

**Roisin O'Doherty**

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**From:** Barry Quinlan  
**Sent:** 08 January 2018 16:07  
**To:** Siobhan NicThighearnain  
**Subject:** FW: Affordable Housing Paper  
**Attachments:** 2017.10.20 Review of Rebuilding Ireland\_Affordable Housing Working Draft.docx; ATT00001.txt; ATT00002.htm

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Action Plan for Housing and Homelessness

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**From:** Tom Heffernan [mailto:Tom.Heffernan@per.gov.ie]  
**Sent:** Wednesday, November 29, 2017 12:23 PM  
**To:** Barry Quinlan  
**Cc:** David Hegarty; Paul Cotter; Andrew Conlon; Paul Kilkenny  
**Subject:** FW: Affordable Housing Paper

Barry

Thanks for sharing this updated DHPLG Policy Paper on Affordable Housing with us.

From the outset, we wish to acknowledge the improvements to the previous draft paper by the inclusion of summary detail of recent initiatives/ actions on affordable housing under Rebuilding Ireland and Budget 2018 (Pages 5 and 13 refer). However, DPER/DFIN still hold the basic view that it would not be appropriate to introduce any new affordable housing/rental measures that have not been approved by Government and for which there is no approved budget until there has been sufficient time for the aforementioned initiatives to fully impact and for their impact to be evaluated.

That said, below are some specific comments on the draft measures in your policy discussion paper:

**Section 3, 4 and 6**

The shift in meeting social and affordable housing needs from promoting home ownership and direct local authority build to the rental market has been public policy for over 10 years now. Has the impact of demand measures such as RAS, LA Leasing, HAP, Rent Pressure Zones etc. on house prices and the private rents been assessed in the current housing market?

As acknowledged in the Review of Rebuilding Ireland, the focus should now be on increasing overall housing supply and direct building of social houses. It is also noted in this regard that trends in all housing output indicators, including for Dublin, are positive.

#### Section 4 Cost of construction

You will be aware of DPER/DFIN's views on the draft report on construction costs that was copied to us.

#### Section 7

LIHAF which is estimated to provide some 28,000 affordable private houses in major urban areas by 2021 should have a significant impact on the supply of affordable housing in the medium term.

#### Next steps

A case has not been made to justify the introduction of an Affordable Purchase Scheme in addition to the Rebuilding Ireland local authority home loans scheme.

#### 10 (A) (c)

Why have an option for a charge, would a straight forward equity stake not be easier? If a charge is chosen, then some index has to be chosen to inflate the charge to preserve its real value and this will involve administration. Is the idea to offer some downside protection for the State? Over a period of 25 years this may not be necessary and/or worth the administration. Similarly, is it necessary to have the 25 year charge period? Would it not be easier for the State to re-coup on sale or death?

#### 10 (A) (c)

There is a strong likelihood that the expenditure of Approved Housing Bodies will be re-classified as on-balance sheet. In such a scenario the acquisition of the units would be recognised as expenditure in the relevant year and the rental income would be recognised as income as it arrives.

#### 10 (A) (d)

The discount that turns into a charge or equity stake will have to be recognised as general government expenditure, probably at the time of purchase by the householders but potentially when the land is transferred to the partner developer – the structure of the transactions would determine this. It will probably be classified as expenditure even though, potentially, no money changes hands.

#### 10 (A) (e)

There is a danger that a full LA mortgage on top of a discount turned into equity leaves the State bearing all of the risk. This may have statistical implications beyond the discount. This will have to be investigated.

#### 10 (A) (g)

The idea of reusing affordable housing receipts for new housing would depend on the extent to which incoming payments, following a sale, are counted as general government revenue. Such GG income would have to be matched by GG expenditure in the same year. Payments cannot be held for several years, building up a fund and then spent in a single year.

#### 10 (B-G) Affordable rent

A previous analysis by DFIN on a cost rental proposal made by the NERI institute estimated that a very considerable Exchequer commitment would be needed to fund such a proposal, especially when the opportunity cost of providing state land for development was taken into account. No details are given in this document but any pilot schemes would have to be rigorously evaluated before roll-out.

If any new affordable rental schemes are being proposed for implementation they should be submitted to DPER for approval with a full appraisal/business case under the Public Spending Code.

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