DÁIL ÉIREANN

AN COMHCHOISTE UM THITHÍOCHT, RIALTAS ÁITIÚIL AGUS OIDHREACHT

JOINT COMMITTEE ON HOUSING, LOCAL GOVERNMENT AND HERITAGE

Dé Máirt, 22 Márta 2022

Tuesday, 22 March 2022

Tháinig an Comhchoiste le chéile ag 3 p.m.

The Joint Committee met at 3 p.m.

Comhaltaí a bhí i láthair / Members present:

Teachtaí Dála / Deputies	Seanadóirí / Senators
Pat Buckley,*	Victor Boyhan,
Francis Noel Duffy,	John Cummins,
Joe Flaherty,	Rebecca Moynihan.
Emer Higgins,	
Paul McAuliffe,	
Cian O'Callaghan,	
Richard O'Donoghue,	
Eoin Ó Broin.	

* In éagmais / In the absence of Deputy Thomas Gould.

Teachta / Deputy Steven Matthews sa Chathaoir / in the Chair.

Social and Affordable Housing: Discussion

Chairman: I welcome everyone. Today we are meeting representatives of the Housing Agency and the Housing Finance Agency because the committee wishes to discuss the funding, financing and related matters that concern social and affordable housing. We are joined by Mr. Bob Jordan, chief executive officer, Ms Claire Feeney, head of local authority services, and Mr. Jim Baneham, director of delivery, Housing Agency. We are also joined by Mr. Barry O'Leary, chief executive officer, Mr. Seán Cremen, head of treasury, and Mr. Tom Conroy, company secretary, Housing Finance Agency. I thank the organisations for their opening statements and briefing documents, which have been circulated to members.

I will first ask the witnesses for their opening statements and then members will be invited to address their questions to them. There will be a seven-minute slot that will cover questions and answers. Where members ask a general question I suggest that they direct it to a witness as it would help move things along.

I remind members of the constitutional requirement that members must be physically present within the confines of the place where the Parliament has chosen to sit, namely, Leinster House, in order to participate in the public meetings. Both members and witnesses are expected not to abuse the privilege they enjoy and it is my duty, as Chair, to ensure that this privilege is not abused. Therefore, if their statements are potentially defamatory in relation to an identifiable person or entity, they will be directed to discontinue their remarks. It is imperative that they comply with any such direction.

Members and witnesses are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official either by name or in such a way as to make him or her identifiable. The opening statements submitted to the committee will be available on the Oireachtas website after the meeting.

By way of background, the committee has decided to hold a series of two or three meetings on the area of social public housing and affordable housing. We are going to look at funding, financing, delivery and any difficulties and opportunities that exist. We hope to produce a report after our two or three meetings.

I invite Mr. Jordan to make his opening statement on behalf of the Housing Agency and he will be followed by Mr. O'Leary who will do the same on behalf of the Housing Finance Agency.

Mr. Bob Jordan: I have provided the committee with a fairly long statement. I hope that it is okay if I present a shortened version and ask that the original opening statement is read into the record.

Chairman: That is fine.

Mr. Bob Jordan: We are pleased to assist the committee in its discussion on the financing and funding of social and affordable housing. I am accompanied by my colleagues, Mr. Jim Baneham, director of delivery, and Ms Claire Feeney, head of local authority services.

The Housing Agency is a State agency with a vision of achieving an integrated housing system, meeting the nation's housing needs and promoting sustainable communities. We support the delivery of social and affordable homes by working in close collaboration with our main stakeholders, which are the Department of Housing, Local Government and Heritage, local authorities and approved housing bodies. We do this in three main ways. First, we co-ordinate the implementation of Government housing programmes. Second, we build capacity in the housing sector through education and information provision. Last, we provide high-quality research and data. The Housing Agency is a resource to the overall housing system, and we have a team of experienced and knowledgeable housing professionals. In addition to supporting social and affordable housing delivery, which we will discuss here today, we also play a key role in social inclusion, including homelessness and disability. At the beginning of this month we opened the Housing First national office within the agency. We also drafted the recently published national housing strategy for disabled people on behalf of the Department of Housing, Local Government and Heritage.

This afternoon I intend to focus on the areas where the Housing Agency is involved in the financing and funding of social and affordable housing. The agency has different levels of involvement that range between directly providing funding to providing centralised supports for national funding programmes to giving advice and technical support.

The agency currently has two direct roles in terms of financing and funding. First, we provide cost rental equity loans to approved housing bodies to provide cost rental housing. Second, we manage the Housing Agency's acquisition fund of €70 million to acquire vacant housing stock for social housing use. Long-term low cost financing is key to delivering cost rental homes with rents of at least 25% below open market rents. The cost rental equity loans, CREL, is long-term loan funding that is available to approved housing bodies. This loan funds up to 30% of the cost of delivering new cost rental homes. The Housing Agency has the role of managing and administering this loan on behalf of the Minister for Housing, Local Government and Heritage. I wish to note that for the first time, the Housing Agency is a lender.

Bringing vacant properties back into use for social housing purposes is a key Government objective. The €70 million Housing Agency acquisitions fund was established at the beginning of 2017 to buy existing vacant properties from banks and other financial institutions to provide social housing. By the end of February 2022, a total of 927 properties had been acquired under the fund. Housing for All, which is the Government's housing strategy, committed to review the role of the Housing Agency's acquisitions fund and this review is currently under way.

I will now discuss the Housing Agency's less direct involvement in funding programmes. The Housing Agency provides centralised supports for the consistent and efficient delivery of funding programmes. We carry out the technical assessment of payment and availability, P&A, payments and capital advance leasing facility, CALF, funding applications from approved housing bodies, AHBs, on behalf of the Department of Housing, Local Government and Heritage. As the committee is aware, P&A and CALF funding is the main funding source for AHB housing delivery. To the end of 2021, just over 11,000 homes have been delivered using this funding mechanism.

A new role for the agency is to provide technical assessment of local authority applications for the affordable housing fund, AHF. This fund provides local authorities with a subsidy of up to €100,000 towards the cost of a home and is aimed at delivering thousands of homes for affordable purchase and cost rental. To date, the Housing Agency has completed assessments on eight AHF submissions, totalling approximately 500 homes.

We are responsible for the programme management of the national mortgage-to-rent scheme, MTR, which is designed to help homeowners at risk of losing their homes due to mortgage arrears to remain living in their homes as social housing tenants. By the end of February 2022, some 1,727 households had been supported to remain in their homes.

We also provide local authorities with a national shared service for the underwriting of local authority home loan applications. This type of loan enables first-time buyers and fresh starters on low to moderate incomes to access sustainable, competitive mortgages to buy new or second-hand homes or self-builds. We have underwritten 179 local authority home loans to the end of February 2022. Under the previous Rebuilding Ireland home loan scheme, 11,259 loans were underwritten.

We also provide advice and technical support in respect of funding schemes. We are advising the Department of Housing, Local Government and Heritage on the design and operation of the first home affordable purchase shared equity scheme. We also play a role in long-term social housing leasing. We oversee the template leases, including the repair and leasing scheme. Additionally, we support the capital assistance scheme, CAS, and local authority direct-build capital projects. The agency has a hands-on technical team, called the projects and procurement team, that provides technical support to local authorities and AHBs in the procurement, design and delivery of social housing projects. We also provide guidance and assistance, including template documentation, to support local authorities with compulsory purchase orders, CPOs. The Housing Agency has established a team to assist local authorities with information gathering, title searches and investigating third-party charges that arise with CPOs.

The members of the committee will see that the Housing Agency has a wide role in supporting the financing and funding of housing programmes. We recently published our three-year statement of strategy and a key priority is continuing to work with our stakeholders to deliver more affordable and social housing in the years to come. We are happy to answer any questions members may have or to provide further details as required.

Chairman: I thank Mr. Jordan. We received the Housing Agency’s statement of strategy along with the opening statement. I call Mr. O’Leary next, on behalf of the Housing Finance Agency, HFA.

Mr. Barry O’Leary: I will condense our opening statement as well. The committee already has it, so reading it word for word might not improve our lives. I thank the committee for the invitation. I am accompanied by my colleagues, Mr. Seán Cremen and Mr. Tom Conroy. The HFA’s mission is to facilitate the successful delivery of social and affordable housing in Ireland. We do this by providing long-term competitive finance to the sector to support the schemes introduced by the Department of Housing, Local Government and Heritage. We were initially established in 1982 to provide housing finance to local authorities. Our remit has expanded since then to include lending to AHBs for social and affordable housing. Since 2019, we have also been lending to higher education institutions, HEIs, for the development of student accommodation.

Our outstanding loan book, as of 31 December 2021, was €5.9 billion. We are a self-financing organisation and we do not receive any subvention from the Exchequer. The board of the HFA is appointed by the Minister for Housing, Local Government and Heritage, with the consent of the Minister for Public Expenditure and Reform. It normally consists of 12 members, including a serving local authority chief executive, and representatives of the private and public sectors.

Turning to our lending, most of our loan book consists of lending to local authorities. Some €3.33 billion of our total of €5.9 billion in lending is to local authorities, while €2.42 billion is lent to approved housing bodies. That is a representation of the fact that we have spent most of our 40 years of existence lending to local authorities. The new strategy we brought out this year, Strategy HFA 2026, forecasts that we will lend a further €1.45 billion to local authorities over the next five years. It will be to fund things like the local authority home loans scheme and the retrofitting scheme for the housing stock of local authorities and AHBs.

We began our lending to approved housing bodies in 2012. Until then, the Government largely grant-funded housing bodies for social housing through local authorities. However, budgetary constraints then led to the introduction of loan finance, which is supported by the Government's capital advanced leasing scheme, CALF. The HFA has since adapted its own processes to quickly become the largest provider of loan finance for the sector. To date, the HFA has approved 19 AHBs for certified body status, which is the status we confer on them when we are prepared to lend to them. Over the past five years, we have approved lending of €3.6 billion, which will allow for the provision of 17,350 homes.

The drawing down of funds obviously lags the approval of loans. Typically, depending on whether loans are for the purchase of turnkey properties or for building and construction, the time between approval and drawdown can range anywhere between 12 and 30 months, but it stretched a bit during the pandemic. Moving to advances, we have advanced €2.3 billion to approved housing bodies in the past five years and that covers the provision of about 10,000 homes. Therefore, we have a situation where loan advances are being made after the approvals, but we have a strong pipeline of approvals, which means we are happy that a lot of activity is going to happen in the next two years.

On cost rental, that scheme was launched by the Department in early 2021 and there have since been two calls for proposals from AHBs. The HFA was happy to fund applications for these. In 2021, we approved €93 million for cost rental homes, which will see the delivery of 390 homes this year. Since the beginning of this year, we have approved a further nine applications amounting to €108 million, which will deliver 454 homes. All applications are for turnkey units and the expected delivery is quite quick. It will be at the lower end of the range I spoke of. The HFA has an appetite to provide more finance for cost rental schemes. Our Strategy HFA 2026 estimates about €850 million in funding, so we will be keen to support this area. It is clearly something for which there is good demand. It is delivering rents at a reduced rate compared with the market and we are keen to support it.

Regarding lending to higher education institutions, this began for us quite recently. The HFA has been enabled to lend to HEIs at low-cost, long-term fixed rates. The idea is that the provision of student accommodation will free up housing in the wider market, and we are happy to support that endeavour. We have thus far lent €168 million to three universities for the provision of just under 1,500 student bedrooms, and we anticipate several applications this year for this funding.

Turning to our borrowing, we are now authorised to borrow up to €10 billion. We borrow this money through a guaranteed notes programme from the National Treasury Management Agency, NTMA, and from local authorities. We also borrow money from the European Investment Bank, EIB, and the Council of Europe Development Bank, CEB. The Housing for All strategy introduced by the Government last year allows for the possibility of expanding our borrowing limit to €12 billion, and that would certainly cover the anticipated lending we expect to undertake during our five-year strategy. In the course of the past year we have signed a number of finance deals with the European Investment Bank and the Council of Europe Development Bank. Just today, we signed a document with the Council of Europe Development Bank for €75 million in a facility that will support the development of student accommodation by the higher education institutions.

On our financial results and prospects for the future, our 2021 accounts are being audited now and we expect to have them cleared and approved by our board on Thursday week. It will be just by the end of March we will have those approved. Those accounts will indicate what we consider an excellent year in 2021. We have loans advanced of €934 million, up 21% on the previous year. The previous year was at a record level. Loan approvals were strong and we see a good pipeline for the prospects into 2022 and 2023, so we are quite happy with that.

In Strategy HFA 2026, we forecast that we will double our loan book by the end of those five years so we will have moved on to approximately €12 billion. We expect that in the course of those five years we will have funded housing that will deliver 19,000 new homes and 3,300 student beds. This basically represents 25% of the entire expenditure that will be made under the Housing for All programme. We are keen to stress that this is the least we expect to do and the HFA certainly anticipates that if more is required of us, we would be capable of delivering more and we would be quite happy that we would have access to the funding for that.

There is a table within the submission to the committee indicating where we see the lending occurring in the next five years, broken down between approved housing bodies, local authorities and higher education institutions. We welcome the opportunity to have this discussion today and we look forward to the committee's questions.

Chairman: We received a copy of the strategy with the agency's submission. I thank the delegation for that. I remind witnesses and members that the slots are seven minutes. It is good to leave as much time as possible for the witnesses to answer. A direct question is probably the handiest way to do that.

Deputy Paul McAuliffe: It is great to have everybody here. The committee wants to focus on delivery and the delegations represent key parts in that. Many on the Government side in particular feel that the legislative job has been done in many ways, but there is still a bit of work to do in the context of Housing for All. We want to focus on the agencies that can deliver. On that basis, it is great to have the witnesses here in order that we can continue to engage with them. I have so much to ask about and I hope it can be covered in the seven minutes. It is always hard to be first as the witnesses may feel they need to give really comprehensive answers. There is plenty of time, however, and we can come back to issues.

If I am an official in an approved housing body or a local authority, there is the Home Building Finance Agency, HBFI, the HFA, the Housing Agency and the Land Development Agency, so are the differences in supports that are provided between these bodies clear? Some of them have been around for a substantial period but they have been given new roles and provide new services. Local authorities in particular but also approved housing bodies should know the difference between the four agencies. Will Mr. O'Leary speak first to the borrowing aspect?

Mr. Barry O'Leary: From our perspective, we think the differences are clear. As I said, we are around 40 year at this stage and it is quite clear what we provide. Looking at what we have loaned over the past couple of years and approved to be drawn down in the next few years, approved housing bodies and local authorities should be quite clear in what they will get from us, which is cheap long-term finance. The HBFI will speak for itself but it occupies a different niche in the market, as does the Land Development Agency. We are small and we deliver a product, but it is quite clear what we deliver. There is no issue there.

Deputy Paul McAuliffe: To anticipate Mr. Jordan's answer, is there potential for conflict in the CREL scheme?

Mr. Barry O'Leary: None whatever. We are the primary lender and we make assessments on that basis. The Housing Agency provides a secondary loan, which is essentially the equity part of the CREL process. We make our own decisions. There may be times in future where we say "No" and there may be times when we say "Yes" and Mr. Jordan's agency says "No". We are quite straightforward. We have the credit committee that makes assessments and we are very supportive of approved housing bodies. The initial hurdle is getting the status of certified body from us but we have approved 19 housing bodies. Once they are in that position, they have a very good chance of getting approval. We do not routinely turn down loans. We have approved 100% of the applications we have got in the past five years.

Mr. Bob Jordan: I thank the Deputy for the question. The Housing Agency has been around for quite a while and our main stakeholders are the 31 local authorities. We have worked with approximately 50 approved housing bodies over the past five years. They are very clear on what we are doing but under Housing for All we have been given additional roles so it is really important to us to get out and explain what are our roles, particularly with respect to affordable housing. One of the biggest ideas in Housing for All is embedding affordability within the overall housing system. As Mr. O'Leary has said, we are working hand in glove with the HFA, and the reason we have become a secondary lender is to really ensure the availability of low-cost long-term finance to deliver the cost-rental sector. We are also working hand in glove with the Land Development Agency. In some cases lands that have been held by the Housing Agency are being developed by the Land Development Agency to deliver social, affordable and cost rental housing.

We need to continue to communicate with people. The committee will know from my opening statement that we are involved in quite a wide range of matters. It is really important for us to get out and communicate them.

Deputy Paul McAuliffe: There is still an issue at local authority level. I suppose it is because of a legacy of number of local authorities not being involved with the provision of social housing for some time. We need to gear up in that regard. Some of this is about access to information and knowledge, as well as access to finance. We have also said to other agencies that communication is really key in terms of what is available. It is about setting that ambition in local authorities.

There are a number of actions in Housing for All that relate specifically to the HFA. I will run through some of them and give Mr. O'Leary the opportunity to indicate where we are on those deadlines. There is an action to revise and expand the local authority home loan scheme. The deadline for that was the fourth quarter of 2021. Ending the long-term leasing of social housing is to be effected by 2025, so will Mr. O'Leary speak to that? There is an action to legislate for increased borrowing, forming a part of the overall annual €4 billion figure, with a deadline of the second quarter of 2022. There is also an action to introduce a new programme for compulsory purchase orders, with a deadline of the fourth quarter of last year. I appreciate that these are four big programmes, but I would appreciate Mr. O'Leary reply to my question.

Mr. Barry O'Leary: Taking a short cut, the top and bottom ones are done. The second element mentioned by the Deputy concerned leasing. I will throw the ball over the wall to Mr. Jordan and Mr. Baneham because we are not involved with leasing. Basically, we just fund it so if a scheme is approved by the Government people can apply to us for money. That is what we do. What was the third part?

Deputy Paul McAuliffe: It relates to increased borrowing.

Mr. Barry O'Leary: Increased borrowing is in hand but we are not under pressure in that respect. We have borrowed approximately €5 billion at this stage and we have headroom to go to €10 billion. The legislation allows us to go to €12 billion. Even if we had a bumper year for each of the next two years, we would not be hitting that €10 billion figure. We are not under pressure in that respect. My understanding is that the Department of Finance or the Department of Public Expenditure and Reform is the primary driver of that aspect. We would be the recipients of the increased borrowing limit but that Department would have that in hand.

Mr. Bob Jordan: I will speak to the CPO process and my colleague, Mr. Baneham, will speak to leasing. We have set up an advisory service for local authorities on the compulsory purchase order process and some guidance documentation. We are working with approximately two local authorities on that but that will clearly be ramped up over time.

This is part of a wider package of looking at vacancy. I mentioned earlier the Housing Agency acquisitions fund, which is being reviewed, and we will have a role in the Town Centre First strategy, which is about bringing vacant derelict commercial and residential properties in town centres back to use.

Mr. Jim Baneham: On leasing, we play a role, particularly with Ms Feeney's team, in giving assistance to local authorities on all their delivery mechanisms. We were involved in the updating of leasing in 2017 and 2018. That is being wound down. A Government decision has been made and we have been working closely with the local authorities on restructuring their delivery programmes for leasing. They will be wound down by the end of 2025.

Deputy Paul McAuliffe: I might come back to that. The Chair might want to draw Mr. Jordan's attention to the report the committee expects to publish on vacancy. It might be useful in his work.

Deputy Eoin Ó Broin: I thank Mr. Jordan and Mr. O'Leary for their presentations and acknowledge the good work their organisations do and have been doing for some time. Everybody in the committee acknowledges that work and wishes them well in their endeavours.

I have a few questions for Mr. Jordan and then a few for Mr. O'Leary. Concerning the €70 million rolling fund, the original target under the previous Government's plan was 1,600 units to be brought on stream by 2021. As Mr. Jordan said, only 927 were achieved. In the review, is there anything Mr. Jordan can say about what learning might be there at this stage to ensure that fund continues to make sure, whatever targets are set, that it can increase the acquisitions? On cost rental, many of us are still concerned about entry-level rents. The price of construction is the price of construction but the entry-level rents can be brought down and were brought down on Enniskerry Road by extending the term of the loan. Is the Housing Agency looking at making longer term finance, whether through the EIB and the HFA or a mixture, over, say, a 40-year rather than 25-year period to get entry-level rents below €1,000 or €900? That is important in terms of affordability.

Does the Housing Agency have any concerns and is it doing any research in relation to the impact of rising construction costs? When construction goes up, it affects the entry-level rents. I am unsure what the repayment arrangements will be for the local authority equity portion under the housing fund. Can Mr. Jordan offer any clarity on that?

For Mr. O'Leary, there was coverage in today's *Irish Examiner* of the drawdown delays. We all understand that projects take different amounts of time and can be long or short. Has Mr. O'Leary observed whether it is particular types of projects that are drawing down longer? Is it CALF rather than turnkey? Is it direct build? Is it a mixture?

On mixed tenure, many of us would like to see local authorities and approved housing bodies do a mix of social rental and affordable rental. Does having a CREL and a CALF complicate that from Mr. O'Leary's end or would he be able to easily combine a HFA loan with an AHB that is bringing CALF and CREL to the table? Does he have any observations on loan length, in terms of bringing entry-level rents down? That issue is important to us.

Mr. Bob Jordan: I will take the first two questions on the €70 million fund and cost rental and then hand over to Mr. Baneham. The Deputy is correct on the €70 million fund. It was meant to turn over four times but turned over two and a half times. There are a couple of reasons for that. One is that the properties that were available dried up and it took longer to revolve the properties and sell them on to AHBs.

In terms of learning, there is a big focus on vacancy in Housing for All. We would like to retain at least some of this fund to continue to acquire vacant properties, particularly for the Housing First programme and homelessness. We could probably do something around supporting the Town Centre First policy as well.

On cost rental, I will be interested to hear Mr. O'Leary's answer but one of the issues about extending loans is you start to move from fixed to variable rates. We have had two CREL calls of short duration, focused on turnkeys. We are moving to an open call quite soon. There are opportunities to reduce the entry-level rents in other ways. Part of it is turning from turnkey to construction opportunities.

Mr. Jim Baneham: The Deputy mentioned a 25 year period, but CREL is a 40-year arrangement. Not to rain on Mr. O'Leary's parade but the HFA's lending arrangement is also 40 years. It is already quite a long period.

Deputy Eoin Ó Broin: Is that for all of the CRELs approved to date?

Mr. Jim Baneham: It is. The CREL portion does not need any repayment during the period. It is similar to CALF. The interest rate is 1%. It is simple interest so is quite a favourable arrangement.

The Deputy asked a question on construction costs. It is a material thing. For cost rental, there is a direct relationship between the rent charged and the cost of delivery. The first two CRELs have been time-focused, as Mr. Jordan said. As a result of that, they have been focused on turnkey. With the open call, there is an aspiration to broaden that and deliver schemes where there is more control over costs. There is pressure on costs in construction but the change from a short-term turnkey focus to a broader, more long-term offering will assist.

The Deputy had a query on the equity portion of the local authority affordable purchase shared equity scheme. The equity, say if it is 20%, will be returned to the local authority at a point in time. The point in time------

Deputy Eoin Ó Broin: Is that within the 30 years of the average mortgage or after that period? What will be the requirement?

Mr. Jim Baneham: To a large degree, it is up to the homeowner and what happens to the homeowner. If the homeowner died ten years after getting into the arrangement, then the equity would be repaid. If the homeowner wants to live there without paying anything off the equity and lives to 95 or whatever, that is up to them. It does not come back until that time. They can make partial payment, if they wish. The funds that come back in are ring-fenced for use for affordable housing.

Mr. Barry O'Leary: I do not think it is a surprise that delivering housing takes between 12 and 30 months. It varies, depending on whether it is turnkey. Many of the AHBs coming to us are doing building acquisitions, so they are contracting for a building to happen but it is on a greenfield site and takes time. Surprise, surprise, during the pandemic it took longer with the shutdown. It is a straightforward thing. We provided the information to show the gap between approvals and advances, which is encouraging.

We are happy to support the mixed tenure part of it. We look at the cash flows that come into a project. I do not really care whether it is CALF or CREL producing the other half of it. I am interested in whether we are getting back our side of things. We are if the cash flows are correct, and we are happy with that.

Deputy Eoin Ó Broin: So it does not make any operational difference to the HFA if an AHB came with half CREL and half CALF. It could still loan to that project as a single project if the P&A and the rent setting on the cost rental were correct.

Mr. Barry O'Leary: Absolutely. We have a project going to credit committee next week which will be the CREL side of a scheme. Last year we advanced money to the social housing side of it. It is not about whether we are happy to do it; we are doing it. It is part and parcel of this.

Deputy Eoin Ó Broin: Can the agency do it simultaneously on one project?

Mr. Barry O'Leary: Yes, sure. That is only timing.

Chairman: I will move on but we will come back to those questions.

Senator John Cummins: I thank both agencies for coming before us this afternoon. As other speakers said, the role they play in the provision of social and affordable housing is critical and will become even more so in the years ahead.

On the topic of cost rental, one of the debates that happened when the legislation was going through the Houses was in relation to moving beyond. At the moment, Government is proving that the concept works and says the AHB is the appropriate sector to prove concept. However, the legislation allows for going beyond the AHB sector and for low cost return funds, such as pension funds, to get involved, as is normal across Europe in the provision of such a model. What are the agencies' views on that? What changes may be required to facilitate that beyond the AHB sector? In order for us to get the scale required in cost rental, it will have to go beyond that sector. Only through scale and time will we see the benefit of it and the competition with the private rental market which will bring down rents. I just looked at the figures there. It was stated that €850 million was ring-fenced for cost-rental finance out to 2026. If we do a rough calculation on the figures, the Housing Finance Agency is lending between approximately €237,000 and €238,000 per home, which is for roughly 3,600 cost-rental properties it has earmarked up to 2026. We know we need to go beyond that. It was mentioned that the Housing Finance Agency's envelope will allow it to do so. What needs to be done in order to move? Do the representatives concur with my thinking that we have to move beyond the AHB sector in order to get scale?

Mr. Bob Jordan: Yes, we do. The Land Development Agency and local authorities can get involved in providing cost rental. I will ask my colleague, Mr. Baneham, to talk about pension funds.

Mr. Jim Baneham: On the legislation, the word "equity" is involved in that, which can mean a couple of different things. At some point in time, it may mean an AHB, local authority or some other entity, including the LDA - the LDA might in fact be the first entity to do it - could put its own money into it and get some level of return. The kind of return it would get from it could also be regulated.

My current understanding regarding pension funds is that we are very much in the early days of cost rental in Ireland. Certainly, all the early schemes are very much reliant on the funding that either Mr. O'Leary's organisation or the LDA can provide. There have been some active discussions about local authorities getting involved in that space as well. Again, it is quite a new area for them to get involved in and it is something they need to get their heads around but there is certainly some interest in it.

Mr. Barry O'Leary: I do not have a lot extra to add to that. It is quite clear, and the concept is proven at this stage, there is a requirement for housing. We have to go beyond the AHBs. Local authorities and everybody should be involved. If we get to the point where we have too many houses that will be terrific, but we need to get scale.

Senator John Cummins: Absolutely. I have a couple of follow-on questions. The Housing Agency stated in its submission that it is "assisting the Department in reviewing the structure and operation of [the] CALF [scheme]". Will the representatives elaborate on that? What changes are being considered?

An updated repair and leasing scheme, which has been massively successful in Waterford, is mentioned in the same submission. I have spoken at this committee about it many times. If other local authorities were doing what Waterford was doing in respect of the repair and leasing scheme, we would have more than exceeded our targets. What updated considerations are being considered in both those spaces?

Mr. Jim Baneham: I will answer regarding the CALF side of things. The main focus of the review of P&A and CALF is the fact that because there is a linkage to market rent in certain local authority areas there can be an inability to provide housing. That is the primary focus of the review. Some other aspects are also being looked at, but the prime objective is to make it more flexible throughout the country and not just in areas where rents will support the delivery of social housing through the mechanism of P&A and CALF.

Ms Claire Feeney: On the repair and leasing scheme, as the Deputy said, focusing on larger developments such as Waterford has been very successful with regard to some of the projects it has funded, in addition to looking at how we can target some of the town centre over-the-shop type properties and maybe even try to corral them in a particular direction as well. The terms of the repair and leasing scheme are well known and accepted so it is not likely they will change significantly, with the possible exception of the maximum limit of €60,000, which may be looked it. It is more about trying to target properties. There is a target of 120 for this year. It is trying to ensure the scheme is best used for that.

Senator John Cummins: The Housing Agency is looking at the limit.

Ms Claire Feeney: Yes.

Senator John Cummins: Okay. That is a consideration, especially in urban settings. The Housing Agency referenced the shared equity scheme. Is 1 July a realistic timeline in that space?

Mr. Bob Jordan: That is a realistic timeline. The agency is working very hard with the Department on that to make sure that scheme is delivered.

Senator John Cummins: Is that also a realistic timeline for the banks?

Mr. Bob Jordan: Yes, it is.

Deputy Richard O'Donoghue: I welcome all the representatives and thank them for the work they do. I will circle in on Housing for All and I will look at all the different agencies that have been mentioned. If we focus on the LDA, the LDA does nothing for me in the area I represent because all its funding is based in the cities. The funding is not based in the county because of infrastructural issues we have in Limerick. When I look at funding and Housing for All, it does not cover housing for all in the county area I live in. The LDA will support something within 15 minutes of the city but, geographically, Limerick city is in a corner and the county unfolds from it. You could be looking at 40-odd miles by the time you get to Ballylanders and another 40-odd miles by the time you get to Abbeyfeale, for which the funding is very weak due to a lack of infrastructure.

The repair and leasing scheme could help but, again, it is based on existing infrastructure. Even though it is at its maximum capacity, it will at least help. From the perspective of new builds and funding, how much of the agencies' funding has gone to areas outside the cities for housing? In Limerick it cannot go to such areas because of the lack of infrastructure. How do I have Housing for All in Limerick? I welcome the money that is being spent in the city. It is welcome and we have to house people, but I also want to welcome how to make my towns and villages sustainable and put people into houses there.

I come from the construction sector and have been in construction all my life. When the representatives talked about the loans they will be giving out, I cannot understand how they can justify those loans in the context of inflation. The price of housing has gone up by approximately €70-odd per square foot in an 18-month period. I know this basis because I deal with construction on a daily basis. I find it hard in construction when something could be priced today but tomorrow it is different, including labour content and material content. Everything is moving at a fast pace. For the agencies own security and funding, if they are lending €150 million to a project and that sum turns into €250 million, how will they counteract that to make sure these projects last? We saw this week that Roadbridge went into receivership. This is a perfect example when we consider how to future-proof.

The biggest question I have relates to the representatives who mentioned they have so many teams. How many of their teams can help me rebuild County Limerick in respect of the lack of infrastructure we have traditionally had from generations of Government and the failure of local authorities to invest in and improve infrastructure, sewerage and water, so I can rebuild towns and villages? If I rebuild towns and villages to a larger scale, I can then make a case for proper transport infrastructure from hubs in towns, which could bring in the villages around them. It also improves on emissions in the future and gives me a case study where I can fight for transport infrastructure from hubs such as Kilmallock, Dromcolliher, Abbeyfeale and Newcastle West. I can put in hub towns that can be invested in. They can have a 15-minute window outside them that will bring in villages and provide infrastructure for those people, which also brings business and people to my towns and villages and future-proofs Housing for All for County Limerick. How can the agencies help me in County Limerick?

Chairman: Is that for Mr. Jordan?

Deputy Richard O'Donoghue: It is for any one of the team who can help me.

Mr. Bob Jordan: To be clear about the number of roles we have on Limerick city and county, we have a projects and procurement team within the agency that provides technical supports to both local authorities and approved housing bodies, AHBs. We have been helping a number of voluntary housing associations in the area, including ADAPT, Croom, Cappamore, Focus Ireland and so on. We also have land in Limerick and have transferred some of that to Limerick City and County Council, Clúid Housing and so on. That is another way of supporting delivery. The other thing is the €70 million acquisitions fund I mentioned earlier. We have been acquiring properties that have been provided for social housing there both directly on behalf of the local authorities and on behalf of AHBs.

Those are our particular functions but Deputy O'Donoghue can see that, going forward, we will have a role with this town centre first policy and certainly we will be supporting local authorities and AHBs to help reanimate towns and villages, including bringing vacant and derelict commercial and residential buildings back into use.

Deputy Richard O'Donoghue: I understand it from that point of view but what about new builds? They allow me to get extra people into my towns and villages so I can create businesses that make the towns sustainable and that then gives me a case to ask for infrastructure like bus transport services. Three of the towns are at max capacity for sewerage. Askeaton is waiting 37 years for an update to its sewerage system. Hospital is at max capacity. To build new houses, on-site sewerage facilities had to be put in until it is upgraded. The infrastructure is key to County Limerick being built up. I welcome the compulsory purchase orders, CPOs, on buildings that have been derelict. People have been buying them up and leaving them derelict. I welcome investment in those but I also want to see new builds for new families so I can get infrastructure in place.

Mr. Barry O'Leary: I thank the Deputy. To make a conflict of interest declaration, my mother-in-law is from Newcastle West, so I should get that upfront.

Mr. Bob Jordan: My mother is from Ballylanders, by the way.

Deputy Richard O'Donoghue: All the more reason for them to send money this way.

Chairman: The Deputy has invited most of the agencies down to Limerick. They can visit relations when they are there.

Deputy Richard O'Donoghue: They will be welcome home.

Deputy Eoin Ó Broin: Our guests will be visiting their families this weekend; no question.

Mr. Barry O'Leary: In the past five years we have lent €118 million to Limerick. I cannot tell Deputy O'Donoghue the breakdown between city and county but we could have a reasonable guess it is city-oriented. As Mr. Jordan mentioned, the town centre first and above the shop schemes are there and we will see the pandemic delivering people who realise that is where they want to live now because they can do that and work. We will fund any loan application that comes from either the Limerick local authority or any of the AHBs. We do a lot of business with the AHBs and quite happily fund them. The Deputy was asking how we justify funding them with the cost. He would have heard many times the cost of funding a mortgage or a loan is substantially less than the cost of the rent, and that is how we do it. We look at the cash flow coming back in on us, and when that is enough to fund it, you get the money and we do not say "No".

Deputy Francis Noel Duffy: I thank our guests for their insightful briefing. I acknowledge the work they do for the State on public housing. I have three questions. I may start by confusing myself on the first one but it relates to the fact they have informed us of the type and level of funding available to local authorities from the Housing Finance Agency, HFA. Can local authorities avail of a better rate than the AHBs and, if so, does the agency envisage local authorities driving the delivery of cost rental and affordable housing, considering the capital available and the understanding of the local authority needs and demands? I look at the agency's chart and it shows the agency is providing three times the amount of funding to AHBs and local authorities but there may be other funding mechanisms within all that. The question is, and I have two more, whether there is a different rate of interest on the money.

Very quickly, the second question is whether the agencies have received the local authorities' housing delivery action plans. Third, the targets are ambitious and we all know that, but will our guests speak of the challenges we have with the delivery? Do they think we can meet the Housing for All projections that are in place in the short term?

Mr. Barry O'Leary: In the short term I think we will. Certainly with our strategy, which is a quarter of the overall Housing for All strategy, we are confident we will hit the numbers we forecast for this year.

Starting at the beginning, "Yes" is the answer to whether there is a rate difference. It is about the risk of lending to a local authority and the chance of it going bust versus that of an AHB, although they are very good businesses. The rate differential is about 0.75%. It makes a difference when you are rolling into the model in terms of what you could deliver cost rental for.

Do we see local authorities being involved? We would love to see them being involved and drawing down money for cost rental because it would spread our portfolio. We would be lending to two different types of business then. They can definitely deliver this stuff so we would be delighted to do it but we are quite a demand-led business. We process loan applications reasonably quickly but we do not go out on the streets canvassing for these things. Local authorities are very aware of our offering.

Deputy Francis Noel Duffy: Does the agency get their housing delivery plans?

Mr. Barry O'Leary: We do not get them. The Department does.

Deputy Francis Noel Duffy: The agency does not see them.

Mr. Barry O'Leary: They do not really need to send it to us. What they need to do is ask us whether we will give them €5 million or €10 million, and there is no hassle. A local authority would get that money within a week.

Deputy Francis Noel Duffy: On the chart, the agency shows it is lending more than three times the funding to local authorities than to AHBs. Has that always been the case?

Mr. Barry O'Leary: No. Ten years ago we lent almost exclusively to local authorities. They now have €3.3 billion of our nearly €6 billion but the other guys are increasing at a rate of knots. If the Deputy says it is three times I believe him because I do not carry this stuff around in my head. Most of the business we are doing now is approving loans to AHBs. We did about €1 billion of those last year. That will be more next year and more the following year so they will grow and outstrip local authorities if nothing changes.

Deputy Francis Noel Duffy: Does Mr. Jordan see us reaching our targets?

Mr. Bob Jordan: We are definitely playing our role to ensure we do achieve the targets. Our role relates to the cost rental equity loans, CRELs. As the Deputy knows, there were 65 homes delivered last year. This year, 669 will get CREL but there are an additional 15 at Enniskerry Road that will get funding through the serviced sites fund and a further 177. Cost rental is a new tender. The AHBs have embraced it so quickly. As I said, we have had two CREL offerings, namely, CREL 1 and CREL 2. I am hopeful, once the open call gets up and running, we can ramp up delivery even further.

Deputy Francis Noel Duffy: From speaking to the AHBs, I know they are very excited by cost rental. They think it should have been there all along.

Mr. Bob Jordan: It gives them an opportunity to deliver a mix of social and cost rental as well, which means they can deliver larger schemes and be involved in place-making and developing sustainable communities.

Chairman: Cost rental is something I and the Deputy met our Green Party colleagues in Vienna to discuss, because the Vienna model of cost rental is the one that is held up as an example. Mr. Jordan said there was some interest from local authorities in cost rental and Mr. O'Leary said the agency does not canvass them for this. Why not? Do the CEOs meet the chief executives and directors of services at some level to explain what cost rental is, what local authorities can do, the finance available for it and what it would produce? I sense a lack of understanding of what cost rental is. We have a lot of work to do to promote cost rental, to show what it is and what it can deliver, the numbers we can deliver and what it can do for housing needs. Do we or somebody else need to engage more with local authorities?

Mr. Barry O'Leary: There is always scope for more engagement in any of these things. We engage with the chief executives of local authorities. We have formal sessions with them at least twice a year. Within the past month, Mr. Jordan and I were at the housing summit and all the chief executives and local authorities were there. Cost rental was discussed in quite a bit of detail. We have had discussions with a number of chief executives in the Dublin area about the benefits of it. As Deputy Duffy highlighted, there is a rate difference, and there should be one. We are lending. We must build in the associated risk. I think it is well understood. I do not think a lack of understanding is driving this.

Chairman: Why would Mr. Jordan say there is only some interest? Why is there not a lot of interest? Perhaps that was just the phrase that he used. Is there a lot of interest?

Mr. Bob Jordan: That was just the phrase I used. There is an enthusiasm for cost rental to be provided in all areas. There are clearly affordability constraints. At the end of the day, the local authorities are working closely with the AHBs. I do not think there is any lack of understanding. To be fair to the AHBs, they have proved the concept and will make it easier for local authorities to step in.

Deputy Cian O'Callaghan: I thank our guests for coming in. My first question is for the Housing Agency officials and relates to cost rental. They said that the next rounds of funding will allow them to move away from turnkey only, which will allow for more control of costs. Can I get more detail about control and costs? What is under consideration? Why might that system look like? What is being talked about? How advanced are discussions? Have decisions been made or where are we at in that regard?

Mr. Jim Baneham: I will speak to the open call under CREL scheme. Mr. O'Leary mentioned social housing and that a good proportion of the lending to AHBs is in situations where they buy a site and then engage a contractor to deliver a scheme. For some of those schemes, the developer had achieved planning permission so the AHBs are buying a package. That has not been possible to date with CREL because of the timescales. That type of arrangement, where they have more control over saying-----

Deputy Cian O'Callaghan: I understand the difference between turnkey and direct delivery, and how direct delivery can give the provider more costs. From the Housing Agency or Government point of view, will measures be put in place to control those costs or will that be left to the AHB or provider to do? That is what I am asking.

Mr. Jim Baneham: It is substantially up to the providers. In trying to encourage them to keep rents as low as possible, one of the things that is apparent in the current system is that although it is proven as a concept, it is very early days. All the data for, say, the management and maintenance of properties is not cost rental data but it is social housing data because that is the only data they have to rely on. If there is a difference, and it is yet to be seen if there will be a difference in those aspects, it has not materialised yet. In terms of the way they are approaching it, they are using the knowledge they have. Over time, I expect that to change. The way they go about designing schemes will probably change as well. It is still very early days at the moment.

Deputy Cian O'Callaghan: It would be fair to say that at the moment that it is about encouraging people towards models that control cost and achieve more affordable rents rather than hard and fast controls on providers. Is that the current approach?

Mr. Jim Baneham: There are upper limits. There are regulations that set out the maximum income limit for a CREL household at the outset. That puts an effective upper limit on what can be provided. There is downward pressure from that in terms of rents. Under CREL, there were schemes which did not quite meet the criteria for the level of discount and they were not able to proceed.

Deputy Cian O'Callaghan: One of the key messages from the HFA, as has been the case for a number of years, is that there is not shortage of finance available, nor is there a shortage of capacity to deliver that finance.

Mr. Barry O'Leary: The short answer is "Yes". We keep saying that.

Deputy Cian O'Callaghan: To be fair, the HFA has been saying that for a number of years. There was a reference to student housing in Mr. O'Leary's opening statement. He spoke about improving the affordability for students and student-specific accommodation. Many student representatives would dispute that and would say that the finance that came from the HFA has not led to more affordable student accommodation but instead has led to what they describe as high-end and luxury student accommodation. Is affordability a part of the criteria around financing for student accommodation? Will it be in the future? Is it simply the case that when finance is sought, it is approved regardless of the affordability of rent levels?

Mr. Barry O'Leary: It is not approved regardless of the rent levels. As I have mentioned a number of times, we look at the cash flows and ask whether they will pay our loan. We are a bit boring like that. We like the money to be paid back. We are lending to universities on a 30-year basis. Is that right, Mr. Cremen?

Mr. Seán Cremen: It is primarily lent on a 30-year basis.

Mr. Barry O'Leary: Those loans are at a fixed interest rate of less than 2% for the duration. I guarantee no one out there is delivering cash to universities more cheaply. If they were not borrowing from us, rents would be higher than they are. We are lenders and not policemen. I am not going into a university and tell them what rent to deliver. That is another world altogether. We are just lenders.

Deputy Cian O'Callaghan: A lot of the student representatives have a real difficulty with the HFA funding being used to produce accommodation that they see as commanding a high rent that is unaffordable for many students. That is something for our guests to be aware of though as lenders they may not be the people to address it. Student representatives would dispute the assertion that there is affordability available for students. They would say affordability is not being delivered.

On cost-rental loans, the Housing Agency and the Housing Finance Agency are clearly saying that getting more affordable rents through cost rental cannot be done on the financing side. A 1% interest rate for 40 years is excellent financing and is about as good an arrangement as possible. If anything is to be achieved in reducing rents to a cost rental level, it would have to come on the delivery side. Is that a fair summation?

Mr. Barry O'Leary: It is.

Mr. Bob Jordan: That is a fair summation, and obviously applies on the management and maintenance side and on the land as well. We can look at other jurisdictions and the Vienna model has been talked about a lot. Every lever available is used to drive down rents as much as possible.

Deputy Cian O'Callaghan: I have a final question for the Housing Agency. There is obviously a huge challenge facing the country to provide accommodation for refugees fleeing the war in Ukraine. There has been much discussion about the role of the agency in that regard.

Mr. Bob Jordan: We have not been formally asked to take on a role but we work on behalf of the Department of Children, Equality, Disability, Integration and Youth on international protection and the phase 2 accommodation. We are already providing advice in a different area. We stand ready and waiting to help during this humanitarian crisis.

Senator Rebecca Moynihan: I was going to ask the question Deputy O'Callaghan asked about the scale of response that is going to be required for the numbers of people who will be coming into the country. Perhaps we could follow up on that. Has the Department of Justice approached the Housing Agency? Has there been any backward planning done on how a large number of people can be housed within such a short period?

There were 390 cost-rental properties funded in 2021. We know from replies to parliamentary questions tabled by Deputies Ó Broin and O'Callaghan that only 115 were delivered by the end of last year. Some 454 are due to be funded in 2022. That is approaching 1,000 homes over two years. The Government commitment in the Housing for All plan is low at only 2,000 properties per year, which would total 18,000. If we are only managing to fund 1,000 properties over two years, not all of which are being delivered, are our guests confident that we will be able to deliver at least 18,000 by 2030? I understand there is funding but are our they confident in delivering those cost rentals?

A 40-year lending period has been mentioned. One of the mistakes we in Ireland have made with regard to housing and our investment in social housing is that we sell off stock and do not replace it. Since 2012, the only funding available was going to local authorities and now 45% of funding is going to AHBs. Once that 40-year period is up, are AHBs required to keep the property as social and affordable housing? If so, what happens at the end of that period? Can they then just switch off to market? Can they then sell on their portfolio? Is anything built into the leases when it comes to approved housing bodies?

There is provision in the Affordable Housing Act for cost rental associations of limited-profit associations. I am not entirely mad about them but they are there. Will a clause be built into them? Will the Housing Agency have a role in funding those limited-profit associations? If so, what would constitute that limited profit? Does the same 40-year period apply? Will they then be able to revert to market after that 40-year period?

The Housing Finance Agency has funded co-operative housing through approved housing bodies. Has any work been done on funding of co-operative housing? One co-operative housing project for eight people fell apart in Dún Laoghaire recently thanks to a contractor. I think it is an interesting concept.

The Housing for All commitments include a new programme to introduce CPOs to allow the resale of vacant properties on the open market. It was due to be completed by the end of 2021. There is a target of 2,500 in the next two and a half years. What steps have both agencies taken to facilitate this? When do they foresee that this new CPO programme being implemented? I am sorry if this is a lot of questions at once.

Mr. Bob Jordan: On Ukraine, we have not yet been given a formal role but we have been acquiring properties for phase 2 accommodation both for families and single individuals under the international protection programme.

Cost rental is not just funded by the Housing Agency. On the pipeline, as I said earlier, we are moving from where there were 65 homes last year to 669 being delivered this year. To be clear, we will meet AHBs on a monthly basis to make sure those delivery dates are met. There will be a further 177 units after that.

The Land Development Agency obviously has a role in cost rental. I can just speak about the agency. We have lands in Skerries, Balbriggan and Naas that collectively will deliver well over 1,000 social, affordable and cost rental units. That is our contribution there. I will pass over to my colleague, Mr. Baneham to respond on affordable housing.

Mr. Jim Baneham: The legislation on cost rental requires that the Minister designate housing for a period. To date, the initial designations have been for 50 years, that is, for an extra ten years. There was some back and forth about how long it would be. The commitment from AHBs, which are charities and are regulated now, is that they do not see themselves ever parting with that stock or changing its use. Another instance of control for longer-term use of housing is Enniskerry Road. That was our land at the outset. We entered into a 150-year lease on that land before we transferred across. The leases are with the two AHBs. That controlled the use of those lands for social and affordable for the period of that lease. There are probably a number of control measures that can be used depending on who is delivering it and what land is going to be built on. With local authority land, local authorities can have more control of delivering its long-term use themselves. Designation control is there, particularly if it is not a local authority but a designation process will still apply if it is a local authority but I think there will be less concern about having a very long period of designation.

Mr. Bob Jordan: We have established a CPO advisory service. We are already working with some local authorities on that and are providing some guidance documentation and training on that. It is to use it as vehicle to support our role on the town centre first policy and bringing vacant properties back into use.

Mr. Barry O'Leary: We are quite happy to continue with the 40-year lending period. As AHBs will have paid off the mortgage with us after 40 years, we would have no further control over them. Obviously, AHBs cannot make distributions because they do not have shareholders or anything to pay out on. That would be a different situation to the limited-profit organisations to which the Senator referred. Currently, we are not mandated to lend to anybody outside of local authority, AHB and university sectors. It depends on whether it was ever allowed by the Government - we would look at it if it did - but we have no plans in that area. The designation Mr. Baneham spoke of 50 years for cost rental is fine but it is a longer period than our mortgage so we just focus on the 40 years.

On the co-operative housing, I do not know anything about the scheme in Dún Laoghaire except to say that Co-operative Housing Ireland is one of our larger customers in the business we are doing with AHBs. They certainly are in good standing with us.

On CPO front, we are aware of the target of 2,500 properties. We think that €1 billion or €1.25 billion could be provided on that. We are in a position to provide funding and probably see it being turned over fairly quickly. You should buy the thing, do whatever needs to be done to the house and make it available and sell it so that the money could be revolved fairly quickly. On the assumption that we are lending to local authorities for those CPOs, we would lend at a very low if not a no-cost rate on the assumption that it was turned over within a two- to five-year period. I would not like to be lending much money on an interest-only basis for longer than five years. What do we want to do here? We want to get houses back in supply. We would be quite happy to engage in a positive way with local authorities in a positive way for CPOs.

Deputy Emer Higgins: I thank everyone for their presentations and insights. It is very encouraging to see the focus on cost rentals and unlocking vacant housing and getting them back into stock and supply. I have a non-funding-related question. Earlier, Mr. Jordan said he is involved in an advisory capacity in the shared equity scheme. I would be interested to hear his perspective on that. What does that advisory role look like?

Mr. O'Leary summed up well that his agency provides cheap, long-term financing that delivers homes. That is so desperately needed in this country now. Its lending rate and turnaround times in decision-making and the approval rates seem most impressive. They are having a direct impact on housing on the ground. We can that. My first question relates to forecasted funds for 2022. Is there a breakdown available of the mix of social versus affordable in that forecast? My second question relates to sites where construction was under way but has ground to a halt. The price of raw material has increased in recent months. Contractors who have started projects have said that the financing agreed no longer works for them. There have been negotiations on sites up and down the country and I refer in particular to my county council area. In such a situation, has a local authority the option to go back and renegotiate its loans with the Housing Finance Agency because a project is running over because of unforeseen or unbudgeted-for circumstances? We want to make sure that houses are delivered as cheaply as possible but also as quickly as possible.

Mr. Barry O'Leary: We would expect to lend something like €1.2 billion next year. The vast majority will be for social housing rather than affordable. We will lend for cost rental, as I said in our statement, but we basically approved €200 million. I expect that the open call which Mr. Jordan referred to will come out and we will approve loans during this year for delivery in future years. I would say that 90% or more of what we lend will be for social housing.

The Deputy asked about sites where construction has ground to a halt and cost increases. That is an ongoing issue but probably more so because our business is lending to approved housing bodies more so now than to local authorities. I would not say that is happening all the time, but it is happening on a regular basis. For loans we have approved, in some cases for quite legitimate reasons the builder needs to get cost increases. They are coming. I am sorry for being boring and saying cash flow is cash flow. If the cash flows support it, we will lend more and we have been lending more during the past 12 months for those sorts of loans. In anticipation of the supplementary question, the increase would be approximately 10%. It is not for all the projects but that is the kind of area we are in at the moment.

Mr. Bob Jordan: Regarding vacancy, we are trying to tie together a number of things. I mentioned earlier the Housing Agency acquisitions fund has been acquiring vacant properties for social housing. We now have an advisory role on compulsory purchase orders. We will have a technical team working with approved housing bodies and local authorities under the Town Centre First programme. I will give an example of some of the things that are happening out there. The Peter McVerry Trust converted a bank branch in Cork city centre into a regional office and also apartments, including two apartments for people coming out of homelessness, including Housing First. One of the roles we can play is to act as a clearing house for some of the atypical vacant properties, including bank branches, post offices, pubs, Garda stations and so on.

It is really important that the first home shared equity scheme gets up and running by mid-year. There are a number of complex aspects to it, including a special purpose vehicle. Obviously, criteria need to be in place relating to price caps and so on. There is a target this year to deliver 1,750. Therefore, it is ready important for that scheme to get up and running on time. Our team have been working hard on that.

Mr. Jim Baneham: In recent months it has been focused on the operational aspects of how to implement the scheme and how the company will work effectively to spend the equity money and assist people to buy their homes. There is a surprising amount of work involved in putting that together.

Deputy Emer Higgins: It would be great to be kept in the loop as it evolves. I believe that will be a key lever in helping to improve affordability in the market.

Deputy Eoin Ó Broin: I return to the issue of the length of the loan. I fully understand the entry level rent is a policy matter for Government. It is not a matter for the lender. My question is similar to Deputy Cian O'Callaghan's but presented in a different way. If Government made a policy decision to reduce those entry-level rents to cover people who we want to be able to afford cost-rental but who currently cannot and if Government were to ask the HFA what could be done at the finance end, would it be possible, for example, to stretch some of those finance arrangements to 50 years or 60 years as they exist in other jurisdictions? What would the interest rate implications after year 40 be? Is that something that could be done from Mr. O'Leary's knowledge of loan finance?

St. Michael's Estate, which will be the first local authority-led cost-rental scheme, does not have 40-year finance - unless Mr. O'Leary can break some good news to us today. The European Investment Bank loan which it originally got under the last Government is over 25 or 30 years. Dublin City Council has advised its elected members that that means the entry-level rents to that development will be €1,300 per month. Obviously, if Dublin City Council were to seek the assistance of the HFA, could that finance be restructured as was done on Enniskerry Road to provide 40-year finance to assist in that?

I did not know that the HFA could lend to the local authorities at a lower interest rate; that is very interesting. Based on that 0.75%, by how much would that reduce the monthly loan repayment for a standard unit of accommodation that the agency funds? I am asking this for an important reason. Local authorities are not engaging in cost rental because it is not really Government policy. They really want the AHBs and the LDA to be involved in that. The local authorities are giving up the possibility of doing cost rental, as with St. Teresa's Gardens, to the LDA. However, if the local authorities could borrow at a lower interest rate than the AHBs and the LDA, that would obviously be a very positive step to reducing the rent. I would be very interested to hear anything Mr. O'Leary has to add to that. If I have time after he replies, I will come back to Mr. Jordan.

Mr. Barry O'Leary: We could certainly look at stretching out the loans if Government policy changed. I would be a bit wary of making the assumption that just stretching it out will deliver the nirvana of lower rents. We have the facility to fund stuff on a fixed-rate basis for 30 years and we then stretch it out to 40 years using assumptions that it will be variable from year 30 until year 40. If we then needed to make assumptions that it will be variable from year 40 to year 50 or year 50 to year 60, we would run the risk that the assumptions we might make about variable rates could make the thing reverse. We would need to look at it. We are fully employed at the moment and we have not looked closely at that. It would be fairly straight forward.

Would I like to hazard a guess as to what 0.75% would do? Not particularly. However, if I were being helpful, I would say somewhere between €100 or €120 a month. I will write to the Deputy next week to say I was wrong and outline what the real number is.

Deputy Eoin Ó Broin: It might be €200 or €250 a month. I look forward to the letter. What about St. Michael's Estate?

Mr. Barry O'Leary: St. Michael's Estate is dangerous territory for me because we have not been involved in it thus far. We have a very good relationship with the European Investment Bank which I would like to maintain. It gives us lots of money at nice fixed rates. It is over 25 years, which tells a tale. It is interested in European investment and wants to give money to Irish entities and other entities in Europe for 25 years. We do not see it raising a flag and indicating it will give that money for 50 years. That tells us something.

Deputy Eoin Ó Broin: However, the HFA got away with it in Enniskerry Road and so it might be able to get away with it a few times.

Mr. Barry O'Leary: Enniskerry Road is a wonderful scheme, but it is not the Vienna model and it would be overcooking the thing to say to say that Enniskerry Road is the panacea for all ills. It is a great scheme and we will leave it at that.

Deputy Eoin Ó Broin: I agree with that.

Mr. Barry O'Leary: For much of the stuff that we fund, we use a blended thing because we borrow some money from the NTMA and we get a blended rate out. Could we lend money for longer than 25 years to St. Michael's Estate if somebody tapped us on the shoulder? My guess is that, of course, we would because we tend to do what Government likes us to do.

Deputy Eoin Ó Broin: I thank Mr. O'Leary.

I have two questions for Mr. Jordan on that. Obviously, there have been problems in some parts of the country with the capital advance leasing facility, CALF, and the payment and availability agreement, particularly because it was erroneously, in my view, originally linked to market rent rather than full cost recovery. Would it not make more sense in the review of the payment and availability agreement portion of the funding to link it to full cost recovery so that it is not tied to an arbitrary market rent but to the actual cost of delivery?

Obviously, the biggest problem with CREL turnkey is in Dublin city centre because the HFA cannot afford anything and cannot get the 25% discounted market rents. Realistically speaking, even if the HFA were to fund some new builds, local authority or AHB direct delivery, it would be three or four years before they would be ready to move into because of the longer development cycle for apartments. That means that turnkey units will predominate, not necessarily for approvals but for delivery for the next three to four years. Is there any hope of getting any affordable cost rental through CREL turnkeys in Dublin city with the current rate of CREL that is on offer? Are the HFA and Government looking to align a variable rate of CREL with the variable rate of the affordable housing fund, for example?

Mr. Bob Jordan: I will answer that one and Mr. Baneham can respond on the CALF, and the payment and availability agreement. We are still delivering proof of concept in Dublin city. Dublin City Council may have a number of projects that come forward in the open calls. We need to test it at the current rate. That is the answer to that.

Deputy Eoin Ó Broin: Does that mean that other than a new build project, it is unlikely that turnkeys will be delivered through CREL in the city in the next few years unless the CREL portion is amended by Government in terms of size of that subvention?

Mr. Jim Baneham: Obviously, it is a matter for the Department. When all the schemes for cost rental are dotted, there is a gap in the middle. That is obvious. It has been noticed. We will not make a decision ourselves.

Deputy Eoin Ó Broin: What about the payment and availability agreement?

Mr. Jim Baneham: If my colleague Mr. Pat Fitzpatrick were here, he would say it is a cost-recovery method at the moment but that it is limited by market rent. The review is to determine why. The initial thinking, dating from 2010 or 2011, was that by concentrating on areas with a higher market rent, one was concentrating on the areas with higher demand. There was a kind of logic to it but now there are limitations. Since the mechanism has been such a big deliverer of social housing elsewhere, there are limitations in areas with lower demand. There are problems, such as those referred to in Limerick county, and the review was designed to address these.

Deputy Joe Flaherty: I thank the speakers for attending. I have three quick questions, after which I will give my monologue on affordable housing in rural Ireland in the hope that the witnesses can give me comfort.

On the acquisition fund, which entails €70 million for acquiring vacant housing stock, it is to be targeted primarily through the Town Centre First initiative. In rural provincial towns in the main, there are many bank-owned properties that the banks probably do not yet consider to be of sufficient value to be cashed in. Are the delegates engaging with banks on their portfolios of property? Are they putting pressure on banks, saying it is time to come to the table and release the properties onto the market or allow for compulsory purchase orders?

Mr. Bob Jordan: Yes, we are. To be fair to the banks, it has been quite difficult for them to deal with 31 individual local authorities. It makes sense for the Housing Agency to examine this. It does not mean that, in all areas, there is a need or ability to convert the properties into housing, but we are certainly considering that and talking to the banks.

Deputy Joe Flaherty: Very good.

With regard to the local authority home loan, Senator Moynihan said we might have been too quick in the past to sell off some of our housing stock. With the changing of the rules, a few people have been caught in that they had a semi-successful application under the tenant purchase scheme only for the new ten-year rule to come in. Do the delegates, as those who probably were among the architects of the scheme, see any opportunity for leeway on that?

Mr. Jim Baneham: The issue concerns the term for a tenant purchase. It was one year and has been changed to ten. To give a specific answer, I would probably need to look into the case in question and know more about it. That is probably not a great answer to give.

Deputy Joe Flaherty: That is grand. I may send Mr. Baneham the details.

Ms Feeney is in the firing line for my next question. When I was coming in, I heard her referring to the repair-and-lease scheme. I was delighted to hear there is some upward movement regarding the valuation. While a local authority currently gives a grant of €6,500 for a drop-level shower, we are offering only €60,000 for repair and lease. It does not make sense. When does Ms Feeney envisage this changing? Could she state how it might change?

Ms Claire Feeney: It is not so much that the €60,000 will increase; it is more about examining the flexibility around the €60,000 and how it could operate in respect of larger developments rather than one-off houses. That is a little different so I-----

Deputy Joe Flaherty: If one were putting nine apartments into a former one-off house or pub, for example, would one be looking at multiples of €60,000?

Ms Claire Feeney: Yes. It is a matter of ensuring the end product, rather than what one is starting off on, is being looked at.

Deputy Joe Flaherty: That is grand. What is the timeline?

Ms Claire Feeney: Very quickly.

Deputy Joe Flaherty: Very good. An exceptional answer.

Ms Claire Feeney: It will be weeks rather than months.

Deputy Joe Flaherty: I thank Ms Feeney. I will now proceed to my monologue. Like Deputy O'Donoghue, I hope the delegates can give me some comfort with their responses. I hope that whoever is answering my next question has a mother or mother-in-law from Longford. Probably only 11 counties are being actively encouraged to come forward with an affordable housing scheme. In Longford, we have not built a three-bedroom semi-detached house in 12 years. This is the starter home in the housing market — an entry-level house. All the reasons are known. It was too expensive to build such a house and much cheaper to buy a second-hand house. Effectively, in a large swathe of rural Ireland we have a non-functioning housing market. Covid has shown that people are quite happy to live in rural Ireland and want to return to living there. Most companies are quite happy for people to live there. If we are serious about tackling the housing crisis, it makes perfect sense to enable people, within reason, to live in rural Ireland. Having said all that, I contend it is increasingly difficult, if not nigh impossible, for the county councils and other local authorities to get approval through the Department. Given the affordable housing structure required in local authorities' proposals, the answers the Department wants simply cannot be supplied. Despite this, I can state anecdotally that if we had an affordable housing scheme in Longford tomorrow morning, there would certainly be more than 200 applicants, most of whom would qualify for the local authority housing loan, which the delegates' good office would be financing.

We are building up to what will probably be a perfect storm regarding housing in rural Ireland. In the year to date regarding leases, including rental accommodation scheme leases, in Longford, 22 landlords have issued a notice to exit the market. The houses will be snapped up and we will have more people coming to the local authority. Obviously, the delegates hear about this from other local authorities, not just Longford County Council. Is there an appetite at the level of the representatives, given that they are in partnership with the Department of Housing, Local Government and Heritage, to tell the Department that we need to be more proactive regarding affordable housing, make things easier and actively encourage every local authority to produce an affordable housing scheme?

Mr. Bob Jordan: The Department sets the policy on the local authority affordable purchase scheme. It does not apply across the country. We are very much working on the first-home scheme, which will have a national remit and, I hope, help people to bridge the gap wherever they choose to buy in the country. That is the only answer I can give at this stage.

Mr. Barry O'Leary: My answer is equally boring. If Longford County Council or any approved housing body came to us for funding, we would certainly consider its proposal. Based on a quick look at the records, I note that we lent only €1 million to Longford County Council last year.

Deputy Joe Flaherty: If an approved housing body proposed an affordable housing scheme for an area that is not technically designated, would it be possible to consider it at present? Would it have to be kicked back to the Department to obtain permission to proceed?

Mr. Jim Baneham: There is a market-value reduction target of 15% for purchases and 25% for rental. Where rents or prices are already low, it is extremely difficult to reach these targets.

Chairman: We will now move on to the second Green Party slot, which I will take. I picked up on something one of the members said, namely that cost rental is not Government policy. Maybe I got it wrong.

Deputy Eoin Ó Broin: The encouragement of local authorities to enter cost rental is currently not policy. They are focusing on the approved housing bodies and the LDA.

Chairman: It very much is Government policy, and we did legislate for it.

Deputy Eoin Ó Broin: No, I am not-----

Chairman: I just wanted to correct the record if I correctly picked up what was said.

May I talk about dereliction and vacancy? The committee has done a body of work on this. We had a series of four meetings on dereliction and vacancy and bringing life back into towns and villages rather than having the constant sprawl we have seen over the past 30, 40 or 50 years of planning. The strategy submitted to us refers to a support service dedicated to advising and supporting local authorities and providing professional and technical services. What is it that local authorities require to get them to start bringing derelict and vacant properties back into the public housing stock? I invite Mr. Jordan to answer that, after which I will talk about financing, if possible.

Mr. Bob Jordan: On the previous question, a target is built in for local authority cost-rental accommodation. There are targets in the Housing for All strategy for local authority cost-rental accommodation. The target for this year is a modest 50 units but it is moving forward. A target for the number of cost-rental units to be delivered by local authorities is built into the Housing for All strategy.

Chairman: On that issue, the Land Development Agency, which has appeared before this committee a few times, has placed cost rental front and centre of its delivery. We know it is being delivered from various angles.

Mr. Bob Jordan: Regarding dereliction and vacancy, we are collaborating with the Heritage Council and local authorities to do surveys of town centres. Under the town centre first policy, every local authority will have a vacant homes officer by mid-year. There will be town regeneration officers and we will work with them to identify properties that can be brought into use. We need to match those properties, perhaps with the input of approved housing bodies, and take a direct role in that. One aspect of the Housing Agency that I like is that even though we are involved in supporting policy development and programmes, we have an in-house technical team of engineers, quantity surveyors, architects and so on. They are often the people who take a look at these buildings that perhaps nobody else wants to take a look at, including local authorities, and assess the potential of those properties. We can play a hands-on role in addressing dereliction and vacancy under the town centre first policy.

Chairman: One of the issues that arose in the discussions we had on dereliction, vacancy and the CPO process was that the regulatory process involved can be quite expensive. The costs involved in the regulatory process can make it prohibitive to bring a second and third floor of a property back into use and provide two or three dwellings. Did the Housing Agency find that was the case in the research it has done or in feedback it received from local authorities?

Ms Claire Feeney: One factor that stands in the way of the local authorities getting involved is third-party charges and technical matters like that. Progress has been made with the low-hanging fruit, that is, properties that involve a straightforward compulsory purchase order process. We could play a role where there are difficulties involving a property title or third-party charges. We could support the vacant homes officers to get down and dirty, for want of a better phrase, with some of what has been left on the shelf up to now.

Chairman: What do third-party charges involve?

Ms Claire Feeney: An example would be a judgment mortgage or charge on the property. That would involve doing a deal and negotiating to get rid of that charge through the CPO process.

Chairman: Regarding the financing of derelict or vacant buildings in town centres, is it financially attractive to invest in that? Does it provide bigger challenges?

Mr. Barry O'Leary: It is not particularly challenging; it is just maths. It is a little dull but one would consider the capital cost, the income and the ability of the borrower to repay the loan. It is the same as any other type of mortgage. There is nothing particularly challenging about it. The likelihood is that the cost of the home will still be lower than the cost of providing homes elsewhere in Dublin or Dún Laoghaire. It depends on the situation.

Chairman: Would it be fair to say local authorities have been slow in addressing the issues of dereliction, vacancy and the CPO powers they have? What puts them off doing that?

Mr. Barry O'Leary: I have no information to answer that question.

Chairman: If Mr. O'Leary were to analyse the data of local authorities or approved housing bodies seeking funding, would he find that nobody is seeking funding to bring derelict or vacant buildings back into use or is it the case that it is very low in their list of priorities?

Mr. Barry O'Leary: One could see that but I genuinely have no idea as to what the reasons behind that are.

Ms Claire Feeney: A reason can be that in a CPO process the local authorities do not have visibility. Deals and valuations are being done and applications made for funding without getting into the property. That can often be an issue, depending on the state of property, in terms of not knowing what the end result or final cost would be. Applying for funding, bridging finance or whatever can be something of an unknown and that can also contribute to some of the reluctance to get involved.

Chairman: In terms of setting targets for local authorities to achieve, and Senator Cummins is a strong advocate of those, or setting targets for the number of vacant or derelict units to be brought back into use, there is a target of 2,500 CPOs up to 2026. Should we seek a higher target than that? Should we get the local authorities to turn their focus to that? It is not only about providing housing numbers but also about the carbon footprint of doing that, the town centre first policy and compact growth. In that regard, it fits a number of Government policies. Do we need to focus the minds of local authorities a little more on dereliction and vacancy?

Mr. Bob Jordan: That target is a significant one given the complexity of the CPO process. The benefits have probably been realised more during Covid when people had plenty of time to look around and see the existing level of vacancy and dereliction. The answer to the Chairman's previous question is that local authorities need some support around this process. There is a level of complexity in it. The target is significant but the benefit of such work is creating better urban spaces, as the Chairman said, and achieving carbon savings but also creating an opportunity to move people, particularly those on social housing waiting lists and potentially purchasers, into these properties. The target is significant.

Mr. Jim Baneham: I might make a further point. We have done a little bit of that through the €70 million fund and bought some older town centre properties. It requires considerable resources depending on the property. Many of the town centre properties are not regular. They are not like three-bedroom, semi-detached houses. They have their own characteristics. The amount of time resources that go into doing a proper job is disproportionate when one only considers the numbers. That is probably a little bit of a disincentive to local authorities which might have limited staff resources. The time required for a scheme to get a row of, say, three or four houses in Birr back into use could be similar, timewise, to that needed to deliver a brand new scheme of 50 houses down the road. Such work takes time. In terms of the overall output, it is not only about the number of houses but also the changes made to the town. There is probably a bit of a journey to be taken not only to count the numbers but also to consider the impact of the work that has been done.

Chairman: Having spent some time on that issue, I would like to continue that discussion. I will move to Senator Boyhan.

Senator Victor Boyhan: I welcome Mr. O'Leary, Mr. Jordan and their teams. I do not say this lightly but we are very fortunate to have them. Their expertise and focus are clear. I thank them for submitting their opening statements, which were most helpful. I acknowledge their technical and other expertise. They do not set the policy and perhaps that is just as well. There is a differentiation to be made between policymakers and those who ultimately implement policy. I liked the expression Mr. O'Leary used when speaking about student accommodation that the Housing Agency is just the lender and does not police the scheme. That is a very simple matter-of-fact statement. Perhaps I am picking up that that is the type of person he is and it reflects his personality but he is very clear and concise and I compliment him on that. Sometimes we need less jargon and to have people just get to the point. The witnesses are focused on the task in hand and we are very fortunate to have that. This is about Housing for All and rolling out the various options. There are layers of different options and no single option that fits everything. I wanted to acknowledge that.

I am directing this comment to Mr. O'Leary. There are 31 local authorities. Local authorities account for 56% of the outstanding loan book of the Housing Finance Agency. Would it be possible, and it may not be, for Mr. O'Leary to share a breakdown of that loan book across the relevant local authorities? This committee is always looking at data and trying to narrow its focus. Without playing the blame game, some local authorities perform far better than others. There are many reasons for that and I am not making a criticism. What is becoming clear after many years sitting on this committee is, perhaps, a lack of technical and financial expertise in local authorities, and that is where the groups before us come in. I am interested in hearing more about that.

There is the lending to higher education institutions, and three of those have been mentioned. Will the witnesses speak about those? Are they confident that others will come on stream? The reality is that if accommodation used by students can be freed in particular centres, with the students moving to or near educational campuses, there will be a shift that would create vacancies in other existing accommodation. It is an important aspect and the witnesses might speak to us about it.

There is also the question of the Land Development Agency, which is the big game in town. It has a big vision and plans, and there was some resistance to it. I had some concerns about how it interfaced with local authorities and the disposal of local authority properties. The legislation has moved on and the process is on a more definite footing. The Land Development Agency will have powers to acquire properties in local authorities, as is correct. What is the engagement with the Land Development Agency like?

Mr. Jordan's agency has really driven home the technical supports element. I do not want to be critical of local authorities but we are clearly seeing less involvement in local authorities. There is a desire on the part of the Government to continue supporting them. At the end of the day, however, it is not about supporting local authorities but people who can deliver homes, no matter who provides them or from where the finance is coming. Let us not get caught up in the ideology; we want homes for all people.

I will speak to the CPO process. I am familiar with it because I was on a council for many years before coming here. I live in Dún Laoghaire. I could bring the delegations to 35 derelict properties all in the hands and full unencumbered ownership of the local authority. There would be no difficulty with them. We have a crisis in Dún Laoghaire; we have a housing crisis everywhere. In many cases the local authorities have very valuable assets in major town centre zones. They could have commercial, retail and residential properties of which they do not take advantage.

On the advisory aspect, local authorities will constantly say a CPO is a financial quagmire. There are two aspects in that way so will Mr. Jordan speak to that? Are local authorities receptive or could Mr. Jordan say how engaging or receptive are local authorities in the process? The Housing Agency is to make land available to the Land Development Agency so will Mr. Jordan flag where they are and how that process is progressing?

Senator John Cummins took the Chair.

Mr. Bob Jordan: Ms Feeney will speak to the CPO process. On the question of projects and procurement, we have a projects and procurement unit within the Housing Agency and there is a commitment in Housing for All to expand it. There are currently approximately ten people working there and we want to expand it to approximately 20 to support local authorities who do not necessarily have the complete development section. These would be local authorities with build targets up to approximately 1,000 units, and there are approximately 15 local authorities in that space.

With regard to approved housing bodies, it is important to note that 45% of the overall social housing target will be delivered by approved housing bodies. The aim is to support the lower or so-called tier 3 approved housing bodies and the tier 2 bodies that are developing. We are looking to support growth there as well. We are very much in the process of doing that right now and growing that unit.

On the question of lands and the Land Development Agency, we have lands in Skerries, Balbriggan and Naas. We have been working very closely with the Land Development Agency on those and they will all probably go into the planning process very soon. There is the potential to deliver approximately 1,300 social, affordable and cost rental units on those lands. Over the past couple of years, approximately 515 properties have been delivered on Housing Agency lands, and there is potential beyond the 1,300 figure with the Land Development Agency to deliver at least probably another 1,000.

Mr. Barry O'Leary: We could provide a spreadsheet of the breakdown being sought by the Senator to the committee.

Senator Victor Boyhan: That would be great.

Mr. Barry O'Leary: To be clear, the Senator wants the information as it relates to local authorities rather than approved housing bodies.

Senator Victor Boyhan: It would be great to have both.

Mr. Barry O'Leary: Many local authorities will say they are liaising with approved housing bodies and they are delivering the units.

Senator Victor Boyhan: It would be great to have both sets of data in a spreadsheet. We could get a sense or a feel about it.

Mr. Barry O'Leary: We can certainly do that and send on the data. The Senator mentioned higher education institution loans, and as I said, we have three done. We have an expectation as one higher education institution has come to us about a second phase that will have 1,000 homes. The legislation is changing to allow new universities, for want of a better description, to come along and there are indications that they have interest in borrowing. That will take a while and we have nothing on hand from those at this point.

The Senator spoke about our relationship with the Land Development Agency. We have a reference in our strategy that there would be a small amount provided at the end of our five years to lend to the Land Development Agency. We are in conversation with Mr. John Coleman, the chief executive of the Land Development Agency, on a regular basis. He has a fair bit of funding provided to him that he will use first before he borrows from us. There are issues about debt being on and off the balance sheet an everything else. I would say it is not that he does not want to borrow from us but he will borrow from us last because he has access to other money first. The agency is in our strategy and if it ever needed to come to us for additional funds, it could easily be provided to them.

Acting Chairman (Senator John Cummins): I allowed the Senator some latitude because we have time. It is my turn to put questions and it is not that I am using the position to make it my turn.

The Rebuilding Ireland home loan is now the local authority home loan and it is an excellent product that provides finance to enable people to get their foot on the ladder. Perhaps the witnesses might correct me but I believe there was a decision taken during the pandemic that was unfortunate, as it affected people in the process of having a loan approved who were in receipt of a wage subsidy from the State because of the pandemic, or where the State was underwriting the employment that supported the employee during the pandemic. I know of an incident involving a chap living with his wife and kid who had an application approved prior to the pandemic. It then came to the drawing-down process. His employer was in receipt of the wage subsidy scheme and although the man had got a promotion, was working more hours and in receipt of a higher income, he could not draw down the loan. He was also told to come back six months after his employer came off the wage subsidy scheme. We are still in that period. "hat is the position now where an employer has come off the wage subsidy scheme? The employee is in employment and will continue in it, please God and all going well, for as long as he wants. Does he have to wait six months to apply for the loan again?

Mr. Jim Baneham: As with a previous question, it might be best to send us details of the case and we can give a more comprehensive response.

Acting Chairman (Senator John Cummins): Could we take the individual out of it and speak about the general policy when it comes to wage subsidy? Many people are in that bracket who have been supported throughout the pandemic but the employer is no longer in receipt of a wage subsidy. This affects a host of people. Will they potentially miss an affordable purchase scheme in the second half of this year as a result? It is where I am going with the question.

Mr. Jim Baneham: From an underwriting and credit policy perspective, there was an assessment of risk around people's capacity to repay when they were in receipt of temporary payment supports. In order to give an accurate response, I would need to speak with our underwriters. I do not want to just chance my arm on the matter here.

Acting Chairman (Senator John Cummins): Waterford has one of three schemes approved for turnkey affordable purchase. They were some of the first in the country in terms of a joint venture with a developer. They are going to be coming on stream and the application process will open soon. I do not want somebody who meets all of the criteria to unfortunately miss out as a result of his or her employer having been on a wage subsidy scheme that is a distant memory to the individual, in particular where there are higher incomes coming into the house or promotion, as was the case with one individual. I think Mr. Jordan gets the general point I am making. A more complete response would be required on that.

Mr. Bob Jordan: We will come back to the committee on that.

Acting Chairman (Senator John Cummins): I thank Mr. Jordan. I have a couple of further questions. Mr. O'Leary mentioned in regard to student accommodation that he has not had full sight of the plan for the technological universities. It has been announced that the intention of the Government is to be in that space. In my county of Waterford, plans in that regard are very much ready to roll in the context of the new South East Technological University. What does the HFA need to be able to take in an application from that new institution?

Mr. Barry O'Leary: We would be open to take in applications once the providing legislation is looked after. We anticipate that in the course of the second half of this year we will engage with all those institutions and see what their requirements are. In 2019, when the universities were enabled, we had a round of engagements with the six or eight universities that were allowed to borrow at that stage. That is where the notion crystallises, where they can see we can provide low-cost, long-term funding and they see the benefits of that. To be quite honest, the bean counters in the colleges think this can work and they see the merits of it. The lending that we have done so far and the second phase that is coming on stream for the 1,000, all came out of the initial engagement that we had, and we anticipate that we will do that in the second half of the year.

Acting Chairman (Senator John Cummins): I referred to the three schemes in Waterford, but if I take the point more generally in terms of turnkey affordable purchase across the board, Cork has sought expressions of interest from developers to engage with it in order to provide units. There is a difficulty there with the structure. We want to try to de-risk the State's involvement in one sense because of what happened in the past regarding shared equity. In developing such a project, the end result must be that it leads to a direct sales purchase to the homeowner. The reason for that is laudable because the person involved has to be able to avail of the help-to-buy scheme, which is worth €30,000, and that will very much assist them.

However, the difficulty is that the developer who is developing the affordable purchase unit for the State and for the ultimate purchaser is probably, at best, getting lending at 10%, with 1% in and 1% out. Is there not a mechanism to bring low-cost finance to those projects that have been approved for affordable purchase delivery? I do not know where that question sits, but it is probably for both sets of witnesses to answer.

Mr. Jim Baneham: I will start it anyway. In terms of the schemes that have come through for affordable housing funding that have been approved, there are approximately 150 homes involved between the three of them. We were closely involved with the contractual relationship that was drawn up, and we instructed the decision on it. The Acting Chairman is correct in that we started off with a low-risk position regarding the council to try to minimise risk. There has been further engagement with the developer since then and there is a moving closer together, let us say, in terms of where we can get to. It is not written in stone, so there will be some flexibility in terms of the contractual relationship.

I do not know where they are getting their funding from. HBFI would be in the space of lending to developers. I do not think Mr. O'Leary's organisation is in that space.

Acting Chairman (Senator John Cummins): Given the type of project that is being delivered here, and that ultimately the type of people we are looking at are those who qualify for affordable purchase, could Mr. O'Leary's organisation be involved. It is a local authority affordable purchase scheme, albeit that it is being delivered by the market.

Mr. Barry O'Leary: We are not currently in that space. Mr. Baneham is quite right to say HBFI is doing that. There is a certain amount of risk when you get involved in that. It depends on how it is constructed. We have not been asked to be involved. We have got a situation where the developer is bringing a scheme together. At what point does the risk transfer to the local authority? Does the local authority want that risk? We have no issue whatsoever with lending to a local authority for that purpose, but the question is at what point the transfer of risk happens. The risk is there; it does not disappear just because a local authority is involved. We would look at it in principle, but at the moment we are not involved.

Acting Chairman (Senator John Cummins): Perhaps it is something that could be considered. We are in the early days of this and it is a moveable feast. As has been said, we are moving in terms of the risk element involved. In order for us to meet our targets, this is going to become an issue for many local authorities. If we can develop some process in order to lower the finance, the purchaser will ultimately get the unit at a cheaper price. I have to bring in Deputy Ó Broin.

Deputy Eoin Ó Broin: The witnesses are at our mercy for the next 60 minutes.

Mr. Barry O'Leary: If I might just add, the HFA does a decent job and we offer a low-cost interest rate, but the focus on this needs to be more than just the cost of interest. Simply having the HFA lend into that environment rather than HBFI does not solve the problem. If the game is to pass the parcel of risk on and the HFA gets the risk, that is fine if somebody decides to do it, but it would be priced accordingly. The idea of lending at 1.25% or 1.5% disappears at that stage. There might be no difference. There might be no difference between our pricing for that product and the HBFI product.

Acting Chairman (Senator John Cummins): That is understood.

Mr. Barry O'Leary: I say that just in case we are leading the committee astray in any falsehoods.

Acting Chairman (Senator John Cummins): Of course not.

Deputy Eoin Ó Broin: Before I go to my questions, it would be nice if HBFI would just lend to the people it was originally intended to lend to, which is small- and medium-sized builders. I will not ask the witnesses to comment on such a policy matter. I want to make a general comment about rent setting and then I have a number of questions which we might go through one by one since we have all the time in the world.

I want to pick which Mr. O'Leary up on one matter. He used the phrase "nirvana of lower rents". I want to explain why the rent setting is so important, not just for the tenant but also for the HFA in terms of its management of loans and for Mr. Jordan as well in the Housing Agency. The problem is a lot of our conversation on this is not a criticism of either of the organisations in front of us today. The conversations about cost-rental have started with the very odd idea that you take market rent and you apply a discount. That is not cost-rental. It is a particularly Irish way of approaching the issue. Cost-rental is exactly as Mr. O'Leary has outlined from the very start. It is the very boring process of the thing has to pay for itself and that does not have any relationship to the market rent in the private rental sector. We have two if not three possible dangers in the way in which this scheme has been set up that I want to put on the record. The first is there is a whole cohort of people for whom cost rental is meant to be viable, for whom it currently is not. They are either single people, single income households or very low-income households just above the threshold for social housing. At €1,200 or €1,300 a month, they would be paying up to 50% of their net disposable income on rent. That is not my opinion; it is the result of a very detailed analysis given to its elected members by Dublin City Council on the basis of a number of cost-rental projects.

Cost-rental cannot be affordable if it is 40% to 50% of people's net disposable income. I completely understand that is not Mr. O'Leary's primary policy concern. The problem is, however, that just as the old shared ownership schemes at the latter end of the Celtic tiger era were very risky for the lower-income households that bought into them - there was four times more mortgage default on those than on mainstream mortgages - we have a parallel risk here with cost-rental. If we set the rents too high and if we allow modest income households into those tenancies, if and when there is another recession, we know that those workers are more likely to lose their jobs first and that is going to cause a problem for the landlords of those cost-rental facilities and the issuers of the debt. In the first instance, the conversation about bringing the rents down to a more affordable rent level for one of the core target groups is key to the viability of the scheme. I am appealing to the Housing Agency to understand when some of us in this room call for the reduction of rents, it is not because we want to be popular with the people who live in those. It is because we want cost rental to grow, as well as to be large and sustainable over the long term. If we accept - and I do not accept this - that entry-level rents are €1,200, €1,300 or €1,400, in the case of Oscar Traynor Road or O'Devaney Gardens, it will be even higher on the basis of current cost configuration, then we have a problem. I want to emphasise that first.

Second, we have another danger. If we look at the first round of the cost rental equity loans, CREL, out in the suburbs where I am, the gap between the CREL rents and the market rent is dangerously close. While it is within the 25% threshold, there will be a cost rental equity loan out in Citywest, for example, of €1,200. Out there, some market rents are €1,600, €1,700 or €1,800. We know how volatile our private rental sector is. We saw what happened to rents after 2010.

There is a genuine concern among many, and the Housing Agency will know this because this has been said to them in other quarters, that if the private rental sector takes a nosedive over the next ten years, we could have the bizarre situation where cost rents become more expensive than market rents. Let us not forget, and the Housing Finance Agency appreciates this more than most, what happened with the unsold affordables, which were 2,000 units at the end of the crash. The local authorities were tied into their cost. We still have not resolved that problem. Nobody knows how we are going to fix it. Therefore, if we are simply pegging the target rent at 25% of the market rate, that will create a danger if there is a downturn in the private rental sector.

My third point goes back to Deputy Flaherty's question about affordability in rural areas. The idea that we would peg affordability to 25% of market rent in areas where market rents are low - they still might be unaffordable - will cause a problem in the rural areas. I am not looking for a response to that. I am just appealing to the witnesses' good offices to take the issue that the entry-level rents are important. I am not naive enough to think that this is all about the interest rates or that it is easily solved. Yet, I am worried that if we just blindly accept the entry-level rents as they are currently being proposed, we could end up having problems in five or ten years. They, like the old shared-ownership schemes or the unsold affordables, could come back to haunt us. That is why I am making an appeal. I made it to the new chair of the LDA and I make it to the Minister at every opportunity. I still think that there is a bit of work to be done to bring down those entry-level rents. I am encouraged by some of what Mr. Jordan said earlier. They have to be brought down below €1,000, particularly for single people, for the single-income households and those who are two deciles above the entry level for social housing eligibility. If they are not, we will be designing in a problem at the start.

I want to pick up on the Acting Chair's question about the circular with respect to the drawdown of the Rebuilding Ireland home loan, as it was back in June or July 2020. It stipulated that one had to have exited the employment wage subsidy scheme, EWSS, for at least three months, but there was some flexibility on the parts of the local authority and the Housing Agency. Maybe a simpler way to answer the question is that no new circular has been issued since then, is that not correct? It is still that circular.

Mr. Jim Baneham: I think so, but again I want to go back to confirm.

Deputy Eoin Ó Broin: Yes.

Mr. Jim Baneham: I did not do my cribbing on that particular question.

Deputy Eoin Ó Broin: The straight answer to the Acting Chair's question as I understand it is that circular has not been updated. There is still that three-month requirement with a bit of discretion. I just want to put it on the record.

Acting Chairman (Senator John Cummins): Six months was stipulated, but three months was the point I was making. Therefore, three months would not be as much of a problem as six months.

Deputy Eoin Ó Broin: To be clear, the circular does say three months. Either way, I am on the same page as the Acting Chair on that point.

I have a couple of quick-fire round questions, while we have Mr. Jordan here. I have two queries about the fresh start from insolvency. The first is about people who have exited personal insolvency agreements. For them, does the five-year period or the six-year period apply?

I am still confused. If a personal insolvency agreement is in place for five years, one of the eligibility criteria for application, for example, on a range of schemes would be a full exit from the personal insolvency agreement, plus a healthy credit check that would be independently verified? That is the situation, is it not?

Ms Claire Feeney: It depends on the original terms of the agreement. The one-year is optional. Within a personal insolvency arrangement, PIA, it is six to seven years. In a debt settlement arrangement, DSA, it is five to six years. That is the agreement that would be set at the outset. Where it goes depends on how the agreement is set.

Deputy Eoin Ó Broin: I ask this because there is still some confusion in the local authorities. The statutory instrument that was issued does not make it clear whether it is a six- or seven-year period. I know that this is Department's area, rather than the Housing Agency's area. The more clarity we give to our local authorities that are dealing with the applications in the first instance, the better. I have picked up on some confusion around-----

Ms Claire Feeney: On that point, there is work under way. We are looking at the market process and mortgage arrears resolution process for local authorities at the moment. This is not directly related to what the Deputy is talking about, but it is looking at the area of insolvency as well. This will give clear guidance on that area. There has been a lack of understanding in some ways on the part of the local authorities on the personal insolvency. This is because, I suppose, they do not see themselves as being directly affected by it. However, they are affected by it on the mortgage side and they could be on the rent arrears side. We are doing an education piece at the moment.

Deputy Eoin Ó Broin: It would be helpful, and this could be done by either the Housing Agency or the Department, to have the earliest possible clarification of the year the person can potentially become eligible for the fresh start principle on exit from the agreement.

Ms Claire Feeney: It depends on the agreement.

Deputy Eoin Ó Broin: Second, I have a question on the change to the incremental tenant purchase scheme. The Minister has communicated the change clearly, that both contributory and non-contributory pensions are now to be regarded as income, rather than as social welfare, for the purposes of potential eligibility for tenant purchase. As well as this, the threshold has been reduced. What is not clear, however, is that there is another other rule that 50% of a person's income must come from earnings, but they cannot make cash payment. They still have to have a mortgage finance of more than 90%. The wording that the Minister is using to clarify the position *vis-à-vis*pensioners is something like, "where they have the means to do so". Does that refer to where they have access to mortgage finance? Has the Government taken a decision, or is the Housing Agency aware of a decision by the Government, to allow cash purchases for pensioners? If they are not allowing that, then it neither matters that a pension is treated as income, nor that it is €13,000. A person is not going to get a mortgage at the age of 65 or 70. Does the Housing Agency have any clarity on that? We have not been able to get it from the Department.

Ms Claire Feeney: I do not, but we can look for it. We come back to the Deputy on that.

Mr. Bob Jordan: We will take that away.

Deputy Eoin Ó Broin: The next thing I wanted to ask is about Croí Connaithe, on both the cities and towns aspects. Is any of us any the wiser at this point in time about where Croí Connaithe cities is at? I assume, but correct me if I am wrong, that Croí Connaithe cities will be developed further throughout the course of this year. Therefore, this is really a project for next year.

On Croí Cónaithe towns, in which the Acting Chair will have an interest, is there the hope or expectation that from the €50 million in the pot this year, there will be some access to potential purchasers through Croí Cónaithe towns to acquire individual vacants? In the first instance, I am more interested in what is happening with Croí Cónaithe cities. It is like that fifth secret or sixth secret of Fatima at the moment. Any clarity would be very helpful. Is it the seventh secret?

Acting Chairman (Senator John Cummins): I thought it was the third.

Mr. Jim Baneham: It is the third. We are working with the Department on Croí Cónaithe cities.

Deputy Eoin Ó Broin: Are you losing your hair on that piece of work?

Mr. Jim Baneham: I have already lost my hair. It has obviously taken a bit more time than was anticipated. Much work has taken place behind the scenes over the last number of months. I was working on it this morning with the Department. I would expect that the scheme would be activated and going out to look for proposals, hopefully by the end of the next month.

Deputy Eoin Ó Broin: Is this for cities?

Mr. Jim Baneham: This is for cities, yes. Again, there are a couple of caveats to that. However, I am optimistic that before the end of April that this scheme will have been activated. Further work is ongoing to make sure that can happen.

Deputy Eoin Ó Broin: If I am right, what we have been told so far is that the towns scheme will more likely be a grant. This will potentially be for the purchase of a vacant property. I know that the Acting Chair will have a great interest in that, because he is from Waterford. It would be really useful in towns and cities like that. Is that the way it is currently still expected to work? Will it be available to apply for this year?

Mr. Jim Baneham: My understanding is that there are two aspects to it. One could be a grant, another would allow local authorities to provide a service site. We are not as close to roll-out, but I cannot see why the grant aspect would not be made available this year. However, I do not have specific knowledge of that, but the serviced sites would be relative to where our sites are available etc. and proposals on that.

Acting Chairman (Senator John Cummins): I will bring Deputy Ó Broin back in, but I just wished to break it up a bit.

Deputy Eoin Ó Broin: Absolutely.

Acting Chairman (Senator John Cummins): On the serviced site piece and in terms of the envelope of funding available, I am conscious that the further into the year we go, the more difficult it will be to spend the envelope. Many counties, including Waterford, have a desire to have serviced sites on the edges of rural towns and villages. One would be inundated if such a scheme were opened in the morning. The cities, about which I have to correct Deputy Ó Broin-----

Deputy Eoin Ó Broin: It is Waterford city.

Acting Chairman (Senator John Cummins): I am sure his colleague, Deputy Cullinane, would be disappointed to hear him refer to Waterford as a town when, in fact, it is a city. It was voted the best city in Ireland to live in. I should know this. It is welcome that the cities fund is open. We have the best of both worlds. We can benefit from the rural and urban parts.

On the home loan piece, not to reopen the subject I asked about, but there is a mismatch between the maximum purchase price for properties. The cap is €320,000 in Cork, Dublin, Galway, Kildare, essentially the commuter belt. There is an issue in Limerick and Waterford, particularly in the context of the affordable purchase schemes coming on board, where there will be a maximum purchase price of €250,000, when in reality those scheme need to be in the range from €290,000 to €295,000. Therefore, that has to be revised as a matter of urgency. Will Mr. Baneham comment on that? Is it on the radar?

Mr. Jim Baneham: I do not have any specific insight but it is a fair point that there has been more price inflation outside Dublin compared with inside Dublin in the past 18 to 24 months. There is definitely a basis to put forward the argument.

Acting Chairman (Senator John Cummins): On the shared equity scheme, we said 1 July was an accurate timescale to work towards. When the scheme was first announced, the maximum purchase prices were at a certain level. Obviously, some of them have increased, particularly, as Mr. Baneham said, outside Dublin. There was a cap of €250,000 placed on Waterford. When one looks at the median house price data from the Central Statistics Office, which I believe the Housing Agency used for this, the current figure is €274,000. Correct me if I am wrong, but it would be safe to assume that the maximum purchase price should be at €300,000 because there has to be some headroom. What was done in every other area was that if the figure was €275,000, it went to the next limit of €300,000 with the next multiples being €350,000 and €400,000. Will Mr. Baneham comment on that?

Mr. Jim Baneham: The data that were used at the time it was originally drafted go back to November 2022. The issue is being re-examined to see what the appropriate level will be. The headline figures may or may not change. I expect county figures to change and move between bounds.

Acting Chairman (Senator John Cummins): For instance, the price range for a three-bedroom semi-detached house, which is what we are talking about, a starter home for families, in Waterford is €275,000 to €300,000. It would not make sense to launch a scheme on 1 July to allow someone to purchase and have an equity share in a property when there is no property available at that purchase price.

I have two final questions for the Housing Finance Agency. Mr. O'Leary mentioned the 19 AHBs in terms of certified body status and he said that 100% of loans are approved after a body has certified status. Are they periodically reviewed after that? I assume one has to go through a process to achieve certified status. Is it assumed that everything is in order following that or is a subsequent check performed?

Mr. Barry O'Leary: We assume nothing of the sort. We have a three-tiered approach. We look at their past, present and future when deciding if we will lend to them. When they get through that process, we lend on a project-by-project basis. Once a year, we do the general review anyway. There is a constant review done to make sure they are suitable because their operating costs and various other things ebb and flow. We have not had the situation so far where any of the 19 were in danger of being disqualified, for want of a better description. What we have had is that some of the 19 AHBs did not meet the threshold in the early stages of their application but have since met the threshold. There is ongoing engagement with them to say that we think they need to strengthen in this area or that. They have done so, and a number have reached that threshold but we are very cautious. As to the credit committee that looks after us, we have a board of 12 directors, six or seven of whom are on the credit committee and they are all over the annual reviews. I can assure the Chair that there is quite a bit of debate on that.

Acting Chairman (Senator John Cummins): I will hand back to Deputy Ó Broin but I have one further question. Will I ask it now and he can finish afterwards?

Deputy Eoin Ó Broin: Yes. Go ahead.

Acting Chairman (Senator John Cummins): In my first round, I asked about the mismatch in respect of the €850 million envelope that extends to 2026 in terms of the cost rental. The HFA has an appetite for providing more finance for CREL schemes, and it has estimated for a further €850 million in cost rental finance. As I said, based on the €93 million that is being provided for the 390 cost rental homes and €108 million for the 454 units, that amounts to approximately €238,000 per unit. To provide 2,000 units a year until 2026, one is looking at a multiple of three in regard to the €850 million finance package. Should I take from what Mr. O'Leary said in his original point that the HFA is happy with its envelope and will be able to meet the demand if it was there?

Mr. Barry O'Leary: Absolutely, we could meet the demand if it was there. If it was double the amount, we could still meet it. To be honest, when strategies are put together, conservative numbers tend to be used, but you would want to be sure that you hit them. I am not too sure about the maths used in the first calculation. It is not that there was anything wrong with the maths but one has to bear in mind that we are only-----

Acting Chairman (Senator John Cummins): Mr. O'Leary is far better at maths than I am, so I will bear with his expertise.

Mr. Barry O'Leary: I am too old to do the calculation in my head but one has to bear in mind that we are only lending 70% of the property. When we lend €230,000, the property value is actually €300,000.

Acting Chairman (Senator John Cummins): Yes, of course. We will finish with Deputy Ó Broin.

Deputy Eoin Ó Broin: I have two questions for Mr. O'Leary and three for Mr. Jordan and his team. At the tail end of Mr. O'Leary's contribution, he talked about low or no-interest loans up to five years to local authorities from vacant properties. I may not have heard him properly. Will he cast his mind back to that?

The second point is a more general observation. Again, it is not necessary with regard to whether HFA does or does not loan but, because it is involved in lending for residential property, would Mr. O'Leary have any observations in terms of construction inflation? What is his general read of where he thinks the construction industry market is currently at? Everybody on the committee is keen to canvas as many views on where people think that is likely to go in the near future as it affects the plans before us.

I refer to Mr. Jordan as to turnkey competitions. Traditionally, it was just the local authorities and the AHBs that did turnkey properties for social housing. We know that it accounts for approximately half of new social housing. We now have AHBs looking for turnkeys with CREL. The LDA's Project Tosaigh is doing turn-keys. The Croí Cónaithe cities scheme includes turnkeys. Will Mr. Jordan provide more information than what we have to date about how it will be co-ordinated between multiple public actors? If I was a developer with a site on Fenian Street and with planning permission for 100 units I would know a long queue of people who would be happy to buy those, both in the public and private sectors. How can we make sure that increased competition, and all of those public sector actors, including the Housing Agency, which are desperate to meet their targets, do not end up unintentionally inflating prices or increasing costs to the State as a result of that?

I refer to the review that was done on the social housing thresholds and how that limit interacts with the cost rental rents. The Minister has told us on a number of occasions that the Housing Agency was involved in that review. I know the witnesses cannot tell us the outcome of the review because it is with the Minister etc. However, is there anything they can say to the committee about where that social housing threshold eligibility is? They might not be able; they might be constrained by the fact that it is with the Minister but we are all keen to hear where that lands.

I have a lot of sympathy with the Acting Chairman's queries around the caps. I am more interested in the council loans; I am still not a convert to the shared equity loan but the point is the same on both sides and it affects all areas. I take the point that the level of house price inflation outside of Dublin and the greater Dublin area is greatest. However, do we also run the risk that if we chase that house price inflation, we could contribute to further inflation? This might be a question for Mr. Baneham. I am not arguing against the Acting Chairman because there is no point in having a council loan where there are virtually no properties available. If one looks at the Rebuilding Ireland home loan in Dublin, for example, particularly in Dublin city, the average loan offering over the last four or five years was about €200,000. One would not buy any kind of home in Dublin city, not even a three-bedroom, two-bedroom or one-bedroom home, for anything below €300,000 and now it is anything below €350,000 to €370,000. Are there potential inflationary consequences to chasing those limits or is that at least being factored into the review with which the Housing Agency is helping to inform the Department?

Mr. Bob Jordan: The review is with the Minister and there is not anything I can say-----

Deputy Eoin Ó Broin: Mr. Jordan cannot blame me for trying.

Mr. Bob Jordan: I do not blame the Deputy at all. Competition for turnkeys is a genuine concern. One of the things we have been doing is interacting with the AHB forums where the local authorities and AHBs talk to each other. We do not want a situation where people are bidding against one another for a limited pool of properties.

Deputy Eoin Ó Broin: My query is less on the AHBs and the local authorities because they are already well co-ordinated. Maybe the local authorities are sometimes just offloading the turnkeys onto the AHBs but that is a separate issue. The difficulty is the Housing Agency is now in the market for turnkeys, as is the LDA, and the AHBs do not all have the same purchasing power. Depending on how Croí Cónaithe and Project Tosaigh work out, there could be a greater level of purchasing power in the Housing Agency and in the LDA. It is not that I am suggesting that people will directly enter into competition but they will have a Minister breathing down their necks looking for delivery on whatever the targets are. How do we design a system that makes sure that competition is not there? I am more concerned - and I use that term advisedly - with Croí Cónaithe and Project Tosaigh and their impacts on inflation and turnkeys.

Mr. Bob Jordan: There is a high level affordability group, which we attend. The honest answer is that we co-ordinate closely with the LDA. Project Tosaigh and Croí Cónaithe went out at the same time and that is an indication of the level of co-ordination that is going on across the agencies.

Mr. Jim Baneham: I will make another comment on the AHBs, CREL and CALF, as already mentioned by Mr. O'Leary. It can work that a larger turnkey could come together. It can actually be symbiotic rather than competitive in terms of social and cost rental housing.

Deputy Eoin Ó Broin: That is if you get the Department to have a single point of approval in the approval process.

Mr. Jim Baneham: That is a commitment for the end of quarter 2. We will see and hopefully that will happen. The Deputy had another question on chasing cost inflation. Unfortunately there is inflation in the market one way or the other. To go back to the Senator's point, if we do nothing we will look stupid because people will not be able to buy anything so there is a difficulty in that we have to have a scheme that allows people to buy things.

I would make a broader point about the first homes scheme; what we call the shared equity scheme. That scheme is for a period of time and it is funding for a certain funding envelope. The intention is that it will not be there indefinitely but that it will do a job for a period. The intention is that other actors will have more affordable homes available at that point in time. It should not be something that just keeps going, which is another control on its inflationary effects.

Mr. Barry O'Leary: On the two to five-year short-term loan that we propose for derelict or CPO buildings, we would be quite happy to lend to a local authority at a rate somewhere between nothing and 0.5% for a short-term loan for two years but certainly not for more than five years. We would want to see evidence of them rolling it over. The Deputy referenced unsold affordable homes and that there is a certain amount of scar tissue for them. They would never go back into that world without having an exit; they would want to be sure. If that kind of cost is put in front of them, it helps.

Deputy Eoin Ó Broin: I am sorry to cut across but that could be really useful for a local authority that wants to acquire derelict or vacant properties and repurpose and sell them on at cost as affordable sale homes. Is that the kind of thing Mr. O'Leary is thinking of?

Mr. Barry O'Leary: Yes. We would be happy to support that. Mr. Jordan is right in saying that the figure of 2,500 might be challenging but we would be confident that we could do that and we would be happy to fund the mortgage that might emerge out of that. That would be a good thing.

On the observations on construction inflation, for existing applications we are seeing that some of them are coming back and looking for uptakes of about 10%. In a seriously unscientific sample, in our opening statements we list what we have approved for loans for the past five years and if you look at 2019, 2020 and 2021 the average approval we were making for each unit in 2019 was €210,000. It went to €223,000 the following year and it is up to €240,000 now. Three years ago there were more turnkeys, which skew the figures and there might be more construction now, but we are seeing somewhere between 6% and 7% coming along in that. The construction stuff that is coming into us is in the region of approximately 10%, which is all we would say on those two questions the Deputy asked of us.

Acting Chairman (Senator John Cummins): If there are no further questions, do the witnesses have concluding remarks they would like to make?

Mr. Bob Jordan: We have established an affordable housing unit within the Housing Agency and we are committed to embedding affordability within the overall system, both in managing and administering schemes and in supporting local authorities, AHBs and others to deliver on that. It is a big commitment and we look forward to speaking to the committee about that again in the future.

Acting Chairman (Senator John Cummins): On behalf of the committee I thank the representatives of the Housing Agency and the Housing Finance Agency for their time this evening. It is much appreciated by all the members. We wish the witnesses well in their endeavours in the coming 12 to 24 months in particular, as we ramp up the delivery of social and affordable homes. Were the witnesses to extend the good wishes of the committee to their teams back in the office, we would appreciate it.

The joint committee adjourned at 5.39 p.m. until 3 p.m. on Tuesday, 29 March 2022.