Cost Rental in Ireland

A Proposal Towards a Public Housing System

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First Footnote

Keith Adams, et al., *Cost Rental in Ireland: A Proposal Towards a Public Housing System*. (Dublin: Jesuit Centre for Faith and Justice, 2022).

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Adams, Keith, Kevin Hargaden, Martina Madden and Ciara Murphy. *Cost Rental in Ireland: A Proposal Towards a Public Housing System*. (Dublin: Jesuit Centre for Faith and Justice, 2022).

TURNING A HOUSING CRISIS INTO AN ENDURING CRISIS

Crises are meant to end. If the final years of the Celtic Tiger are included—when a faltering economy was propped up by housing debt—we have been in a housing crisis for two decades. Changes may have occurred in the make-up and intensity of the crisis over this time but few would argue that the Irish housing system is in anything less than a continual crisis. Crises typically precede a turning point, a moment of decisive action. Considering commonly-used measures—rent price inflation, house prices, housing output, homelessness—there is little to indicate a change is on the way.

But how are we to make sense our enduring housing crisis? Where are we to place fault in order to prescribe a remedy? The commonly accepted position and the Government's official line is that it is simply an issue of inadequate housing supply. Increased supply, any supply, through investment from any source, will reduce the effects of increased demand. This seems entirely reasonable. More often than not, the Government adds the qualification that the housing crisis is also complex and therefore can't be solved overnight. Housing provision has a delay as there can be significant lead-in times on many aspects of housing from planning to financing to building. This is also entirely reasonable. Both analyses are regularly and keenly applied to both market-based and non-market housing provision.

Thinking specifically of traditional public housing—new builds by local councils— the role of non-market housing is to dampen the excesses of market-based housing. Traditional social housing can provide housing when the private provision of housing slumps. This is not the first time that the Irish State has had a housing crisis caused by shortage of homes. In times of adequate provision, the costs of housing can be reduced as viable options exist besides private provision. When we put this together, we are left with a question. What went wrong with traditional social housing in Ireland so that a housing crisis, became an enduring crisis?

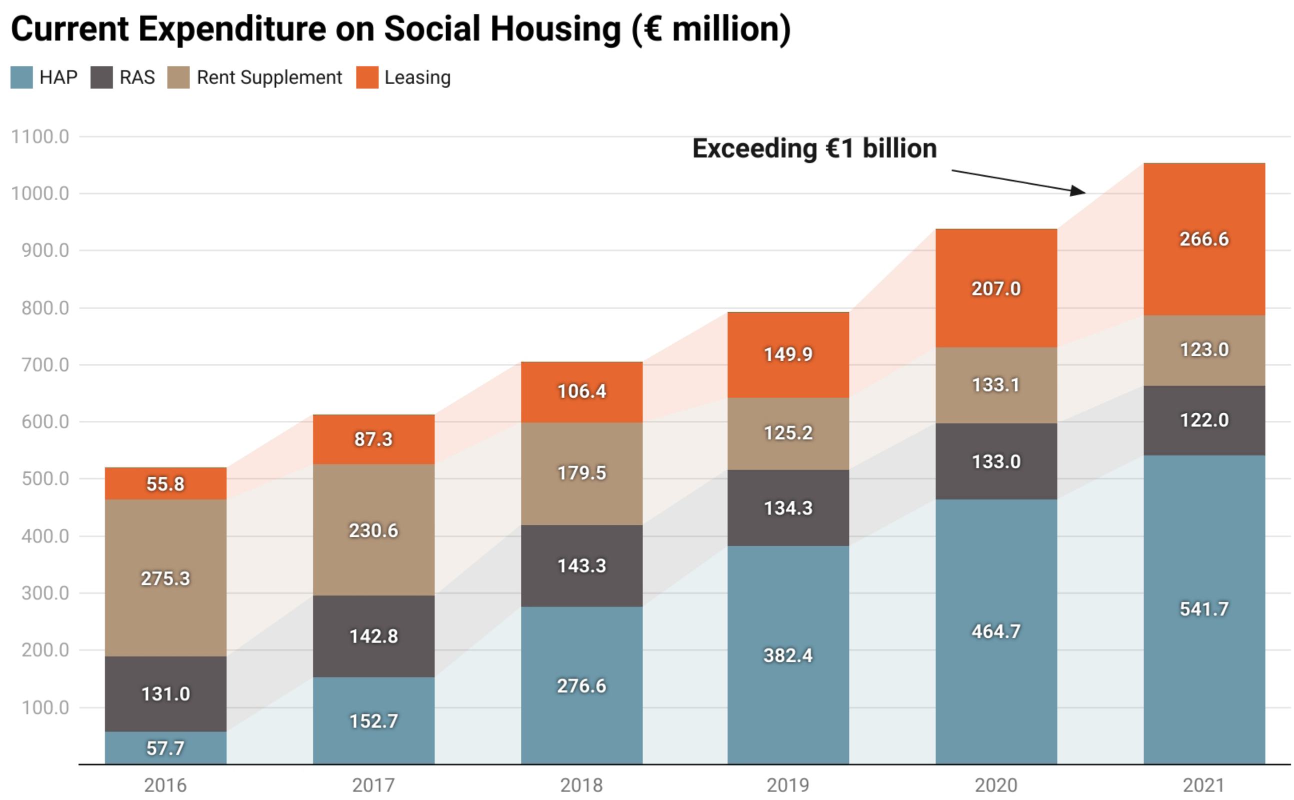
I suggest that it is not a robust enough analysis to conclude that it is a simple issue of supply or an overly complex issue which takes ever more time to solve. Instead I argue in the accompanying *Tenant State of Mind* essay that, in fact, something foundational has changed in the mindset of successive Irish Governments (and, by extension, the State) where it has traded its primary self-understanding as a builder of houses to become a tenant in the private market. This change of outlook and conviction has had a profound impact on the provision of non-market social housing in Ireland and it is the primary reason why the homelessness and housing affordability crisis has both intensified and endured. Crucially, changes to the provision of "social housing" by the Irish Government have made the housing crisis much worse and prolonged its duration.

Diagnosis

Within any policy area, episodes can occur, however briefly, which provide a key to decode what is really happening. These incidents can help to focus our attention on the underlying mechanisms while helpfully blocking out some of the accompanying noise. The emergence of long-leasing to provide social housing reveals the Irish housing system at its most broken and dysfunctional. Irish taxpayers now find themselves in a perverse situation where the Irish Government is actively creating a market for for-profit providers of social rented housing through the use of long-term leases. Adding further insult to injury, after the lease ends in 25 or 30 years, the house remains in the ownership of the private individual or investment fund. The State, funded by taxpayers, pays for a house over the length of a mortgage, but never takes ownership of the house. That the State actually sets up the deal this way makes it even more difficult to fathom.

Long-leasing did not emerge fully-formed out of a housing policy think-in but it is the natural consequence of decades of policy decisions made in relation to social housing. The roots of leasing can be traced back to the creation of Rent Supplement in the late 1970s, a form of rent subsidisation in the private rented sector. This change in policy direction continued in the 2000s with the Rental Accommodation Scheme (RAS) —lease agreements of five to ten years for private dwellings— culminating in the **conceptual loosening of "social housing"** with the creation of the Housing Assistance Programme (HAP) in the late-2010s. This new subsidy became the load-bearing pillar of social housing provision in *Rebuilding Ireland*. Households who received HAP were now removed from the social housing waiting list as they were deemed to have had their need for social housing need met; a categorisation traditionally reserved for after the receipt of permanent housing.

At the end of 2020, two-thirds of the 124,749 social housing units reported under Rebuilding Ireland since 2016 were provided by HAP and RAS alone. Expenditure on the main four social housing supports—HAP, RAS, Rent Supplement



As categorised by the DHLGH, there are ten different delivery streams within SHCEP funding allocations; two build streams, two acquisition streams and the remaining six are lease streams. Recent figures provided by the Housing Minister for expenditure on leasing in 2021 were €106.7m. For the purposes of this graph and to illustrate spending on social housing provision with no state-owned asset in return, we have elected to use the full expenditure figures for the SHCEP funding stream. Whether the building or acquisition stream are, in fact, leasing can be contested as Part V leases are officially categorised as 'builds.' However, the issue of whether the social housing provided under SHCEP is in public ownership is not in question.

Chart: Jesuit Centre for Faith and Justice • Source: IGEES Spending Review 2021, Oireachtas website - Dáil Éireann Debate • Created with Datawrapper

and Leasing— almost doubled from a total of €519.8 million in 2016 to €937.8 million in 2020. The budget allocation for the four supports in 2021 exceeded €1bn.

Social rented housing is now firmly on the radar of investment funds and Real Estate Investment Trusts as a long-term and high-yielding investment option. In 2018, the Irish Government introduced “enhanced” leasing with a rental yield of up to 95% of market rent coupled with further decreased risk. More yield for decreased risk is the investor’s dream. If the Housing Assistance Payment redefined rental subsidy as equivalent to traditional social housing, then “enhanced” leasing created a **hyper-efficent means of transferring public wealth to private hands**.

Proposing that the State is becoming a tenant within the social rented sector is not claiming that the State is no longer building or purchasing dwellings. Instead, it is simply observing that thisfunction is growing, to the detriment of the State’s more traditional functions or responsibilities such as building publicly-owned housing. When the State and individual households are both operating as tenants within the private rental sector – the former to secure social rented housing and the latter to secure a home—the State’s actions have a far-reaching impact on its citizens.

When the State’s primary self-understanding of itself was as a builder and owner of social housing, non-profit rental housing was built directly and increased the overall available housing stock. Now, social housing provision is in a vicious circle. The State is providing a lower proportion of non-market social homes through new builds. To meet the social housing deficit, more homes are taken from the housing pool through acquisition, leasing and HAP. In an ever-shrinking pool of houses, households then find themselves in competition with the State. Like two prospective tenants seeking the same home to rent, the **state is now competing with individual households**. But it is deeply imbalanced as households can not compete with the resources of the State. The presence of the State as a tenant displaces more and more households into housing poverty requiring rent subsidy or eviction to homelessness and institutionalised accommodation. The cycle continues yet again. If the Government line is true and that this crisis is primarily a problem of supply, we must reject policy solutions that involve the State diminishing that restricted supply further. Government leaders do not rent their homes—they own them. Why are they willing to accept a worse deal with taxpayer funds?

Remedy: A Cost Rental Public Housing System

The Irish State has vacated its place as the builder of social homes, and embraced the role of the tenant. Failure to halt this transformation in the past decade has come at a tremendous cost for many. The time for incremental approaches, piece-meal policy, or retreating to the steadfast faith that the market will resolve the issue has passed. Circuit-breaker type policy proposals are needed. Non-market public housing at scale is needed to combat the lack of affordable and secure housing.

A viable solution is to create a cost rental public housing system which will shape the Irish housing system over time into something more just and equitable, and also more fit for an age of climate breakdown. Ireland is decades behind some of our European counterparts in relation to cost rental public housing so we do not have the luxury of being cautious. The positive outcomes from European cost rental housing are so well-documented, there is no reason for trepidation in committing fully to this housing approach. It has been tried and tested in other countries in times of greater financial distress. A cost rental public housing system—with a rapidly reducing reliance on rental subsidy and long leasing—would simplify and transform how low- and middle-income households secure a home. It is time to take the housing affordability crisis in Ireland seriously and draw it to an end.

Dortheavej Residence - Copenhagen

ANALYSIS OF *HOUSING FOR ALL* AND PROPOSED COST RENTAL SCHEME

While it is encouraging that the Government have included cost rental housing within *Housing for All*, even if all targets are met, 18,000 cost rental homes would only form a tiny proportion of Ireland's overall stock in 2030. Legitimate concerns exist in relation to the ambition and details of the existing Government plans for "cost rental" housing.

Housing for All was published in September 2021 with commitments of over €20bn in funding from the Exchequer, the Land Development Agency (LDA),[1] and the Housing Finance Agency (HFA) over the next five years. The ten-year strategy provides a roadmap of new initiatives, targets and timeframes up to 2030, with a topline figure of 300,000 'new' homes.[2]

Cost rental housing is a key component of *Housing for All's* goal to provide affordable and secure housing. With operating guidelines and regulations set out in the Affordable Housing Act 2021, this new scheme is intended to provide an annual average of 2,000 cost rental homes, totalling 18,000 new homes by 2030. Under *Housing for All*, the LDA will be the main body for the development of cost rental housing, with the agency's "working assumption" that three-quarters of the new homes delivered are expected to be cost-based rental. After homes are completed as part of forward-purchase agreements with developers and landowners, they will be owned and managed by the LDA as cost rental homes or sold for private purchase through the shared equity scheme.

Details of Scheme

Cost rental homes will be provided by Approved Housing Bodies (AHBs), local authorities and primarily, the Land Development Agency. AHBs will access funding from the Cost Rental Equity Loan (CREL) fund while local authorities will use the Affordable Housing Fund. Backed heavily by the State, the Land Development Agency has total available capital of €3.5bn for its various schemes.

For AHBs, there is a split in funding from the CREL scheme and the Housing Finance Agency. The Housing Agency, on behalf of the Department, will manage and administer the CREL scheme. The 40-year CREL loans are expected to make up 30% of the capital costs involved in the construction or acquisition of a home for cost rental, with the remaining 70% of capital costs funded by low-interest, fixed-rate loans from the Housing Finance Agency. CREL loans will use simple rather than compound interest over the term of the loan and repayments will not be required until the end of the loan term. The favourable terms of the CREL scheme should help to reduce the financing costs of delivering new Cost Rental homes, thereby further reducing rents.

The cost rental scheme is explicitly targeted at moderate-income households who earn too much to qualify for social housing supports, but who cannot afford to buy or rent on the open market. The scheme is currently open to households with a gross income of up to €82,273 a year (or €53,000 net). Single-income or dual-income households earning up to this level are eligible but households in receipt of any form of social housing support such as HAP are ineligible and must remain within 'social housing.'

Existing Cost Rental Delivery

In Budget 2021, €35 million was made available to three of the largest AHBs (Tier 3) through CREL to deliver approximately 390 cost rental homes in 2021. Funding has been increased for 2022 with €75 million in Exchequer funding allocated for the delivery of 750 more cost rental homes.

By the end of 2021, the delivery of cost rental homes was well short of targets. Of the 390 cost rental homes to be delivered by the CREL scheme, only 65 dwellings across two developments had tenants in situ by the end of 2021. One estate of 25 cost rental homes was composed primarily of a mix of 2-bed and 3-bed terraced houses with the majority of rents at 36% below the market rent. The second estate of 40 homes, composed primarily of 3-bed houses, had rents at 42% below the market value. Both estates were located in the exurban Greater Dublin Area; Balbriggan in north Dublin and Leixlip in north Kildare.

Analysis of Current Cost Rental Scheme

Housing for All and the *Affordable Housing Act 2021* have provided the initial outline and regulations for the Irish cost rental model. Not enough detail exists at present to make a robust analysis as the scheme is very much in its infancy. But when the delivery of cost rental housing is increased by all three sources—AHBs, local authorities and the LDA— more informed judgements can be made of how the initial design is realised in practice. However, some cursory

1. The Land Development Agency was established on an interim basis in 2018 to gather together parcels of State property and then develop those parcels for housing. It became a statutory body in July 2021. It is expected to deliver cost rental, affordable purchase and social rented housing. Site transfer commitments have been made which will permit the LDA to take ownership of sufficient state land to build new homes. In effect, the LDA is a state-owned developer in the housing market with total capital of €3.5bn available.
2. The strategy is many-stranded but there are some elements that could make a significant difference that are not included, like, for example, equipping the Defence Forces to build homes for active service members and their families on their property, which would bypass the planning system, improve the wellbeing of our soldiers, and grant efficiencies to the Defence Forces themselves.

observations are still possible in relation to conceptual fidelity, ambition and accessibility.

Any cost rental housing model must avoid the "conceptual loosening" and redefinition which has been imposed upon social rented housing to the point of emptiness. A key concern querying Government fidelity to cost rental is the provision in the *Affordable Housing Act* for limited returns for "private-sector vehicles." Notably, no careful definition of "limited equity returns" was contained in the Bill, leaving future implementation up to wide interpretation. The core value within cost rental housing is its not-for profit ethos where the cost of rent is linked to the cost of construction, loan servicing and maintenance. If profit, as dividends, is permitted to be extracted from our "cost rental" model, then we do not have cost rental. It is vital that investment is retained and recycled within the cost rental system to provide more housing, not siphoned off for profit.

By allowing for "limited equity returns," the Government may be marking out space for for-profit providers in the future, outside an agreed understanding of cost rental housing. Based on current legislation and ministerial explanations, **a parallel "build-to-rent sector with limited price controls"** may develop over time. With the potential for guaranteed returns on investment, though potentially lower than the enhanced leasing market, the "cost rental" sector could quickly become the domain of institutional investors if other avenues like long-leasing close.

Another issue with the cost rental model, as proposed, is its **lack of ambition**. The numbers may sound large on first hearing but when stretched over nine years, they are modest at best. As we have learned in housing delivery over the past decade, even modest targets do not guarantee achievement. In short, the targets and the commitment to the cost rental model need to be revised upwards to be at the scale required to have desired dampening effect on the private rental market.

With the non-market housing sector in Ireland far short of countries like Denmark and Austria with functioning housing systems where, at least, one in five homes are non-profit, ambition is required. State support in new cost rental housing is in line with EU rules known as services of general economic interest, agreed by Member States, including Ireland. The understanding that cost rental housing does not distort the housing market and, in fact, fosters a properly functioning housing system clears the way further for an ambitious Irish cost rental scheme.

Finally, the **narrowly-defined eligibility**, both at the top and bottom end of the household income spectrum, means the proposed cost rental scheme is targeted for moderate-income households only. Other European cost rental model permit the receipt of housing support while accessing cost rental housing. Without a wider eligibility criteria, cost rental housing may become associated with salaried households alone. Affordable and secure housing for the few, not the many.

Nordhavn - Copenhagen

FIVE STEPS TOWARDS CREATING A COST RENTAL PUBLIC HOUSING SYSTEM

This final section will outline steps to a different, and more ambitious, vision for cost rental housing in Ireland. Taken as a collective, these steps will put Ireland on a firm footing towards creating a cost rental public housing system.

If we are serious about ending the housing affordability and homelessness crisis, then another 'scheme' will not suffice. While creating a cost rental public housing system in Ireland will take time, these five steps will put us on a trajectory to where affordable and secure housing is available for the many.

1. Double total delivery of new cost rental homes to 36,000 by 2030

Housing for All aims to provide 18,000 cost rental homes by 2030. In order to have non-market cost rental housing on a sufficient scale to dampen prices in the private rental sector, we propose the target is **doubled to 36,000 new units**. While this will not meet the overall demand for affordable homes, with some analysis suggesting a current demand for over 100,000 homes, it does start to make serious inroads into housing need.

With Department of Housing data from 2021 showing that the average 'all-in' cost for a new-build two-bed apartment is €265,591 when tendered competitively, an estimate of additional funding can be calculated. Even rounding the 'all-in' cost up to €300,000—this is still over €110,000 cheaper than the average cost of a 25-year long lease signed in 2021— the proposed additional 18,000 units would initially cost in the region of €5.4 billion up to 2030, or **€600m per year on average**. This proposed scaling up in cost rental delivery is essential for a number of reasons. The extent of our need for affordable housing is an immediate reason for expansion but, in the long-term, for a cost rental public housing model to work and to be truly affordable, it must be provided on scale. Developing the scheme with unambitious targets prevents providers and tenants from benefitting from the advantages of the model.

Urban local authorities should be the provider of the proposed additional 18,000 cost rental homes. Decentralising power and decision-making to local authorities is a profoundly democracy-building activity as local communities know their housing needs best. Decisions are being made close to the homes where people will eventually live. When land and finance are available, local authorities have the experience to deliver housing on a development site at a cheaper cost than other modes of delivery. The only body which can intervene with the scale required is the state through local authorities to deliver the type of affordable housing which the market say is impossible to provide.

Based on the current cost rental strategy, AHBs, and the Land Development Agency will be the two main providers. When cost rental housing is understood as an affordable housing scheme among others, it is understandable that these agencies take the lead. In reality, AHBs and the Land Development Agency will be working at full capacity in order to provide cost rental units to meet the annual *Housing for All* targets of 2000 new units on average annually. Only 18 Tier 3 AHBs have Certified Body Status which permits them to borrow from the Housing Finance Agency. The LDA estimates that it will only be able to deliver an annual average of 2,000 new homes over next 20 years. The potential role for local authorities is essential in order to develop a cost rental public housing system.

However, historical disinvestment in staffing in housing development sections of local authorities has resulted in the loss of technical, construction-related staff and will be be very difficult to reverse. Yet with the introduction of quality and secure positions, the staffing levels and specialisms can be restored. Funding can be provided (within the capital costs of housing projects) for the recruitment of technical staff, so that approved housing projects are not delayed due to a lack of professional expertise. A shared services model within urban local authorities should be fully resourced so that design and planning teams can make their services available to other urban local authorities. The expansion of the capacity of urban local authorities is key to the future phasing out of a residual social housing system based on unsustainable income-based differential rents and the emergence of a cost rental public housing system undergirded by sustainable cost-based rents.

2. Provide €5.4 billion in loans to local authorities through Housing Finance Agency

This proposal for an additional 18,000 cost rental homes could be funded through a blend of public borrowing, additional corporate taxation and ring-fencing of State agency profits to provide an average annual investment of €600m up to 2030.

Firstly, a small, yet symbolic, proportion of the €5.4bn in funding can be raised through the **removal**

of tax exemptions for investments funds and REITs. Institutional investors are currently exempt from corporate tax on rental income and capital gains. In the four-year period from 2018 to 2021, it is estimated that institutional investors saved €800m in capital gains tax as they avoided a levy of 33%. This is sufficient to fund this proposal for a full calendar year. Similar losses to the Exchequer are seen in the exemption from corporation tax on rental income. In the first six months of 2021, a single investment fund, *Ires Reit*, reported rental income of more than €31m which will be untouched by taxation.

Secondly, NAMA expects to have delivered a total surplus of €4.25bn to the exchequer when it finishes its role in 2025. Having already made payments of surplus cash to the exchequer of €3bn up to 2021, this leaves a potential **additional remittance of €1.25bn from NAMA** which should be ringfenced for funding this proposal to double cost rental housing delivery.

Finally, after the previous two sources, **public borrowing** will make up the remainder of the required funding which should be less than **€4bn over the nine-year period, or €500 million per year**. In a recent policy note by the Economic and Social Research Institute—not known for speculative policy proposals—an argument is made for an increase in housing capital expenditure to bridge the ever-expanding gap between current levels of housing supply and the structural demand for housing.

In order to put this proposed additional capital investment in context of current expenditure on housing. During the lifetime of Rebuilding Ireland, the State spent €3.6bn in five years on four housing subsidy schemes—HAP, RAS, leasing, and Rent Supplement—with no assets gained. At present, a total of €2.5bn is currently planned to be be spent on long-term leasing before it is phased out. Again, no state asset is gained. By simply increasing the housing capital expenditure by just over half a billion annually—just over 12% of the annual housing budget for the each of next five years— the State could provide an additional 18,000 non-market homes. These numbers only seem large if we do not consider what we are currently spending on current costs as the crisis spirals.

Local authorities can then be funded through **50-year low-cost loans** through an enlarged Affordable Housing Fund provided by the Housing Finance Agency. While other European countries negotiate the complexity of non-market housing by establishing off-balance sheet subsidiaries to manage their cost rental housing debt, reasons exist to pursue funding through local authorities. Firstly, a dispensation from EU rules should be established due to the scale of the housing affordability crisis in Ireland. Secondly, the funding pathway between urban local authorities and the HFA is already well-established.

Some risk exists with the additional capital investment being proposed in this model of public housing, primarily inflationary effects due to increased Government spending. Yet the Housing Finance Agency has the expertise in public borrowing and the capacity to administer this additional proposed finance to local authorities. In 2020, the HFA's loan book stood at €5.18bn, an increase of 1.5bn in last five years. The HFA has already approved applications for €92million for the Affordable Housing Rental Scheme. Funding should be provided over 50-year terms, with the interest rate fixed at 25 basis points over the yield rate on Government bonds. Long finance terms coupled with interest rates on a par with Government bonds permits the cost-based rents to be more affordable as the repayments are stretched over a longer period.

3. Implement CPO provision of 1973 Kenny Report for local authorities to purchase land

When the questions of who is going to provide the additional cost rental housing and how it is going to be financed are answered, the question of land inevitably remains. Land is a limited resource but central to the ability to provide affordable housing is the ability to limit the price of land. However, not all of the land which form part of the State's landbanks will be suitable for building a cost rental development. Some of the land zoned for development may be too far from an urban centre and have limited public transport connectivity so would require many of the households to have a private car or two. This would raise issues with the concept of cost rental housing as a sustainable means of housing and located where unaffordability is most acute.

The price of development land can vary widely and is dependent on a series of factors such as location, land quality, proximity to services, and availability/quality of nearby infrastructure. A figure of €50,000 is typically used to capture average land costs with a a new housing unit but this is understood as substantially less than the market value of sites in Dublin which can represent a quarter of the expected sale value. If an apartment was to sell at €400,000 on the market, over €100,000 may be attributed to the cost of the land alone. For the purposes of developing a sustainable and long-term cost rental system, cost rents would be too high if local authorities had to purchase land at this cost. Tenants would face much higher rents, possibly leading to high vacancy rates.

At times, urban local authorities may need to acquire or purchase suitable sites which they do not own. Fortunately, we do not need to think of a new solution to this old problem. Almost half a century ago, the Kenny report, published in 1973, recommended that the State adopt a system of "active land management." In its key recommendation, the report advised that local authorities be given the power to buy development land using Compulsory Purchase Order (CPO) in designated areas near towns and urban areas. Owners of the land would receive compensation restricted to the value of the agriculture land or "existing use" value plus a premium of 25%. When weighing the rights of the community and the rights of private landowners in the context of a decades-long housing crisis, we need to implement this key recommendation to allow urban local authorities to purchase land in locations suitable for cost rental developments. This single step will have a tremendous effect on the overall cost-related rents when the effect of land speculation is removed.

The utilisation of CPO mechanisms will not be the default as the State owns 182 hectares of zoned residential land in Dublin alone, with a capacity for over 36,000 homes. Dublin City Council owns 85 hectares of this total landbank.

Other examples of land planning instruments exist in Europe to ensure that the market price of land does not lead to cost rents becoming unaffordable. In Austria, the Viennese municipality has a zoning designation of "affordable housing" so land in this category can only be used for affordable housing. A maximum land price is applied to the useable gross floor area of any prospective buildings. While these instruments lead to increased affordability with the high cost of land negated, the also open up urban areas and cities so medium-density cost rental housing developments can be built in well-serviced areas.

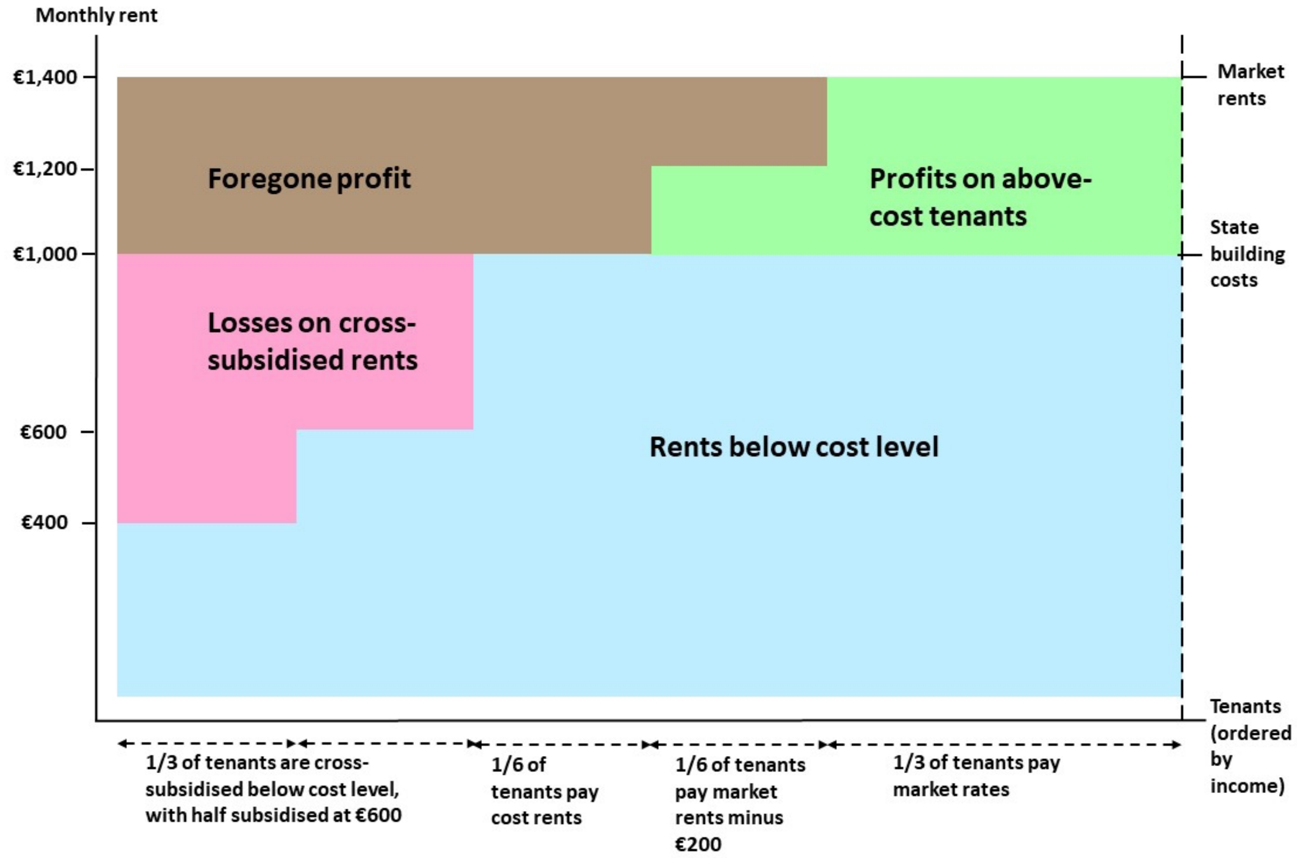
4. Cross-subsidised rents to foster mixed income, multi-generational communities

While the Irish Government has committed to providing cost-based affordable housing through its cost rental scheme, the eligibility criteria needs to be widened to both include low-income households—including households in receipt of HAP— and higher-middle income households. The Government's design of the cost rental scheme is explicitly targeted at moderate-income households who earn too much to qualify for social housing supports, but who cannot afford to buy or rent on the open market. The cost rental scheme is currently open to households with a gross income of up to €82,273 a year (or €53,000 net). Single-income or dual-income households earning up to this arbitrary level are eligible but households in receipt of any form of social housing support such as HAP are ineligible and must remain within 'social housing.' Yet, housing support can be received by a cost rental landlord once the household has a continuous tenancy of more than six months.

Our proposal for a cost rental public housing system is based on universal provision so any household will be able to apply for a cost rental tenure. Universalism, to ensure broad political support, is key for the introduction of an expanded cost rental tenure. Higher-income households can live alongside low-income households in the same well-designed, high-quality and secure housing, well-connected to public transport and close to public services. New communities are more sustainable when they have a diversity across social class, employment status, or age. To further support the idea of permanent and sustainable communities, tenants must have the right to live in their cost rental homes for their lifetime as this promotes cost rental as a real choice and destigmatises public, non-market housing.

A core assumption of the Government's cost rental scheme is that housing affordability is best set relative to current market rates. If rents are an arbitrary level below the market rate, then they become affordable. This may make them more affordable but not necessarily affordable. This proposal suggests the need for cross-subsidisation in order to maintain diverse communities with a social mix. Cross-subsidised rents are a means of ensuring a mix of households with varying levels of household income can provide the collective rent required for ensuring the sustainability of a cost rental development.

The figure below shows an example of cross-subsidisation model which is able to provide more affordable accommodation to both low-income and middle-income households. A third of tenants pay market rents of €1,400 with a sixth paying rents at limited-profit rents of €1,200, affordable to households at 120% of median disposable household income (MDHI).



A sixth of households pay deeply-subsidised rents of €400 per months, affordable to low-income households at 40% of MDHI, and a further sixth of tenants pay a subsidised rent of €600, affordable to those households at 60% of MDHI. The remaining sixth of households pay cost rents of €1,000.

While this model is more complex than a simple rent-reduced model, more households at different income categories are served ensuring a diverse community while maintaing a cost-neutral public housing venture by the the State.

Even with the most staggered rents—ranging from just below market rent to significantly below-cost rents—some low-income households will still have affordability issues. Very low-income households may not be able to afford the lowest rent based on this cross-subsidisation model. In this case, the availability of a housing subsidy will be required to cover the differential. Tenants in Denmark and Austria are also able to apply for an income-related housing allowance if cost rent not affordable to their household. The use of housing subsidy within a cost rental tenure is more pertinent to prudent State spending than a housing subsidy in the private rental sector. In the former, funding is moved around and recycled within the Department of Housing whereas in the latter public funding leaks out of the housing system. At standard HAP rent limits, a couple or individual with three children in the Fingal County Council catchment can receive €1,300 in a housing subsidy; comfortably more than the monthly rent of new cost rental scheme in Balbriggan.

Discourse on housing in Ireland commonly trades on certain mythic assumptions. A commonly traded wisdom is that social integration is only possible within housing schemes when there is a mix of tenures—owner-occupier, private renter and social renter. Yet, the proposal of a cost rental public housing system is "mono-tenure" but with cross-subsidisation schemes in place, high-quality and affordable accommodation is available for any household regardless of socioeconomic status. No hierarchy of tenure exists as each household pay a rent in relation to household income whilst maintaining the collective rent to cover the costs of the development. In essence, cross-subsidisation models allows the link between housing affordability and income levels to be maintained within a cost rental model of public housing.

5. Planned communities showcasing innovative design and environmental sustainability

Urban local authorities with the required loan facilities and the ability to CPO or rezone development land for the purposes of cost rental housing would be able to provide planned cost rental developments of the scale to develop communities. At present, little is known of the nature of cost rental housing which will be provided by the LDA. All of the 5,000 homes projected to be delivered as part of *Project Tosaigh* in the next four years will have no design input from the LDA but will be based on private developer specifications.

Careful planning is needed to develop sustainable and diverse communities within a cost rental public housing system, with the ultimate aim being multi-generational, mixed-income housing. Building homes for 40,000 people in the centre of a capital city is an ambitious aim but this is exactly what Denmark is doing with their development of the Nordhavn region of Copenhagen. Compared with the ad-hoc and standalone developments in Irish cities, the integrated site planning is striking.

Currently, the piecemeal development of non-market housing of the recent past looks set to continue. Cost rentals are also planned to be sourced from Part V arrangements with local authorities and AHBs so developers have to provide a mandatory 20% (up from 10%) of dwellings including a mix of affordable homes, cost rental homes and social housing. Securing cost rentals in this manner, while a well-worn path for social housing acquisitions, will result in a patchwork of cost-reduced homes. This means of development may become more common if new-build targets are being missed. Representing a small proportion of each new private housing development, Part V arrangements would leave great difficulty in developing planned communities.

Public housing schemes need to be designed with integrated public transport infrastructure and active modes of travel in mind. The necessity of owning a private car can be decreased through the reduced provision of car spaces and the increased provision of external bike storage facilities. Few affordable housing schemes in Europe are designed with a car parking space or two for each apartment; instead the planners seek to limit cars. Tenants could be charged for parking spaces in the proximity of a cost rental development so as to discourage usage of a private car. Nordhavn is designed from the beginning to house at least that many jobs as well – allowing people to integrate their lives and their work in the same locality. Design decisions often tackle multiple societal issues. By making the new neighbourhood traversable by bike, foot, and public transport it addresses both housing supply and environmental concerns, creating a context hospitable to both children and the elderly, establishing the basis for a flourishing community.

Well-considered design is also essential to cost rental public housing. A wide variety of housing typologies in a single development is the main way to create a multi-generational community. Households can easily up-size or down-size their living arrangements based on their life-stages. Design is a key element in the creation of housing with flexible usages.

Ireland's future housing will be at the forefront of our climate action policy. With an increased focus on sustainable densification and compact urban growth, apartment living is becoming one of the key methods of delivering more sustainable living. Government policy has stated the need to increase residential density and sustainability as it is considered a better use of land and a major aspect of limiting urban sprawl through the creation of sustainable urban centres. A key opportunity presented by the development of a public housing system is environmental innovation and sustainable design. With the cost rental model, as local authorities will be involved in the long-term maintenance and management of the housing, there is a need to create flexible-usage, high-quality and durable buildings. While satisfying the highest requirements of energy and heat conservation to ensure buildings are energy neutral, bold choices can be made in relation to materials and utility sources.

CREATING COST RENTAL PUBLIC HOUSING

1. Double total delivery of new cost rental homes to 36,000 by 2030

2. Provide €5.4 billion in loans to local authorities through Housing Finance Agency

3. Implement CPO provision of 1973 Kenny Report for local authorities to purchase land

4. Cross-subsidised rents to foster mixed income, multi-generational communities

5. Planned communities showcasing innovative design and environmental sustainability

The Jesuit Centre for Faith and Justice
is an agency of the Irish Jesuit Province.

The Centre undertakes social analysis and theological reflection in relation to issues of social justice, including housing and homelessness, penal policy, economic ethics and environmental justice.

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