

Response from Housing Management on Working Group Report in relation to Public Housing

Management in the Housing Department would like to thank the Strategic Policy Committee (SPC) Chairperson and all the members for working intensively on, and compiling this report. It is very appropriate that the Housing SPC in the largest local Authority in the country and where the existing Housing supply issue is most acute should seek to proactively influence national housing policy and to highlight the unique situation position that Dublin city is in in relation to high costs around housing.

We believe that it is also very important to be strategic about what the city is seeking from Government on housing and to focus in the main on aims that are achievable and take some account of the financial/economic implications of recommendations made.

There is no clear definition of Public Housing in Ireland because over the years in the main, it has been just Private Housing and Social Housing with very little in between and we therefore welcome the efforts made over recent months by the SPC Working Group in arriving at a proposed definition. In basic terms, we see Public Housing as:

1. Traditional Social Housing
2. Affordable Purchase Housing
3. Affordable Rental Housing

Social Housing:

The provision of social housing by Local Authorities in Ireland has been a mainstay element of National Housing Policy going back to the early 1900's. Such housing is fully funded by Government and is constructed and allocated by Local Authorities (and Approved Housing Bodies in more recent years). Rent is based on the income of the tenant and therefore there is a very significant state subsidy (indirect) towards this form of housing. The new Long Term Leasing scheme has given us a welcome opportunity to source social housing from the private sector. Because of the continuing shortage and the very high waiting lists, it is clear that this form of housing will have to be our main focus over the coming years.

Affordable Purchase:

Dublin City Council last provided/developed Affordable Purchase housing back in 2009. We are currently awaiting the final details of a new affordable scheme from the Department of Housing but in the meantime, we have identified a number of sites in the city and have started the Planning, Design and Public Procurement process. The ultimate affordable purchase cost is dependent on the cost of constructing the unit, and some form of subsidy from Government is essential to bring the original construction cost down to an affordable level. This is very difficult in the Dublin City context where construction costs are very high, in particular if developed directly by the City Council. It is essential in our view that the ultimate Site Services Fund be significantly higher in Dublin City otherwise any reasonable degree of affordability will not be achieved.

If our construction costs are now running at over €400 k it would require significant further interventions to bring purchase prices down to say between €250k €300k. There is a possibility there may be an element of shared equity arrangements in the new scheme that would be very welcome. If Dublin City is to provide a significant level of affordable housing then we have to seriously consider the implications and risk of the large borrowings required to fund such developments.

Cost Rental:

The Government will shortly introduce a new National Cost Rental Scheme that will represent a new and welcome element of Public Housing. Like affordable purchase, the ultimate rent levels charged will be related to the original cost (The rents must pay for the costs involved including construction, management fees, sinking fund etc.) with the Government paying a Site Services grant in order to achieve greater affordability. Again, whoever is developing such housing (DCC or AHB or LDA) will have to borrow to fund the development/construction and take on the repayments on such loans. The level of Services Site Fund from Government presently at €50 k will not be sufficient to bring rents down to a level that is generally expected. Another option on reducing repayments/level levels is for the required loans to be borrowed over a longer-term of time say 35 or 40 years. We understand this option is being considered by the Department of Housing.

While we are committed to the development of a significant new Cost Rental scheme at Inchicore and we are currently liaising with the European Investment Bank (EIB) on the required borrowing, we do need to consider carefully the financial implications and risk involved and certainly if we are going to take on other large developments of this type. We think it is essential that the City Council proactively engage with Approved Housing Bodies and the Land Development Agency as partners on the future development of Cost Rental model of housing in Dublin City. It is extremely unlikely that Government will consider any long-term or continuous subsidy to the model of cost rental and therefore the idea of an income-based cost rental scheme like social housing is an unrealistic aspiration in our view.

Summary:

We very much respect and value the good work carried out by the SPC Working Group on the development of a definition for Public Housing in Dublin City and for the various proposals that have come from this work, and we do agree that more radical approaches are required. But it is also important that management should outline what the current national policy on housing is and give some detail on the models of delivery that are in place and that are currently being actively considered for implementation in the near future particularly in relation to affordable purchase and cost rental housing.

It is essential that we all continue to promote the reality of the unique position Dublin City is in, when it comes to development of any type of housing and the clear need for national housing strategies and policies to specifically take account of this unique position.

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