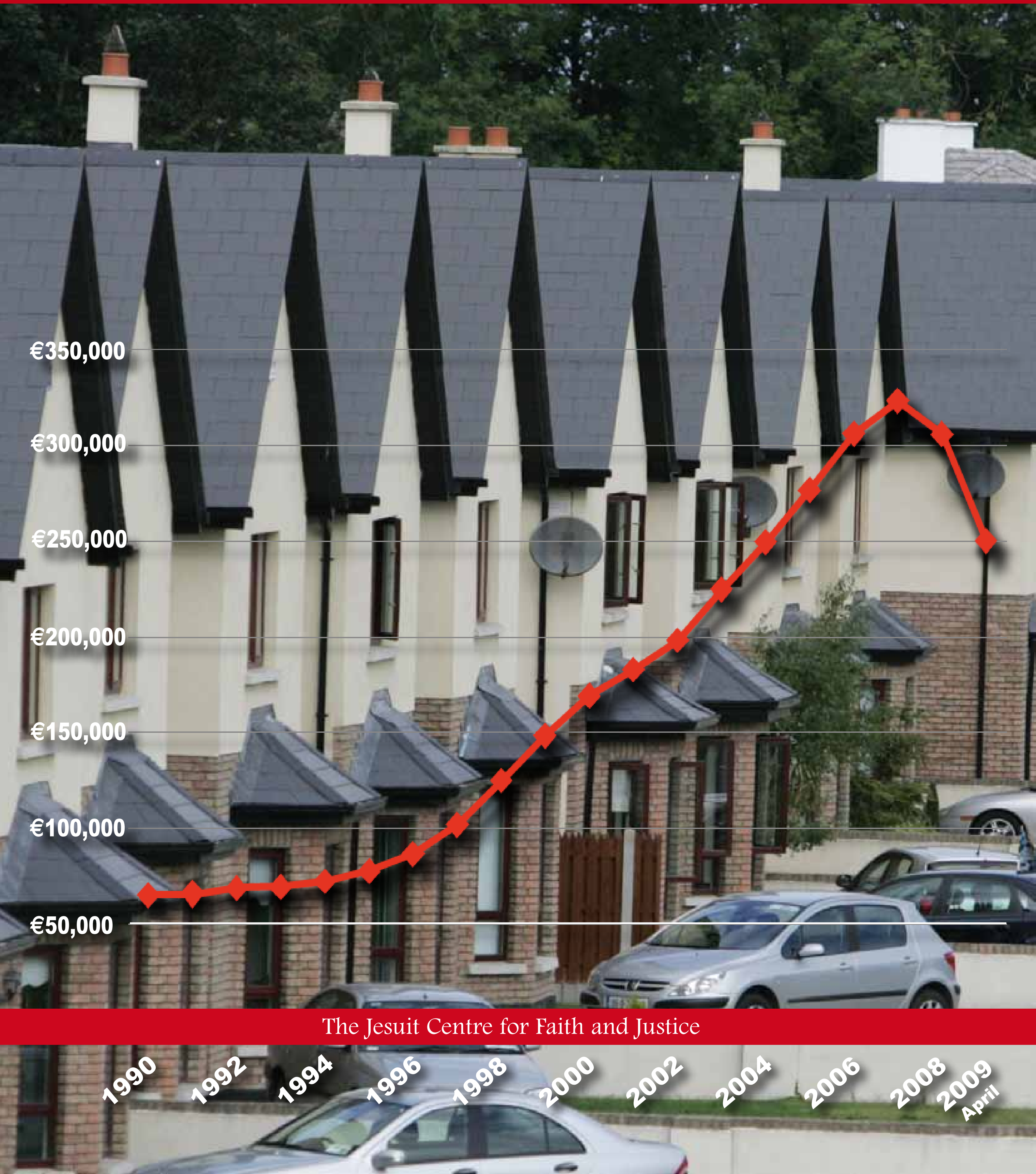
The Irish Housing System

Vision, Values, Reality

JCFJ Jesuit Centre for Faith & Justice



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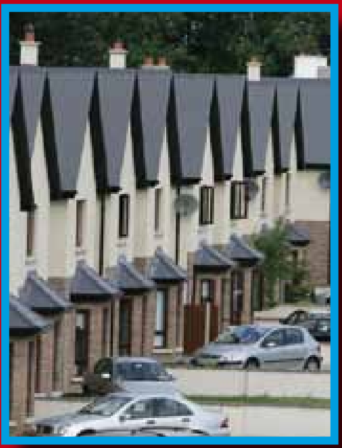
Jesuit Centre for Faith and Justice



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The Irish Housing System: Vision, Values, Reality is dedicated to the memory of Fr Thomas Scully SJ (1922–1968) teacher and tireless worker for housing justice.

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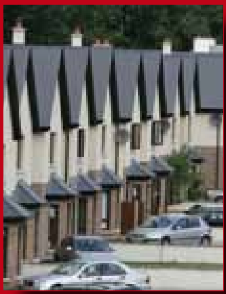

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Foreword

The scandal of all scandals during the years of the Celtic Tiger was the failure of government to control the price of houses. The Jesuit Centre for Faith and Justice publication, *The Irish Housing System: Vision, Values, Reality,* assembles the shameful evidence of what was happening to house prices in these years, with the most damning statistics of all being those showing the gap between the actual cost of new housing and the price charged to the purchaser. Key recommendations of the Government-commissioned Bacon reports to control house prices were never implemented, or even seriously considered. Much of the blame for the economic crisis in which we now find ourselves can be attributed to those who allowed house prices to escalate in such a manner. The result has been a multitude of problems which could have been avoided.

Key to controlling the price of housing is controlling the price of land. Again, there was no shortage of reports recommending ways of doing so, starting with the Report of the Kenny Committee in 1973. Although the Chairman of this committee was a High Court Judge, successive governments took the view that implementing its key recommendation for controlling the price of land would be in contravention of the right to property under the Constitution. Several Tribunals later, we now know why. Many people became multi-millionaires by literally watching the grass grow under their feet, waiting for their land to be rezoned. Corruption in the planning process became endemic, which should have been no surprise – the profits to be made from selling land would have made drug dealers envious. As much as 40 per cent, and sometimes more, of the price of a house related to the price of the land on which the house was built.

The rapidly-increasing cost of housing pushed home ownership out of reach of low and even middle-income earners; others jumped too quickly into the property market for fear that, in a short space of time, affording a home would be out of reach forever. Each month, a large percentage of the income of first-time buyers went into paying their mortgage. But as they struggled to stay afloat financially, the bank accounts of multi-millionaire land speculators, builders and property developers swelled with profits from the booming housing market. In a great number of cases, the only house which first-time buyers could acquire, even as they stretched their incomes to the limit, was far distant from their place of employment, leading to the frustration of long commutes to work. Small children were made to pay the price of Ireland's housing bonanza: since both parents usually had to work to pay the mortgage, and often had to spend long hours commuting, children had to spend most of their waking hours during weekdays in crèches, the cost of which made parents even more dependent on the jobs market and more fearful of losing one or both incomes.

Mortgage lenders jumped onto the bandwagon of the property boom, offering 100 per cent mortgages (or more) to clients whose ability to repay was at best fragile – and in a downturn likely to disappear altogether. But the more the sellers of mortgages could lend, the greater their commission at the end of the year. Bankers, developers and politicians opted to keep their heads buried in the sand, not even contemplating the inevitable, namely that you cannot keep building more and more houses, at higher and higher prices. Something must give. You either run out of land, or you run out of people who can afford to buy the houses; then comes the crash. Perhaps neither the rapidity of the crash, nor its intensity, could have been foreseen, but the crash itself was inevitable.

The easy availability of loans and the rapidly-increasing value of housing constituted a godsend to investors: already wealthy, they now found a new opportunity to become even wealthier. As many as four out of every ten new houses and apartments in recent years were snapped up by investors – thus pushing up the price of housing even faster. Such investment was aided by the State through tax incentives: mortgage interest relief, a reduction in Capital Gains Tax from 40 per cent to 20 per cent, urban renewal tax reliefs and others. Many of these new houses and apartments were left empty, waiting for the price to continue rising to a point where investors might be ready to sell them to struggling first-time buyers. Housing became a commodity, to be traded like stocks and shares, not a home to meet a basic need, and right, of every person.

The housing boom pushed up the cost of renting. The number of people who were homeless doubled during the Celtic Tiger years (from 2,500 in 1996 to over 5,000 in 2008) as they were squeezed out of the private rental market. Those on low incomes found that they could afford only dingy bed-sits, unfit for human habitation, tiny, damp, mouse-ridden, with little heating and sometimes no hot water – illegal sub-standard accommodation, paid for by the State! Exploitative landlords became millionaires, with tax-payers' money, by providing appalling accommodation to those who had no other choice. While City Council slums were being demolished, new slums in the private rented sector were being created.

The cost of providing social housing increased in line with the cost of housing generally. Government policy meant that only a small percentage of the record housing output was in the form of local authority and voluntary sector houses, even as demand was rising. And so, over the course of a boom in housing we saw the doubling of the numbers on the social housing waiting list. Responsibility for the provision of social

housing was transferred largely to the private sector. Part V of the Planning Act, 2000 allowed local authorities to impose, as a condition of planning permission, a requirement that 20 per cent of land for development be transferred for social and affordable housing. It was perhaps the most far-seeing policy development in two decades. However, under pressure from builders and property developers, worried about the consequences for their massive profit margins, the legislation was amended after just two years. Since 2002, less than 3 per cent of total private development has been transferred for social and affordable housing. The Rental Accommodation Scheme (RAS) also relies on the private sector for the provision of social housing and involves massive transfers of public money to private landlords. The exclusive use of Public Private Partnerships (PPPs) for the regeneration of run-down social housing estates gambled the housing and living conditions of local authority tenants on the potential profits to be made by private developers willing to undertake redevelopment projects – and lost.

All this was the consequence of a cosy, symbiotic relationship between the political, construction and banking fraternity. Solidarity, that much abused term in times of recession, was very evident amongst those at the top in times of plenty. The interests of each other were identified with that of the common good. In any other land, it would be called corruption. This golden circle fleeced the country for all it could get, with salaries, bonuses, expenses, golden handshakes, pensions, all justified by 'the market'. Any criticism was dismissed by controlling the boundaries within which discussion could take place – the suggestion being that there was no alternative, that this was just the way things had to be.

The multiple failures in relation to housing during the years of the boom reflect an underlying unwillingness to acknowledge that every person has a right to decent housing and that the State has a duty to respect and promote that right. The neglect to devise and implement a clear, co-ordinated and just housing policy, at a time when we had the resources to do so, stands as an indictment of our society.

The Irish Housing System: Vision, Values, Reality is essential reading for social and political commentators and students. It raises serious questions not just about the approach to housing during the Celtic Tiger years, but about the values which underpinned that approach. It helps us to understand why we are where we are today.

Peter McVerry SJ
May 2009

chapter 1_Introduction

Since the mid-1990s, there has been a profound transformation of the Irish economy and of Irish society as a whole. The experiences and trends in housing encapsulate some of the most striking changes and challenges that have emerged during this period. A twelve-year (or so) boom has given way to a sharp downturn, and it is clear from the available evidence that both the upturn and the downturn have produced (or will produce) a characteristic pattern of gains and losses, achievements and suffering.

Over the period 1995 to 2007, housing output in Ireland reached record levels, investor interest in housing escalated and the construction sector experienced a prolonged boom, delivering, as a result, record employment growth, development profits and Exchequer returns. The rising cost of housing meant large, and sometimes spectacular, capital gains for investors and owners. For a period, million-euro houses and outlandish sums paid for development sites appeared to become the norm. Irish society seemed to become inured to extraordinary rises in house prices – which eventually reached a level where the cost of housing was completely divorced from its real value. Investors were able to benefit from tax breaks available for urban renewal and seaside properties, many of which have never been lived in.

At the same time, too many people struggled to find a place to live, and a significant minority were left out in the cold altogether, surviving on the streets, in shelters, in emergency accommodation, in overcrowded or inappropriate dwellings or in sub-standard rented units. Housing need remained stubbornly high, and people were condemned to wait for longer and longer periods on housing waiting lists, assuming they were able to negotiate the bureaucracy and convince the authorities that they were entitled to be included in the first place. Some people gave up on becoming owners and competed for increasingly costly private rental accommodation in a sector still marred by variable conditions and standards. Others managed to buy a home but only by moving to one or other of the expanding commuter towns and suburbs distant from their place of work. Many took on considerable debts which doubtless appear

less and less sustainable in the face of a significant decline in net incomes and rising job insecurity.

As boom turns to bust, new problems and challenges are emerging. People are finding themselves in negative equity, having paid too much for over-priced housing. The threat of repossession has become a feature of the new reality of Irish housing. Public Private Partnership regeneration deals have collapsed, with developers pulling out due to rapidly-reducing potential yields. There is uncertainty as to what will happen to the new apartment blocks in inner cities in the long-term, particularly where building standards are below the environmental regulations that are now in place.

From boom to bust: during the boom the 'cost of housing was completely divorced from its real value'.

As politicians, policy-makers, and the general public focus on the emerging problems of the downturn, there is need to take account of the lessons of the boom years. We need to think about policies for housing in the long-term, not just quick-fix responses to this year's headline crises. And in improving our analysis and seeking a better future response to the housing needs of all people, we need to reflect on the values that lie behind the shaping of the current Irish housing system.

The aim of this report is to contribute to this urgent task, encouraging, it is hoped, more public debate and action in the process. The report offers, first, an analysis of the last decade and a half in Irish housing, a period marked by significant housing difficulties during both the boom and the downturn that has followed. It then looks at the social consequences of the housing trends and policies of this period.

Next, the report explores some questions about values and vision, arguing for a different philosophy for housing and development, and pointing to the contribution which principles drawn from Scripture and from Catholic social teaching can make to this process. Finally, it concludes by proposing a new vision for housing and some ideas for how the current system can be realigned in order to contribute to an authentic and people-centred model of development.

chapter 2_Realities in Irish Housing

2.1 Introduction

Analysis of the past decade and a half in Irish housing suggests that the system has been restructured around a free-market philosophy with an emphasis on values such as individual gain and the economic worth of housing as a commodity. This has had real consequences – social, economic and environmental – and there are now serious matters for concern.

Some of the key issues are explored in more depth in the following examination of the available evidence. First, the broad trends in Irish housing since 1995 are summarised; then, the economic and social forces and the policy decisions driving these trends are considered.

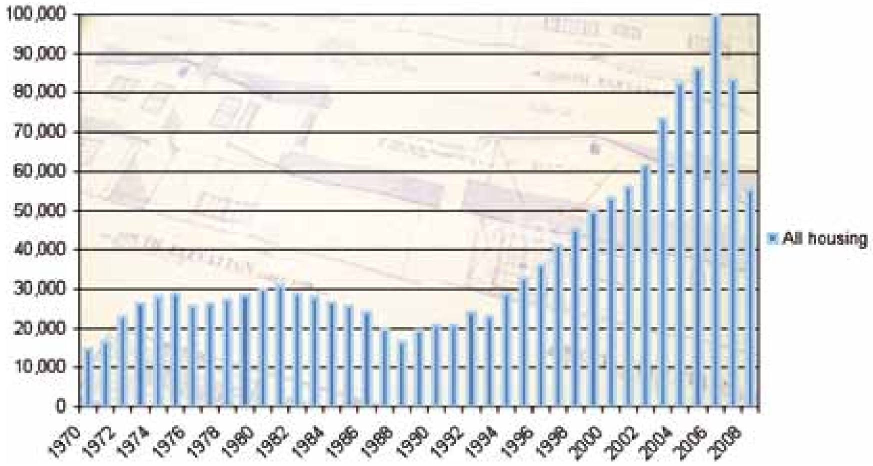
2.2 Trends in Housing

2.2.1 Record Output

Ireland's twelve-year long boom in housing saw record levels of housing output, peaking in 2006 with just over 93,400 units completed and available for occupancy[1] (see Fig. 1). The relative increase in activity over the period is immediately striking: house completions per 1,000 of population in 2006 were 50 per cent higher than in 2002, 137 per cent higher than in 1996 and 292 per cent higher than in 1991. These trends are also noteworthy in international terms – Ireland registered the highest level of new housebuilding in the European Union in 2002 (Redmond and Norris, 2005).

By late 2007, however, a marked reduction in activity had become evident, though at 78,000 completions it was still at a high level compared to a decade earlier. This downward trend escalated sharply in 2008, with the total number of completions being 51,724 – a drop of more than one third on the 2007 figure. An even greater decline in house completions is expected in 2009: the ESRI has projected that completions will fall to 19,000 (ESRI, 2009: 7), and the Central Bank figure is 18,000 (Central Bank, 2009: 8). The Central Bank envisages a further decline in 2010; based on data on housing starts it estimates that there will be 12,000 completions in the coming year. The ERSI prediction is for 15.000 completions in 2010 (ERSI, 2009: 17). The projected figures for 2010 would bring housing output back to a level not seen in forty years.

Figure 1: House Completions, 1970–2008



Source: Department of the Environment, Heritage and Local Government, 2009

2.2.2 A Shift to Market Domination

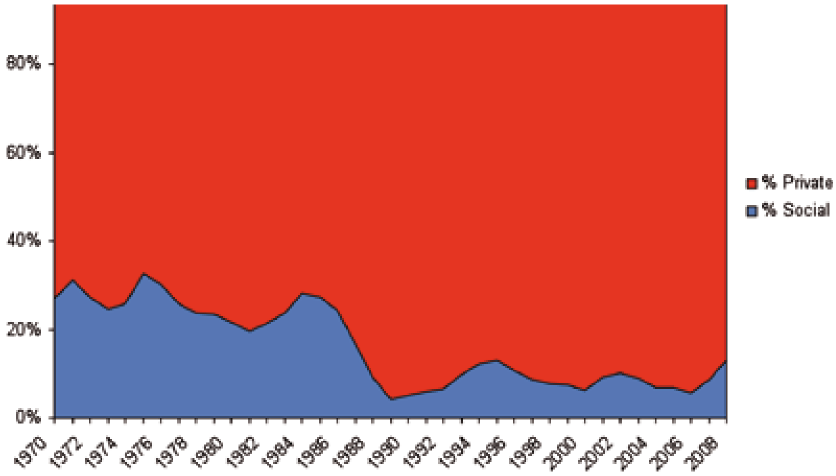
Over the past twenty years, there has been a marked shift in the Irish housing system towards market domination, such that the relative importance of non-market housing in the system had been reversed dramatically (see Fig. 2). In 1975 the local authorities constructed 33 per cent of new housing (or 8,794 units), while in 1985 the public sector was still responsible for 27 per cent of all new housing (6,523 units). During the years of the boom in housing output (1995–2007), local authority housing averaged only 6 per cent of total output, or 3,492 units per annum. However, the net gain over this period (from built and purchased houses) was only 1,790 houses per annum due to local authority sales, which have privatised a considerable proportion of the total stock. The output over the 2000–2006 period reached only 66 per cent of the target of 35,000 units of local authority housing set down in the *National Development Plan 2000–2006* (Government of Ireland, 2000). This represents a shortfall of 13,645 units.

Besides local authority housing, ‘social housing’ also includes provision by voluntary organisations. Between 1995 and 2007,14,811 voluntary housing units (1,139 per annum) were completed, representing 2 per cent of total output. The voluntary output between 2000 and 2006 reached only 61 per cent of the target under the *National Development Plan 2000–2006* (a shortfall of 6,122 units).

The National Economic and Social Council (NESC) in a report on housing in 2004 argued for a re-balancing of the housing system, with an increased role for social renting (NESC, 2004). To achieve this aim, it recommended 73,000 new social housing units (net of tenant purchase) between 2005 and 2012, or 9,125 completions (net of sales) annually. In fact, there were only 4,205 net completions annually between 2005 and 2007, or 46 per cent of the NESC target (a shortfall of 14,761).

Local authority output in 2008 was 4,905 and voluntary housing output was 1,896; social housing therefore represented 11 per cent of all housing output in 2008. While this reflects a real increase in social housing provision as compared to previous years, it also reflects the marked decline in total housing output in 2008 (Department of the Environment, 2009a).

Figure 2: Social and Private as Percentage of Total House Completions, 1970–2008



Source: Department of the Environment, Heritage and Local Government, 2009

The overall trend in social housing provision is indicative of a broader realignment of the Irish housing system since the mid-1990s. This is strikingly evident in the changing role of local authority provision. In the 1930s, local authority housing represented 60 per cent of all output; this figure rose as high as 70 per cent in the mid-1940s, while it was always above 50 per cent of total housing output in the early to mid-1950s. As already noted, the sector retained an important role into the 1970s and even 1980s, but as the housing boom took hold it became residualised to a marginal role, as a result of policy biases, fiscal priorities and arguably the pervasive influence of market ideologies on many areas of Irish society.

2.2.3 Boom and Bust Cycle

Despite the striking increase in output, especially in the private sector, the period from 1995 to 2007 also saw sustained increases in the market price of housing to buy or rent. The trend confounded the standard neoclassical faith that the mechanics of supply and demand in a market will bring about equilibrium.

Trends in house prices

In the face of the enormous expansion in supply, house prices kept rising at an alarming rate. Average new house prices in the country as a whole increased annually between 1994 and 2007, rising from €72,732 to €322,634 (a 344 per cent increase). In Dublin, prices increased from €81,993 to €416,225 (a 408 per cent increase) over the same period. Average second-hand prices nationally increased from €69,877 to €377,850 between 1994 and 2007, or 441 per cent. In Dublin, second-hand prices increased from €82,772 to €495,576, or 499 per cent.

It would be wrong to assume that the upwards shift was driven by the Dublin market in particular. Comparable rates of increase were recorded in all the main cities and in smaller towns and rural areas: in effect, a phenomenal increase in house prices was the experience of the country as a whole.

The first signs of a slowdown in the market became evident in mid-2007 (see Table 1). Although prices still increased on average over the whole of 2007, the quarterly reports on housing for that year showed a turning point in new house prices after the second quarter. In the third and fourth quarters of 2007, new house prices fell in all areas, with the exception of Limerick where there was a substantial fourth quarter increase.

The downward trend continued in 2008. For the year as a whole, new house prices were 5.4 per cent lower than in 2007 – the decline being from €322,634 in 2007 to €305,269 in 2008. Second-hand prices declined by 7.7 per cent, falling from €377,850 in 2007 to €348,804 in 2008 (Department of the Environment, 2009a). The trend varied geographically, with the steepest falls in new house prices recorded in Dublin (18.1 per cent) and Limerick (13.5 per cent); the sharpest falls in second-hand house prices were in Dublin (10.4 per cent), Cork (7.6 per cent) and Limerick (5 per cent). By the end of 2008, prices nationally for both new and second-hand houses had returned to the level they were at in the first half of 2006.

In the first few months of 2009, prices have continued to fall. *The permanent tsb/ESRI House Price Index* showed a drop of over 3 per cent in prices during January to March 2009, with the average house price for the country as a whole being €253,546. Over the twelve-month period since the end of March 2008, national prices on this index fell by 10 per cent (ESRI, 2009).

A further indication of the decline in prices is provided by a DAFT Report, published in April 2009, which showed that asking prices in March 2009 were over 16 per cent lower than in March 2008 (DAFT, 2009).

Table 1: Percentage Change in House Prices in Each Quarter from Q1, 2007 to Q4, 2008 over same Quarter of Previous Year

	NATIONAL		**DUBLIN**	
	New Houses	**2nd Hand Houses**	**New Houses**	**2nd Hand Houses**
Quarter	**(% change 12mth.)**	**(% change 12mth.)**	**(% change 12mth.)**	**(% change 12mth.**
2007 Q1	9.0%	9.0%	7.0%	9.1%
2007 Q2	7.7%	2.1%	7.4%	-1.8%
2007 Q3	3.2%	-4.0%	-3.2%	-10.8%
2007 Q4	0.4%	-2.3%	-4.1%	-10.6%
2008 Q1	-3.1%	-5.4%	-4.8%	-10.4%
2008 Q2	-5.5%	-7.8%	-8.5%	-10.3%
2008 Q3	-5.5%	-10.3%	-15.8%	-15.8%
2008 Q4	-10.3%	-11.9%	-18.1%	-10.3%

Source: Department of the Environment, Heritage and Local Government, 2009

Trends in mortgage lending throughout 2008 also highlight the slowing of demand, with the number of new mortgages in each quarter significantly lower than in the corresponding quarter of 2007. Overall, in 2008, there were 110,305 new mortgages with a value of €23,049 million, as compared to 158,098 mortgages valued at €33,808 million in 2007 – a drop of around 30 per cent under both headings (Irish Banking Federation, 2009).

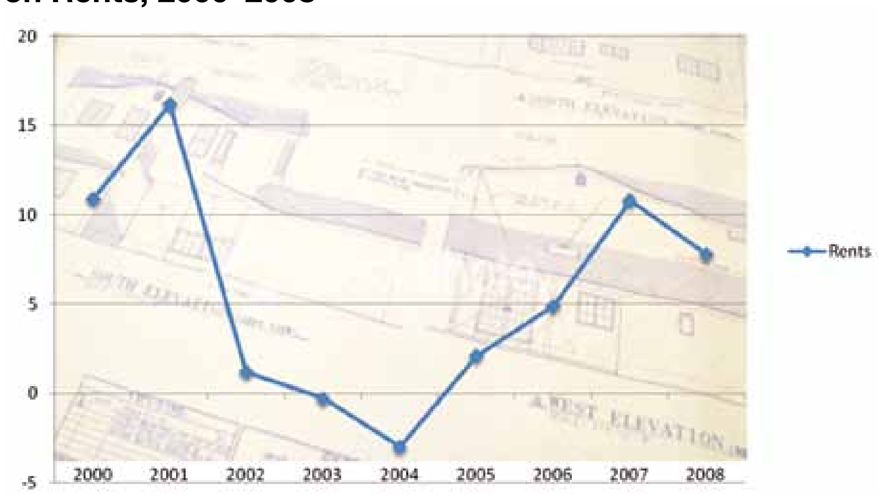
Trends in private rental market

The private rental market plays a minority role in contemporary Irish housing: the Census of Population, 2006 showed that just 9.9 per cent of households were renting from a private landlord (Central Statistics Office, 2007).

The rental market also experienced rapid price inflation over the course of the boom. By the turn of the century, the rate of rental inflation had outstripped house price increases (Downey, 2003), and Ireland recorded the highest rates of rental increase in the EU between 1997 and 2001. Average rents nationally declined between January 2002 and March 2004 but rose continuously after this, until peaking in June 2007. From the beginning of 2008, rents began to fall and have continued a downward trend since then. A DAFT report of May 2009 showed that rents had dropped by 15 per cent over the previous year, with a 5 per cent decline in the first three months of 2009. The average monthly rent fell from €1,000 in early 2008 to €840 in April 2009 (Daft.ie, 2009a, 5). The decline in rents is apparent in all areas of the country and reflects the significant increase in the number of properties becoming available for rent; 'at any one point', the report notes, the number available 'is above 20,000, twice the level of early 2008' (DAFT.ie, 2009a: 5).

The trend in private sector rents is reflected in the average annual change in household expenditure on rents as measured by data from the Central Statistics Office (CSO) consumer price index (Fig. 3).

Figure 3: Annual Percentage Change in Household Expenditure on Rents, 2000–2008



Source: CSO Consumer Price Index: Detailed Sub-Indices Release, various years (refers to figures for June of each year).

It is important to note the considerable local variation in rents in the private sector (Table 2): it is evident that even with reductions in rent since 2007 households would require substantial resources to compete for accommodation in some areas of central Dublin, in particular.

Table 2: Geographic Variation in Rental Markets, Q1 2009

Average Monthly Rents (€)			
	1-Bed	**2-Bed**	**3-bed**
Dublin 1	969	1,252	1,664
Dublin 2	1,080	1,407	1,974
Dublin 3	900	1,148	1,429
Dublin 4	1,109	1,435	2,009
Dublin 6	861	1,224	1,626
Dublin 7	854	1,120	1,350
Dublin 8	905	1,158	1,436
Cork City	689	819	896
Galway City	461	588	686
Limerick City	492	580	649
Waterford City	545	651	714

Source: Daft.ie Rental Report, Q1 2009

As Table 3 highlights, there is a significant difference between rents in the private sector and those in local authority housing – the latter are considerably lower as these are related to income (through the differential rent system). Even with the fall in rents since 2006, the difference in rent levels between the two sectors is significant. In the voluntary sector, rents can be subsidised by the Supplementary Welfare Allowance scheme and are closer to market rents.

Table 3: Average Monthly Rent, 2006 (Euro)

Average Monthly Rents (€)			
	Local Authority	**Voluntary**	**Private Rental** (Furnished)
Cork City	238.64	713.01	841.01
Dublin City	297.96	863.85	1005.72
Galway City	324.39	800.89	858.69
Limerick City	206.48	565.2	633.45
Waterford City	185.42	499.37	629.55
State	254.97	687.4	828.06

Source: Census of Population, 2006

Despite the level of rents in the private rented sector, the quality of accommodation is variable and is often sub-standard. In 2006 and 2007, about 20 per cent of private rental units inspected nationally did not meet minimum regulatory standards. Some cities have even worse records, which is worrying considering the size and importance of the private rental system in these areas. For instance, in Dublin City, 40 per cent of dwellings inspected in 2006 and 42 per cent inspected in 2007 did not meet minimum standards. In Cork City, 45 per cent inspected in 2006 and 36 per cent inspected in 2007 were sub-standard (Department of the Environment, Heritage and Local Government, 2008). If the findings of these inspections – which covered only a limited number of private rented properties – are representative of the sector as a whole, then it would mean that over 25,000 units nationally are below minimum standards.

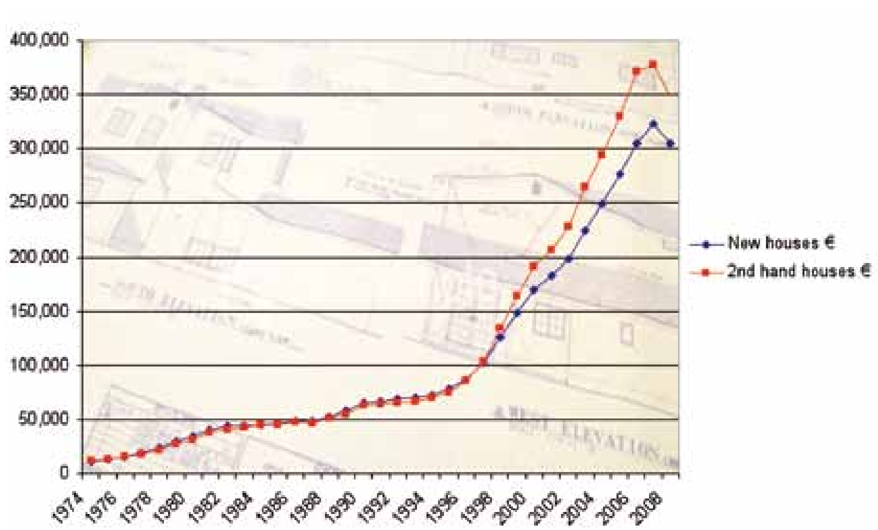
2.3 What Has Been Going On? Economic and Social Issues

It is clear that the Irish housing system has gone through a period of prolonged growth followed by rapid contraction. But what has been driving the main changes? To achieve a deeper understanding we need to attend to broader processes of change in political economy and society, which interconnect with the dynamics of the housing system.

2.3.1 House Price Increases

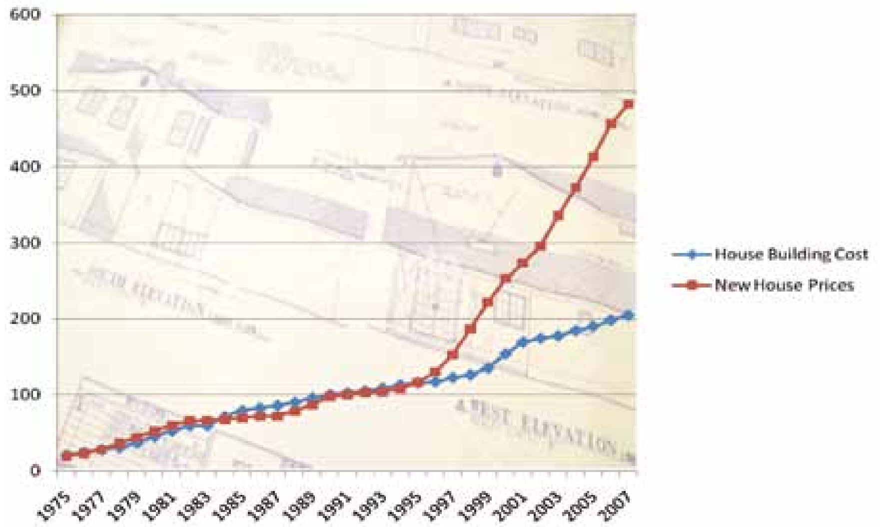
The escalation in house prices really took off between 1994 and 1995; for many years prior to this, annual increases in both new and second-hand houses were small (Fig. 4). An important, and at first slightly perplexing, point about the sudden escalation is that the increase in new house prices bore absolutely no relation to real house building costs, in terms of materials and labour (Fig. 5). From 1975 to 1995, the price of housing and the costs of production tracked one another with almost no divergence. This relationship was broken from 1995 onwards. Between 1994 and 2007, while building costs rose by 82 per cent, the price of new housing rose by more than four times as much (Fig. 5). In other words, the increase in house prices had little or nothing to do with the real costs of production.

Figure 4: House Prices (national), 1974–2008



Source: Department of the Environment, Heritage and Local Government, 2009

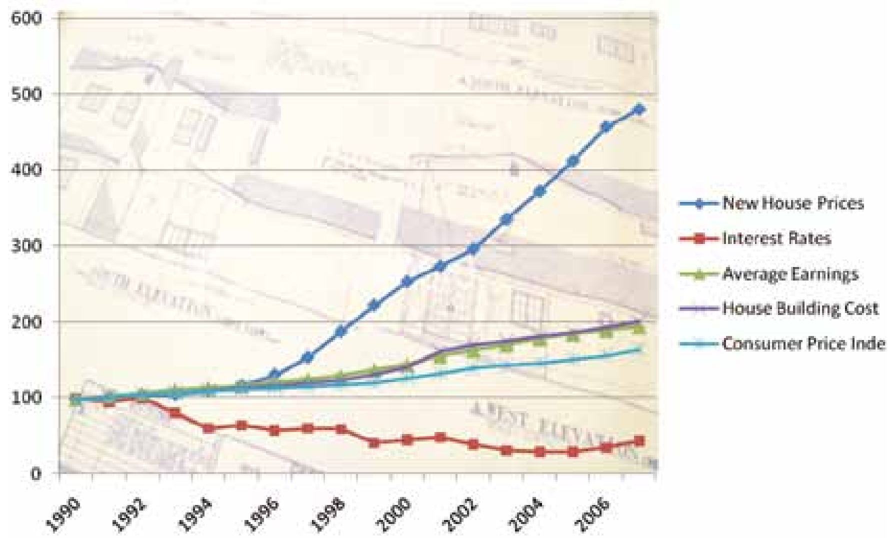
Figure 5: Divergence between House Prices and Building Costs



Source: Department of the Environment, Heritage and Local Government, 2009

From 1995, house prices similarly diverged from trends in average earnings and the consumer price index (CPI). Between 1995 and 2007, while new house prices increased by 344 per cent, average earnings and the CPI increased by only 70 per cent, and 50 per cent, respectively (Fig. 6). In other words, as well as increasing by four times actual building costs, house prices increased almost five times faster than average earnings, and almost seven times faster than the CPI. Figure 6 also highlights the reduction in interest rates (by 31 per cent over the same period), a factor returned to later. Clearly, looked at as a commodity in a market, housing behaved oddly, raising some illuminating, critical issues.

Figure 6: New House Prices, Building Costs, Average Earnings, Consumer Price Index (CPI), Interest Rates, 1990–2007



Source: Department of the Environment, Heritage and Local Government, 2009

2.3.2 Socio-Economic Factors in House Price Increases

The transformation of Irish society and economy from the early 1990s onwards had a significant impact on the demand and need for housing.[2] There was a considerable demographic change, most notably an increase in population (with over 800,000 more people in the country in 2006 than there had been in 1996, an increase of nearly 20 per cent); a shift to net in-migration, with migration to Ireland reaching unprecedented levels; and a reduction in household size (average household size was 2.8 persons in 2006 as compared to 3.2 in 1996). As a result, the number of households in the country increased by 31 per cent between 1996 and 2006. Over the same period, economic growth and job creation meant that many households had access to increased disposable income, though this improvement was also marked by a high degree of social inequality.

At the same time, interest rates reduced considerably. The financial institutions adopted some exceptionally flexible lending practices, including long-term mortgages, 100 per cent financing, and looser guidelines regarding income/loan ratios. Importantly, speculative interest was also a key force, buoyed up by the apparently unending cycle of upward price movements and capital gains. All of these factors combined to fuel demand for housing and drive the housing boom. The supply response may not have been quick enough in the short-term, due to necessary planning procedures, availability of land, as well as the inevitable time-lag involved in construction.

These were among the main factors affecting supply and demand in the market that commentators and policy makers tended to focus on during the boom. They are undoubtedly important, but there were other forces at work.

To begin with, a considerable amount of the increase in price may be linked to rises in land costs. Average site prices in Dublin rose by 200 per cent between 1995 and 1998, a period when the house-price inflation took off, such that land accounted for 36 per cent of the average house price in 1998, compared to 21 per cent in 1994 (Drudy and Punch, 2005).

A further possibility is that some private housing suppliers were able to extract 'super-normal' profits from the whole process, in effect exploiting the developmental importance of shelter and the need for increased levels of housing provision resulting from economic and social changes. This suggests the existence of a monopoly-type situation in some cases, favouring developers and speculators. Local evidence for this conclusion is provided by the experience of the non-profit community organisation, City Housing Initiative, which in the late 1990s was able to deliver three-bedroom housing units in the highly sought-after area of Ringsend in Dublin 4 for no more than €127,000 (City Housing Initiative, 1999). Certainly, the land factor and the extraction of super-normal profits provide explanations for the extraordinary gap between the price of housing and the labour and material costs involved in building houses. In effect, there was an upwards transfer of wealth towards those with most economic power in the market system.

It can also be argued that housing was simply over-valued. As already noted, the trends were markedly out of line with other inflationary tendencies. As an indication of the scale of this distortion, Table 4 shows how house prices would have changed over the period 1994–2007 if they had tracked building costs, average earnings and the CPI.

Table 4: Did the Boom Lead to Over-Priced Housing?

	New House Prices (€)	Second-Hand House Prices (€)
Actual 1994	72,732	69,877
Expected price in 2007 if in line with CPI	109,462	105,165
Expected price in 2007 if in line with average earnings	123,790	118,931
Expected price in 2007 if in line with building costs	132,227	127,036
Actual 2007	322,634	377,850

The over-valuation of Irish housing is confirmed by some international studies. In its *World Economic Outlook* of April 2008, the IMF presented evidence that by the end of the decade 1997–2007 house prices in Ireland were over 30 per cent higher than could be justified by reference to economic fundamentals – affordability, disposable income increase per capita, interest rates, credit growth, changes in equity prices and working-age population (IMF, 2008).

In this respect, Ireland presented an extreme case among the advanced economies. Similarly, *The Economist* concluded that Irish housing was significantly over-valued. The conclusion was based on a survey which revealed that between 1997 and 2005, Ireland had the highest rate of price increase (192 per cent) of the developed countries studied. It was followed by Britain (154 per cent), Spain (145 per cent) and Australia (114 per cent).

The unreal pricing of housing also served in turn to drive house price inflation even higher through the boom years, encouraging increased levels of speculative investment and helping to sustain an overheated market, sow the seeds of private household indebtedness and exclude households from accessing appropriate housing.

Culture and ideology are also important, if more ineffable, factors. It has often been assumed that Ireland has a stronger impulse towards ownership than other European cultures, and hence there is a pervasive pressure to 'get on the housing ladder' at all costs, which implies becoming a property owner – at any price! – rather than a renter. Perhaps more importantly, among other cultural changes, the Celtic Tiger era generated a more pervasive climate of consumerism, individualism and materialism. There was an increasing sense that happiness and security rested in the acquisition of possessions and the accumulation of capital (McVerry, 2008). Many looked to property in particular as a means of satisfying both of these desires. None of this has much to do with housing as a home or related values such as building community or ecologically sane models of residential development. Indeed the two – a consumerist/materialist conception of housing as a commodity and a developmental conception of housing as a home – deriving, as they do, from contradictory tendencies come into inevitable tension, a problem elaborated on below.

2.4 What Has Been Going On? Policy Issues

2.4.1 The Importance of Policy

The State plays a considerable role in housing, influencing and shaping the pattern of market activity through regulation, taxation, direct public investment and other interventions. The politics of Irish housing is therefore of considerable interest. Attention to the priorities and influences underpinning the evolution of policy in this area is essential to understanding the observed trends. An analysis of the politics of housing also opens up a window on the deeper connection between housing and society and, in particular, problems of power and inequality.

The underlying aim of housing policy is stated in broad terms by the Department of the Environment, Heritage and Local Government as being to 'enable every household to have available an affordable dwelling of good quality, suited to its needs, in a good environment and as far as possible at the tenure of its choice'. The stated 'high-level objective' of housing policy is to contribute to national social and economic development through the promotion of quality housing in sustainable communities, including through investment and policy frameworks to support the provision of accommodation for low-income groups. The hoped-for outcome is for every household to have a good quality dwelling suited to its needs in local communities that are sustainable.

2.4.2 Promotion of Home Ownership

The stated aims of Irish housing policy, with a broad emphasis on affordability, universal housing needs, environmental quality and sustainable communities, are laudable. However, in practice, the evolution of policy suggests an even stronger commitment to the promotion of a private home-owning society and an emphasis on housing as an investment commodity. These preferences have underpinned some of the trends traced earlier.

A formidable array of policies has been implemented which encourage and reward ownership and investment. For example:

- The abolition of residential rates in 1978, and the abolition of residential property tax in 1997;
- The absence of capital gains tax on the sale of the principal residence and the

reduction of capital gains tax on other property sales from 40 to 20 per cent in 1997;

- The long-standing right-to-buy of tenants of local authority houses;
- The creation of four separate affordable housing schemes (i.e., schemes to facilitate ownership by making houses available at below-market cost);
- The granting of tax relief on mortgage interest payment: Ireland is alone in the OECD in allowing such relief while failing to tax property values, capital gains or imputed rent;
- The provision of an array of tax incentive schemes in support of property development and investment – Section 23 Relief, Urban Renewal Schemes, Town Renewal Schemes, Rural Renewal Schemes and the Seaside Resort Schemes (see analysis below);
- The increasing trend towards meeting social housing need through public subsidisation of renting in the private rental market (using rent allowance under the Supplementary Welfare Allowance scheme), rather than expanding public investment in social housing (see below);
- The adoption of Public Private Partnership (PPP) approaches to the regeneration of local authority housing on public lands. This aimed to secure the redevelopment of public land and local authority housing estates through the involvement of private sector developers, with the resultant housing provision characterised by a significant element of privately-owned housing and a consequent reduction in the number of social housing units available.

Social rental options have been far less of a priority in public policy than have ownership and investment. As outlined earlier, the social housing sector was markedly under-developed during the boom in house building. Output fell far short of need (as evidenced by the increase in the number of households on the housing waiting list) and failed to meet the level of provision recommended by NESC and Government targets under the National Development Plan 2000–2006. The situation is worsened by the privatisation of the existing stock, through the selling-off of local authority homes to sitting tenants. While individual households gain under this scheme through receiving a heavily subsidised capital asset, it has the negative effect of reducing the flexibility of the rental system. It not only reduces the overall number of social housing units but since houses rather than flats are likely to be sold off it creates an imbalance between the number of houses and the number of flats in the stock. The sale of local authority housing also makes the overall public housing system uneconomic since it is the better-off tenants who are most likely to purchase. This has the effect of eroding the rental income stream available to the local authority as the remaining tenant base is more and more made up of a marginalised, low-income population paying relatively low rents (average monthly rent in local authority housing was 30 per cent of the market rent in 2006). Culturally, this also contributes to the stigmatisation of the entire sector, with it becoming increasingly residualised as a ‘safety net’ for those excluded by market prices.

Public policy in relation to the private rental system has also tended to be relatively weak. Tax relief against rent is on much less favourable terms than mortgage relief.

Regulation and standards remain variable at best, as shown earlier. The institution of the Private Residential Tenancies Board under the Residential Tenancies Act 2004 was a welcome step forward in terms of provision for the registration of tenancies, a system of dispute resolution, and a degree of security of tenure. Formerly, it was possible for a landlord to secure a no-fault eviction with four weeks' notice. Under the Act, however, after the first six months of a tenancy (the probationary period), the tenant gains the right to remain in occupation for three and a half years (generally known as a Part 4 Tenancy). Over this period, an eviction can only be secured for certain stated reasons, and the tenant has a right to longer periods of notice. However, some of the allowable reasons, such as refurbishment, sale, or use of the dwelling for a member of the landlord's family, still leave a window of vulnerability. The legislation is unlikely to have a direct impact on regulating rental levels since it is based on the central premise of 'market rent', which is defined as 'the rent which a willing tenant not already in occupation would give and a willing landlord would take for the dwelling', having regard to the rents on similar dwellings in comparable areas.

An indication of some greater commitment to improving standards is reflected in the announcement, in November 2008, by the Minister for the Environment, Heritage and Local Government, John Gormley TD, and the Minister of State for Housing, Michael Finneran TD, of a 'package of measures' to 'radically improve standards in rental accommodation'. The measures include ending the sharing of toilet or bath/shower facilities between different rental units; higher standards in regard to facilities for food storage and preparation and in relation to laundry; a clarification of the responsibilities of landlords regarding the external upkeep of rented accommodation; a strengthening of the powers of local authorities in relation to the enforcement of regulations and an increase in fines for non-compliance (Department of the Environment, 2008). It remains to be seen whether these improvements will be implemented with any degree of urgency and whether there were be effective enforcement.

2.4.3 The Commodification of Housing

The general bias towards private ownership is evident from the balance of priorities as sketched here. There is nothing wrong in principle with this if it results in a fairer housing system. That is a matter for analysis (and in Chapter 3 there is an exploration of some of the main social consequences of the policies of the past decade and a half).

There has been a further tendency in policy, however, towards a greater commodification of housing, which is more worrying. This concept suggests that housing comes to be seen and treated first and foremost as a commodity rather than a home: in other words, emphasis is placed on its quantitative value as an asset – a source of capital

accumulation and investment gain – ahead of its qualitative value as a place to live, a home that is an integral part of a local community. While doubtless the vast majority of households, whether in rental housing or owner-occupation, view and value their house first and foremost as a home, there has been a discernible shift in the media and in popular discourse towards placing greater emphasis on the monetary value of housing. The favourable tax treatment of property noted above – and in particular the reduction of capital gains tax on investment properties to 20 per cent – offered strong encouragement to this tendency. A number of other important policy measures greatly reinforced the dynamic at work – notably tax incentive schemes in support of property development and investment, the increasing tendency to rely on market mechanisms to meet social need in place of public investment in social housing, and the adoption of Public Private Partnership (PPP) approaches to the regeneration of local authority housing on public lands.

2.4.4 Tax Breaks for Property Investment

From the 1980s, a range of tax-incentive schemes was initiated to encourage and support property developers and investors. The most notable of these included Section 23 Relief (for rental properties), in place from 1981, and from 1986 a succession of urban renewal schemes, town renewal schemes and rural renewal schemes. The provisions varied, but essentially these were vehicles for writing off investment in property against taxable income, generally over a ten-year period. As such, they imply a considerable public cost in tax foregone. The case made for the introduction of the schemes included the run-down condition of some urban areas, which were seen as high-risk from a property investment perspective, and the need to encourage employment in the construction sector. However, the incentives continued to be available during the period of property boom, when these conditions did not prevail.

The assessment from Goodbody Economic Consultants (2005) of the Rural Renewal Scheme, Urban Renewal Scheme, Town Renewal Scheme and Living over the Shop Scheme highlighted some gains but also serious concerns. Broadly, there were positive impacts in reducing dereliction, encouraging new development, attracting investment to more marginal locations, and innovations in design. However, Goodbody also concluded that such schemes were costly to the State and regressive, having fundamentally adverse equity impacts. In total, the tax foregone under these schemes up to July 2006 was estimated at €1,933 million. These costs to the taxpayer were high relative to outputs achieved – the tax costs represented 43 per cent of the building costs associated with developments undertaken.

Almost 74 per cent of these tax breaks came under the Urban Renewal Scheme, which equated with a handout of €40,917 per residential unit and €498 per square metre of commercial space constructed on tax-designated sites. While this brought about physical improvement in some parts of the built environment, the scheme did not deliver the hoped-for social and community gains. The scheme led to significant inflation of property prices, so that the financial benefits accrued to a small number of well-placed, and presumably already high-income, landowners and developers. The Goodbody report concluded that the impacts of the scheme were highly inequitable (Goodbody, 2005: 84).

The scheme also engendered a high level of investment activity – 90 per cent of the tax-subsidised properties constructed were purchased as investments. Importantly, a general process of 'incentivised gentrification' became well-established in many urban areas as the scheme attracted in high-class, high-cost developments in formerly working-class areas (Kelly and MacLaran, 2004). The reality is that the areas where this type of scheme would apply tend to be characterised by considerable local need for social housing, but such schemes make the task of meeting this need difficult, if not impossible, since the value of land in tax incentive areas increases exponentially and development involves exclusive apartments and commercial facilities in the main. The scheme was meant to achieve broader public benefits in the shape of contributions to community gain or the transfer of units for social housing, but in practice such returns were minimal. Finally, there was evidence of relatively high levels of deadweight (investment that would have happened anyway).

These experiences highlight some general features of tax incentives of this kind. The schemes tend to fuel demand for housing and land amongst investors, generating windfall profits for lucky landowners. They are inherently regressive since the incentive benefits only those with sufficient income to incur tax liability and access sufficient capital to get involved in property development or investment. So the direct economic beneficiaries are those on higher incomes, while the tax handout must be paid for in the shape of a larger tax burden on the general taxpayer, including those on low incomes. If the schemes delivered significant public gains, such costs might be justifiable. The incentives certainly engendered significant physical change in many areas, but development may have taken place anyway in the context of the property boom that prevailed over the lifetime of the scheme. Broader public benefits in the shape of community gain contributions or social housing were limited or absent.

Consideration of the Liberties–Coombe Integrated Area Plan illustrates in more detail some of the problems with tax-incentive schemes. This Area Plan was set up under the Urban Renewal Act, 1998; it was one of five such schemes in central Dublin (and 49 nationally across 43 cities and towns). The tax incentives were targeted at specific sites rather than being available in blanket fashion across the Designated Area. It was intended that these would take a more holistic and inclusive approach than earlier Urban Renewal Schemes (the first of these commenced in 1986) and achieve community gain targets. This incorporation of social and community concerns within regeneration

policy was a response to an earlier assessment (undertaken by KPMG in 1996) of the first decade of urban renewal schemes, which strongly criticised these because of their irrelevance to local needs and their weak social and community dimension.

The 1998 incentives fuelled a new property boom in parts of the Liberties – around the Cork Street area, for example – leading to the construction of considerable amounts of private housing and commercial space. From 1998 to 2004, 100 sites received tax incentives under the scheme and were developed for private housing. And yet, no social units were achieved and financial contributions to community gain amounted to a mere €439,000 (Kelly and MacLaran, 2004). The developments were intense, and in some cases were even allowed to contravene the Urban Design Framework of the Integrated Area Plan (IAP). They also generated a new wave of investment interest in the area, and many are either rented out or are empty (we return to the phenomenon of empty investment houses later).

The Town Renewal Scheme[3] had some success in encouraging development, including refurbishment, and deadweight was estimated to be low. The Rural Renewal Scheme[4] involved a substantial amount of deadweight, and it was therefore inefficient from an economic perspective. Moreover, the policy aim here was to reverse population decline, but much of the housing was purchased as an investment by existing owner-occupiers and resulted in very little new household formation.

Tax incentives for development along the coast were made available under a further programme, the Pilot Tax Relief Scheme for the Renewal and Improvement of Certain Resort Areas (more commonly known as the Seaside Resort Scheme). This was introduced in July 1995 with the aim of renewing and updating tourist amenities in coastal resorts. A large number of localities experienced considerable development pressures through housing investment encouraged by this scheme, and this increased demands on water, sewage and transport infrastructure and generated the wider environmental costs of relatively intense development. Sizeable estates of holiday homes sprung up in places such as Bundoran, Courtown, Westport and in many other areas. These remain empty for much of the year. In response to a parliamentary question, the Minister for Finance revealed that the cost of these schemes in tax foregone between 1995 and 1999 was €319 million.

2.4.5 Social Housing Provision via the Private Rental Market

The reduced emphasis on direct public provision of housing has been accompanied by an increasing use of market measures to deal with social needs. In particular, the reliance on the private rental market to meet social housing needs is now a firmly established trend in Ireland. Households dependent on social welfare payments need first to establish a tenancy and then apply for rent allowance under the Supplementary Welfare Allowance (SWA) scheme. This is funded by the Department of Social and Family Affairs and administered by the HSE, through community welfare officers. The number of people relying on this support has grown rapidly, and for many it is now a long-term, even permanent, housing tenure. Yet, the scheme itself was envisaged as an emergency support – for example, as a solution for people living in the private rental system finding themselves temporarily unemployed. Unintentionally, it has instead become a large, deeply embedded and sizeable sub-sector of the social housing system, and it represents a major area of public expenditure.

In 2008, there were 74,000 recipients of rent allowance under SWA. Expenditure on the scheme increased from €7.8 million in 1989 to €440.8 million in 2008 (over €8.4 million per week), driven by greater numbers of claimants and rent inflation. A report by the Comptroller and Auditor General showed that about one third of the additional expenditure recorded between 2000 and 2005 was accounted for by increases in the number of recipients, while the remainder resulted from higher rents (Comptroller and Auditor General, 2006). The report also showed that despite the stated policy aim that the scheme is to provide households with short-term assistance to meet rental costs, about 70 per cent of recipients at any point in time are likely to still be in receipt of rent supplements one year later. Around 55 per cent are likely to remain on the scheme for at least two years.

In 2004, it was decided to transfer responsibility for long-term housing needs of those receiving rent supplement to the local authorities. This saw the establishment of the Rental Accommodation Scheme (RAS), under which local authorities reach long-term agreements with private landlords and voluntary housing bodies to provide housing for social needs. By the end of April 2009, 10,592 households had been transferred from SWA rent supplement to the RAS. In regard to 6,859 of these households, an agreement had been concluded with a private landlord; in regard to 3,733, the agreement was with a voluntary housing body. While the scheme ensures some stability for tenants and the wider availability of housing options, it also involves subsidising private rental accommodation instead of direct public investment in social housing to meet long-term need. Whether this is the most appropriate use of public resources is an open question and one requiring more careful consideration and monitoring.

Concerns about the use of the private rental sector to meet social housing needs are magnified by the extent to which those in receipt of rent allowance are forced to live in sub-standard accommodation. A study by the Centre for Housing Research provides striking evidence that rent supplements are frequently paying for illegally sub-standard accommodation. The study examined eight case-study local authority areas. By the second quarter of 2006, inspections of 800 rent supplement tenancies had been carried out in these areas. The inspections revealed an exceptionally high level of non-compliance, with about 50 per cent of properties falling below minimum standards. In Dublin City, 78 per cent of all rent supplement tenancies did not meet the legal minimum, while almost no units inspected met the higher standards stipulated by the local RAS unit (Centre for Housing Research, 2006).

The use of B&B accommodation as a source of emergency shelter for homeless people is a further example of contracting private landlords to meet a social need. As with SWA, the scheme has the advantage of diversifying sources of accommodation in city areas and offering a degree of flexibility. Against this, annual expenditure runs to about €20 million. Once more, the question arises as to whether resources should be targeted more towards direct investment in long-term supported accommodation of quality. The accommodation available through the B&B scheme can be uneven in quality and in terms of the service on offer, and it is particularly unsatisfactory for families. In a Budget Submission, Focus Ireland (2008) pointed out that it costs about €30,000 per annum to keep a single person in emergency accommodation, €80,000 per annum to keep a young person in residential state care and €91,000 per annum to keep someone in prison. In comparison, supported housing (helping people out of emergency accommodation and back into stable housing) for a single person would cost €12,000 per annum for high support (i.e., 24-hour on-site security and support), €6,000 for medium support (where 'floating' support is provided to a person in their own home), and €3,000 for low support (where tenancy sustainment is provided to help people settle in their new home).

2.4.6 Social Housing under Part V

Part V of the Planning and Development Act, 2000 is a more recent example of trying to harness market forces to achieve social housing. This part of the Act was designed to provide local authorities with a means of achieving up to 20 per cent 'social and affordable housing' in new developments where there was a demonstrable need for such housing.

The further aim was to address 'the need to counteract undue segregation in housing between persons of different social backgrounds' (Section 94 3 (d)).

The necessity of a measure to promote some greater degree of integration was all too evident in the Irish housing system. It has long been a system marked by a very harsh level of social segregation, the result of bad or weak planning and of market forces, which tend to generate highly differentiated residential landscapes. An obvious reflection of this process is the marketing of new estates and complexes in various ways as exclusive, that is segregated. A common physical reflection of this market mechanism is the phenomenon of gated and walled residential developments (in one case in Dublin docklands including razor wire). The construction of large local authority developments, in many instances in locations lacking basic services and amenities, often made matters worse, especially for poorer residents.

A key problem here, and an important dimension of inequality, is spatial mobility. The rich can build a stretched-out social network quite easily, selecting friends, jobs, retail outlets, schools (especially second and third level), medical services, for example, almost globally, and certainly beyond what is available locally. The poor are much more spatially restricted and dependent on the quality of resources available in the immediate area, more or less. In this case, housing and locality really are of great importance in influencing life chances, aspirations, hopes, opportunities. The spatial injustice is that those most in need of local resources are often least able to access well-planned and well-resourced neighbourhoods. And even if the neighbourhood starts to pick up, there is always the vulnerability that it will become newly fashionable and the poor get displaced. Eagleton (2003) put it like this: 'the rich have globality while the poor have locality. Or rather, the poor have locality until the rich get their hands on it'.

Part V was an explicit attempt to deal with the need for social housing using new planning conditions for private development and to counteract the problems of segregation and spatial inequality. The Act required local authorities to develop housing strategies, bringing together planning and housing policy, which would analyse the need for social and affordable housing in the area. Depending on the results of this analysis, the authority could then require a contribution to social and affordable housing needs from private developments. Importantly, the Act was referred to the Supreme Court to rule on its constitutionality, there being some concern that it would be an infringement of private property rights as protected by Article 40.3.2. However, the Court ruled that Part V was constitutional. Key to this position is the allowance under the Constitution that rights to private property can be limited in the interests of social justice and the common good. In short, private property rights are considered legitimate, but not absolute.

The original provisions of the Act allowed that local authorities could require, as a condition of planning permission, the transfer of up to 20 per cent of land for development for social and affordable housing purposes. Alternatively, the agreement could involve the transfer of finished housing units or partially or fully serviced sites. In all cases, the land would be valued at existing use value rather than full development value. Behind the scenes, there was considerable political lobbying from powerful interest groups resisting any incursion into the profit margins in the booming housing sector. The provisions were duly changed under the Planning and Development (Amendment) Act, 2002 introduced by the Fianna Fáil-PD Government that had introduced the original Act, a decision greeted with undisguised satisfaction by the construction lobby (Brooke, 2006). This added the options of transferring land, sites or houses from other locations within the local authority area or making a cash donation in lieu, or a mix of some or all of these options.

Under the legislation, developers must enter into pre-planning negotiations to reach an agreement as to how they intend to meet their Part V obligations. Such 'behind-closed-doors' agreements introduce an important step to the planning process which is beyond public scrutiny and potentially very variable. This is because the housing

strategies of local authorities differ considerably in the clarity with which they set out their policies. Some make clear recommendations regarding the mix of social and affordable housing that will be required, while others take such decisions on a case-by-case basis (Punch *et al*, 2002).

The conflation of 'social' and 'affordable' housing also introduced a confusion between two quite different sets of housing needs and mechanisms. As already noted, social housing is a rental option managed in a non-profit manner by local authorities or voluntary agencies providing accommodation at subsidised rents for households deemed to be in housing need under the Housing Needs Assessments carried out by the local authorities.[5] Affordable housing is provided for purchase at a discount below market cost for households on low-mid incomes, unable to afford market prices (but still capable of servicing a mortgage at the subsidised price). There are now four such schemes: shared ownership (since 1991), the Affordable Housing Scheme (since 1999), Part V Affordable (since 2000) and the Affordable Housing Initiative (since 2003).

In any event, the background lobbying and the 2002 amendment to the original Act considerably slowed down the process of embedding Part V in the planning system, and returns have been disappointing, amounting to a small fraction of overall private development (Table 5). The level of housing achieved is obviously reduced by the option of making a payment in lieu of transferring land, sites or units. Between 2003 and 2008, a total of €84.4 million was paid to local authorities by developers. In all, 12,133 units of social and affordable housing were delivered under Part V between 2002 and 2008, with more than a third of the total (4,518 units) delivered in 2008. Of the overall total under Part V, 3,919 units were social (1,437 in 2008). Typically, about 33 per cent of Part V units are social. This reflects either local authority policy or developers' ability in pre-planning negotiations to press for affordable units, which are perceived as less of a 'threat' to the development's exclusivity and marketability. The antipathy of the private property sector to social housing is well known. Organisations such as the Irish Home Builders Association and the Construction Industry Federation (CIF) lobbied hard against Part V. For example, the Director of the CIF argued that 'to insist on an element of social housing on every or any residential development, without reference to the circumstances was both inappropriate and unworkable' (quoted in Brooke, 2006). In a particularly candid piece, a representative of the Irish Auctioneers and Valuers Institute argued:

> *In future, people will speak of pre and post 1999 developments ... whether they live in mixed developments or are among the lucky few residing in segregated private schemes. Of course, we don't approve of such snobbish attitudes – publicly. Privately, however, most of us will continue to do what we have always done – pay considerably more to be among the latter group.* (*The Irish Times*, 14 October, 1999)

Table 5: Social and Affordable Housing Output under Part V, 2002–2008

	Part V Local Authority	Part V Voluntary	Part V Affordable	Total	% of Total Private Output
2002	-	-	46	46	0.08
2003	75	-	88	163	0.3
2004	135	82	374	591	0.8
2005	203	206	962	1,371	1.8
2006	508	90	1,600	2,198	2.5
2007	790	393	2,063	3,246	4.5
2008	1,075	362	3,081	4,518	10.0
2002–2008	2,786	1,133	8,214	12,133	2.8

The return in terms of units under Part V may well improve with time – though it might well be asked what will be achieved at times of market slowdown when so little progress was possible during the peak of the boom years?

The experience to-date of the operation of Part V highlights some general issues about the increasing market domination of Irish housing. The first is the power of the development lobby, capable of exerting considerable political pressure and successful in having the legislation rewritten almost immediately after it was adopted. More broadly, it brings into focus some of the limits of a market-driven mechanism of this kind. It relies on the cooperation of private developers to provide social housing, and this implies a dependency on uncertain market forces, reducing the degree of direct public control and the effectiveness of long-term planning in relation to such factors as location, phasing, timing, design or quality. This lessens the scope for effective overall strategic planning. Moreover, there is considerable variation across local authorities. Some set clear targets for social and affordable housing and have had more success in achieving something close to those targets. Others are more flexible or are more likely to strike cash deals in lieu of housing.

2.4.7 Urban Regeneration and PPPs

Traditional approaches to building and regenerating social housing involved direct public investment, with the private sector involved through standard tendering processes to carry out construction. However, the vogue for adopting Public Private Partnership arrangements to undertake various forms of infrastructural provision eventually came to apply to housing regeneration, particularly in the Dublin area. In the early 1990s, one regeneration initiative involved the sale of most of a Sheriff Street site to a private developer (the deal involved the sale of ten acres of public land for □3 million to Chesterbridge Developments) for the construction of high-class apartments, with the older publicly-owned flats being demolished and partly replaced on the northern edge of the site.

A more formalised shift towards market-oriented approaches to the regeneration of public housing and/or public-housing land was driven by central government. The *National Development Plan 2000–2006* envisaged a move towards PPPs as vehicles to deliver economic and social infrastructure, as did the social partnership agreements, *Programme for Prosperity and Fairness* (Government of Ireland, 2000a) and *Sustaining Progress: Social Partnership Agreement, 2003–2005* (Government of Ireland, 2003). A central Public Private Partnership Unit was set up in the Department of Finance to 'lead, drive and coordinate the PPP process'. The State Authorities (Public Private Partnerships Arrangements) Act, 2002 enabled public bodies enter into PPPs, while the National Development Finance Agency Act, 2002 provided for the creation of a central agency to assist in providing effective project financing. In July 2005, the then Minister for Finance, Brian Cowen TD, announced the creation of a single 'Centre of Expertise' in the National Development Finance Agency with responsibility for the procurement of all new PPPs at central government level.

In the area of housing, a 2001 circular from the Department of the Environment, Heritage and Local Government (*HS* 13/01) also signalled emerging pressures to make use of PPPs. This requires that local authorities should consider the extent to which additional housing supply can be brought on stream using PPPs. In 2003, a central government directive required that regeneration projects costing more than €20 million would have to be considered for PPP. Dublin City Council, in particular, was drawn to these mechanisms. It turned to them as a means of achieving the regeneration of a substantial number of flats complexes across the city, as well as the development of some brownfield sites and some affordable housing schemes. Areas proposed for PPP redevelopment included Fatima Mansions, St. Michael's Estate, O'Devaney Gardens, Dominick Street, Dolphins Barn, and many others. It was an ambitious project to reconstruct swathes of the historic city core under a different model of 'regeneration'.

The legal models involved in PPPs are complex and the process of PPP engagement (including consultation with local communities) is long and tense. Put very simply, the model – technically termed 'design, build, finance' – is a deal between a private developer, who drives the development, and the State, which provides the land. It involves redeveloping publicly-owned sites, which formerly contained local authority flats, some open space and some other public facilities, through a contract between the local authority and a private consortium. The private sector is invited to first make a submission of interest in the proposed scheme, which is set out in broad terms in a 'Request for Qualifications'. A shortlist of developers is drawn up, and these are invited to submit a development proposal in response to a 'Request for Proposals'. This document sets out the features that must be provided by the developer, that is, the legal burdens which must be included. These usually include a specified number of social units to be returned to the State, community facilities, and a defined percentage of open space. Apart from this, it is up to the developer to add non-specified features to the plan, most importantly the profitable commercial elements (for example, private housing, commercial facilities, underground car parking). A preferred bidder is then selected and a contract is signed. Legally, the local authority retains ownership of the land at this stage and leads the planning application, which means it by-passes normal procedures and applies directly to An Bórd Pleanála for permission (a routing known as Section 8 Modified). The effect of all of this is the formation of a public–private project on land that was heretofore entirely public, which is now redeveloped with an agreed mix of public and private facilities. In effect, the cost to the developer of providing public housing, community facilities and open space is offset by the 'gift' of the development rights on the rest of the site for commercial exploitation.

So far, only the Fatima Mansions site has been redeveloped under this model. Negotiations had proceeded to varying extents on the redevelopment of a number of other estates, sometimes involving intense discussions between central and local government officials, developers, communities and other stakeholders over many years. On 19 May 2008, Dublin City Council announced that the Public Private Partnership deals on a number of projects would not go ahead as planned. Five PPPs involving the construction company McNamara & Co. were affected: O'Devaney Gardens, Dominick Street, St. Michael's Estate, Infirmary Road and Sean McDermott Street. Apparently, a number of changed circumstances, including the less-favourable climate in the property market and the introduction of better environmental standards for residential construction, led to a re-think on the part of the private partner. The future of all of these localities is uncertain at the time of writing. Regardless, the most important implication is that years of negotiation have come to nothing, frustrating the hopes and dreams for a new beginning of some of the most disadvantaged communities in the country. The St. Michael's Estate Regeneration Team summed up the experience of the past ten years of negotiations as follows:

> *Locals are devastated and angry. Originally the government were funding the regeneration of St Michael's Estate but after the first phase of this plan was built, delivered on time and on budget the Department of the Environment rejected the master plan and recommended the estate be regenerated using Public Private Partnership. Despite the PPP process taking years and costing millions not one brick has been laid to date.* (www.stmichaelsestate.ie, 2008)

In some respects, the question: 'What is regeneration?' is central to the whole issue. Private, public and community sectors use the word, but often they mean quite different things or at least would emphasise different priorities in regeneration, whether these be physical, economic, social or cultural (for example, changing the public image or identity of an area). It is beyond the scope of this paper to enter into the multiple issues arising but it is evident from the experience of the past decade that there is a clear distinction between the approach of the State and that of community groups.[6] The paradigm pursued by the State – best expressed in the PPP experiment – could be

referred to as the 'market' or 'for-profit' model of regeneration. By contrast, the model pursued by tenants and community groups, focusing on the provision of substantial social housing and public services and facilities, could be called the 'public good' model of regeneration (Bissett, 2008: 113). These models came into inevitable tension in practice, revealing the contradictions at the heart of the 'realpolitik' of regeneration, leading to protracted struggle and conflict. Although powerful forces insisted on the for-profit model, it has run aground amid the housing bust, leaving tenants to suffer unchanged living conditions and facing into a future of uncertainty.

Overall, the experiment with PPPs highlights critical concerns about the commodification of housing in Ireland. Some immediate issues include:

• **The rundown of social housing estates:** the need for regeneration arose because of many years of neglect and inadequate responses to the problems of poverty, as well as poor management and maintenance standards. The long years of negotiation and collapse worsened conditions as the flats were largely de-tenanted, creating a blight effect with empty and boarded-up units.

• **The reduction of social housing:** the proposed deals would have resulted in a considerable net reduction in the provision of social housing. The proposed schemes were for dense redevelopments dominated by private housing.[7] Proposals to make the public units available for sale under tenant purchase schemes would erode the social element further in the long-term.

• **The dependence on uncertain market forces:** under the model proposed by Dublin City Council, it was not clear what the long-term fate of the private element of the estates would be – would these be bought up as investment units or for owner-occupation? In the event, there was a much more dramatic example of market uncertainty – the collapse of the deals due to changing conditions in the housing market. This was always a predictable possibility, since the entire project depended on profitability criteria – that is, the ability of the private sector to achieve an 'acceptable' yield from the overall investment.

• **Economic rationale:** the value of the land on these sizeable sites in city centre areas raises serious questions about the extent to which the public return is outweighed by the size of the 'gift' to the developer. For example, an 11-acre portion of the St. Michael's Estate was valued by Dublin City Council at €70 million (a conservative estimate) in 2004; yet the return for this valuable public asset was to be just a few hundred units of social housing. It should be noted that the site values in the case of St. Michael's and Fatima Mansions were also considerably enhanced by public investment in the adjacent Luas tramline.

• **The limited spectrum of debate:** for a number of years, Dublin City Council (encouraged by central government policy) decided that these large regeneration schemes would be PPPs – no alternative models would be considered. Community negotiations had to occur within the parameters of a PPP deal, including the economic realities of profit margins and zero or minimal public cost that were deemed to be the main yardstick of 'viability'. These new ground rules meant that an earlier agreed plan for a local authority led redevelopment of St. Michael's Estate (but including an element of private housing to partly fund the scheme) was rejected and replaced with the PPP scheme, which itself has now been effectively torn up, leaving the community exactly where it was ten years ago.

• **The effectiveness of community participation:** in theory, the process provided for local participation in the planning of regeneration schemes, but it is clear that, in reality, the communities concerned were not allowed to have a meaningful input. Certainly, the abandoned plans have left community leaders, tenants and workers distressed and disempowered. They spent countless hours in building up understanding of and trying to engage with the forces and processes of change and planning at work. Their long and hard struggle to try to ensure a fair deal and a good future for local people who have suffered so much through years of neglect and, more recently, development pressures has now apparently come to nothing.

In sum, the PPP experiment saw the State situate a number of regeneration schemes in the arena of profit-driven urban redevelopment, with all of the uncertainty and compromise that such deals necessarily entail. Using valuable public resources – that is, urban development land – as a bargaining chip, it gambled that a successful scheme could be agreed between public, private and community interests – and delivered on. The collapse of these deals exacts a heavy price on those most immediately affected by all this – the local residents desperately seeking decent housing and a good living environment. In the case of St. Michael's Estate, the tragedy is that an agreed plan, to be driven by the public sector, was in place as far back as 2002, but this was shelved due to the rising ideological tide, which argued that PPPs were the only available option for large-scale regeneration. The one sliver of hope is that the experience of this engagement with profit-driven approaches to regeneration may encourage a rethink by those with power as to the meaning of and best practice in regeneration for public housing on public land.

2.5 Housing and the Economy

With such a high level of activity for more than a decade, housing inevitably became a key component of the Irish economy in terms of investment and employment. From 1993, housing investment grew substantially until it had more than doubled its share of gross national income, peaking at 16 per cent (OECD, 2008). Levels of investment in building and construction increased year on year from 2002 to 2007.

The absolute numbers at work in the construction sector (residential, commercial and civil) increased steadily, as did the share of employment represented by construction jobs. The number of people working in the construction sector in the March–May quarter

of 2001 was approximately 180,000 but six years later (March–May quarter 2007) the figure was 281,800 (an increase of 56 per cent) and at this point, construction jobs represented more than 13 per cent of overall employment.

A downward trend in investment became apparent in the quarterly data from mid-2007 onwards, with the rate of decrease accelerating significantly throughout 2008. Overall, the volume of investment in housing was down 26.9 per cent in 2008 as compared to the 2007 figure. A reduction in house building was the biggest factor in this decline (Central Statistics Office, 2009). Construction output was 16 per cent lower in 2008 compared to the previous year, and was obviously one of the major factors behind the general economic slowdown (see Box 1).

These trends affected employment in the construction sector, which fell from its peak of 284,600 in September–November 2006 to 233,100 in the September–November quarter of 2008. Overall, in 2008, job losses in construction were not just high in themselves but they represented a very significant percentage of all job losses – 45,900 out of a total of 86,900 (Central Statistics Office, 2009a: 2).

It is clear that while housing represented a significant element in overall employment and economic growth during the Celtic Tiger years, this level of activity was unsustainable. Furthermore, in view of the dramatic escalation of house prices outlined earlier, it can be argued that to some extent the high levels of economic growth were more apparent than real and, in any case, were counteracted by unsustainable increases in personal debt.

The trouble is that the construction sector is inherently cyclical and subject to a fairly predictable round of boom–bust cycles, as witnessed from the upsurge in 1995 to the current downturn. The office sector equally goes through cycles of upturn/downturn and stop-go patterns of disinvestment and intense reinvestment. So far, however, the downturn has been driven by changes in the residential sector. Building and construction investment in the year up to the last quarter of 2008 was 21 per cent lower than a year previously. Breaking this figure down, it resulted from a 26.5 per cent reduction in residential investment, while non-residential investment (commercial, civil) decreased by 7 per cent year-on-year (DKM, 2009: 3).

Encouraging a high degree of economic dependence on the residential sector is inherently risky. According to the IMF, Ireland and Spain had become unusually vulnerable in the ratio of residential investment to total economic output, a measure of the direct exposure of the economy to a downturn in the housing market. In Ireland, residential investment at the end of 2007 was 12 per cent of GDP, while in Spain it was 9 per cent. The average for the advanced economies was about 6.5 per cent (IMF, 2008). An alternative policy would place greater emphasis on more productive, innovative

Box 1: Taking Apart the Recent Economic Downturn – Some Key Factors

- **Consumer spending down:**
  Retail Sales Index: the volume of sales was 20.9 per cent lower and the value of sales 23.4 per cent lower in February 2009 than in February 2008
  [Source: CSO (2009) Retail Sales Index]
- **Construction down:**
  Construction output 16 per cent lower in 2008 compared to 2007
- **Irish economy down:**
  GDP 7.5 per cent lower in Q4 2008 compared to Q4 2007; overall, down 2.3 per cent in 2008 compared to 2007*
  GNP 6.7 per cent lower in Q4 2008 compared to Q4 2007; overall, down 3.1 per cent in 2008 compared to 2007
  [Source: CSO (2009) *Quarterly National Accounts, Quarter 4 2008 and Year 2008 (Preliminary),* released 26.03.2009]
- **Unemployment up:**
  The seasonally adjusted unemployment rate (based on data in the *Quarterly National Household Survey*) reached 7.7 per cent in Q4 2008 – an increase in unemployment of 68.9 per cent from the corresponding quarter of 2007 (CSO, Quarterly National Household Survey, Quarter 4, 2008, 2009). The standardised unemployment rate (derived from Live Register figures) reached 11.4 per cent in April 2009 – more than double the figure for April 2008 (CSO, Live Register, April 2009, released 29 April 2009).
- **Public debt up:**
  Gross debt as a percentage of GDP up from 24.8 per cent in 2007 to 41.1 per cent in 2008; net debt as a percentage of GDP up from 12 per cent in 2007 to 20 per cent in 2008.

*Note: the profits of foreign-owned enterprises are included in Gross Domestic Product (GDP) calculations but excluded from Gross National Product (GNP) calculations

and export-directed sectors of the economy than on construction and investment in property. There is an inherent tendency for the economy of the property sector to become distorted by levels of speculative activity and the sometimes spectacular gains available in the shape of super-normal profits or unproductive activity such as land speculation, especially where a land zoning decision or the creation of a tax incentive area inflates the cost of property exponentially. Rewarding unproductive activity (such as sitting on a land bank waiting for a favourable zoning decision or incentive policy) is inefficient and inequitable. It is also true that, given the over-valuation of housing (at least 30 per cent), the contribution of this sector to economic growth was considerably overstated, containing a significant 'fictitious' element.

The boom–bust cycle also provides a case for a more robust and sustainable approach to social investment in the long-term, which would have a counter-cyclical effect, providing jobs and investment when the market takes its inevitable downturn. Moreover, such activity would become more viable during downturns as capacity in the industry is freed up. Evidence of the potential for this comes from the sharp decline in tender prices for construction work: tender prices fell by 10.5 per cent during 2008 and, overall, by the end of the year had dropped by 15 per cent from their peak in June 2007, bringing them back to the level they were at in the second half of 2000 (DKM, 2009: 5).

In short, while the economic importance of the construction sector (of which residential development is a significant component) is not in question, there is a general case to be wary of over-dependence on an economic activity that is inherently cyclical and which can be relatively unproductive compared to other, more innovative, sectors geared towards domestic or export markets. There is also a case for a robust public housing building programme focused on long-term, strategic aims, which would have the added counter-cyclical benefit of underpinning employment and investment during market slowdowns.

Notes

1. Figures for housing output are based on housing units connected by the ESB to the electricity supply and available for occupation. This does not imply that the houses are actually in use as homes (see section 3.6, 'Empty Houses').

2. Demand does not necessarily equate with need in a market system. Households may have a legitimate and urgent need for housing, but they may not be able to translate this into an effective demand in the market if they are on a low income or if they have need for accessible or assisted housing of some kind. The market will usually exclude such people. At the same time, much demand in the market may have nothing to do with need, arising instead from speculative activity, investment, or a desire for second- or holiday-home acquisition.

3. The Town Renewal Scheme (1999) focused on the improvement of the built environment of smaller towns (population of 500–6,000). As with the Urban Renewal Scheme, it included tax incentives for residential and commercial development.

4. The Rural Renewal Scheme (1998), a pilot initiative aimed at developing the Upper Shannon Region, covered all of Leitrim and Longford and parts of Cavan, Roscommon and Sligo. It similarly focused on residential development and certain commercial and industrial projects.

5. Under the Housing Act, 1988, local authorities are staturily required to carry out an assessment of housing need in their area every three years. The Act states that the assessment must take account of the needs of people who are homeless; have traditionlly pursued 'a nomadic way of life'; are living in unfit accommodation; are living in overcrowded accommodation; are involuntarily sharing accommodation; are young people leaving institutional care or without family care; are in need of rehousing on medical or compassionate grounds; are elderly; are disabled; or 'not reasonably able to meet the cost of accommodation' (Section 9 (2), Housing Act, 1998).

6. Publications from local community organisations provide important grassroots views on this issue – see, for example, Tenants First (2006)*The Real Guide to Regeneration*; Fatima Groups United (2000), *11 Acres*, *10 Steps*, and *Things Can be Different* (2007); and St. Michael's Estate (2002) *Past, Present, Future: a Community Vision for the Regeneration of St. Michael's Estate*. See also Bissett (2008) and Hearne (2009).

7. Research on ten proposed PPP regeneration schemes in Dublin revealed that the plans would have resulted in the net loss of 856 public units (a 42 per cent reduction), and the addition of 2,580 private units in their place (Hearne, 2008).

chapter 3_Housing for Whom?
Social Consequences and Lived Experiences

3.1 Introduction

What happened to different social groups through the boom–bust cycle in our increasingly commodified housing system? Can we differentiate some of the social consequences of the political economy of Irish housing at the level of the lived experience of individuals, households and communities?

One starting point is to consider housing outcomes. Who has been able to access and benefit from ownership and investment in housing? Are the levels of indebtedness incurred sustainable? What has been happening to those in the different rental tenures? Are there problems also of access and affordability in rental housing? How well has the housing system responded to different categories of need and the urgent situation of those who are homeless? What of the poorest and most vulnerable – have their needs been getting due priority? Does the current system protect the common good?

There were some clear beneficiaries from the housing boom. The increase in house prices meant large, and sometimes spectacular, capital gains for owners of land, investors and developers, and for home-owners. However, there were also considerable social and environmental costs involved in all this and a clear pattern of inequality emerges when we consider some of the key outcomes.

3.2 Problems of Housing Access and Affordability

Over a long period, it is clear that access to owner-occupation has become increasingly confined to higher-income households, while the local authority sector has become more and more residualised.

The index below (Table 6) gives an indication of the relative average income across the different housing tenures from 1973 to 2005. It shows both the marginalisation of the local authority sector and the increasing relative affluence of households that managed to access a mortgage and buy a house on the market. In 1999/2000, those who had accessed home ownership through the mortgage markets had disposable incomes that were 28 per cent higher than the average household income; by 2004/2005, the disposable incomes of this group were 38 per cent higher. In contrast, the relative income level of households in local authority housing had consistently declined, such that the disposable income of this tenure group was little over half the national average by 2004/2005.

Incomes of households in the private rental sector were a little below the national average. A disaggregation of this sector reveals its dual nature: while it includes working households with mid-high incomes, it is also made up of low-paid workers, including international migrants,[1] and social welfare households with very low incomes supported by SWA rent supplement.

Table 6: Index of Average Disposable Income by Household Tenure in Ireland, 1973–2005

	Owned Outright	Mortgaged	Private Rental	Local Authority Rental	Rent Free	State
1973	100.6	119.8	83.1	85.7	61.6	100
1980	91.6	126.1	87.4	73.4	69.1	100
1987	91	127.6	91.8	64.6	68.5	100
1994/1995	88.2	129.7	87.1	57	84.5	100
1999/2000	87.1	127.5	101.2	55.6	83.1	100
2004/2005	83.3	137.9	94.0	51.4	70.3	100

Source: Household Budget Survey, various years

The issue of the changing accessibility of the different tenures is further clarified by looking at the trends in average household income since 1999 (Table 7). The average income nationally increased by 48 per cent between the Household Budget Survey of 1999/2000 and that of 2004/2005. However, incomes in the ‘owned with a mortgage’ sector increased by 60 per cent over the same period. Meanwhile, earnings of industrial employees increased by only 33 per cent. In 1999/2000, the average industrial wage was only 49 per cent of the average gross weekly income of households in home ownership with a mortgage. By 2004/2005, this figure was even lower at 41 per cent. In other words, the average household income of those who had been able to access a mortgage and purchase a home in the market was twice the average industrial income in 1999/2000 and 2.4 times greater in 2004/2005. The problem highlighted here is the crucial one of access. The boom in the market had the effect of pricing out many lower- and middle-income households from home ownership. The figures indicate that access to home ownership (and the ability to take on a mortgage) increasingly became limited to higher income groups.

Further evidence comes from the ranges of incomes of borrowers. Those with a combined income of €30,000 or less (below the average industrial wage) accounted for 4 per cent of new mortgages in 2000, but less than 1 per cent in 2006. Over 40 per cent of new mortgages in 2006 were acquired by households with incomes greater than €80,000. In Dublin, 54 per cent of borrowers in 2006 had incomes above this figure.

Table 7: Average Gross Weekly Household Income by Tenure, 1999/2000 and 2004/2005

Tenure	1999/2000	2004/2005	% Change
Owned Outright	563.13	801.81	42.4
Owned with Mortgage	884.94	1,413.51	59.7
Local Authority Rental	328.41	453.57	38.1
Private Rental	675.22	908.48	34.5
Rent Free	494.31	634.14	28.3
State	666.72	987.96	48.2

Source: Household Budget Survey, 2004/2005

It is also evident that at the height of the boom an increasing number of high-income investors and households 'trading up' were able to purchase properties without needing to take out a mortgage. Indicative evidence for this comes from a comparison of numbers of new house completions and new mortgage approvals in any year. For example, in 1994, the number of mortgage approvals for the purchase of a new house was equal to 80 per cent of new house completions: there were 23,588 completions and 18,875 mortgage approvals for new houses. By 2006, however, the number of loans was equal to just 61 per cent of new house completions: there were 88,211 completions but only 53,895 loans. In 2007, the number of loans as a percentage of completions had dropped to 56 per cent: there were 71,356 completions and just 40,497 new loans (Department of the Envivonment, 2009).

Another view on access and affordability problems can be obtained by considering the ratio of average earnings to house prices. In 1984, the average price of a new home was the equivalent of €45,427, while the average industrial wage was €10,641, a ratio of 4.3 to 1. By 1994, the ratio had decreased slightly to 4.2 to 1 (€72,732/€17,292). In Dublin, the ratio was 4.8 to 1. By 2006, however, the ratio was 9.8 to 1 (€305,637/€31,252) for the country as a whole and 13.3 to 1 for Dublin. Of course, cheaper financing, arising from a significant lowering of interest rates, has to be taken into account in interpreting these figures. However, the ratios and the trends in average incomes of those who managed to take on a mortgage highlight the central problem of access. On balance, despite cheaper financing, it became harder over the period of the housing boom for lower and mid-income households to take on a mortgage and access owner-occupation.

To illustrate this reality, consider a typical 'real-life' scenario of late 2005, when the housing boom was still short of its peak (Drudy and Punch, 2005). A couple with gross salaries of €30,000 each (close to the average industrial wage) would have had a disposable income after tax of €50,000, assuming a total tax deduction of €10,000.

Assume they wished to purchase a home in Dublin for €300,000 – considerably cheaper than the average – and that they had managed to save (or secure with the help of parents) a deposit of 8 per cent or €24,000. Since the couple would be still outside normal loan guidelines acceptable to the lender, they would have needed to have parents or others agree to act as guarantors. With this assurance, they could be granted a mortgage of €276,000 at an APR of 3.6 per cent. Assuming a 20-year loan, their monthly repayments would have been €5.83 per €1,000 borrowed, i.e., €1,609 per month or €371 per week. This would amount to 38.6 per cent of their disposable income or 35.4 per cent after mortgage interest tax relief: this is above the official marker of affordability, which is defined as a household not having to spend more than 35 per cent of its income on housing costs. But there are added costs – for instance, mortgage protection in the event of death of either party, and solicitors' fees and other expenses associated with conveyancing. If they purchased an apartment, they would also have to take on annual management fees.

The above calculations show the 'case study' couple being just about able to purchase a home (though one cheaper than the average) during the boom. But the vulnerability of their situation is clear. Interest rate increases would have the effect of pushing mortgage payments up so that monthly repayments as a percentage of income would be not just a little but significantly above the official definition of affordability. In addition, life changes such as redundancy or the birth of a child (and the child care costs that would be incurred in order to maintain dual incomes) would make their financial situation even more difficult.

This highlights some harsh social realities of the housing boom years. Firstly, it became increasingly difficult for households on average incomes – and unimaginable for poorer households – to access home ownership. An increasing number of those who accessed ownership did so by commmitting themselves to a mortgage over a much longer period than the traditional duration of twenty to twenty-five years. Between 2004 and 2007, the percentage of first-time buyers taking out a mortgage of over thirty years rose from 29 to 75 per cent (Department of the Environment, 2008a: 66). Secondly, households attempting to purchase for the first time were almost always required to have two earners in order to afford a decent home. This situation carried important implications for the nature of family life in particular: the choice of one partner working part-time or remaining at home largely evaporated. It also meant, in effect, that single people on an average income were excluded from ownership. Thirdly, for many of those who managed to aquire a mortgage during the boom, their level of indebtedness was worryingly high – and probably unsustainable in the event of redundancy.

Between 1995 and 2008, around 1.1 million loans were approved (for new and second-hand purchases) to a value of €192 billion. Concerns about the level of private household debt has been highlighted by the Central Bank, in terms of both the rate of growth in personal debt over the period 1996–2007 and the levels of indebtedness compared to disposable income. Throughout this twelve-year period, annual increases in personal debt ranged between 20 and 30 per cent. And whereas personal debt was the equivalent of 58 per cent of disposable income in 1996, by 2003 it had grown to 100 per cent, and by 2007 it had reached 175 per cent (Central Bank, 2007: 37). The OECD has also raised this as a concern, noting the level of personal debt relative to disposable income and the fact that such debt had reached just below 78 per cent of GDP in August 2007. This made Ireland the third most indebted country in the OECD after the Netherlands, where it had reached 80 per cent, and Spain, where debt stood at 78 per cent (OECD, 2008).

The level of debt accumulated in the the five-year period 2004 to 2008 is particularly striking. Central Bank data show that overall personal debt almost doubled in that time, and that mortgage debt more than doubled.[2] Irish households are now, therefore, highly indebted by historic and international standards.

As is already becoming evident, this level of indebtedness leaves a large number of Irish households vulnerable in the face of increases in unemployment, or decreases in household income and house prices, any of which will have severe consequences due to the huge level of indebtedness in the system. With around 80 per cent of mortgages at a variable rate or one-year fixed rate, households are currently benefiting from historically low interest rates. In time, however, interest rates will inevitably increase again. This will present a very difficult situation for many households, as they face mortgage repayment increases at a time when gross earnings are likely to continue to be depressed by the after-effects of the downturn, and net incomes reduced as a result of rising taxes and charges. Furthermore, the net incomes of many households will also be affected by the withdrawal of mortgage interest relief, a process that has now begun following changes introduced in the Supplementary Budget of April 2009.

3.3 Commuting and Sustainability

In the face of the rising house prices of the boom years, one way of improving affordability was to give up on the hope of securing a home close to the place of work in the main urban centres (where house prices are highest) and seek alternative accommodation at a considerable distance in a rural area or smaller town. This solution saw the commuter belt associated with the Dublin labour market move outwards rapidly to take in most counties in Leinster and even further afield. One reflection of the phenomenon was the explosive growth in population in many regional towns. The increase in households in some towns within what estate agents call ‘commuting distance’ of the capital has been staggering. Between 1996 and 2006, the number of households living in Stamullen increased by 726 per cent; in Rathoath, the number increased by 651 per cent; Sallins, by 417 per cent; Kinnegad, by 379 per cent; Enfield, by 352 per cent.

Towns with already sizeable populations, such as Navan, Portarlington and Kildare, also saw big increases. In 2006, 27 per cent of the population of Portarlington were commuting more than 50 kilometres to work. In Navan, 39 per cent were commuting more than 25 kilometres, while 16 per cent were commuting more than 50 kilometres. In Kildare, 32 per cent were commuting more than 25 kilometres, while 15 per cent were commuting more than 50 kilometres. Large numbers of the new households in these towns consist of young couples with young children or young couples who may soon have children. How are these new mega-towns coping with the pressures? How sustainable is this shift in both social and environmental terms? As well as the individual stress associated with long commuting, there are increased social and environmental costs in the form of fuel and road usage, congestion, and pollution, for example. The situation is even more problematic for households with children who need access to crèches or childcare, but such facilities are often lacking in the new housing estates now attached to smaller towns and villages.

The housing strategies prepared by the local authorities make clear that there are considerable concerns about the spatial patterns and development pressures that have emerged.[3] The strategies report that a significant proportion of new building has taken place on unzoned land in the countryside, often in the form of one-off housing. There are significant pressures in areas of holiday home and second home development. As well as the environmental strain, these have also tended to make housing unaffordable to those seeking a principal residence for owner-occupation (as opposed to those seeking housing as an investment vehicle, a source of tax breaks or for use as an occasional holiday home). The issues of urban-generated housing in the countryside and unsustainable commuting are widely commented on in housing strategies – including, obviously, the stategies of local authorities in the Dublin region, but also those of authorities in other regions. Waterford County Council, for example, noted in its first housing strategy that villages and towns in the west of the county were becoming satellites of Cork City. A number of authorities expressed serious concern about the planning challenge posed by the apparently ceaseless expansion of Dublin's commuter zone, reflecting the depth of the city's housing crisis and the outward spread of its displacement effect. In the first round of housing strategies, this was highlighted as far afield as Cavan, Westmeath and Longford. For example, in its 2001 housing strategy, Cavan County Council stated:

> *The ripple effect spreads up the N3 from Dublin and affects land availability and land prices [and] thus the cost of housing provision. It also creates development patterns that have overwhelmed the normal organic housing growth in the area which would be essentially locally generated rural housing based on the agricultural and service sector. This 'ripple effect' of Dublin's housing crisis is seen in the growth in villages such as Virginia on the Cavan-Meath border (83 km from Dublin), which saw a 124 per cent increase in its number of households between 1996 and 2006.*

3.4 Access and Affordability in the Rental System

As the economic boom continued, rising demand in the private rental system – due to in-migration, the pricing-out of middle-class households from owner-occupation and the low levels of social housing provision – resulted in greater difficulty for poorer households within the system in finding cheap accommodation.

The private rental sector has become greatly polarised between relatively high-income, salaried households and others who are either 'working poor' or dependent on social welfare rent supplements, such that this tenure is reflective of the deep social inequalities and disparities in economic power in Irish society more generally.

Affordability problems for lower-income households are considerable in this sector, particularly in the higher rent areas of central Dublin and other cities. Table 8 compares rent levels to the incomes of households in different income categories, taking as an example one-bedroom flats or apartments in the main areas of private rental accommodation in Dublin as well as Cork, Galway, Limerick and Waterford. At the start of 2008, a single-income household on the average industrial wage would not be able to afford a one-bedroom unit in any of the main private rental markets of Dublin City. A household with a single income at the minimum wage level would be completely priced out of the market. Households depending on SWA rent supplement have to stay within a rent cap – a maximum level of rent they are allowed to commit themselves to – which varies by area. Looking at the relevant rent caps, it is obvious that they were well below the cost of one-bedroom accommodation.

Table 8: One-Bed Rents Compared to Income, Q1 2008

	1-Bed Monthly Rent	Net Monthly Industrial Wage*	Rent as % of Income	Net Monthly Minimum Wage *	Rent as % of Income	SWA Single Cap	Shortfall
Dublin 1	1,158	2604.67	44.5	1228.67	94.2	563.33	594.67
Dublin 2	1,336	2604.67	51.3	1228.67	108.7	563.33	772.67
Dublin 3	1,023	2604.67	39.3	1228.67	83.3	563.33	459.67
Dublin 4	1,359	2604.67	52.2	1228.67	110.6	563.33	795.67
Dublin 6	1,049	2604.67	40.3	1228.67	85.1	563.33	482.67
Dublin 7	979	2604.67	37.6	1228.67	79.7	563.33	415.67
Dublin 8	1,075	2604.67	41.3	1228.67	87.5	563.33	511.67
Cork City	828	2604.67	31.8	1228.67	67.4	498.33	329.67
Galway City	734	2604.67	28.2	1228.67	59.7	498.33	235.67
Limerick City	592	2604.67	22.7	1228.67	48.2	476.66	115.34
Waterford City	633	2604.67	24.3	1228.67	51.5	498.33	134.67
*After tax & PRSI deductions, allowing for single-income household							

Source: DAFT (2008)

Average rents for bedsits/studios are lower than those for one-bedroom flats and Table 9 shows that such accommodation would be affordable for those on the average industrial wage – but still well beyond anyone on a single minimum wage. Table 9 also shows the considerable shortfall between the SWA rent cap and the average rents for this most basic form of acccommodation. The implication is that households on a single minimum wage or SWA rent supplement must either share with others or seek cheaper, sub-standard accommodation at the bottom end of the market. This was confirmed by the Centre for Housing Research (2006) in a study which highlighted that low-income renters, particularly those in receipt of rent supplement, were much more likely to be housed in sub-standard accommodation.

Table 9: Bedsit/Studio Rents Compared to Income, Q1 2008

	Studio Monthly Rent	Net Mthly Income Ave Ind. Wage*	Rent as % of Income	Net Monthly Minimum Wage *	Rent as % of Income	SWA Single Cap	Shortfall
Dublin 1	762	2604.67	29.3	1,228.67	62.0	563.33	199
Dubiln 2	821	2604.67	31.5	1,228.67	66.8	563.33	258
Dublin 3	678	2604.67	26.0	1,228.67	55.2	563.33	115
Dublin 4	810	2604.67	31.1	1,228.67	65.9	563.33	247
Dublin 6	691	2604.67	26.5	1,228.67	56.2	563.33	128
Dublin 7	689	2604.67	26.5	1,228.67	56.1	563.33	126
Dublin 8	694	2604.67	26.6	1,228.67	56.5	563.33	131
Cork City	701	2604.67	26.9	1,228.67	57.1	563.33	203
Galway City	546	2604.67	21.0	1,228.67	44.4	563.33	48
Limerick City	N/A	2604.67	N/A	1,228.67	N/A	563.33	N/A
Waterford City	N/A	2604.67	N/A	1,228.67	N/A	563.33	N/A

*After tax & PRSI deductions, allowing for single-income household

Source: DAFT (2008)

As noted in Chapter 2, average rents have fallen significantly since May 2008, which at first sight suggests that renting has become much more affordable even for households on lower incomes. However, several other developments serve to negate the benefit of lower market rents.

People in work have experienced a decline in net income as a result of the imposition of new and increased levies on income. Those on social welfare have seen significant changes in the rent supplement system. Firstly, the minimum contribution which tenants receiving rent allowance are required to pay was raised in both the October 2008 and April 2009 Budgets, so that the minimum is now €24 – that is, €11 higher than it was prior to the October 2008 change. Secondly, in the April 2009 Budget, it was announced that the rent cap would be lowered, with reductions in the order of 6 to 7 per cent on average, but ranging up to 10 per cent, 'depending on the geographical area and household size'. This change will affect new applicants trying to access rented accommodation using rent allowance. Thirdly, in the April 2009 Budget also it was announced that the level of payment to current rent supplement tenants would be reduced by 8 per cent – the assumption being that tenants would be able to negotiate with landlords to secure a reduction in existing rent levels.[4]

3.5 Housing Need and Homelessness

Housholds are officially recognised as being in 'housing need' if they come within one of a number of categories set out in the Housing Act, 1998, including overcrowding, unfit accommodation, homelessness, and unaffordability.[5] The level of officially recognised housing need has increased significantly since the early 1990s: from 22,800 in 1991 to 56,200 nationally in 2008, an increase of 146 per cent. Tellingly, a considerable portion of the increase in need occurred during the boom years: officially assessed need in 2008 was 105 per cent higher than in 1996. This is a disgraceful reality considering the human and developmental implications of being in housing need. There are also particular issues regarding the specific needs and preferences of Travellers, people with disabilities, asylum seekers and older people, to which the market system left to its own devices does not respond at all.

The 2008 Housing Needs Assessment revealed changes from 2005 in the numbers in certain of the categories of need (Table 10). Between 2005 and 2008, there were notable increases in the numbers in need due to overcrowded accommodation and involuntary sharing. There were increases too in the numbers of elderly people, Travellers and people with disabilities in need of housing. An increase was evident also in the numbers in need due to unaffordable house prices or rents – a category which had already increased significantly between 2002 and 2005.

The number of homeless people assessed as being in need delined between 2005 and 2008 (from 2,147 to 1,686). It might be noted, however, that the 2008 Homeless Agency Counted In Survey showed there were 2,366 adults in homeless services in Dublin during the week in March 2008 when the survey was carried out. The survey found there were 110 people sleeping rough on the streets during that week (Homeless Agency, 2008).

A breakdown of the current accommodation of those assessed as being in housing need in 2008 is not yet available. The previous assessment, in 2005, found that the majority (64 per cent) were living in the private rental sector. Others were living with relatives (13 per cent) or living with parents (7 per cent). A small number were in owner-occupied housing or sleeping rough with no accommodation.

Table 10: Main Categories of Need, 2005 and 2008

Category of Need	2005 Numbers*	2005 % of Total	2008 Numbers*	2008 % of Total
Homeless	2,147	5%	1,686	3%
Travellers	858	2%	1,124	2%
Unfit Accommodation	1,717	4%	1,686	3%
Overcrowded Accommodation	3,864	9%	5,058	9%
Involuntary Sharing	3,435	8%	5,058	9%
Leaving Institutional Care	429	1%	562	1%
Medical or Compassionate Reasons	3,435	8%	7,868	14%
Elderly	1,717	4%	2,248	4%
Disabled	429	1%	1,124	2%
Not reasonably able to meet the cost of accommodation	24,905	58%	29,786	53%
Total	42,946		56,206	

Source: Department of the Environment, Heritage and Local Government, 2008b

*While the figures for percentages in each category have been published by the Department of the Environment, Heritage and Local Government, the actual numbers in the categories have not yet been published. The numbers given in the table are derived from the published percentages. The figures for total need in both years is that for 'adjusted net need', i.e, the total need adjusted to take account of 'those households who apply to more than one authority and of those who are already living in social housing' (Department of the Environment, 2008b).

For many households, the experience of significant housing need can be of long-term duration. A breakdown of the 2008 housing list figures by length of wait has not yet been published. However, the 2005 figures showed that 24 per cent of households had been on the waiting lists for more than three years and a further 36 per cent had been waiting for one to three years (Table 11).

Table 11: Length of Time Households on Waiting Lists (%), March 2005

	Up to 3 months	3–12 months	1–3 years	More than 3 years	TOTAL
% Co. Councils	14.9	24.0	37.5	23.6	100.0
% Cork City	26.2	25.4	29.8	18.7	100.0
% Dublin City	21.9	19.9	26.9	31.3	100.0
% Galway City	17.5	21.2	38.0	23.3	100.0
% Limerick City	14.0	22.7	42.6	20.7	100.0
% Waterford City	13.8	20.2	41.2	24.8	100.0
% City Councils	20.9	21.5	31.5	26.1	100.0
% Borough Councils	27.2	22.7	32.7	17.4	100.0
% Town Councils	18.6	21.3	37.5	22.6	100.0
% State	17.7	22.7	35.7	23.8	100.0

Source: Department of the Environment, Heritage and Local Government, 2009

A study, *Drug Use Among the Homeless Population in Ireland*, prepared by Merchants Quay Ireland for the National Advisory Committee on Drugs (Lawless and Corr, 2005) helps to clarify the need to look at both personal and structural factors in order to understand the continuing experience of homelessness (and persistent housing need more generally). Importantly, the research showed that while many personal predicaments can lead to being out-of-home and in housing need (for example, family conflict, drug and alcohol use), structural factors were more important in understanding why people remain homeless. Put simply, the most relevant factors underlying the continuation of homelessness related to barriers to gaining access to a home. Without dealing with the problem of access to long-term, stable housing, virtually no supportive intervention for homeless people will be effective (Bergin *et al*, 2005). It should also be remembered that the relevance of personal and structural factors is complicated when one considers that problem drug use is also, in part, a structural issue in that there is a well-known direct link between such drug use and poverty (see, for example, Lawless and Cox, 2000; Ministerial Task Force, 1996, 1997).

The real level of need is always a matter of contention, and there is certainly a wider reality of housing need than is represented by the snapshot provided by the official tri-annual Housing Needs Assessment. First, many people who would qualify for inclusion on the grounds that home ownership would cost more than 35 per cent of their net income (the official definition of unaffordability) do not apply. An indication of the scale of unaffordability was provided in the first round of housing strategies, where it was estimated that over the period up to 2006, 33 per cent of households would not be able to afford to purchase homes (or 50 per cent in parts of Dublin). Second, there is a large number of low-income households receiving rent supplement in the private rental system who are not on local authority waiting lists and do not feature in the needs assessments. In 2004, for example, about 58,000 households were receiving rent supplement, of which only 14,500 were on local authority lists. Third, although around 5,000 households (9 per cent) on the waiting list in 2008 were under the heading ‘involuntary sharing’, it seems very likely that some households sharing accommodation are not included. There has been a marked increase in households sharing accommodation. The 1996 Census returns showed that 6,116 households nationally were made up of two or more families sharing (0.5 per cent of total households), but the 2006 Census revealed that the incidence of sharing had trebled over the decade, having risen to 20,219 households (1.4 per cent of total households). Of course, it is impossible to know whether such sharing is voluntary or is the result of an inability to access alternative accommodation. Nevertheless, it suggests a considerable hidden problem. Fourth, an unknown number of homeless people will not feature on local authority waiting lists – particularly single males who rarely qualify for consideration for social housing. A more realistic picture of need would take account of the broader needs of these groups.

3.6 Empty Houses

One of the striking contradictions of the relentless commodification of the Irish housing system is the number of empty properties that exist side by side with considerable levels of need and homelessness. A comparison of household formation and house completions between Census years provides some proxy evidence of this phenomenon (Table 12). By looking at house completions from the second quarter of 1996 to the first quarter of 2006, we get a figure that can be compared to the level of household formation recorded in the Census (April 1996 and April 2006). This rough comparison suggests a level of house completion far in excess of household formation. While 596,670 new houses were completed over this period, there were only 347,322 new household formations. The implication is that almost a quarter of a million (249,348) new housing units, or 42 per cent of total completions, were either built to replace obsolescent units (likely to be a very low number) or were not acquired as primary residences (homes for owner-occupiers or renters) and so have remained empty most of the time as vacant properties or second/holiday homes or investment vehicles.

Table 12: New Houses Compared to New Households, 1996–2006

New Houses, 1996 Q2–2006 Q1	596,670
New Households April 1996–April 2006	347,322
Houses Surplus to Need	249,348
Surplus as % of Total Completions	41.8

Sources: Department of the Environment, Heritage and Local Government (2009); Census of Ireland, 1996 and 2006

The Census findings suggest that 15 per cent of the overall national housing stock lay vacant in 2006, and it would seem that a substantial amount of this resulted from investment activity in new-build over the previous decade. This shows that a considerable proportion of house building activity during the boom years had nothing to do with meeting immediate housing needs or providing permanent homes. Instead, a significant amount of effective demand in the housing market came from a desire for investment (without intending to let the property).

There were notable regional variations in this trend. In Dublin City, for example, there was 52 per cent more house completions than household formations between 1996 and 2006. The trend reflects a number of characteristic features of development in this location, including the prevalence of second home and investor apartments that are empty and a number of regeneration rebuilds (some house completions refer to the replacement of older flats in regeneration schemes, notably at Ballymun, so these do not result in new household formation). Again, this fed into the vacancy rate recorded by the Census, which suggests that 12 per cent of the total housing stock in Dublin City lay vacant in 2006.

Some rural areas also have a significant number of empty houses. In Leitrim, for example, the number of new house completions exceeded the number of new household formations by as much 60 per cent between 1996 and 2006. Many of these new houses are empty properties (investor vehicles, second/holiday homes). As a result, almost 30 per cent of the total housing stock in Leitrim was vacant in 2006, according to the Census. It should be noted that many of these empty houses were encouraged by (and rewarded with) substantial tax incentives. The effect is easy to see around the country. Between 1996 and 2006, there were small increases in the permanent population of villages such as Dromod (+ 36 people) and Leitrim Village (+ 108 people), but there have been hundreds of houses built over the same period in these rural centres, which have expanded dramatically physically, but not socially.

This raises a social consideration regarding who has bought all the houses. Any excessively commodified system is geared up to encourage a substantial amount of investment activity, and this kind of speculative or luxury demand creates pressures for those seeking housing to meet their immediate needs. It also raises environmental questions about the use of scarce resources, the creation of development pressures in vulnerable areas and the increased carbon footprint linked to the inefficient production of empty houses. In Ireland, almost no attention has been given in public discourse to the simple fact that the building of new homes entails significant levels of carbon emissions. The Empty Homes Agency in the UK has estimated that the energy locked into new-build materials and embedded in the construction process means that the building of a new home can result in as much as 50 tonnes of carbon dioxide being pumped into the atmosphere (Empty Homes Agency, 2008).

The co-existence of numerous empty houses with considerable housing need and amid growing concern about the environmental costs of over-development point up some of the most glaring irrationalities and contradictions in this kind of housing system.

3.7 Overview

In many respects, the current reality in Irish housing raises serious concerns. The boom and bust cycle and the commodification of the housing system generated considerable social and environmental problems. Broader inequalities and injustices in Irish society became starkly evident in the housing system. There was a profound upwards transfer of wealth towards those with most economic power, as speculators and landowners made fortunes from a long boom in the housing market, encouraged by a number of government policies, while many others struggled to access a suitable home. Levels of housing need and homelessness increased while public housing provision dwindled

relative to the private sector. For some, the past decade or so meant the accumulation of considerable wealth in the shape of capital gains, while others lived through the harsher realities of rising rents, unaffordable prices, long-distance commuting, high levels of indebtedness, and now repossession. A clear contradiction emerges: a housing boom for some meant a housing crisis for many.

At a broader level, the Irish system became one where housing was increasingly seen as a commodity rather than as a home. This raises a profound philosophical question about the 'meaning' of housing. A society can chose to emphasise the importance of housing as a basic human need with a qualitative essence as a home, a place to live and form an identity and participate in society, and a material worth in providing shelter and security. Alternatively, a society can chose to emphasise the economic value of housing, where the primary concern relates to the rate of return on investment and expected capital gains. To say that Irish housing has been commodified is to highlight a shift towards this latter view with real implications for the living conditions of great numbers of people whose incomes are low or modest or who have specific care and support needs and who are unable to compete with investment interests. This shift underpins many of the tensions and problems now evident, and it reflects a society that has become more consumerist and individualised in its outlook and more driven by an impulse to accumulate capital and material goods, moving further away from the ideals of human dignity and rights, social justice and cohesion, and needs-based and people-centred development. In view of these wider moral–philosophical concerns, the next chapter explores some broader questions about values and vision.

Notes

1. While households headed by an immigrant from outside the Republic of Ireland represented 16 per cent of all households in 2006, they accounted for 47 per cent of households in private rental housing.
2. Opening remarks by John Kelly, Head of Statistics, Central Bank, to hearing of Joint Oireachtas Committee on Social and Family Affairs, 29 April 2009. (www.centralbank.ie/news)
3. See Punch *et al* (2002), for an analysis of the first round of local authority housing strategies.
4. 'In order to encourage landlords of existing rent supplement tenants to reduce their rents given the reductions in the market as a whole, the payments currently being made to tenants are being reduced by 8%. While tenants are contractually obliged to pay the rent agreed to in their lease, it would be expected that landlords will decrease the rent in recognition of the fact that rents have fallen generally and that there are now a large number of vacant rental properties nationally.' (Department of Social and Family Affairs, Press Release, 7 April 2009; www.welfare.ie)
5. See endnote 5 (Chapter 2) for a full list of the categories of housing need.

chapter 4_Vision and Values

4.1 Why We Need to Think about Vision and Values

Vision and values matter greatly. Questions about housing, as with questions about any area of human development, are not neutral or purely objective in a scientific way. It is not possible to carry out a series of experiments to verify or falsify a hypothesis and to then proceed to shape policy according to the findings, confident that we are progressing on a linear path and in the best possible way to a better housing system. The reality is that the questions and challenges with which we are faced are complicated by the diverse range of complex and interconnected processes and relations – economic, social, political, cultural, environmental – that pertain to housing systems.

Importantly, the questions are also immediately politicised since we are dealing with issues such as resources, ownership, human needs, power, inequality, and a host of other structural, personal and local factors. We have to deal with difficult choices about priorities in policy and practice and ways of being at the individual and societal level. The complexity and urgency of all of these issues – their human and developmental importance – should be clear from the foregoing analysis of current realities in Irish housing. To handle such complexity and to make meaningful progress, we need to think about vision and values before proposing a course of action.

That first 'vision' stage involves questions such as: Where are we trying to get to? What would a 'good' housing system look like? What are our priorities amongst a host of possible choices we might make for developing policy and practice in this area? What values do we adopt to guide our decisions and commitments and to assess our interventions and outcomes? This chapter adopts a 'faith that does justice' perspective to suggest some answers to these questions, to ground the arguments that follow, and to give direction to any case for change.

4.2 Starting Points for a Vision

4.2.1 Key Features of a Faith-Based Vision

Dignity and depth: A faith-based vision has a fulfilling purpose, directed towards bringing greater depth and meaning to life and attaining a fuller personal being for all people: 'I have come that they may have life and have it to the full' (Jn 10: 10). In the words of St Irenaeus, the glory of God is the human being 'fully alive'. So a central point of Christian belief has to do with fulfilling the potential of our humanity and giving expression to our dignity as social and spiritual beings. Therefore, any vision for individual and social life rooted in Christianity must be liberating and enhancing (Maquarrie, 1972).

Forward-looking and transcendent: The vision is forward-looking and hopeful. It has what theologians call transcendent and eschatological dimensions. It bears witness even now to the possibility and expectation that humanity and the world will come to healing and wholeness and fullness of being in the end. At the same time, it is not just about some vaguely perceived and distant time of salvation. The hope that we profess is reinforced and confirmed by our experiences of joy, beauty and love in the present, even if such things are often limited or fleeting for now, and despite everything we also know of the hardships of everyday life. So the world is poised somewhere between the 'already' and the 'not yet' (Dula, 2008); it is both a garden in bloom, or a city on the hill, and a cold street on a hard night for rough sleeping. We inhabit such contradictions and we negotiate these edges and tensions, trying to find ways to increase what is good and life-giving and what will contribute to human flourishing and decrease what is bad and destructive of life, moving forward – albeit unevenly and with many setbacks – towards the promised hope and fulfilment of last things and end times.

Engaged and committed: A transcendent and forward-looking vision of this kind is not a flight from the real world, with its frequent hard necessities and widespread suffering. It is simultaneously addressed to the problems with which we are confronted, and connected to the organisation of human affairs. Faith is empty unless it also issues forth compassionate action in response to the hurt and brokenness of our world here and now, seeking ways to ensure that the basic needs of all people are met and that every human being can live a full life and develop his or her unique capabilities. There is a need then for awareness and commitment. The God of Christian understanding as revealed in Scripture makes a claim on our daily lives and challenges us to think differently about the social realities we inhabit and construct. Old and New Testaments rail frequently against the kind of 'split spirituality' which reduces faith to acts of worship or to a system of rules and observances without an equivalent social commitment. There can be no authentic profession of faith without a conversion in how we live and relate to society (Is 58: 1–10; Mt 23: 3–23; Mk 7: 6–13; cf *GS*: 43).

Abbreviations Used to Refer to Documents on Social Teaching

CA: *Centesimus Annus: On the Hundredth Anniversary of Rerum Novarum* (Pope John Paul II, 1991)
CCC: *Cathecism of the Catholic Church* (1994)
DCE: *Deus Caritas Est: God is Love* (Pope Benedict XVI, 2006)
GS: *Gaudium et Spes: Pastoral Constitution on the Church in the Modern World* (Second Vatican Council, 1965)
MM: *Mater et Magistra: Christianity and Social Progress* (Pope John XXIII, 1961)
PP: *Populorum Progressio: On the Development of Peoples* (Pope Paul VI, 1967)
PT: *Pacem in Terris: Peace on Earth* (Pope John XXIII, 1963)
QA: *Quadragesimo Anno: After Forty Years* (Pope Piux XI, 1931)
RN: *Rerum Novarum: The Condition of Labour* (Pope Leo XIII, 1891)
SRS: *Sollicitudo Rei Socialis: On Social Concern* (Pope John Paul II, 1987)

4.2.2 A Vision from Scripture

Scripture is in fact radically social – its message lives in human history and speaks to the conditions of our lives here and now. The Gospel presents a vision for how we should relate to one another and sets out a direct and practical claim on how we understand our lives and order our social affairs (Lane, 1984; cf Phil, 1:27; *GS*: 21).

To appreciate readily the social relevance of Scripture, we could take as a starting point a focus on the life and humanity of Jesus – how he lived and related to others, his teaching and acts, his attitudes and priorities – and what it means to try to follow this way of being in the world. What vision, values, priorities and practices emerge from this starting point? To begin with, consider the following challenges of Gospel teaching:

- A preferential option for the poor: the Kingdom of God is for all, but first and foremost for the poor, the marginalised, the suffering ones (the proclamation of the Kingdom of God as 'good news for the poor');
- A claim on everyday life and a call to social relevance: the Kingdom is not just some distant and transcendental salvation, but a project of liberating the world from all of the consequences of sinfulness and human selfishness, including, for example, ignorance, hunger, poverty, oppression, greed;
- A constant concern to know and respond to people's deepest and most urgent needs – a call to awareness;
- A radical challenge to the contemporary structures of power that first marginalised people and then blamed them for the poverty of their situation;
- A vision that turns our worldview on its head ('lifted up the lowly', 'the first shall be last', to give but two examples).

Reflecting on these challenges is allowing the Gospel to speak to and change daily life; it is opening up every sphere of experience, analysis and practice to the surprising and challenging influence of the Spirit of God in history. Jesus himself went further in living the implications of such a vision, challenging the contemporary and unjust social, political and ecclesial structures and hierarchies (Mk 10: 42–43; cf Mt 23). This radical challenge to authority and to the existing structure of society led to his execution at the behest of religious and political powers of that time (McVerry, 2008a).

These starting points provide a basis for a realistic and socially-engaged vision, one which refuses to forget the hurt that is in the world and calls us to compassionate action, to notice and respond to the quiet desperation of those who are marginalised, poor, isolated or otherwise lost in the world. Once this call to commitment is accepted, there is a diversity of legitimate responses, from simply being with someone to offering a service to challenging the conditions that generate unmet needs and suffering in the first instance.

4.3 Values

A number of core values can be derived from these starting points, and many of these are of direct relevance to how we think about housing issues. These values reflect also the central principles that underpin the social teaching of the Catholic Church as set out in papal encyclicals and other documents since the first major encyclical on social justice of the modern era – *Rerum Novarum* (*The Condition of Labour*), published in 1891.

4.3.1 Dignity, Human Rights and Social Justice

The key starting point is the basic dignity and equality of all people (O'Hanlon, 2007; *MM*: 220; *GS*: 9, 19, 21, 40). The dignity of the human person is affirmed in Scripture through the emphasis on the essential goodness of creation and the insistence that each individual is made in the image and likeness of God (Gen 1: 26; cf Ps 8: 3–7; Wis 2: 23; Ecc (Si) 17: 3–10). This dignity is given further emphasis in the incarnational event, where God took on human existence, and all of the real joys, sorrows and struggles that go with it. All people are different but equal (Romans 10: 12), and no one may 'outrage with impunity that human dignity which God treats with reverence' (*RN*: 32; cf *QA*: 28). Thus, inhuman living conditions, arbitrary imprisonment, exploitative or damaging working conditions, and other such affronts to human dignity are condemned as wholly wrong (*GS*: 27). The inherent dignity of the human person requires that people's right to life and bodily integrity and to the necessities for full self-development – for example, food, clothing, shelter, rest, medical care, social services – must be protected (*PT*: 11).

The social teaching of the Church emphasises that 'respect for human dignity' is not solely a question of respecting the dignity and rights of the individual but also a more general question of social justice and the building of a 'good' society. This requires a meaningful and practical commitment to the broader wellbeing of our communities and societies. These points are inherently related: social justice can only be realised in respecting the transcendent dignity of all people (*CCC*, 1929).

The implications for the issue of housing are clear: we need to recognise that exclusion from appropriate housing infringes people's dignity, erodes their sense of value and belonging, and contradicts the principles of social justice. We are required, therefore, to confront harmful inequalities and structural injustices so as to ensure that people's right to housing is respected.

4.3.2 Preferential Option for the Poor

The rights of people who are poor and/or powerless have a claim to special recognition or priority (*RN*: 29). The Gospel demands action for justice, especially towards those in need (*GS*: 21; *CCC*: 1932). All people must have access to the level of wellbeing necessary for their development, and there must be effective conditions of equal opportunity for all and equality before the law. This preferential option for the poor follows from the fundamental principle of dignity:

> *While there are rightful differences between people, their equal dignity as persons demands that we strive for fairer and more humane conditions. Excessive economic and social disparity between individuals and peoples of the one human race is a source of scandal and militates against social justice, equity, human dignity, as well as social and international peace.* (*GS*: 29)

In looking at housing, therefore, it is essential to keep in mind what is happening to those who are most vulnerable and to prioritise the accommodation needs of those most marginalised by the structures and processes of the housing system.

4.3.3 Needs-Based and People-Centred Development

Development has to do with human flourishing and the good of society. With economic growth there must be corresponding social development so as to ensure that inequalities are lessened, not increased (*MM*: 73), and that everyone in the community can develop and achieve their potential (*MM*: 74). In other words, the central focus of development is human flourishing, not economic growth as an end in itself:

> *All growth is ambivalent. It is essential [for development] … but in a way it imprisons … if it is considered the supreme good and restricts vision. Then we see hearts harden and minds close, and [people] no longer gather together in friendship but out of self-interest, which soon leads to opposition and disunity.* (*PP*: 19)

> *The development of economic activity and growth in production are meant to provide for the needs of human beings. Economic life is not meant solely to multiply goods produced and increase profit or power; it is ordered first of all to the service of persons … and of the entire human community. Economic activity … is to be exercised within the limits of the moral order, in keeping with social justice …* (*CCC*: 2426)

There is a need for a balance in considering questions of private initiative, market systems and the profit motive. All of these things have their place in the productive life of the economy and in working on and transforming the goods of nature, thereby creating greater wealth. However, something essential is lost when we leave the ordering of economic affairs entirely to the free play of rugged competition and the domination of the powerful (*QA*: 88, 107–109; *MM*: 11, 23, 36; *PP*: 26). Related to this is the corrosive dominance of a consumer ideology, whereby the meaning and value of life are reduced to the accumulation of material goods as an end in itself (Catholic Bishops' Conference of England and Wales, 1996: 18, 84).

Presenting an alternative to this competitive and consumerist perspective, Church social teaching speaks of 'authentic development' – meaning, a transition for all people

from less human conditions (lack of material necessities, selfishness, oppressive social structures due to the abuse of ownership or power or exploitation) to those that are more human (possession of necessities, growth in knowledge, acquisition of culture, the ending of social disadvantage) (*PP*: 20–21). In essence, this vision emphasises the need for a balance and equality in development that will lead to 'ways of living together that ensure basic human needs are met and that relative inequalities are not so excessive so as to wound solidarity and be a blight on human dignity and respect' (O'Hanlon, 2007: 27).

The concept of 'authentic development' reminds us of the importance of housing in securing true development for both individuals and society and it brings into focus the tension between housing as a home and a developmental good and housing as a material commodity and an element in economic growth. It challenges any model where the worth of housing is defined solely in monetary terms and/or where housing is regarded mainly as a desirable consumer good or material asset.

4.3.4 Universal Destination of Goods and the Common Good

The goods of creation are intended to meet the needs of all people and to serve the common good (*QA*: 45; *MM*: 19, 41; *GS*: 69; *CCC*: 2402). A general right to private ownership exists; however, this is not an absolute right, but one that is balanced with the interests of the common good and the requirements of social justice. We should not consider our outward possessions our own, but as common to all and to be shared when others are in need (*RN*: 19). The use of private property always entails a social responsibility. Some balance is needed in these concerns:

> *The right to private property, acquired by work or received from others by inheritance or gift, does not do away with the original gift of the earth to the whole of humankind. The universal destination of goods remains primordial, even if the promotion of the common good requires respect for the right to private property and its exercise.* (*CCC*: 2403)

The relevance of these points to housing issues is immediately apparent: a situation where the exercise of private property rights results in the denial of the right to housing must be redressed in the interests of social justice and the common good.

4.4 From Vision and Values to Reality?

Even if broad agreement can be reached on a framework of vision and values of this kind, there is still much work to be done. However, such a framework at least provides a yardstick for evaluating the realities of our existing society, including its housing conditions. We are then left with questions as to how the identified shortcomings can be addressed and how to move inch by inch towards the idealised vision. This is a question of policy: how do we deal with the problems of housing within the current concrete social and economic conditions? Obviously, this is a complex and contentious challenge, and even an agreed vision will not magically reveal the detail of how to proceed in practice. Nevertheless, keeping a clear focus on where we hope to arrive at eventually – the vision for housing – does at least leave us in a better position to decide on how to get there. What we are proposing then is a kind of pragmatic utopianism – daring to dream, while being realistic about the existing realities and complexities of housing needs and provision and the considerable challenges and practical problems that must be overcome in order to make progress.

chapter 5_Ways Forward

5.1 Introduction

It should be clear from the discussion so far that there are many concerns – ethical, practical, socio-economic and cultural – with regard to the operation of the Irish housing system. It is equally clear that we need to seek new ways forward to address these concerns. A continuance of existing policies will mean on-going hardship for a significant minority of the population, marked differences in the quality and security of housing experienced by different sections of society, and a risk of repeating the mistakes of recent history. There is need for a fundamental re-think in regard to the direction of Irish housing policy.

This final chapter sets out proposals for change designed to address at least some of the complex issues analysed in the foregoing. Following from Chapter 4, it starts by identifying some alternative values that can provide the basis for a new vision for housing. It then sets out a number of proposals as to how the Irish housing system can be re-oriented in a fundamental way in order to ensure that it contributes to an authentic model of development which puts people first.

5.2 A Question of Values

5.2.1 Celtic Tiger Value System

Through the boom years, there emerged an increasingly pronounced divergence between two ways of seeing housing: as a home and as a commodity. The latter emphasis gained considerable momentum as house prices rose dramatically. This raises a question of values. What do we value most? How do we decide how to act? What do we prioritise? What concerns are essential to our lives, individually and collectively? Positively, the boom years placed high value on economic growth, wealth creation, enterprise, employment, individual advancement and competitiveness. Things can become problematic, however, when these values are not accompanied by an active solidarity with those who struggle to compete on these terms and by a meaningful commitment to social concerns, such as cohesion, equality, and fairness, and to environmental concerns, such as sustainability and inter-generational equity.

The value system becomes still more worrisome when, in the absence of effective social and environmental checks and balances, the positive values noted above give way to more extreme versions or expressions – egoism, social fragmentation, rampant consumerism, destructive materialism and greed. The emergence of such a climate accounts for how some of the more extreme pressures, tensions, contradictions and even irrationalities of the housing system, traced in detail in the analysis presented earlier, were able to take root and spread and even take on an air of normality – just 'the way things are'.

5.2.2 Towards an Alternative Value System

There is an urgent need for a re-examination of our values – individual and collective – in light of these concerns. Such reflection can be the first step in the long and complex task of addressing some of the worst problems witnessed in Irish housing and of moving towards a system that is sensible and fair.

Authentic development means that people have every chance to develop freely their physical, mental and spiritual gifts and energies. It means for each and for all a move from less human to more human conditions, as argued in the encyclical letter, *Populorum Progressio* (*The Development of Peoples*) and other documents on Church social teaching. Development must be integrated, promoting the good of every person and of the whole person (Henriot, 2007). Inauthentic development frustrates, limits or destroys this kind of human flourishing. There must be equality in this also: development of all is a necessary condition of authentic development. Such an approach is people-centred; the ultimate concern is with what is happening to people. This does not mean we do not ask economic questions. These are, of course, often essential. Rather, it is how we ask those questions and how we evaluate the outcomes that will matter. In the final analysis, our interest in all the aspects of economic activity (for example, capital, labour, production, consumption, distribution, exchange) rests in what have been the diverse outcomes of these processes – material, social, environmental and spiritual.

There are, of course, many aspects to authentic development involved in this people-centred approach, but access to a home, a place to live and to be, is one of the essential conditions. Much depends on this factor; much is lost in its absence. 'Home' is one of the biggest concerns in the life of an individual (or family or community). A home is not just a material entity or a commodity, but a source of security, identity, belonging and 'rootedness'. There is something essential about having a place in the world where we can feel at home – where we are valued and enabled to flourish and to enter into a wider set of relationships and activities. Being at home in the world means we also feel encouraged to develop as a person and live fully, contributing in turn to our neighbours and the wider society with our unique capabilities and gifts. Very often, looking back, the places we call home prove to have been central reference points in the definition of a life.

Difficulties in accessing (or sustaining) a home are therefore of critical human importance. Having a home is a basic necessity; respect for human dignity and the demands of social justice require that the right of every person to adequate housing should be recognised. The lack of appropriate housing is one of the worst dimensions of poverty and a damning indication of inequality in society. But homelessness is not just a material deprivation but a painful existential condition – the psychologically scarring experience of being on the edge, apparently unvalued and insignificant, and lost in the world. Responding to housing poverty must therefore be a priority concern (we must make a 'preferential option for the poor'). While the right to private property is not in question, this is not an absolute right: it must not be exercised to the detriment of the common good. A robust commitment to the common good will include strong social policies that intervene in order to ensure that building land and housing are available at an affordable cost to meet the diverse needs of every person and every household.

5.3 Ways Forward: A New Vision for Housing

Much needs to be done to address the many complex issues explored in this paper. We propose below a response founded on a new vision for housing and, as a practical step towards realising this vision, a new deal for housing based on policies directed towards sustaining communities and homes.

A new vision for housing in Ireland needs to be founded on certain core values:

- **Authentic Development:** development should be people-centred and integrated, taking account of all of the diverse needs, including housing, which must be met in order to secure human flourishing;
- **A Right to Housing:** everyone should have a right to appropriate housing since this is central to human dignity and social justice;
- **Priority of the Most Vulnerable:** we need to bring to the fore the urgent needs of the most vulnerable – those in situations of poverty whose housing requirements are being inadequately met or are not being met at all;
- **Promotion of the Common Good:** while private property rights are valid and important, the principle of the common good also allows for (and demands) robust public intervention in systems of housing and land provision in order to safeguard the housing rights of all people and to assist those who are suffering the injustices of poor housing conditions or homelessness.

Making this vision a reality presents challenges on many fronts. It raises questions about dealing rapidly with inadequate living conditions today and planning strategically for the future. There is a need to respond with commitment to the immediate housing crises that confront us and to begin to imaginatively restructure the housing system so that such crises are less likely to persist or to recur in the future.

5.4 Sustaining Communities and Homes

We need to make a meaningful commitment to the creation of a housing system geared above all towards sustaining communities and homes. This practical aim offers a concrete way of moving forward towards realising the proposed new vision for housing. It also suggests some new priorities and approaches in policy.

5.4.1 Broad Policies for Access and Affordability

We need to think creatively about housing provision as involving more than simply supply. The mechanics of supply and demand in the marketplace left to their own devices have consistently failed to meet the diverse housing needs of all sections of the population. This is a hard lesson of history and one we neglect at our peril. The laissez-faire housing systems of the nineteenth century produced slum conditions marked by ill-health and exploitation of vulnerable families, generating in the process the need for and the legitimatisation of strong state intervention in the shape of housing provision, health regulation and urban and regional planning. Recent experiences also warn against a simple focus on supply and demand. Patterns of demand during Ireland's housing boom were fuelled by investment interest as much as (or more than) housing need; the result includes over-valued properties, indebtedness, negative equity and empty houses and apartments in cities, towns and rural areas. Even more serious is the fact that the enormous increase in supply of private housing failed to make inroads into the problems of affordability, housing need and homelessness. Indeed, the extent of unmet housing need actually worsened through the years of record housing output.

As an alternative, we need to explore the potential role of a diverse range of housing providers and of different mechanisms for gaining access to suitable housing. There is, of course, an important and continuing role for private development of housing for sale in the marketplace for owner-occupation. At the same time, other forms of supply by non-profit providers, including local authorities, housing associations, co-operatives, community organisations and other groups, need to be developed much more substantially. There is need also to take full account of the wider range of models for accessing a home – private rental, social rental, rental within a co-operative, self-build. Each has a role to play and should be given renewed attention in housing policy.

5.4.2 Building Tenure Choice

Seriously diversifying the supply of housing involves also creating effective choice for households in meeting their needs. At different times in the life cycle, various rental options might make most sense; at other times it might be sensible and possible to buy. The realities of labour markets mean that many people may have to change job and/or geographic location frequently, and rental models provide greater flexibility to respond to these social realities. The existing housing system is skewed too much towards

becoming an owner at all costs, with the risk of over-indebtedness and negative equity and/or the enforced adoption of a long-distance commuter lifestyle.

There is a need to continue to construct a more vibrant and varied private-rental system, offering affordable, good-quality housing to tenants and creating sustainable communities, in the process generating a reasonable and stable return for landlords. This requires a more thorough monitoring of standards in order to ensure higher levels of compliance and maintenance throughout the system. For tenants in short-term housing need, a housing benefit of some type will always be a necessary support to cover the kind of financial shortfall which the SWA rent supplement was originally intended to meet. However, it is essential that there be regular and realistic assessment of the caps on such rent supplementation, so that they do not fall out of line with prevailing market rents. There is also a pressing need to reduce the unplanned dependence on rent supplementation as the means of meeting on-going housing need and to redirect resources and energies to long-term planning and provision of social housing. A range of alternative rental options should be developed further as part of this strategy (most obviously local authority and voluntary social housing, but other options such as co-operative housing also deserve attention) in order to diversify the rental system across a continuum from non-profit to for-profit providers, generating greater competition and choice.

5.4.3 A New Deal for Social Housing

In order to ensure better housing access and greater choice, and to promote community building, our understanding of and approaches to social housing provision need to change. We need a renewed programme of public investment, providing both jobs and housing, in developments that are planned in an integrated and holistic manner, allowing for the many complex needs of households and communities. We need to rethink and re-evaluate the role of social housing in our society in order to achieve both economic viability and social integration within this sector.

The boom–bust cycle provides a case for a more robust and far-seeing approach to social investment in the long-term, as this would have a counter-cyclical effect, providing jobs and investment – as well as good homes accessible to people in a range of income groups – when the market takes its inevitable downturn (see Box 2 on investing in building up the permanent stock of social housing). Indeed, it is internationally agreed in the current downturn that strong state intervention and robust programmes of public investment are absolutely essential in the face of the collapse of the neoliberal market orthodoxy. The case for investment is even stronger when one considers the costs of failing to act – increasing housing need and homelessness, most obviously, but also the wider costs of social breakdown, including ill health, stress and psychological breakdown, drug abuse, harmful alcohol consumption, crime, and a general reduction in the quality of life in Irish society linked to all of these difficulties.

Box 2: Investment of Public Money in Housing: Alternative Options

The emphasis on meeting social need through SWA rent allowance in the private rental system does nothing to increase the supply of good-quality housing for affordable rents. We need instead to re-emphasise planning for social investment in the long-term, and to think about long-term strategic decisions. Social housing meets social needs, but it is also a valuable public asset, and a mature, well-maintained and managed stock can be economic in the long-run, particularly if it is capable of realising a more substantial rental income than is currently the case, while also capturing the equity value of development for public use.

What could be achieved with a level of investment comparable to the annual expenditure on SWA?

- €391.5 million over 20 years = €7.8 billion.
- If a budget on this scale were to be directed towards housing acquisition, assuming an average price of €300,000 (including financing), this would equate to 26,100 units of social housing.
- If a budget on this scale were to be directed towards building housing, assuming an average cost of €200,000 per unit, this would equate to 39,150 units. An even greater number of units could be achieved if public land were available for construction or if land could be acquired for development at a controlled price.

What could be achieved with public housing investment on the same scale as the tax foregone under the Rural Renewal Scheme, Urban Renewal Scheme, Town Renewal Scheme and Living over the Shop Scheme?

- Total cost: €1.9 billion. This is close to the cost of purchasing 6,400 social houses at an average cost of €300,000 each or building 9,665 units at a cost of €200,000 each. Again, the output of new-build social housing could be improved on with controlled land costs.

To become more viable, public investment in housing must be long-term, geared towards building up a larger and good quality stock of public housing with a wider rent base. There is a need for a steady programme of social housing (regardless of the ups and downs of the boom–bust market cycle) as a long-term public investment, which would provide housing for a wider tenant base. This would offer the benefit of rent-pooling across a mature stock (see Box 3 on Dualist vs. Unitary Systems). While the real rent on newly-constructed stock is relatively high, it can be much lower, even negligible, on older stock in relation to which the debt has been largely repaid. Thus, as the overall public housing stock matures, it becomes increasingly economic to offer accommodation at affordable rents to a range of households on different incomes. The rental income and capital increments associated with a stock of housing held in non-profit ownership over many years cross-subsides newer construction and the housing of poorer households.

Box 3: Alternative Rental Models: Unitary vs. Dualist Systems
(After Kemeny, 1995)

A dualist system keeps a 'profit-driven' market sector separate from a very small social housing sector, entry to which is limited to marginalised households. The for-profit sector is, in effect, protected from competition from non-profit providers. Getting into home ownership at all costs is promoted as the most rational choice in the majority of circumstances, while rental options, to a large extent, tend to be downgraded to temporary or secondary roles. In effect, and contrary to the ideologies of neoclassical economics, competition and consumer choice are actually reduced. Meanwhile, the social sector, with a limited tenant base and a very low rental stream, becomes increasingly uneconomic from a short-term accounting viewpoint.

An alternative approach (termed 'unitary' by contrast to dualist) would see a steady construction of social housing (regardless of the ups and downs of the boom–bust market cycle) as a long-term public investment, which would provide housing for a wider tenant base. This would offer the benefit of rent-pooling across a mature stock. In other words, better-off households could pay a cost rent (reflecting the real value and maintenance costs), while rents for poorer households could be geared to income in the standard way (differential rents), thus securing a more sustainable economic base. Viewed in the long-term (over the lifetime use of the housing), the system makes good financial sense. While the real rent on newly-constructed stock is relatively high, it can be much lower, even negligible, on older stock on which the debt has been largely repaid. Thus, as the overall public housing stock matures, it becomes increasingly economic to offer accommodation at affordable rents to a large range of households on different incomes. The rental income and capital increments associated with a stock of housing held in non-profit ownership over many years cross-subsides newer construction and the housing of poorer households.

Many European countries have pursued some version of a unitary system, achieving better balanced and regulated tenure patterns that are more responsive to a diversity of needs, particularly in urban contexts. For example, in Sweden, Denmark and the Netherlands, social housing makes up 24 per cent, 27 per cent and 35 per cent of all housing, respectively. In the case of Amsterdam, social housing is by far the dominant sector. Fourteen housing associations own 55 per cent of the total stock (Schiuling and van der Veer, 2004), and they continue to dominate new house production. In general, in the Netherlands, the vast majority of social housing is owned and managed by not-for-profit housing associations, and there is no right-to-buy. In systems of this kind, social housing provides an option for a significant portion of the population, in the process generating a considerable rental stream and capturing the benefit of equity increases and maturation for further public investment.

In relation to private renting, numbers range from 11 per cent in the Netherlands to 51 per cent in Germany. Most EU countries have moved towards a system that allows some form of rent indexation to consumer price inflation. This 'second generation' rent regulation (i.e., a fairer and more flexible system than the historic rent control systems) works in the interests of both tenants and landlords. It makes renting a more attractive option for tenants (in particular, renting in areas close to places of work or study) while landlords can benefit from viable, long-term tenancies and greater stability. The wider availability of non-profit and/or regulated private rental options has the knock-on effect of reducing demand in the owner-occupied market.

5.4.4 Public Land

An expanded system of social housing can become even more viable if the cost and availability of land are strategically controlled in the interests of the community through a public land banking policy.

The availability of land at a reasonable price for housing has been a deep problem in Ireland for many years. Failure to address it fed into the problems of development in the new towns to the west of Dublin and the corruption of the planning system. In the early 1970s, the Committee on the Price of Building Land, chaired by Mr. Justice Kenny, was established. It was asked to bring forward proposals to stabilise or reduce the price of building land and to ensure that the community acquired on fair terms the 'betterment' element which arises from works carried out by local authorities. The Committee's report (Kenny, 1973) proposed that local authorities should be able to acquire potential development land designated by the High Court at 'existing use value' plus 25 per cent. The proposal was subject to objections and was resisted politically on the grounds that it was an unjust attack on private property rights and therefore would be in breach of the Constitution. As a result, it was never acted on.

However, the Supreme Court found that Part V of the Planning and Development Act, 2000 *was* constitutional – in line with the provisions on social justice and the common good which are also enshrined in the Constitution (Articles 43.2.1 and 43.2.2).

Similarly, the All-Party Oireachtas Committee on the Constitution (2004) concluded that the rights to private property in the Constitution are not absolute and so do not preclude the enactment in certain circumstances of legislation limiting such rights in the interests of social justice and the common good. It concluded that the acquisition of land, in the interest of the common good, at the existing use value of the land plus an additional sum as compensation to the owner, possibly up to the figure of 25 per cent recommended in the Kenny Report, would be in conformity with the Constitution (All-Party Oireachtas Committee on the Constitution 2004: 40).

Despite the fact that the All-Party Committe had undertaken its examination of property rights in the Constitution at the specific request of the then Taoiseach, Bertie Ahern TD, and despite also the fact that it was unanimous in its findings (even though its membership was drawn from across the political spectrum), no action has followed during the five years since the Committee made its recommendations.

The enactment of legislation to deal with development land would make social housing development and the provision of widely-needed public amenities more affordable. The case for such legislation has long been evident, but equally evident has been the political reluctance to act.

The basic issue here comes down to values: are private property rights to be deemed absolute or to be considered legitimate but not absolute when they come into conflict with broader concerns of social justice and the common good?

BOX 4: Alternative Models for Dealing with Development Land

Vienna Land Procurement and Urban Renewal Fund

In Austria, the Vienna Land Procurement and Urban Renewal Fund, the Arbitration Committee and Area Renewal Offices play central roles in moderating land markets and acquiring land in the city in order to control land prices and to facilitate the development of affordable housing. Speculative activity is dampened or removed because these public bodies co-ordinate all stages of housing development, be it public or private, from zoning to disposal of sites to housing promotion and infrastructural delivery. Using such powers, these bodies play an important role in people-centred renewal.

Public Land Banking in Sweden

A tradition of public land banking helps to control land allocation and land and house prices in Sweden. Price is regulated by land tribunals and most building is financed by a state housing loan but, in acquiring such a loan, a limit is put on the price to be paid for land and housing. The non-profit sector is responsible for 50 per cent of completions, thus offering competition to the market sector and in the process dampening price escalation and increasing consumer choice. A large share of new housing is also provided by 'restricted profit' private provision, with fully speculative development only accounting for a small percentage of total housing output (NESC, 2004a: 7.11). The key effect is to limit or remove speculative profit (windfall gains from inflated land or house prices not linked to any productive activity), while facilitating reasonable productive profit (returns on investment in constructing new housing, production efficiency and innovation). Research comparing Sweden, France and Britain showed that Sweden had the highest level of productive efficiency and responsiveness so that land was readily available at reasonable prices, generating certainty for builders. Price regulation and non-profit competition ensure consumer gains (Needham and De Kam, 2000).

5.4.5 Sales of Local Authority Housing

The policy of selling off local authority housing needs to be reconsidered. The current scheme leads to a reduction in the overall stock of local authority housing units and to a considerable public cost in replacing these at full market price (i.e., construction costs in the case of new-build housing provided by a local authority and market house prices in the case of housing purchased by a local authority). The continuous erosion of the public housing stock through privatisation under the right-to-buy scheme also undermines the economic viability of the system, and ultimately contributes to considerable social stigmatisation. That stigma can be greatly reduced through the creation of a broadly-based social housing system suggested in section 5.4.3.

In line with the NESC recommendation, the discount levels offered to tenant purchasers should reflect the true cost of the transaction to the State, and there needs to be effective claw-back provisions to guard against the possibility of substantial windfall gains (NESC, 2004: 162). This would remove the possibility of heavily subsidised houses being quickly sold on in the private market (re-commodified), realising a substantial capital gain. Income from sales needs to be reinvested into new social housing, and there needs to be a programme of replacement to ensure that sales do not lead to net reductions in the stock.

5.4.6 Housing with Supports

There is a need to implement effective pathways for people who are homeless to move from emergency and temporary accommodation into permanent homes. Where necessary and appropriate, a system of supports should be provided (for example, addiction services, mental health services, welfare supports, financial and budgetary advice services). The key principle would be that, for people in this situation, 'instead of their accommodation being temporary and their supports being more or less permanent, their housing would be permanent and their supports could be more or less temporary, depending on their needs' (McVerry and Carroll, 2007: 22).

There is a strong case for greater investment in supported housing of this kind to assist people most in need to achieve stability in their housing. The costs of such support are not exorbitant (between €4,800 and €10,000 per annum for a single person, depending on the level of support needed) compared to the costs of emergency or institutional accommodation, while such investment is likely to realise considerable returns in the shape of reduced demands on health and welfare services and the justice system.

5.4.7 A Community Agenda for Regeneration

Regeneration of city quarters, rural districts or individual housing estates or flats complexes needs to focus on the diverse range of social, economic, cultural and environmental factors required to sustain integrated communities.

People need to be empowered to participate in regeneration decisions for their areas. That means providing access to full information at an early stage, the exploration of a range of real options, and support for necessary capacity-building and empowerment. Participation should be conducted in a spirit of integrity and mutual respect, recognising the equal dignity of all affected by any plans for the area. Regeneration should be led by legally constituted 'regeneration boards' composed of representatives of all the key stakeholders and empowered to make decisions and lead the regeneration process.

Very often the need and the case for regeneration only arise because of decades of neglect and rundown of housing. In fact, many places targeted for regeneration have gone through a long process of degeneration over many years (for instance, physical dereliction, de-tenanting and vacancies, poor estate management, 'social dumping') before being targeted for demolition and rebuild. Real regeneration would prioritise high standards in estate management and maintenance and social interventions to support community cohesion and development, with demolition considered only as a last resort.

Many recent regeneration plans have been focused on local authority estates on public lands. As described in Chapter 2, PPPs have been, for more than a decade, the favoured mechanism for driving these plans. This model should now be abandoned as experiences on the ground have revealed dramatically the vulnerabilities and limits of depending on profit-driven approaches to the regeneration of public lands and housing. Given the high cost of urban development land and the importance of using public resources wisely, a range of alternative development models for regeneration should be considered. Alternative models include regeneration through direct public investment (involving an element of affordable housing, private housing and commercial facilities) and social housing and community regeneration schemes (see Box 5: Coin Street Community Builders). Planning should be long-term and strategic and driven by all of the key economic, social, cultural and environmental factors that contribute to sustainable communities. These include quality of life in general and, in particular, quality housing, services, facilities, transport and amenities.

5.4.8 Regional Planning

Effective regional, urban and rural planning is essential if ad hoc provision of housing throughout the country and unplanned, market-driven and environmentally damaging development are to be avoided. Such planning needs to include real integration of land-use and transport provision with labour market projections and the development of services and amenities. The National Spatial Strategy (Department of the Environment and Local Government, 2002) and provisions of the Planning and Development Act, 2000 put in place the framework for a hierarchically integrated system of planning. In reality, however, there has been a lack of both commitment and resources to realise the potential which this framework offered (Bannon, 2005).

Box 5: An Alternate Regeneration Model

Coin Street Community Builders, Southwark, London

Coin Street Community Builders is a social enterprise and development trust which has regenerated a significant site on the south bank of central London since 1984. It was established by local residents following a long campaign (commenced in 1977) against intense office development proposals for a site in the local area. The residents drew up a community planning strategy for the site to reverse the destruction of their community by building new homes. Eventually, this was supported by the Greater London Council, which owned some of the relevant land and purchased the remainder from the private developers. It then sold the whole site to Coin Street Community Builders.

The freehold of the 13 acre (5.5 hectare) site was purchased for £1 million in 1984 (the price reflects the 30-year dereliction of the site and restrictive covenants) using standard mortgages and a business plan showing how the loan would be serviced initially from temporary uses of the land. Over time, as the neighbourhood has been developed and some commercial activity has been established, the value of the property and the site has increased considerably, allowing the group to borrow further for more ambitious future investments.

Derelict buildings on site were first demolished and a south bank river walkway was constructed and a riverside park was laid out (the site is easily recognised by the landmark Oxo tower). The park is called Bernie Spain Gardens after one of the original Coin Street Action Group.

Coin Street Community Builders subsequently developed 220 high-quality homes. All of this residential accommodation is social housing, available at affordable rents to individuals and families in housing need. The housing is managed by four co-operatives, each made up of tenants. The properties belong to the co-operative as a whole, and so the residents have a joint stake in the ownership and management of the housing. In effect, the tenants are shareholders in a company that owns the lease on the development and is responsible for its maintenance and management. However, no individual tenant has a right to buy. Every adult tenant must be a member of the co-operative and can vote in the election of officers to take on executive roles.

The Coin Street development also includes offices and display/information areas for the organisation and commercial space along the riverside at street level. This latter element in particular has given the organisation increasing financial stability and the resources to explore more ambitious community-built enterprises into the future.

The development provides one model of using publicly-owned or acquired land to meet social needs and deliver considerable benefits to society at large (for instance, the urban park and riverside walkway), while empowering tenants in creative ways.

International experience suggests that the criteria for creating and maintaining sustainable communities include:

- **Affordability:** housing available at a cost that does not compromise other essential needs such as nutrition, health, education and cultural development;
- **Accessibility:** access to housing feasible for those with low to middle incomes, people who are homeless, and those with physical or intellectual disabilities;
- **Viable economy:** appropriate employment in a range of activities located locally or within a distance that is reasonably accessible by public transport;
- **Minimal commuting by car:** integration of land-use and transport planning; provision for public transport needs prioritised;
- **Healthy and safe environment:** minimal waste and pollution, protection and enhancement of the natural environment; safe and secure public spaces that are well used at all times;
- **Appropriate environment:** a wide range of social, recreational, educational, childcare and cultural facilities; open spaces and green areas;
- **Eco-efficient and adaptable:** minimal energy consumption, innovative construction methods, life-long adaptable construction;
- **Quality of life:** social wellbeing and inclusion, sense of security, belonging, support, cohesion, integration of different social groups based on respect for different cultures and traditions. (Drudy and Punch, 2005)

5.4.9 Taxation and Incentives

There is a case to increase capital gains tax for investor properties. Tax incentives should be provided only where there is a clear case for them in order to encourage development. Such incentivised development should be tied to clear public gains in the shape of affordable or social rental properties. Landowners should not accrue significant unearned gains simply as a result of land re-zoning or changes in planning permissions. One possible corrective is a substantial land tax or capital gains tax on betterment – that is, the price increase consequent on rezoning, the granting of planning permission or substantial infrastructural investment. The potential for such gains without significant taxation and in return for no productive activity whatsoever is completely unwarranted and leaves the planning system open to substantial corruption.

5.4.10 Unused Housing Stock

A proactive way of making more efficient use of the housing stock has been suggested by the Empty Homes Agency, UK, and this is deserving of consideration. This organisation seeks ways to increase the supply of good quality housing, create strong communities, tackle housing affordability and minimise the impact that housing has on the global environment. It argues that making the most efficient use of the existing housing stock has an important role to play in addressing each of these priorities.

One way of achieving this aim, it suggests, is to introduce a new power in the form of what it calls ‘empty dwelling management orders’ (EDMOs). The Empty Homes Agency argues that, where owners have turned down offers of assistance and have no clear reason for the property being empty, local authorities should have the power to take over the temporary management of the property and bring it back into use, using a compulsory purchase order if necessary. After an initial notice (what the Agency terms ‘Stage 1 of an EDMO’), owners of empty investment units would be allowed twelve months to begin to use the house as a primary residence, to rent it out or to sell it. Unless there was a compelling explanation, failure to comply would then allow the authority to begin the process of acquisition if it so wished (and depending on the quality and location of the property).

5.4.11 The Place of Housing in the Economy

The rapidity and scale of the economic downturn in Ireland, and the central role which the housing boom played in creating this collapse, are stark illustration of the dangers of over-dependence on the housing market for economic growth and job creation. The housing market is cyclical in nature and subject to booms and slumps in house prices (which in any event can become significantly overvalued at times of boom). Ireland’s recent experience highlights the need for a clearly thought-out, principled and strategic policy regarding the role of housing construction in the overall economy. It also, of course, highlights the need for appropriate financial regulation and the adoption of reasonable lending guidelines. An important element of an overall policy position on the role of housing in the economy would be the development of a substantial and consistent social housing programme. Apart from its primary role in providing needed housing, such a programme would act as a counter-cyclical measure, bringing stability to the construction employment sector.

5.5 Realising the Vision

Overall, the contention here is that these various measures provide some practical immediate and long-term steps towards realising a new vision for housing. Ensuring better access to housing, improving tenure choice, revitalising in imaginative ways the social housing sector, emphasising housing with supports for people who are homeless, exploring community-based regeneration options, reducing the financial incentives for the commodification of housing, planning for regional sustainability, and dealing with the economic role of housing and housing finance in a more even-handed manner provide practical steps that can make a lasting contribution. There are, therefore, many hopeful possibilities for change that can begin the journey towards an authentic, people-centred development, which prioritises the needs of the most vulnerable and marginalised and is built upon the principles of dignity, rights, social justice and the common good. The hoped-for outcome is simply that all people will have access to a home in sustainable communities and a living environment.

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Now in the context of an economic downturn, the housing boom has given way to a sharp decline. Many are faced with mortgage repayments that are unsustainable, many more find themselves in negative equity and thousands of houses and apartments lie empty while acute housing need remains unmet.

The Irish Housing System: Vision, Values, Reality calls for a new approach to housing policy, with housing recognised as a fundamental human right, priority accorded to those in greatest housing need, and the protection of the common good a core concern. In essence, it calls for a housing system that is socially just and economically and environmentally sustainable.

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