

# INVESTING IN AFFORDABLE PURCHASE AND RENTAL HOUSING



Ireland is the story of land and land is the story of Ireland. Of all the housing measures announced in Budget 2021, the one that can make the most significant long-term change is the investment in affordable housing, writes John O'Connor, Chief Executive Officer of The Housing Agency.

In Budget 2021, specific funding for affordable purchase and cost rental of €110 million was announced, alongside a continued commitment to the Serviced Sites Fund and LIHAF, which are due to deliver 2,000 affordable homes next year.

These measures demonstrate that the state is investing in affordable purchase and affordable rental housing.

The Government's approach to investment is effectively by taking a form of equity in the properties and investing in making housing affordable. This approach allows us to move to a sustainable way of delivering affordable purchase and rental housing. Investing in affordable housing as opposed to giving grants is better in the long term and far more sustainable.

Ireland can now begin to embed affordable housing systems. We have an embedded system of social housing, and a stock of these homes. Now we are investing in long-term sustainable

affordable housing and affordable rental. This is truly housing for all. Whilst the initial numbers of cost rental to be delivered may be modest, this is a first step towards a much larger "Vienna model" type of housing provision and towards models which have worked well in other countries.

There has been a lot of talk about the use of state and public land to provide social and affordable housing. If we want to use these lands sustainably to support current and future generations, it is critical that the state and local authorities retain a long-term interest in the land.

## RECYCLING SOLUTIONS

Recycling in some form is what will make affordable housing economical into the future and make more affordable homes available long-term. For affordable purchase, this could be some way for retaining the home as an affordable home when it is sold or reclaiming and recycling

the initial equity provided.

For cost rental housing, covenants on land or long-term leasing can be used to retain control of land and again ensure sustainable affordable rental homes.

Cost rental must be affordable, with sufficiently economic rents to allow households on low/middle incomes to pay rent sustainably. Having land at low cost contributes significantly towards affordability. A number of elements can make cost rental affordable. Ideally you want investment or lending into the sector that is close to 2% interest over 30 to 40 years.

In addition, a secondary loan to the housing provider helps with affordability by decreasing the initial capital investment required.

Such a loan must have a low interest rate and be on favourable repayable terms. In this way, cost rental becomes more affordable over time as the debt reduces and rents fall relative to market rents due to inflation.

## SHARED EQUITY SCHEME

In the Programme for Government, some of the aspects related to housing included:

- continued focus on the delivery of social housing,
- preventing and reducing homelessness,
- affordable purchase housing,
- cost rental/affordable rental housing,
- setting up a Housing Commission.

Affordable housing can be achieved by way of a shared equity scheme. The purchaser receives a percentage reduction in the purchase price which is retained by the state/local authority as a second charge on the property.

This equity can be bought out in the future, or not and left in place. For example, if the local authority/state has a 20% stake in the property, the amount repayable on the sale property is 20% stake.



**A black swan event forces us to re-evaluate what we are doing, and forces change. One black swan event has arrived, and a second black swan event is looking likely to arrive in the form of Covid-19 and Brexit respectively**

This arrangement is about trying to ensure long-term affordability as the equity repaid can be recycled and used to assist future homeowners. This is a further example of the long-term benefits of investment in housing over giving grants.

Cost rental/affordable rental is increasingly important as we face into the major challenges ahead of us. A mindset change is required regarding rental housing which often does not get sufficient attention.

It is possible to provide long-term rental accommodation at affordable rents, which the household views in the same way as a home they own in terms of looking after and maintaining that home.

#### BLACK SWAN EVENT

In other countries households will often provide their own furniture and white goods, even installing their own kitchens,

which significantly reduces maintenance costs for housing providers. This comes about where a household has long-term security of tenure and certainty about rent levels.

A black swan event is an extremely rare event which causes severe damage. It forces us to re-evaluate what we are doing, and forces change. One black swan event has arrived, and a second black swan event is looking likely to arrive in the form of Covid-19 and Brexit respectively.

We need more to be done in housing and have greater expectations from local authorities, Approved Housing Bodies (AHBs), Government and government agencies. A huge challenge lies ahead, and focus is needed to address the housing needs of those who require social housing support as well as those on lower/middle incomes who have significant difficulties renting on the market.

#### Three ingredients to make cost rental housing affordable:



1. Land at low cost
2. Long-term low-cost finance
3. Secondary loans from State

#### ABOUT THE AUTHOR

John O'Connor is CEO of The Housing Agency, a government agency that supports and provides services to local authorities, AHBs and the Department of Housing, Local Government and Heritage in the delivery of housing and housing services; in addition to a range of other services. John was previously CEO of the Affordable Homes Partnership and Executive Manager in the Housing and Communities Department of Dublin City Council.



A structural engineer with a wide range of experience in both the public and private sectors, he has extensive experience in the development, provision and direct delivery of housing, particularly in the areas of social housing, affordable housing and regeneration projects.

#### SOCIAL HOUSING SUPPORTS

The Housing Agency is here to support and work with local authorities, AHBs and government bodies in the delivery of affordable housing. We currently do a lot of work on social housing support with local authorities and work with AHBs on funding their delivery.

We recently set up a dedicated affordable housing team and our procurement and technical staff are available to assist with construction projects.

The Housing Agency looks forward to working closely with the new Minister for Housing, Local Government and Heritage, Darragh O'Brien TD, and the Ministers of State within that Department, Peter Burke TD and Malcolm Noonan TD.



**An Ghníomhaireacht  
Tithíochta  
The Housing Agency**

**T: 01-6564100**

**E: [info@housingagency.ie](mailto:info@housingagency.ie)**

**W: [www.housingagency.ie](http://www.housingagency.ie)**