

An Roinn Tithíochta,  
Rialtais Áitiúil agus Oidhreacht  
Department of Housing,  
Local Government and Heritage



Ms Éilis Fallon  
Committee Secretariat  
Committee of Public Accounts  
Leinster House  
Dublin 2

23 June 2021

Ref: S0438 PAC33

Dear Ms Fallon

I refer to your letter dated 18 June 2021 following the meeting of the Committee on Thursday 3 June 2021 on the subject of my Department's Appropriation Account 2019.

Please find attached at Appendix 1 my response to Item 15 of your letter in the matter of cost rental schemes and related issues raised by Deputy Carroll MacNeill at the meeting. Colleagues are working on putting together the rest of the information requested at the meeting and this will be forwarded within the specified time period.

If you have any questions on the attached please do not hesitate to contact me.

Yours sincerely,

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Graham Doyle  
Secretary General

[The Secretary General is a Designated Public Official under the Regulation of Lobbying Act, 2015](#)

Oifig an Ard-Rúnaí  
Office of the  
Secretary General

Teach an Chustaim, Baile Átha Cliath, D01 W6X0  
Custom House, Dublin, D01 W6X0  
T +353 1 888 2399 | F +353 1 874 0693  
[secretary-general@housing.gov.ie](mailto:secretary-general@housing.gov.ie)  
[www.gov.ie/housing](http://www.gov.ie/housing)



## Appendix 1

### PAC Follow Up Issues

**Item 15: A detailed note providing information on cost rental schemes in general, and information on the following matters specific to the cost rental units of the Enniskerry Road housing development:**

- **details of the Serviced Sites Fund, and how it will contribute to lower rents in these units and in general,**
- **the rent that will be charged on these units and how it will be set, and**
- **who will own and/or manage these units. (pg. 21)**

### Department Reply

The Programme for Government commits to the creation of a Cost Rental housing sector in Ireland. Cost Rental is defined as housing where the rents charged cover the cost of delivering, managing, and maintaining the homes. If construction is to be funded by borrowing, the cost of delivery includes paying interest on these loans. Cost Rental lacks the significant profit margin often seen in the private rental sector and rents are not influenced by supply and demand in the market, which has been seen to lead to high rents in high demand areas. Cost Rental represents a new form of rental tenure for Ireland and a new State intervention into the rental market.

Cost Rental is not intended to overlap with or replace traditional social housing for low-income households, which remains a priority for the Government. It is a fundamentally different proposal and represents a new tenure option. The target cohort for Cost Rental has been defined as moderate-income households above the income limits for social housing supports, who are currently facing inflated private sector rents without any State assistance.

The rents for Cost Rental homes will depend upon the costs incurred in delivering, managing, and maintaining the homes, and will vary according to the site and scheme specifics. However, value engineering at the design stage, with long-term maintenance in mind, can reduce costs and help to make Cost Rental more affordable for tenants. If construction is to be funded by borrowing, it is crucial that Cost Rental providers obtain long-term, low-cost loans so that the burden of repaying the initial costs is spread over decades.



Cost Rental is a method by which more affordable rents may be achieved, but does not by itself guarantee that cost-covering rents will be affordable for the target cohort. Even without a significant profit margin and market effects, high costs would still mean high rents. There is therefore a role for State subsidies, such as the provision of sites from the public land bank, financing on below-market terms, or infrastructure grants from the Serviced Site Fund. All three of these methods are being utilised by the Department to support initial Cost Rental projects. Rents would cover costs net of initial subsidies, so subsidies make rents more affordable for tenants.

It is intended that Ireland's new Cost Rental sector will be regulated under the provisions of the Affordable Housing Bill 2021. This provides the regulatory framework for designating Cost Rental homes, restricting the rents which can be charged for them, and giving tenants extra security of tenure. The Bill requires that the starting rent for a Cost Rental home be set with regard to projected rent increases, which will be limited to the annual change in consumer inflation, measured by the CSO's HICP index. This means that rents will remain stable in real terms, while continuing to cover increasing management and maintenance costs, and the difference from market rents should grow over time. HICP indexing will also allow landlords to delay the accumulation of funds necessary to cover life-cycling work and any lump-sum repayment of loans, resulting in lower starting rents for Cost Rental homes.

The Bill also gives the Minister the power to regulate the Cost Rental sector through secondary legislation. For example, the Minister may set eligibility criteria for new tenants, including a maximum household income; this figure is being finalised by officials and will be implemented in Regulations. The Bill was introduced into the Oireachtas in May 2021 and passed in the Seanad on 18 June.

At the same time, a range of work is already ongoing to deliver Cost Rental homes, with State support, through a number of avenues. The Department is utilising the expertise of Local Authorities, the Land Development Agency (LDA), and the Approved Housing Bodies (AHBs) to deliver initial projects.

### **The Enniskerry Road pilot project**

One of the first Cost Rental homes in Ireland will be 50 two-bedroom apartments at Enniskerry Road, Stepaside, Dún Laoghaire–Rathdown. These will be completed and tenanted by the Tuath and Respond Approved Housing Bodies (AHBs) in Q3 2021. The



project is being delivered with the support of the Department, DLR County Council, the Housing Agency, and the Housing Finance Agency.

The mixed-tenure development comprises 155 homes and a community facility, along with green spaces and car parking (including underground car parking). The homes are divided into 50 cost rental homes and 105 social homes. The social homes are be a mix of 1-, 2-, and 3- bedroom properties. All of the 50 Cost Rental units are be 2-bedroom apartments.

Development of the Cost Rental homes has been supported with significant public subventions:

- A 150-year lease of the land to the two AHBs, for a nominal fee, from the Housing Agency, which controlled the site under the Land Aggregation Scheme (LAGs) from 2011. The site was previously owned by DLR County Council, to whom the freehold has now been returned, so while the AHBs will own the homes, full ownership has not passed out of the public sector.
- An infrastructure<sup>1</sup> grant from the Department's Serviced Sites Fund (SSF), amounting to €4,038,443, with an additional €499,133 (or 11%) of matching funds being committed by the local authority. The Exchequer funding committed for the project equates to €80,760 per Cost Rental apartment. As this development was deemed an important pilot project for the new Cost Rental sector, a higher level of subvention beyond the SSF ceiling of €50,000 per affordable unit was deemed warranted.
- The remaining costs for the Cost Rental homes have been funded by a 40-year loan from the Housing Finance Agency, fixed at 1.75% for 30 years.

The cost-covering rents to be charged for the Cost Rental homes are therefore set to cover costs net of these initial subsidies. The project is projected to achieve starting rents for the Cost Rental homes of €1,200/month, which is a very significant discount on rents of c. €2,000/month for comparable two-bedroom homes in the area.

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<sup>1</sup> SSF funding for this site will cover a storm water management system; foul drains; roads; paths; paving; a public amenity park; a resource centre; underground parking spaces, and associated ancillary works.