THE WORKERS' PARTY

Solidarity Housing – Financial Aspects of a Solution to the Irish Housing Crisis

Introduction

In July 2016 the number of children in homeless families in Dublin exceeded 2,000 for the first time since current records began[1]. That month also saw the publication of *Rebuilding Ireland: Action Plan for Housing and Homelessness*, the Government's belated response to the housing crisis.

Regardless of the document's subtitle, the true aim of *Rebuilding Ireland* is to rebuild the private sector.

Continuing Failed Policies

Rebuilding Ireland's social housing section sets out a plan for the provision of 47,000 social housing units by 2021, supported by investment of €5.35bn. (2014's *Social Housing Strategy* aimed for 35,600 new social housing units by 2020 at a cost of €3.8bn.)

The difference between this figure, small in relation to the need for housing, and the document's target of 75,000 units provided through Housing Assistance Payment (HAP, a state payment to private landlords to subsidise low-income tenants), shows that *Rebuilding Ireland* stands in continuity with long-standing - and long-failing - policies of reliance on the private sector for housing provision. Rather than seriously addressing the housing crisis, it is reinforcing the same broken system.

The HAP means that the State is focused on subsidising the profits of landlords rather than providing accommodation for the population. This will be an expensive effort and one that will not ensure high-quality housing, rent stability or secure tenure. But there are also wider implications for the economy with regard to the increased cost of living and the proportion of income that households spend on rent or mortgages.

Time for a new approach

Ireland's population pays a very heavy percentage of income on housing, with Dublin in particular being one of the most expensive cities in the OECD in these terms. The resultant weakness of disposable income relative to nominal wages hurts people's quality of life and has the broader macro-economic effect of increasing the relative costs of economic activity in Ireland.

Addressing the housing crisis therefore can be a stepping stone to the revitalisation of the economy in Ireland and its wider reorganisation to meet the needs of the population rather than those of private interests, whether private landlords or international vulture funds.

Providing housing requires a multi-pronged approach, including lifetime leases to distressed mortgage holders, rent caps, the provision of social housing through NAMA properties, and the compulsory purchase of derelict or vacant properties for reuse as social housing. But the housing crisis cannot be

[1] Dublin Region Homeless Executive, *Dublin Region: Families Who Are Homeless July (week of 25th - 31st) 2016* (22 August 2016).

solved without addressing the question of housing supply. Schemes such as the HAP rely on the strategy of providing guaranteed profit for the private sector, which will then create supply. The last number of years has demonstrated that this approach is costly, ineffective, and disastrous.

In May 2016, the Workers' Party launched *Solidarity Housing: Getting the Vultures Out of Irish Housing*, a proposal to address the housing shortage through increasing access to public housing. The key concept of Solidarity Housing is simple. Currently, any household earning up to approximately €35,000[2] can apply for public housing and pay approximately 15% of income on rent to the local authority. However, a variety of factors, including the sale of public housing and the refusal of local authorities to build, means that public housing is in fact restricted to a much smaller proportion of the population than is entitled to it.

Solidarity Housing proposes a radical widening of public housing provision. Within any given development, the State would rent 50% of homes to households earning under the median income and the other 50% to households who earn over the median income. An indicative figure[3] for the calculation of rent is for households to have rent calculated at 15% of income up to €35,000, plus 30% of any income over that threshold.

This approach has the potential to address many of the systemic flaws of Irish housing provision and aims to create inclusive communities. At the same time, it offers security of tenure, democratic management, and affordability to households. The wider public and the State will benefit from the knock-on effects of each of these aspects, while also benefiting from the financial viability of Solidarity Housing.

This supplementary document focuses specifically on the financial aspects of Solidarity Housing, demonstrating how the proposal could be funded, how it compares to other models, and the financial benefits it could deliver if implemented.

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[2] Eligibility for public housing is based on a variety of factors, including local authority, income, overcrowding, medical issues, etc. Dublin City Council, for example, operates three bands (all priority cases, all overcrowded cases and those with previously awarded medical or welfare points, and all remaining qualified households), with maximum net income limits ranging from €25,000 for a single person household in Band 3 to €42,000 for a household of three adults and four or more children in Band 1.

[3] This scheme is meant to demonstrate the feasibility of a progressive cost-rental scheme. Other schemes could be devised which would be similarly affordable and financially viable.

Housing Provision in Ireland - the Current Situation

Projections of Demographic Need

In December 2013, the CSO produced population projections up to 2031 under two scenarios.[4] Growth in the Dublin population was projected to be between 96,000 and 286,000 people and in the Mid-East region growth of between 77,000 to 144,000 people was estimated.

The CSO population projections were the basis for projections of housing need by both the Housing Agency[5] and the ESRI[6] in 2014. The Housing Agency forecast a minimum required supply of 79,660 residential units between 2014 and 2018, 47% of which would be required in the Dublin region. The ESRI suggested that there would be an increase in demand of 180,000 units but, due to oversupply in many parts of the country, projected a need for 90,000 new units up to 2021. Sixty percent of this would be needed in Dublin and a further 26% in the commuter counties of Meath, Kildare, Louth and Wicklow.

The most recent summary of social housing assessments was published in 2013.[7] It stated that there were 90,000 households on the social housing waiting list. The Government's *Social Housing Strategy 2020* uses that data to establish a need for 35,000 new "social housing properties" and 75,000 households on HAP by 2020. The recent *Rebuilding Ireland* sets out a plan for 47,000 social housing units by 2021. However, as the division between building, HAP, leasing and acquisition is not given in a clear and detailed breakdown, the figures in *Social Housing Strategy* are used for the purposes of this document.

Current approaches to housing provision

Overall, the Government response to the housing crisis has been characterised by the objective of delivering a "recovery" in property prices through private involvement in social and affordable housing provision. Some examples of this include lowering standards for rental accommodation, building fewer public homes, expanding subsidies to the private rental sector, and enlarging the role of Approved Housing Bodies.

Rebuilding Ireland states that in the period 2016-2021 social housing will be provided by a mixture of Housing Assistance Payment (HAP), Rental Accommodation Scheme (RAS), leasing, acquisition, and builds (through local authorities, Approved Housing Bodies, or the private sector). The Government strategy can be assessed as comprising four main approaches.[8]

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[4] Central Statistics Office, *CSO statistical release: Regional Population Projections 2016-2031* (12 December 2013).
[5] Housing Agency, *Housing Supply Requirements in Ireland's Urban Settlements 2014-2018: Overview* (April 2014).
[6] Edgar Morgenroth, *ESRI Research Note: Projected Population Change and Housing Demand: A County Level Analysis* (August 2014).
[7] Housing Agency, *Summary of Social Housing Assessments 2013: Key Findings* (Dublin, 2013).
[8] RAS was excluded because tenants currently on RAS are expected to have moved to HAP by 2020. Leasing and acquisitions only cover a small proportion of the planned units and were excluded for that reason.

Method 1: Housing Assistance Payment

- Tenants secure housing (within certain rent limits) in the private rental sector.
- The tenant pays a differential rate based on their income to the local authority and the local authority pays the landlord the market rent directly.
- Once a household is approved for HAP their housing need is considered to be met and the household is then removed from the local authority waiting list.

Method 2: Targeted public housing by private build

- Private build could occur through a Public Private Partnership or a Part V build[9].
- Public Private Partnerships (PPPs) were planned for use in several regeneration projects. However, they lost their popularity once the regeneration projects fell through during the economic crash.
- 'Targeted' means that public housing would be available only to those households which are most at need.

Method 3: Targeted public housing by Approved Housing Bodies

- Approved Housing Bodies (AHBs) are non-governmental, not-for-profit bodies or non-state bodies with similar charters which provide a public service.
- AHBs have the ability to move the cost of public housing "off books", meaning they could be used to finance public housing within EU fiscal rules.
- As they are private bodies, the assets of AHBs are susceptible to privatisation or part-privatisation.
- Public housing would be available only to those households which are most at need.

Method 4: Targeted public housing by public build

- Public housing would be available only to those households which are most at need.
- The public housing could be built by the local authority or a contracted authority.

The cost of failed strategies

The above approaches have been defining elements of State housing policy over several decades and numerous governments. Their use has had enormous social costs: an 80% increase in the repossession of primary dwelling homes in the first nine months of 2015 compared to all of 2014; rents in Dublin rising above the pre-crash high-point; vulture funds holding 5.4% of all mortgages in Ireland by mid-2016; and 2,020 children in 993 households living in emergency accommodation in July 2016.

By focusing on one particular issue - rent - the high economic cost of these methods is also clear. In 2014, the Residential Tenancies Board (RTB) stated that while spending 30% of net income on rent was sustainable, a single person earning €36,000 and living in a one bedroom apartment would be spending 41% of net income on rent. Rents have increased since the RTB published their report.[10] The wider implications of high accommodation costs include increased wage pressures, lower disposable income, and decreased quality of life.

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[9] A "Part V" refers to Part V of the Planning and Development Act 2000, which set out that up to 20% of all new housing developments were to be reserved for social and affordable housing. Part V has since been reduced to 10% of any new housing development.

[10] DKM Economic Consultants, *Future of the Private Rented Sector* (2014).

Method 1: Housing Assistance Payment

According to the former Minister for the Environment, Community, and Local Government, Alan Kelly, the HAP programme has an average monthly rent of €567 per unit per month.[11] Under the Government's plan for 75,000 households to be under the HAP programme by 2020, this would result in a cost of €510.3m per year when the programme is fully operational (excluding costs for the administration, monitoring and management of the scheme).

However, that figure is arrived at assuming that rents in the private rental sector stay at 2015 prices. Assuming that rent increases in line with inflation, costs will increase. If supply is not significantly increased in the private rental sector then it is likely that rental increases will continue to increase.

As households have no protection from the precariousness of the private rental sector, in particular rent stability or security of tenure, further costs can arise.

Method 2: Targeted public housing by private build

Based on the claim that 47,000 units will be supplied at a cost of €5.3bn, *Rebuilding Ireland* suggests a construction cost of €113,000 per unit.

However, using very conservative estimates for construction, including VAT at 13% and a developer profit margin of 11%, a construction cost of €200,688 per unit is reached (see below for full details). This is exclusive of the negative impact on the economy through reduced tax revenue which has in the past been part of such schemes for private build.

Method 3: Targeted public housing by Approved Housing Bodies

It is technically feasible to use AHBs as a vehicle for financing housing within the EU fiscal rules through copying the Netherlands model. This could involve the creation of a special purpose national state financing body which seeks finance and provides loans to AHBs. The AHBs then underwrite these loans using their current assets as collateral.

To do this, it would be necessary to create a state-backed guarantor along the lines of the Netherlands' Waarborgfonds Sociale Woningbouw (Social Housing Guarantee Fund). This body, because of scale, would enable acquisition of financing from state banks and other institutions at extremely low finance rates. If such a body were not created, then financing costs would increase significantly. Using a conservative rate of 3% for an individual small AHB and taking into consideration the nature of compound interest, the unit cost described below (€160,000) would increase by €36,000.

Method 4: Targeted public housing by local authorities

In the current model of public housing, accommodation is only provided to a restricted number of households on low incomes. This means that the revenue which is taken in through rent cannot approach the cost of providing the housing and must be subsidised. The consequences of this are dealt with further below.

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[11] Parliamentary Question for answer on 14 April 2016, available at https://www.kildarestreet.com/wrans/?id=2016-04-14a.2198

A New Approach - Solidarity Housing

What is Solidarity Housing?

Solidarity Housing is a proposal to expand the scope and character of public housing provision in Ireland. Its purpose is to provide secure and affordable housing for the majority of the population, while also reducing provision costs to the State.

Within any given development, the State would rent 50% of homes to households earning under €35,000 and the other 50% to households who earn over €35,000. An indicative figure[12] for the calculation of rent is for households to have rent calculated as 15% of income up to €35,000, plus 30% of any income over this figure.

The core tenets of Solidarity Housing are:

- Differential rents - each household pays rent according to their income as is current practice in social housing in Ireland.
- Cross-subsidisation - with households paying according to their income, wealthier households subsidise less wealthy households. This is only possible when public housing is broadened to include a wider proportion of the population.

How much does it cost?

Construction Costs

In May 2016 the Society of Chartered Surveyors Ireland (SCSI) launched *The Real Cost of New House Delivery*. According to SCSI, the average price of a 3-bedroom semi-detached house in Dublin is €330,493. SCSI found that construction costs (build costs, site works and site development) came to €150,251 or 45% of the total costs of providing the house. The other 55% comprised professional fees, levies, land and acquisition costs, sales and marketing costs, finance costs, margin (profit), and VAT.

The construction costs set out by SCSI and those established below are broadly similar. However, the slight difference is due to the two models finding the average of two different homes: the SCSI figure is based on the average price of a 3-bedroom semi-detached house in Dublin while the figure below is below is based on the average price of a unit with the average requirement for rooms.

The average unit construction cost is arrived at by first estimating the base cost for each size of unit, calculated based on minimum size requirements. Added to this is the Bruce Shaw industry build costs of between €1,250 and €1,850 per sq. m, with an additional 13% site development cost for infrastructure and other one-time costs (such as landscaping and communal areas). Using census data for household size, the number of rooms required is then estimated relative to demographic size. This weighted system results in a unit cost of €140,000, excluding parking.[13]

[12] This scheme is meant to demonstrate the feasibility of a progressive cost-rental scheme. Other schemes could be devised which would be similarly affordable and financially viable.
[13] Space to park a car is a legislative requirement.

Table 1 Base cost by number of bedrooms required

Build cost per sq m	€1,750			
	1 Bed	2 Bed	3 Bed	4 Bed
Size (sq m)	55	90	100	110
Base cost	€96,250	€157,500	€175,000	€192,500
Estimated room requirements by proportion of households	40%	30%	20%	10%

Table 2 Average construction costs

	Per Unit
Average cost per unit	€140,000
Plus under-building car park	€20,000
Total construction cost	€160,000

At a total construction cost of €160,000 per unit, the construction cost of 35,000 units would be €5.6bn.

Public build can forego some costs requisite to private sector construction, including 13% VAT[14], 10-20% profit margins, marketing and land acquisition. For the same number of units and similar demographic breakdown to be produced by private build, the resulting cost would be, at a conservative estimate, €200,688 per unit, with 35,000 units totalling €7bn. This excludes the increased costs of building finance because private developers are unable to avail of the financing strategies detailed here.

The *Social Housing Strategy 2020* provides for 35,000 social housing units being built. However, Solidarity Housing is a model based on the provision of public housing to a wider cross-section of the population through cross-subsidisation. As such, the programme could sensibly be expanded to 70,000 new units. This would result in a cost of €11.2bn and would deliver a majority of the 79,660 units the Housing Agency forecast as required to 2018 or the 90,000 units the ESRI forecast as required to 2021.

[14] VAT must be paid on new builds, irrespective of whether it is a public or private build. If a private corporation undertakes the build it can reclaim the VAT. When public bodies (such as local authorities) pay VAT the money goes from the State and returns to the State. As such it is effectively Exchequer neutral.

The cost of financing

As a government can borrow money more cheaply than charities or businesses, the costs of borrowing to build housing is considerably cheaper under a public model. Costs of borrowing were estimated in *Solidarity Housing: Getting the Vultures Out of Irish Housing* using a conservative model of 2%, 3%, or 4% over 30 years.

The Housing Finance Agency has since stated[15] that it can borrow at a rate of 1.5% for the provision of housing. However, this rate is only available for an "off-books" scenario.

Revenue

The 'targeted' nature of current approaches to social housing provision necessarily limits the monthly revenue attainable, thus increasing the cost to the State. By providing public housing to a broader segment of the population, Solidarity Housing allows for a greater average monthly revenue, driving down the average cost.

Table 3 Average monthly revenue in current social housing rents and Solidarity Housing

Household Income	Social housing rents (current)	Solidarity Housing rents (proposed)
€9,857	€123	€123
€15,705	€196	€196
€22,504	€281	€281
€28,657	€358	€358
€34,932	€437	€437
€41,878		€629
€50,721		€874
€61,772		€1,181
Average monthly rent (per unit)	€279	€509

In Solidarity Housing, revenue is estimated to be €509 per unit per month. Assuming complete amortisation at a finance cost of 1.5% per annum over 25 years, the estimated total cost is €640 per unit per month. This leads to a net expenditure per unit of €131 per unit per month, exclusive of maintenance and grounds-keeping costs.

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[15] Marie O'Halloran, "Local authorities could get 1.5% housing loans fixed for 25 years", *Irish Times* (2 August 2016). See: http://www.irishtimes.com/news/ireland/irish-news/local-authorities-could-get-1-5-housing-loans-fixed-for-25-years-1.2741751

Comparisons

Taking these estimates into account, Solidarity Housing can be shown to be the most financially viable option for significant social housing provision. For the scale of provision required, Solidarity Housing is the most financially viable option. While the estimates show a negative net revenue for Solidarity Housing, this is primarily due to the very conservative figures and revenue utilised. To provide 35,000 units, the current targeted approach would cost around €152m per year.

Table 4 Summary of Potential Costs and Revenue

	Housing Assistance Payment	Targeted public housing by private build	Targeted public housing by Approved Housing Bodies	Targeted public housing by public build	**Solidarity Housing**
Average Unit Construction Costs	n/a	€200,688	€200,688	€160,000	**€160,000**
Finance	n/a	1.5%	3.0%	1.5%	**1.5%**
Total cost per unit per month	€567	€803	€952	€640	**€640**
Revenue per unit per month	€0	€279		€279	**€509**
Net expenditure per unit per month	€567	€524		€361	**€288***

* cost in subsidy per household taken from social housing list

Why does Solidarity Housing work?

Solidarity Housing is more viable and sustainable than other models of social housing provision because it is a universally-available, publicly-provided and publicly-funded model. By leveraging the State's advantage in securing finance, cutting out profiteers and targeting a broader swathe of the population, Solidarity Housing can deliver high-quality housing more efficiently than other approaches.

Cross-subsidisation

Using a cross-subsidisation model means that new housing developments 'pay for themselves'. The model yields sufficient revenue (within some reasonable uncertainties) to come close to paying for the costs of financing housing construction, oversight and maintenance. It provides high quality, well-provisioned housing in perpetuity for the public.

Cross-subsidisation is only possible because Solidarity Housing is available to a wider proportion of the population than can access current social housing. Under the current system, only those with the lowest incomes can access social housing, meaning that rents will never be able to cover the cost of housing and the State must massively subsidise the cost of social housing. As can be seen in Table 3, the inclusion of households with an income over €41,000 increases the average monthly income per unit and allows the system to function.

The State has an obligation[16] to provide housing and emergency accommodation. This means that the other consequence of the restricted provision of social housing is higher expenditure on emergency accommodation (estimated to be €25m in Dublin in 2015)[17] and longer term accommodation in the private rental market (€182m is estimated to be spent on all rental supplement programmes in Budget 2016)[18]. This has led both to poor quality provision to households who are based in unsuitable emergency accommodation or precarious rental situations and State subsidies to the private sector.

Direct Build

Relying on private developers for a large-scale building programme will increase costs due to the profit margin that the developer(s) will seek and due to the rate of financing available. In order to reduce costs, increase quality and ensure delivery, the State - either at local authority or national level - should create building corporations to provide housing builds at cost.

Public Corporation

Given the commitment to the EU fiscal rules, a State-led building programme of 35,000 (or 70,000) homes may seem unrealistic in the short to medium term. The methods suggested to overcome the EU fiscal rules have generally favoured private builds. However, one solution which would allow for a State-led build model within the EU fiscal rules is to create a public housing corporation.

Any such public housing corporation would require an asset with which to underwrite loans. This would entail an asset transfer of public land and debt issuance by the State to the public corporation. In exchange, the State is given controlling shares in the public housing corporation, effectively establishing an asset and debt-to-equity swap. The State then has direct ownership and control of the public housing corporation with the capacity to elect the Board and directors. In addition to loans provided by the State at low interest rates, the public housing corporation can use the land assets and future rental incomes to raise private loans.

The public housing corporation could issue bonds to access further financing beyond the Exchequer. The non-State debt would increase the quantity of funding available and the potential rate of expansion while significantly reducing Exchequer costs. The time scales involved in financing housing would make such a project attractive to long-term, low-risk investors, especially investors such as the State or trade unions. This has already happened in Austria, where the major trade union body (as well as other social organisations) are heavily involved in the State's universally targetted social housing programme.

While the public housing corporation could be established on a national basis or as a series of local authority public housing corporations, the advantages of scale make a national corporation the most

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[16] Housing Act 1988 and Housing (Miscellaneous Provisions) Act 2009.
[17] RTÉ, "€25m spent on emergency accommodation in Dublin last year" (24 February 2016), see at: http://www.rte.ie/news/2016/0223/770162-emergency-accommodation-dublin/
[18] Citizen Information, Budget 2016, see at: http://www.citizensinformation.ie/en/money_and_tax/budget_2016.html

desirable method. A public corporation at national level would involve greater assets and more opportunities for risk averaging and cross-subsidy, making it easier to avail of inexpensive finance.

Such a public housing corporation would be considered "off balance sheet" due to its commercial viability. This form of financing would not breach EU competition laws as the subsidies per household on the waiting list would be less under Solidarity Housing than the subsidies currently given to the private rental sector in the form of HAP.

In 2012 the Union Nationale de la Propriété Immobilière (an organisation of private developers) lodged a complaint to the European Commission concerning subsidies by the French state to organisations providing social housing, arguing that the funding model is not compatible with EU rules on state aid. The complaint challenges France's policy of providing social housing to medium income households as well as low income households to avoid segregation. However, the European Commission did not take action against France in this case. Ireland could follow France's lead in successfully arguing that private corporations can avail of similar treatment in terms of capital injection when offering a similar service to the consumer, i.e. not-for-profit, cost-rental housing which takes significant numbers from the housing waiting list.

According to the European Commission[19], "when governments make a capital injection into a public corporation, there is a need to establish whether this has a nature of an addition to equity (which is recorded as a financial transaction without an impact on deficit) or a nature of an unrequited payment (which is recorded as a non-financial transaction with an impact on deficit). The latter often reflects materialisation of government's contingent liabilities related to public corporations."

For example, debt-for-equity swap which was viewed as a financial transaction occurred when Czech Airlines was given State aid in May 2010 with a debt-to-equity swap of a CZK2.5billion (€100m) loan from the State-owned company Osinek. The European Commission did not view this as an unrequited payment because of the viability of the restructuring and the likelihood of payback by Czech Airlines.

[19] European Commission, *State-Owned Enterprises in the EU: Lessons Learnt and Ways Forward in a Post-Crisis Context* (2016).

Appendix 1 - European Union Fiscal rules

In 1992, EU Member States agreed the Maastricht Treaty, which limits government deficits to 3% of GDP and public debt levels to 60% of GDP. The Stability and Growth Pact (SGP) was signed in 1998 as a means of enforcing the debt and deficit limits. The SGP was strengthened by the Fiscal Compact Treaty, which was ratified by Ireland through a referendum in 2012.

The SGP has preventative, corrective and enforcement rules.

The corrective rules are applied to Member States with excessive deficit, i.e. deficit above 3% of GDP or debt above 60%. Those countries can be entered into an excessive deficit procedure (EDP), which requires correcting the excessive deficit. Ireland entered the EDP in 2009.

On exiting the EDP, Ireland came under the preventive arm of the SGP in 2016. Member States in the preventive arm must reach a Mid Term Objective, in Ireland's case achieving a structural budget balance of 0.5% of GDP by 2018. The rate of improvement to reach the structural balance is set by the European Commission, depending on its view of Ireland's progress.

A second aspect of the SGP, alongside balanced budgets, is the Expenditure Benchmark, which limits the rate at which aggregate public expenditure can grow. Until Ireland reaches the Medium Term Objective of a structural balance, a convergence margin is subtracted from the medium-term growth rate to ensure that the required change in the structural balance is achieved. When Ireland reaches a structural balance, expenditure can grow in line with the medium term growth rate

By insisting that liabilities are taken on with respect to GDP is to insist that all revenue must come from taxation. This creates particular difficulties in an era in which taxation of capital is made difficult through porous financial boundaries, the threat of corporate flight, intentional loopholes, and tax havens. The consequence is that public services are not provided where there are opportunities for profit.

Due to the regulations on expenditure, the EU fiscal rules push towards the use of 'off balance sheet' solutions, despite concerns that these solutions can be little more than creative accounting, cost more in the long run, are open to privatisation, and - as demonstrated in the case of Irish Water - can completely fail in the objective of cooking the books.

The National Economic and Social Council (NESC)[20] and Social Justice Ireland (SJI)[21] have suggested off-books methods of financing new housing. NESC suggested An Post savings being lent by the NTMA to the Housing Finance Agency, which would then lend to social housing providers with a moderate fixed mark-up on the interest paid to savers. The interest rate would be low and stable. Similarly, SJI suggested that a Special Purpose Vehicle such as NAMA could be established. The social housing units owned by local authorities (and receiving rent) could be used as collateral against the loans taken out by the SPV.

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[20] National Economic & Social Council, *Social Housing at the Crossroads: Possibilities for Investment, Provision and Cost Rental* (NESC, 2014).
[21] Social Justice Ireland, *Budget Choices 2017* (Social Justice Ireland, July 2016).

In addition to the off-books approach, SJI has also suggested an on-balance sheet approach: invoking the structural reform clause of the Stability and Growth Pact. The structural reform clause allows Government to cater for the short-term costs of implementing structural reforms that will have long-term positive budgetary effects. This approach could allow for up to 0.5% of GDP (about €1bn) additional on-books financing for social housing construction.

Appendix 2 - Alternative Housing Bodies

An alternative model to a public corporation is that of Approved Housing Bodies. There are two major claims in defence of AHBs: management and finance. The claim of superior management is that AHBs are more responsive, more adapted to the needs of clients and focus primarily on provision of housing. However, an underlying cause of the unresponsive and badly-managed nature of social housing in Ireland is that it has been underfunded, which will increase with the broadening of AHBs. In Vienna, approximately 25% of social housing is provided by the State (with another 30% provided by AHBs). The State is considered to be a high-quality housing provider, partly because it is well-resourced and has a body specifically devoted to the provision of housing.

The financial claim to fame of AHBs is the ability to move finance off books. In the Netherlands, this approach has reached the highpoint, with the existence of an enormous financing body which has cross linkage with all AHBs and provides them with low cost financing underwritten by their assets. In the Netherlands it was necessary to transfer significant amounts of public housing assets to AHBs so that they would have sufficient stock to operate and provide collateral for finance for expansion.

The experience of the Netherlands and the United Kingdom demonstrates that AHBs can often end up acting like private corporations, with highly-paid executives and complex financial arrangements meant to maximise the increase in revenues. This had lead to serious fiascos in the Netherlands, including financial impropriety, a failure to expand housing supply and inefficiency.

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