Cost Rental Project

This project is the result of a collaboration between Dún Laoghaire-Rathdown County Council, the Housing Agency, Respond, Túath Housing Associations, and the Housing Finance Agency. Financial support is also being provided through the Department of Housing, Planning and Local Government.

The project includes 50 cost rental homes and 105 social homes, a community facility and green spaces at Enniskerry Road, Stepaside, Dublin

18. The site is near to a wide range of amenities, public transport, public facilities, schools, health services, local community and sports groups.

The cost rental homes are being funded through the provision of grant funding for site infrastructure works under the Serviced Sites Fund and a long-term loan facility using competitive European Investment Bank (EIB) rates through the Housing Finance Agency. The land has been provided by the Housing Agency at no cost.

Following the completion of the development, expected in late 2021, tenants will pay €1,200 per month to live in a 2-bedroom home. This rent is based on the cost of delivering and maintaining the homes and is significantly below market rent for similar homes in the area. The objective would be to reduce the rental cost closer to, or below, €1,000 per month in future developments.

In addition, the homes must remain in cost rental use for at least 70 years, to help ensure that the value of the State's investment is passed on to future tenants.

The Housing Agency is also provided three additional sites for development to the Land Development Agency and is setting specific requirements for the provision of long-term cost rental housing on these sites. The first two of these will be in Skerries, Dublin and in Naas, County Kildare. In both cases delivery will be for developments of approx. 200 homes which will be a mix of social housing and cost rental housing.

In conclusion, these projects will provide valuable lessons for the development of a national cost rental sector in Ireland and will help to determine what structures and supports should be put in place at the outset of these projects to achieve cost rental housing that is affordable to a wide range of households. We need to learn from these early projects and adopt a long-term approach to cost rental.

Chair, there is a lot more information we can provide on affordable housing. We are happy to answer any questions which Members may have, or to provide further details as required. Thank you.

ENDS