

From: Tom Heffernan [mailto:Tom.Heffernan@per.gov.ie]
Sent: 13 October 2016 16:59
To: Eamonn Waters
Cc: Fiachra Kennedy; Ben Sweeney; Brendan Ellison
Subject: FW: Follow up to yesterday's meeting to discuss DHPC&LG Pilot Affordable Rental Scheme

Eamonn

Has there been any further developments on finalising the pilot Affordable Rental Scheme?

Tom

From: Tom Heffernan
Sent: 08 September 2016 14:20
To: 'Lisa.Clifford@housing.gov.ie'; 'Eamonn Waters'
Cc: Brendan Ellison; Patricia Coleman; Fiachra Kennedy; Ben Sweeney
Subject: Follow up to yesterday's meeting to discuss DHPC&LG Pilot Affordable Rental Scheme

Lisa/Eamonn

As promised yesterday, I am attaching some DPER costing comparisons that we mentioned.

I also think it might be helpful to set out the key points that we indicated need to be addressed by DHPC&LG in regard to the draft business plan for a Pilot Affordable Rental Scheme.

- The pilot scheme should be challenging to the market. It should not be constructed in a way that uses higher costs, rents and incomes in the current dysfunctional housing market to determine incomes and eligibility that loses sight of the scheme's objectives and value for money considerations in an attempt to make it very attractive to potential private providers.
- The DHPC&LG proposed maximum income eligibility thresholds are not based on the evidence in the business case and are not consistent with the stated objective of the scheme to target "employed households on low to moderate incomes". See Table 1 attached. The equivalent maximum gross incomes proposed by DHPC&LG range from €62,000 - €83,000 approx. They are at the higher end of income earners and at the top end, only some 10% of taxpayers would have a higher gross income.
- In keeping with the public spending code, in considering the costs and benefits and risks involved to the provider, a value must be put on the guaranteed 20 year income stream of 30% rental subsidy and the appreciating asset as a result of the private provider retaining ownership of the housing units.
- There should be a full explanation of the context and the illustrative margins (e.g. 15% profit, 7% gross rental yield etc.) being proposed so that the evidence for arriving at a conclusion is clear. They should be set in the context of other investment opportunities available, both outside and within the residential property market, and indicate whether the margin is the current market norm or higher/lower with reference to recent market trends.
- The business plan should set out options for policy and operational issues and present the pros and cons of each and draw conclusions with regard to the evidence presented on each to determine which option is being recommended. It should not, for instance, as it currently does, present only one option for management and administration of the scheme when other options are worthy of consideration and may pose less risk than the one being proposed.

- The views of the CSO, the Housing Agency and the NDFA and others on specific policy and operational options should be clearly stated in the business plan and attributed so that again the basis for any conclusions is clear.
- The two tiered approach to determining eligibility (with a possible scaling back of eligibility by up to 10% depending on local area considerations in the second phase) will create uncertainties (and possibly false expectations) for both potential tenants and providers alike.
- With the current approach of basing the scheme on higher Dublin costs and higher Dublin income thresholds, the scheme could not work as proposed "*Rather than limit the scheme to particular geographical locations or household sizes it is proposed to allow the market determine the response based on VFM*". See table 3 attached.

Tom