



Housing Alliance

More Social and Affordable Homes

Pre-Budget Submission 2021



Introduction

Approved Housing Bodies (AHBs) play a key role in addressing the challenges facing the housing sector in Ireland and delivering social and affordable homes for families' right across the State. AHBs have a proven track record of delivery and are in a unique position to help deliver the Programme for Government's stated mission of delivering more homes and putting affordability at the heart of the housing system.

AHBs are well-positioned to provide high-quality housing at affordable cost, with security of tenure, and often catering for specific needs. However, it is imperative that AHBs are supported. For this reason, the Housing Alliance, as the representative body for the six largest AHBs in Ireland (Respond, Clúid Housing, Circle VHA, Oaklee Housing, Tuath Housing and Co-operative Housing Ireland, who, between them, provide over 22,000 AHB homes), has set out

a number of specific budgetary asks, which will facilitate the delivery of the affordable and sustainable housing goals of both the AHB sector and the current Programme for Government.

As we move through the changed reality brought about by Covid-19 and the catastrophic impacts it has had on every sector in 2020, it is vital that every organisation and agency with an interest in housing do everything possible to rapidly reinvigorate construction and delivery. The Covid-19 crisis has thrown yet another spotlight on the importance of safe, affordable and secure housing for all and underlines the importance of investment at this crucial time, thus providing for more rapid recovery and housing for those who need it. AHBs are ready and willing to fulfil that role in a way that is far more cost-effective to the state than the current HAP and leasing systems.

This submission seeks to collaborate on building a policy environment that supports and sustains an increase in the delivery of social and affordable rental housing with five key asks for Budget 2021:

- Increase and sustain Capital Investment in social and affordable rental housing
- A National Affordable Rental Scheme
- Reclassification of AHBs
- New Zero Energy Building Standard
- Involve AHBs in the utilisation of vacant properties across the State.

The Housing Alliance has five key asks for Budget 2021, which we believe will significantly assist AHBs, Government, local authorities and other stakeholders to collaboratively achieve the housing goals set out in the 2020 Programme for Government – specifically, the provision of more affordable housing for the social and economic benefit of the State.

Increase & Sustain Capital Investment in Social and Affordable Rental Housing

Now, more than ever, certainty regarding future funding is necessary. We know the construction sector has and will continue to face many challenges as a result of Covid-19 and the associated repercussions for society and economy. An increase to the Capital Advance Leasing Facility (CALF) allocation and the associated Payment and Availability (P&A) allocation is crucial in order to ensure that AHBs can continue to meaningfully provide part of the solution to the current and upcoming challenges in the housing and construction sector.

In the past, construction 'start-up' costs – including architects fees, valuation fees, legal fees, etc. were allocated alongside the CALF funding at a rate of 1.5% of the overall project costs. Reinstating this practice would significantly assist AHBs in overcoming challenges and delivering even more social and affordable homes at a time when the demand for such homes is likely to be greater than ever.

The 2016 'Rebuilding Ireland: Action Plan for Housing and Homelessness' contained a commitment to two-year multi-annual CALF funding, which has yet to be implemented. Such a measure would allow for far greater certainty regarding AHB funding and therefore allow for the development of more detailed future projections and plans. This would include a more comprehensive financial analysis within the three-year strategic business plan required by the Regulation Code for Approved Housing Bodies in Ireland.

In addition, there currently exists a regional imbalance in relation to CALF and the P&A model and the Housing Alliance would like to see consideration given to differing CALF levels, longer loan duration terms and associated strategic funding linked to the overall development plans for each region.

AHBs currently leasing unsold affordable units and National Asset Residential Property Services (NARPS) units could, if funded accordingly, purchase such housing stock – a move that will increase tenant equity and provide for greater security of tenure for tenants.

In addition, it is imperative that a funding solution be agreed for CAS & CLSS properties coming out of mortgage in coming years with clarity required about the ability to place these properties onto a secure funding basis.

Increased funding will improve AHBs ability to deliver lifetime social and affordable tenancies and thus reduce the State's reliance on the Housing Assistance Payment and other leasing schemes. Such funding security will also provide a stable base for those in the building sector thereby supporting the continued economic recovery of the building industry whilst simultaneously delivering greater numbers of social and affordable homes.

National Affordable Rental Scheme

We believe that the rollout of an Affordable Rental scheme is urgently required.

Such a scheme would serve to address the housing needs of households on intermediate incomes. According to the CSO, nearly two-thirds (62.6%) of Irish households have a gross income of less than €60,000. Many such households, in the current context, struggle to afford private market rents and/or find it difficult to access home ownership, yet are ineligible for social housing. International evidence has proven that such schemes are not only financially viable but also help play a vital role in ensuring a national social housing policy with affordability at its core.

According to the financial modelling that we have undertaken, such an approach would require a repayable CALF-like investment of approximately 30% per scheme.

Reclassification of AHBs

We very much welcome the inclusion of a commitment to work with AHBs to move off-balance sheet in the 2020 Programme for Government. Such efforts will be of vital importance if we are to avoid detrimental long-term consequences for both the AHB sector and wider housing policy.

The reclassification of Tier 3 AHBs by the CSO in 2018 served to place the funding and expenditure of such AHBs on-Government balance sheet. As such, all AHB debt now contributes to overall government debt and all AHB spending is counted as part of government spending. This may present significant constraints on the borrowing and expenditure capacity of AHBs into the future, and curtailing our ability to support government policy with a corresponding directly negative impact on the future delivery of new AHB housing units.

In addition to the commitment in the 2020 Programme for Government, we welcome the establishment of the Interdepartmental AHB Reclassification Working Group, of which the Housing Alliance is a member. It is imperative that this work continues in order to secure a reversal of the reclassification of AHBs. Such a reclassification is in everyone's interest – government, AHBs, and, above all, future AHB tenants. Given the inevitable increased demand on the public purse as a result of Covid-19 and its impact on all aspects of government spending across future budgets, this is more important than ever.

As a result, a time-lined action plan is urgently required from Government, to ensure, in the swiftest possible timeframe, that the steps required to restore Tier 3 AHBs to their former classification are taken.

New Zero Energy Building Standard

Climate change is one of the greatest challenges to our society and economy. The role of social housing in offsetting some of these challenges cannot be underestimated. Indeed, buildings are responsible for approximately 40% of energy consumption and 36% of CO2 emissions in the EU. Retrofitting is essential to the achievement of Ireland's targets, yet funding available from the Sustainable Energy Authority of Ireland (SEAI) has reduced to 40% of the total funding required. Increased funding for retrofitting is vital to the achievement of EU targets and the provision of quality, energy efficient social housing.

Involve AHBs in the utilisation of vacant properties across the State

The Programme for Government 2020 emphasises the need to bring vacant housing stock into use. While, certainly, it will not be possible to bring all vacant units into use, we believe that Local Authorities, working in conjunction with AHBs, could be more widely facilitated to enforce Compulsory Purchase Orders (CPOs) and purchase relevant vacant units on behalf of AHBs. The AHB would then bear the associated costs of purchase, refurbishment, and the responsibility for ongoing management and maintenance of the tenancies. Such a collaborative approach would assist in the provision of sustainable and vibrant tenancies and communities in the most efficient way possible.