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Ireland's Housing Crises

The Case for an Affordable Housing Provision Agency

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SUMMARY

The creation of a public housing agency should play an important role in meeting the challenge of providing a large number of housing units over the coming years. Providing a steady supply of social houses on an annual basis is an ongoing need of a well-functioning, stable economy. While existing state agencies can alleviate some of the current problems, the creation of a public agency would considerably aid efforts to plan, finance and deliver a large number of social housing units.

KEY POINTS

- A well documented increase in house prices and rent has occurred over the past eighteen months, particularly in Dublin.
- Public capital investment has been repeatedly reduced since the onset of the economic crisis in 2008. This policy has led to the total number of new social housing units being made available falling by 48 percent between 2008 and 2012.
- Even in times of strong economic growth a large segment of the population require state assistance to meet their basic housing requirements.
- An affordable housing agency would draw on the capital assets, experience and knowledge of existing state agencies and should aim to provide 25 percent of new or renovated housing units as social housing each year.

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Research for new economic policies

Introduction

The creation of a public housing agency should play an important role in meeting the challenge of providing a large number of housing units over the coming years. Providing a steady supply of social houses on an annual basis is an ongoing need in a well-functioning, stable economy. While existing state agencies can alleviate some of the current problems, the creation of a public agency would considerably aid efforts to plan, finance and deliver a large number of social housing units.

Current situation

A well-documented increase in house prices and rents has occurred over the past eighteen months, particularly in Dublin. The average annual price increase across all residential properties was 12.5 percent in the year to June 2014. In the capital, the price of residential units rose by 23.9 per cent over the same period. Rent values started recovering mid-way through 2011 in the capital and rose at an average rate of 5.5 percent in 2013. Outside Dublin, the rental index continued to fall throughout 2011 and 2012 with recent quarterly data indicating that values are now increasing at a modest rate.

Public capital investment has been repeatedly reduced since the onset of the economic crisis in 2008. This policy has led to the total number of new social housing units being made available falling by 48 percent between 2008 and 2012—when only 10,574 additional units were added through the various housing schemes. The increased cost of housing combined with a scaling back of public investment in housing and a high rate of unemployment—currently 11.1 percent—has led to a considerable increase in the number of people experiencing severe housing difficulty. In the year to November 2013, Focus Ireland supported 9,237 people who were either homeless or at risk of losing their home, up from 7,819 during the same period in the previous year. The charity saw a 43 percent increase in the numbers seeking its Housing Advice services (from 2,973 to 4,248) in the same period. The demand for social housing remains

extremely high with 89,872 households recorded as on waiting lists in May 2013; more than twice the level recorded at the end of 2005.

Crisis a long-time in the making

The waiting list for secure tenure social housing has tended upward since the construction of new houses became almost entirely dependent on private provision and new forms of short-term, market-based housing supports were introduced. Figure 1 shows the dramatic decrease in the construction of public housing units that occurred in the late 1980s.

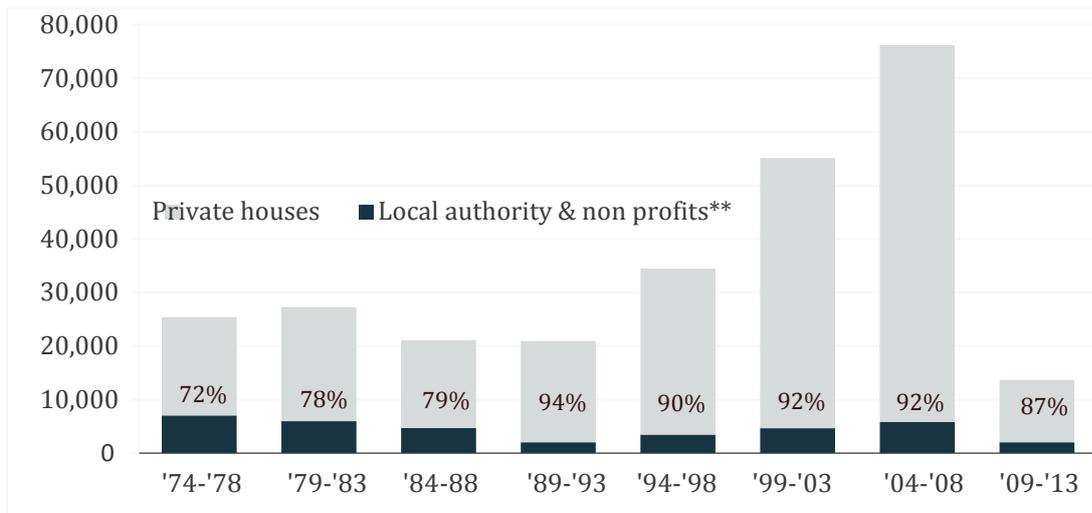
As highlighted by the National Social and Economic Council, even in times of strong economic growth up to a third of the population require state assistance to meet their basic housing requirements. In the period of unprecedented job creation and GDP growth, between 1994 and 2007 a significant segment of the population—primarily those on relatively low incomes, in precarious forms employment or with a disability—were unable to buy and qualified for state support in the private rental market.

Now, as the economy and the property market recovers, many tenants remain priced out of the market and the exchequer is again exposed to the increased cost of private rents through the rent supplement scheme. Despite recent improvements, a persistently high level of unemployment over the past 5 years has exacerbated the underlying problems in the system, as more people are in need of assistance. Providing long-term accommodation for people currently receiving rent support requires a sizable, sustained investment in the construction of social houses, and a number of agencies are looking at ways of making this happen.

Policy response

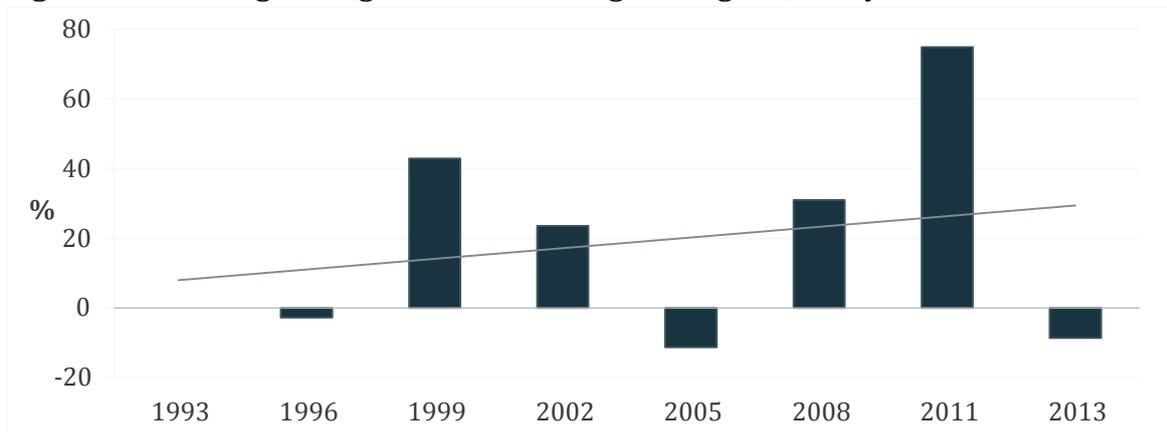
The National Asset Management Agency (NAMA) recently announced a plan to invest €1.5 billion to meet “up to half of Dublin’s new housing requirement over the next years” with construction primarily taking place in the South and West of the City. The

Figure 1: The quantity and composition of additional housing units: 5 year averages, 1973-2013



Source: CSO (2014) Statbank: House Completions by Housing Sector and Year (HSA01)

Figure 2: Percentage change in social housing waiting list, base year 1993



Source: Housing Agency (2013) Summary of Social Housing Assessments 2013: Key Findings, Table A1.1

project is at an early stage, and it is unclear how many of the 22,000 planned houses will be made available to those on the social housing waiting list. In addition, NAMA has identified almost 4,400 residential properties as being available and potentially suitable for social housing, though there are issues relating to the location and management of some of these properties.

Dublin City Council is seeking to work with developers to build new houses on the north side of the city. Under a public private partnership agreement, developers would build social housing for the council and in exchange could use a portion of the land for private units. Various councils are exploring the possibility of renovating 2,000

uninhabitable local authority houses in Dublin, Cork and Limerick funded off balance sheet through a combination of exchequer support, European Regional Development Funds and a loan for the European Investment Bank. In addition, the government is looking to reduce the waiting list by identifying properties suitable for long-term leasing and ways to encourage housing associations to take on more responsibility for planning, building and managing a substantial stock of social housing.

The Affordable Housing Provision Agency

A new public agency classified outside the government sector that focused on the planning, finance and delivery of social

housing would help clear the current waiting list and provide greater stability in the property market. Initially, the new agency could use loan finance to develop the substantial amount of state owned land around the capital that is suitable for the construction of new homes. A newly formed Affordable Housing Provision Agency would be in a position to borrow separately from Government accounts provided it had a sufficient asset base and an ongoing income stream from rents.

The housing agency would draw on the capital assets, experience and knowledge of existing state agencies. Given that establishing the public body would take some time, the agency would continue the work started primarily by NAMA and various local authorities. The agency would be a core part of a new institutional framework that focussed on boosting the supply of social housing.

The agency should aim to create a market where 25 percent of housing units becoming available in a given year are designated for social housing. Construction 2020 identified a need for at least 25,000 new dwellings per year for the next fifteen years. In this context, the Affordable Housing Provision Agency should aim to provide a minimum of 5,000 social housing units per year. This could be achieved through a mixture of new builds, long-term leasing of private property and renovation of the existing stock. Its work would address the inadequacies of an overwhelming reliance on private development and underpin modest, stable price growth in the property market.

Conclusion

Moving from the direct provision of new social housing units to an increased reliance on passive supports to the private market has served the economy poorly and left a large section of society in housing distress. Housing is a fundamental need and a well-conceived response to the current challenges in the market will play an important part in Ireland's emerging economic recovery. To date, a number of responses have been proposed and many of

these could help address the immediate pressure in the system.

While existing state agencies have experience, assets and capabilities that can alleviate some of the current problems, the creation of a central public agency would considerably aid efforts to plan, finance and deliver the number of affordable housing units required. In many Western European countries this type of institutional structure has allowed substantial investment in public housing separate from government deficit and debt.

Building a considerable number of affordable houses each year is an ongoing need in a well-functioning, stable economy. A new housing agency would be a considerable step towards meeting the current challenges in the system and the continuous need to provide affordable housing suitable for a variety of household types.

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This paper complements an earlier NERI inBrief, *Housing and Ireland's Economic Recovery*

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