

## Need for a Comprehensive Housing Plan

Respond Jubilee30 Conference  
Maldon Hotel, Tallaght, 20 September 2012

Tony Fahey  
Email: [tony.fahey@ucd.ie](mailto:tony.fahey@ucd.ie)



UCD School of Applied Social  
Studies

Scoil an Léinn Shóisialta  
Fheidhmeannaigh UCD

## Components of public housing policy

- Physical planning
  - National framework
  - County-level plans
  - Local & national implementation
- Credit & finance
  - National & EU-level regulation
  - Direct state provision
- Social housing
  - Mainly subsidised renting
  - Some subsidised purchase

## Topics

- Key shifts in housing policy since late 1980s:
  - From capital to current funding of housing supports
  - Contributes to shift in tenure from home ownership to renting
  - ... and to blurring of boundaries between private and social renting
- Impact of housing boom & bust
- Outcomes today
- Implications & challenges

## History: pre-1987

- State as major *direct* provider of capital for housing:
  - Land Acts/Land Commission, esp. 1903-1920s: large housing element, 100% state funding repayed by small-holders' annuities
  - Small Dwellings Acquisition Acts 1899-c.1987
    - Grants & local authority mortgages
    - Local authorities issued almost half of all mortgages (by value) in early 1970s, 25% in 1980s: state as 'retail' mortgage provider, serving a semi-socialised version of the sub-prime mortgage market
  - Capital grants (**not** loans) for local authority housing
- Also, indirect subsidies
  - Mortgage interest tax relief
  - Non-taxation of residential property (1977-2013)
  - Section 23 tax breaks
  - Tenant purchase of local authority housing
- Why?
  - Economic stimulus (esp. re employment): construction a labour-intensive sector, few imported materials
  - Raise housing standards (esp. 1940s & 1960s)
  - Promote home ownership
    - Directly, through private home purchase
    - Indirectly, through tenant purchase of local authority housing (financed by local authority mortgages)

## Outcomes in 1987

- One of the highest levels of home ownership in western world (c. 80%)
  - Mainly because of tenant purchase of local authority housing (accounted for about one in four of owner-occupied dwellings in 1991)
- Social housing:
  - Smallish sector by European standards: c. 10-11% of stock
  - Large volume of new build counterbalanced by large volume of (heavily subsidised) sales to tenants
  - Weak cost accountability: Disconnect between revenue (rents & proceeds from sales, set locally) and debt amortisation (national)
  - Emergence of social problems in some estates in 1980s
- Private renting:
  - Small and weak sector (c. 8-9% of stock), mainly for young/ transient/ non-family households
  - Undermined by competition from subsidised homeownership and social housing
  - Low returns, small supply, unsupportive regulatory environment, no large investors

## The housing boom interlude

- Flood of cheap private finance obscures underlying change of policy direction
  - Makes up for smaller state role in housing finance
  - Sub-prime mortgage sector taken over by commercial lenders
- Investors drive much of the boom
  - Huge increase in investment housing
  - Motivated by capital gain, not rental income
  - Limited effect on rental housing supply
    - High level of unaffordable rents
    - Big increase in vacant stock

## Changes post-1987

- Over-indebted state initially withdraws from direct provision of capital for housing
  - Local authority mortgages cut down to < 1% of market
  - Capital grants for local authority housing cut back: local authority new build falls off
  - ... though with modest expansion of capital supports for housing associations
- Some increase again for National Development Plan 2000-06
  - Exacerbates housing boom?
- Withdraws some key supports for owner-occupation ...
  - Mortgage interest tax relief reduced; tenant purchase declines
- ... but introduces others: Shared Housing, Affordable Housing
- Net effect: steady decline in home ownership share: from 80% in 1991 to 69% in 2011
- Gradual shift towards *current* supports for housing
  - Rent allowances for private tenants: €8 m in 1989, €369m in 2005, €516m in 2010
  - Recipients: c. 37,000 in 1994; 60,176 in 2005; 97,000 in 2010
  - Small current supports for housing associations
  - Boundary between social and private renting blurs
- Much experimentation in *social* supports for most marginal social housing
  - Regeneration projects
  - Area-based investments: social services outside mainstream social service provision

## Effects of crisis

- End of State's role in direct provision of housing capital?
  - Except for regeneration projects?
- End of State support for owner occupation?
 

See Housing Policy Statement, June 2011:

'If a household is capable ... of renting a high quality home in a vibrant community but lacks the resources necessary to purchase an equivalent home, that household does not need assistance from the State.'

'... the high and often disproportionate value placed on owner-occupation that has been so detrimental to Ireland's society and economy'
- Crisis in the sub-prime sector:
  - Mortgage arrears mount
- New forms of social housing
  - No more new build by local authorities (except for niche housing?)
  - Long-term leasing from private rented sector
  - Leveraging housing association stock to source private finance for social housing
    - Relies on income stream from stock, not market value of stock
    - Role of state is to guarantee income stream, not guarantee loans
    - Creates new cost accountability: close links between incomes streams and debt amortisation
  - End of tenant purchase?

### Some outcomes

- Smaller home ownership sector (c. 69%)
- Larger private rented sector (c. 16-17%)
  - But now includes substantial rent-supported sub-sector
  - Better regulated, but still fragile
- Social housing remains smallish (c. 11%)
  - 'New' forms yet to deliver large stock, but may do so in time?
- Years of high-cost experimentation in *social* supports for marginal social housing produce mixed results
  - Much activity, often fragmented, now being cut back
  - Some successes, some failures
  - Too much focus on localised, time-limited 'regeneration', too little on system-wide ongoing improvement in mainstream social services
  - Local governance of social service delivery still weak & fragmented

### Implications & challenges

- Home ownership to continue to house c. 70% of households
  - Planning & finance regulated by state
  - But no financial supports: a private market
  - Depends on resolution to banking crisis
- Renting the new focus of interventionist housing policy
  - One-third fully private, no financial supports or penalties
  - Two-thirds on targeted, sliding supports
  - ... of which growing share to be accounted for by housing associations?
- Challenges for policy on renting:
  - How to underpin the fully private segment: good experience for tenants, adequate returns for landlords?
  - How to structure financial underpinnings for supported segment: gradual movement towards unified housing benefit?
  - How to structure social & economic underpinnings for marginal social housing: closer integration with mainstream social services
- All aspects need to be planned, but not necessarily in a single comprehensive plan