

Affordable and Sustainable Social Housing Finance.

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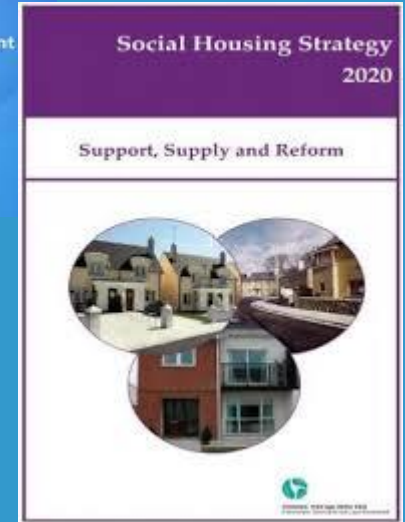
Focus of Presentation

1) We need more social housing

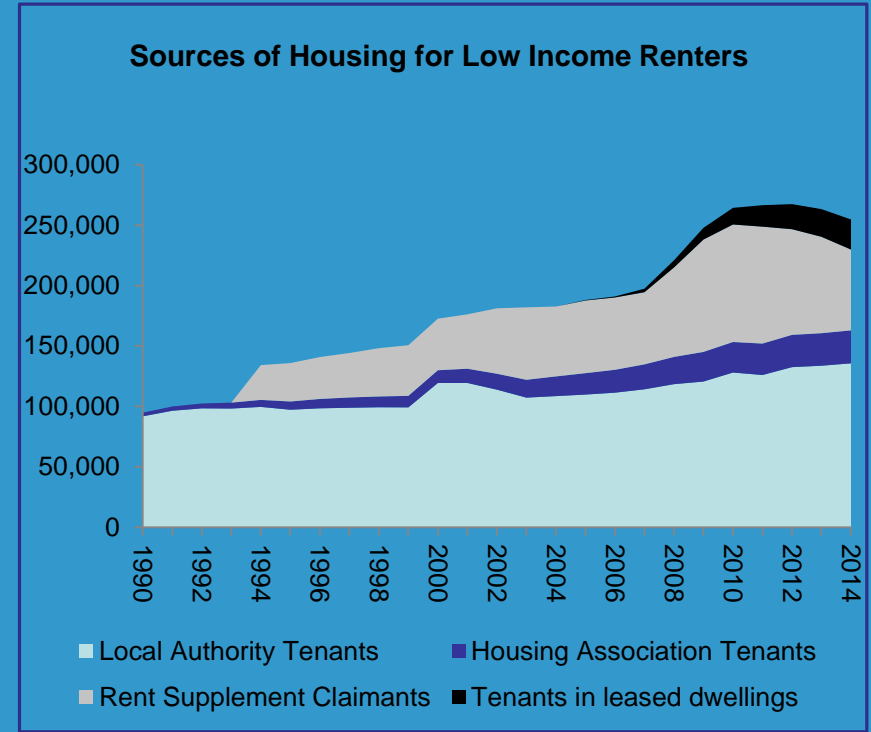
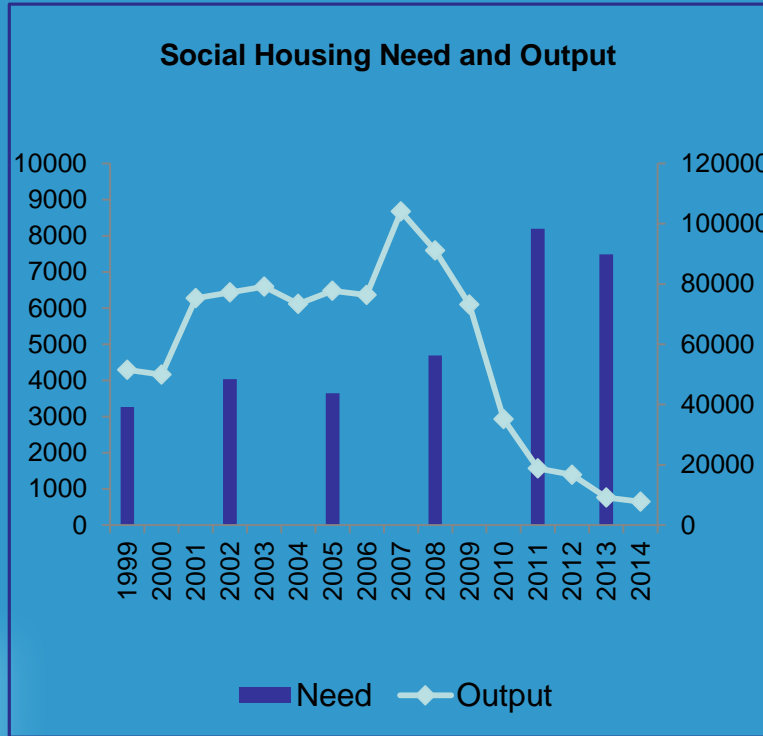
2) To provide this we need funding which is:

- Adequate to deliver on the scale required
- Affordable for government, landlords and tenants
- Sustainable – no peaks and troughs and pro-cyclical supply

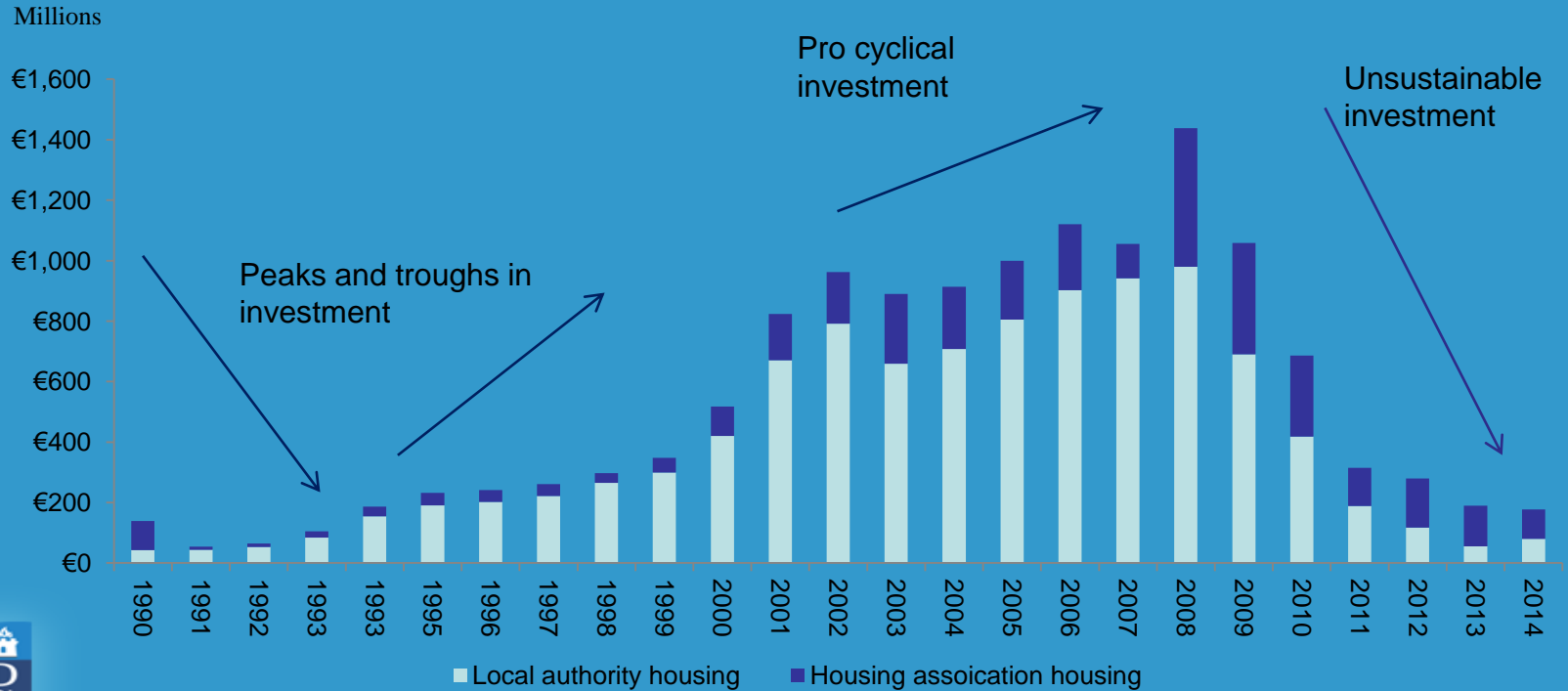
3) We must identify priority target groups and actions.



Why more social housing?



How can we fund the social housing required? Not in the same way we did in the past.

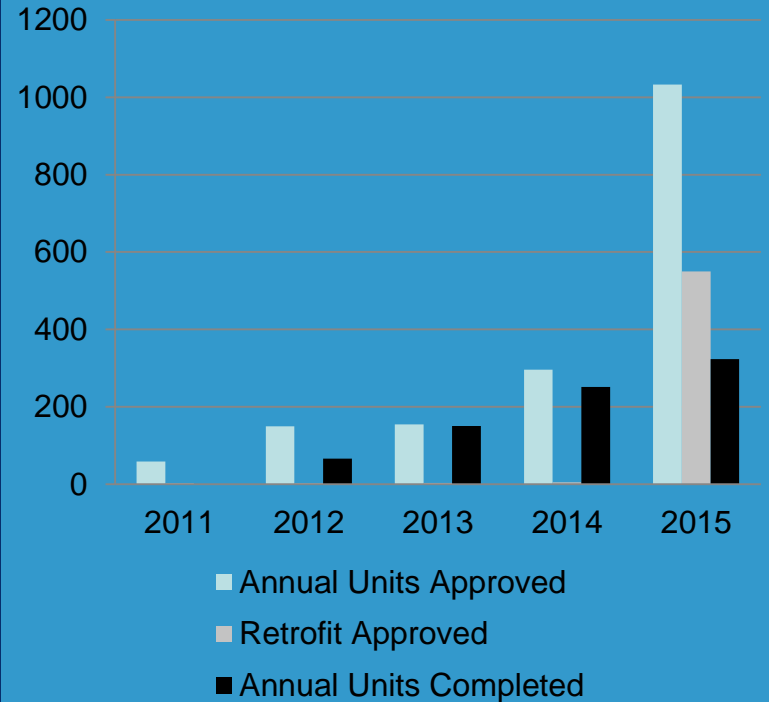


Funding Proposals

1. Social Housing Strategy envisages that 20% of supply will be financed using PPPs and 'off balance sheet finance'.
2. Programme for government suggests that the option of using new finance sources such as credit union investment, also 'off balance sheet'.
3. Commercial lenders or bond issues – these are widely used abroad.
4. Housing Finance Agency: state lender borrows from markets and EU lenders and on-lends for social housing



Housing Association Dwellings Funded by the Housing Finance Agency



ViabIe Immediate Responses

ViabIe Immediate Responses:

- Commercial bank loans to housing associations:
 - off balance sheet but relatively high interest.
- Increase Housing Finance Agency lending:
 - To housing associations
 - Also enable local authorities to access this finance
 - More affordable but on balance sheet.

	2016	2017	2018	2019	2020	TOTAL	TOTAL
<u>LAs</u>	€m	€m	€m	€m	€m	€m	Units
Gross lending	50	100	200	400	600	1,350	9,000
Annuity repayments	(140)	(140)	(145)	(150)	(155)	(730)	
Net lending	(90)	(40)	55	250	445	620	
AHBs							
Gross lending	100	130	140	150	160	680	4,500
Net lending	100	130	140	150	160	680	
TOTAL LENDING	10	90	195	400	605	1,300	13,500



Viable Medium Term Responses and Some Challenges

Viable Medium Term Responses:

- Credit union or similar investment vehicle
- Bond issues via bond aggregator
- Both will require independent credit assessments and strong regulation
- Both off balance sheet but may be more expensive than government guaranteed borrowing.

Challenges:

Structure of social housing sector – too many small landlords.

Off Balance Sheet Funding:

- Very difficult to achieve due to tightening of Eurostat rules
- Arrangements defined as off balance sheet in the past are not included on balance sheet
- Would require the channelling of all investment through non governmental sources

Public Private Partnerships:

- Questionable value for money compared to direct government finance.
- May not remain off balance sheet.
- Have benefits for development of mixed tenure neighbourhoods.



Finally, a word on priorities

- The Programme for Government lists a large number of proposals to address different elements of the housing shortage. Many are very good. Some are mutually contradictory. All are uncostered. Funding constraints mean they can't all be achieved simultaneously.
- We need a) costings and b) to identify priorities.
- Providing housing for homeless households and those at risk of homelessness has to be the first priority:
 - Best achieved by building new social housing.
 - Would also provide stimulus to the building industry.
 - Would have fewer negative side effects than demand side solutions.
- Affordable renting is certainly worth exploring in the medium term
- Demand side home buyer supports such as help to buy will also drive house price inflation and may eat up government borrowing space which could be used for social housing funding.
- In view of the shortage of social housing continued sales to tenants at up to 50% discounts from the market price is unjustifiable.

