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Innovations in affordable housing: lessons from not-for-profit housing developers

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Abstract

Social housing policy in Ireland has largely moved from the direct state provision to subsidized private rental housing in the past years. The shortage of affordable housing is one aspect of a sharp deterioration of the living condition experienced by a broad sector of the population. In Dublin, where the housing shortage is more severe, the housing crisis has challenged governments to increase social housing and tackle the current rise in family homelessness. Irish Housing associations represent the not-for-profit housing sector in Ireland. They are one of the main government partners in the provision of social housing, but it has itself also suffered with cuts in government funding. In this study, I examine the role of those not-for-profit affordable housing developers in shaping effective responses to housing affordability problems in Ireland. Taking the experience of housing associations based in Dublin, I explore their participation in delivering affordable housing and how they have achieved housing affordability goals through low-cost housing and public-private partnerships. This study concludes that there is sufficient evidence to prove that housing affordability is possible, and despite the valuable role of housing association in direct housing provision, higher rates of local authorities housing input is still needed.

1. Introduction

Much has been written about how poor-quality and insecure housing is associated with low levels of health problems, poverty, educational achievements and wide inequality (Gibson et al. 2011). As the lack of affordable housing in Ireland continues to soar into a housing crisis, reports call for thousands of more houses to be built to address the country's housing shortage. The shortage of affordable housing in the Greater Dublin Area, where the rents prices are more expensive, is one aspect of a sharp deterioration of the living condition experienced by a broad sector of the population. Affordable housing is an important aspect of livability in cities, and in this study, I examine housing innovation from an affordability perspective. Ireland's recent history is marked by boom and bust of the housing market, caused by problems in the private housing and financial systems (Byrne and Norris 2018). The financial crisis that stroke Ireland in 2008 stemmed from a real estate bubble, and it has had damaging effects on social housing, producing a crisis across the whole Irish housing system. The housing crisis in Dublin is due to both a market failure and policy failure, since the government has neglected the provision of social housing to low income families, in an implausible expectation that market will provide affordable housing for this group.

The term *affordable housing* is broad and includes specific meanings in different contexts. Throughout the text, the term is used to refer to housing that is delivered directly by not-for-profit providers, funded by a combination public and private finance for social rent at below the market prices to families who cannot afford to pay private sector rents or buy their own homes. The Irish case provides useful and unique insights into the role of not-for-profit affordable housing developers – henceforth, housing associations – in shaping effective responses to housing affordability problems. The housing crisis has challenged governments to increase the social housing supply but the implementation of a larger plan to deliver social housing has not been effective, as evidenced by the growing homelessness and long social housing waiting lists. In this context, housing associations have adapted their policy responses to the housing problem while maintaining their advocacy agenda. Their experiences signal their potential to facilitate pathways to housing security for tenants. Housing associations have been able to put forward innovative forms of partnership between civil society and public organizations (Type H, Introduction) (NGOs, local authorities, and financial institutions). Those are concrete practices that may contribute to a better understanding of the functioning of specific types of partnerships that play a role in the production and management of affordable housing in urban centers.

This study examines the role of not-for-profit affordable housing developers in shaping effective responses to housing affordability problems in Ireland. Taking the experience of housing associations based in Dublin, I explore their participation in delivering affordable housing, as I attempt to respond the following question: can housing affordability goals be achieved through public-private partnerships? I assess the factors and conditions for success in delivering social housing, while I analyze whether affordability goals can be achieved through public-private collaborations. In this manner, the study investigates the social housing solutions and accomplishments of notable not-for-profit housing developers in Dublin. My main objective is to understand the current operating environment of those entities and identify directions for policy that could enable these or similar organizations to make larger scale contributions to the provision of affordable housing in Ireland. It is worth mentioning that this study is not intended to support a market solution for the housing crisis. Housing associations are one of the main government partners in the provision of social housing, but it has itself also suffered with cuts in government funding, thus they need to find funding and credit elsewhere. These associations are making it possible to provision dwellings that are low-cost than the ones built by the for-profit sector. They alleviate the distress of homeless families or on the verge of homelessness, sometimes providing emergency accommodation and other times by acquiring debts before vulture funds (hedge funds that buy distressed debts) can buy their debt. I argue that there is sufficient evidence to prove that housing affordability is possible, and despite their valuable role in direct housing provision, higher rates of local authorities housing input is still needed.

This study is organized as follows: In section 7.2, I introduce the issue of lack of affordable housing in Dublin/Ireland and the current rise in family homelessness. My analysis starts from the transformation the housing sector has gone through since the property bubble in 2008/2009, as I look at the impact of the Irish government's austerity policies and privatization of housing over recent years. In section 7.3, I move to the discussion of the voluntary housing sector in Ireland and their increasing role in the provision of affordable housing. In section 7.4, I introduce the housing associations promoting innovative social housing policies, which combine a new model of financing that include partnerships between local authorities, non-profit housing bodies (housing associations) and private banks. In this part of the study, I present the cases of 'Clúid Housing' (innovating the finance of social housing); 'Ó Cualann Cohousing Alliance' (innovation in low-cost housing), and 'iCare Housing' (innovation in the prevention of family evictions). I seek to explain novelty practices brought by these new types of partnership and which lessons can be taken from public-private partnerships to address the lack of affordable homes and the housing crisis. In the final part of the study, I reflect about current housing dynamics that provides new opportunities to housing associations to be innovative, as they embrace new financial alternatives and collaborate with new actors; also, on the limits of their contribution to the alleviation of the housing crisis.

2. Financial crisis, housing and homelessness

Dublin has been painted by many as 'the poster child of Europe' for its discipline and compliance in implementing a rigorous austerity program (Gaynor 2018; Roche et al. 2017). Despite the severity of the social cuts meted on its population, post-crash Ireland has seen a rapid growth in employment, increasing number of international students, expanding Foreign Direct Investments (FDI) and net migration, all indicators of economic prosperity. However, this economic recovery is not for everyone. The impact of austerity and welfare reform is heavier on the most vulnerable groups, and this impact was felt mainly by people relying on disability support, children, caregivers and those reliant on public services (Roche et al. 2016). The consequences of the 2008 economic crisis and the debt that followed have deepened inequality and increased poverty levels in Ireland. For example, child poverty almost doubled during the economic recession from 6.3% in 2008 to 11.2% in 2014 (TASC 2016). According to the same report, key factors contributing to economic inequality in Ireland comprise low paid jobs, precarious employment and unemployment.

What started as a bank crisis spiraled into a crisis of public debt, which then became a crisis of investment that gave birth to a relentless social crisis. In the critical evolution of the crisis, political institutions addressed the crisis with rough intervention oriented towards countercyclical policies. The most significant was the government intervention to guarantee the liabilities of Irish banks with an investment of 29% of the GDP (Della Porta et al. 2017). The austerity measures implemented in Ireland were one of the most severe in the European Union (EU). Among the changes in welfare state functions associated retrenchment of public spending, social housing was one of the most affected, as the high level of homelessness and poverty indicates the gravity of the social crisis (Considine and Dukelow 2009). Government spending for housing provision fell by 94% between 2008 and 2013 (Norris and Hayden 2018). Since then, the spending related to social housing has increased, but associated with a significant in reliance on housing allowance in the private sector to low-income households, with a sharp decline in the provision of mainstream social housing's traditional role as the main source of accommodation for this cohort (Byrne and Norris 2017). The changes in social housing provision have weakened the already tenuous social welfare protection. An increasing number of working families are becoming homeless, the majority of them coming from rent increases and evictions in the private housing sector.

The current housing crisis affects the whole nation in many aspects (street homelessness, housing shortage, soaring rents and housing insecurity), although it has particularly pernicious effects in Dublin, where rents prices have been increasing 11.3% on a yearly average. The average national monthly rent was €1,300 in the third quarter of 2018 (DAFT 2018) and an average of 34,000 new units are needed each year to supply the current demand (Initiative Ireland 2018). While the investments in homeless services have more than doubled since 2015 (Lima 2018), the number of homeless families has sharply increased over the past years. There were 9,759 people living in homeless accommodation in December 2018, 3,559 of those are dependent children, an increase of 36% on the number of people facing homelessness compared with the same period in December 2016 (DHPCLG, 2016; 2018). These numbers might be even higher, since government data does do not take into account the 'hidden homelessness': those sleeping at a friend's couch, unsuitable accommodation and families receiving social housing supports (i.e. Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS). In December 2018, there were 71,858 households in the waiting list for social housing in Ireland (Housing Agency 2018).

While not the first housing crisis in the Irish history (Kenna and Sullivan 2014; Byrne and Norris 2017), this time people are experiencing a particularly severe supply constraint due to the depth of the economic crisis which collapsed the construction industry (Dunne 2016). As a consequence of market-oriented neoliberal policies, the Irish government has moved from core delivery to regulating or coordinating the delivery of welfare. It has adopted a private-market solution to the crisis, where private rental market subsides have played an increasing role in the provision of social housing, as the market is seen as the ideal provider and allocator of housing.

The private housing market, in turn, has not been able to respond to the lack of affordable homes. According to Drudy and Punch (2005) the current Irish housing policies treat housing as a commodity, an approach that minimizes the direct provision of housing by the state. Many European countries have different approaches to housing, with a mix of state-led and market-led housing solutions. Ireland has substantially moved to a heavily market-led housing approach, designed to produce robust and larger market-based housing finance models. This financial model has been highly pro -cyclical, with cash available during boom times to build homes when construction costs are at its highest and little or no construction when during periods of recession when, but building is much cheaper (Byrne and Norris 2018). Even after property prices have lowered by 5% at the end of 2018, buyers still cannot afford homes. Affordability has become a serious issue for home buyers on lower incomes or who are in distressed mortgage debt. Many young people are forced to stay longer living with parents or to rent indefinitely (the "rent generation"). Unsurprisingly, home-ownership has dropped from 80% in 1991 to 67% in 2016 (CSO, various years).

The flagship housing policy program, *Rebuilding Ireland*, intends to achieve progress in housing affordability by trusting the private sector to provide 85% of the 134,000 new social housing (Housing Agency 2018). However, the costs of an average three-bedroom semi-detached house nearly doubles when provided by for-profit sector. Private housing developers set prices by adding to construction costs the profit they seek. As a result, their asking prices are clearly unaffordable for many families. For example, a report published by the Society of Chartered Surveyors Ireland (SCSI) pointed that the construction cost of a whole three-bedroom semi-detached house is €150,250, but when VAT, developer's profit, land costs and other fees are added, the cost of the house is €330,493. For this reason, many activists, progressive politicians, NGOs and housing associations have called for the state to build houses directly, through local authority grants.

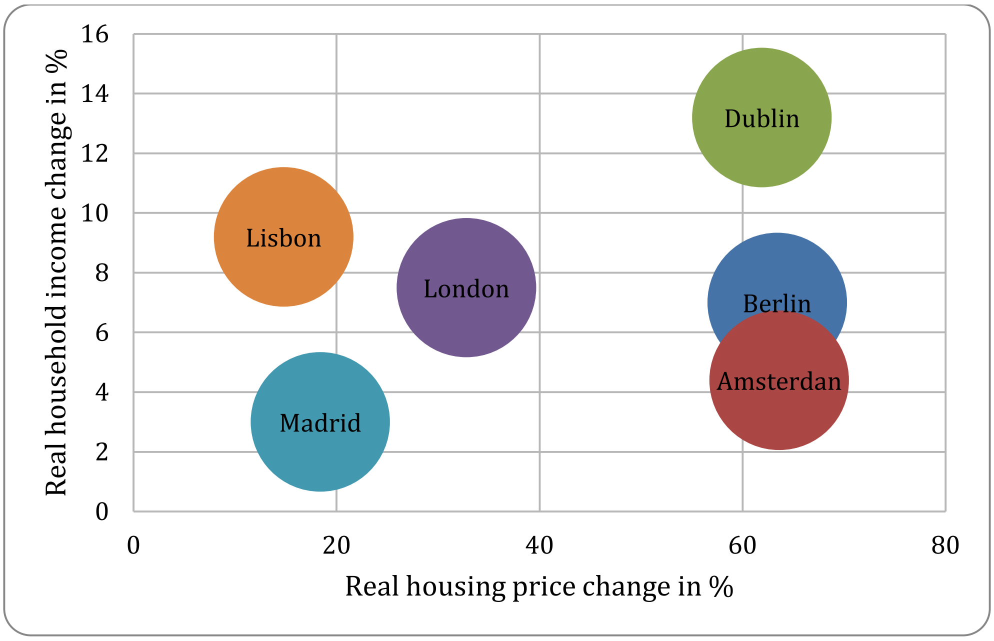

Figure 7.1 Real house price growth and household income in six European cities since 2014
Author's elaboration. Source: Knight Frank affordability monitor (2019).

A key element to housing affordability is income. If housing prices are rising faster than wages, affordability becomes a problem. In many EU countries, including Ireland, wages lag behind house price growth. A recent report that monitors housing affordability has placed Dublin as one of the least-affordable places to buy a home (see Figure 7.1). When we look at the ratio of real house price growth compared to real income growth, it is possible to observe that Dublin has experienced a 61.9% fast rate house price growth over the last five years, with a relatively higher rate of income growth over the same period if compared to other countries, 13.2%. This finding suggests a large gap between the increase rates of increase. Interestingly, Dublin has a higher real income growth than London and Berlin, but five years of double-digit house price growth has pushed the cost of owning a home unaffordable for most families.[1]

Housing activism has been strong in Ireland in the past four years. In this period, diverse housing movements emerged in response to the challenges of economic recession and neoliberal austerity policies since 2014 (Mallon 2017). From the successful Right2Water movements that stopped the introduction of water charges to a number of protests and direct action around the right to housing, the country has seen an intensified level of dispute around the housing issue. There are up to 40 different grassroots housing groups across Dublin at the time of this writing. Those activists' groups challenge the current political decision through institutional politics (motions in the parliament), social protest and direct action. In 3th October 2018, about 10,000 attended the 'Raise the Roof' rally demanding

[1] In the third quarter of 2018In Dublin, the average house price was €365,000, and the average national income of €38,496.

change in the government responses to the crisis and in support of a motion calling for housing crisis to be declared a national emergency, which was approved by the parliament. Some movements are oriented towards direct forms of resistance, in contestation of rising rents, housing insecurity and to stop evictions, such as the 'Take Back The City' group. One of the main demands of the housing activists relates to the use of vacant properties in arrears that were put into receivership or were repossessed by banks and investment funds. They demand vacant buildings to be turned into social housing and reintegrated into the space of the city.

The recent rise of anti-eviction activism has targeted the discrepancy between properties that are kept lying vacant while evictions and homelessness grows. The increasing real estate prices result in intensification of housing unaffordability and growing number of evictions, but financial actors are more concerned in resolving the problem of distressed assets (O'Callaghan et al. 2018). As shown in Figure 7.2, at end-September 2018, there were 728,075 private residential mortgage accounts for principal dwellings held in the Republic of Ireland, to a value of €98.2 billion (Central Bank 2018). Of this total stock, 63,246 accounts were in arrears, which represents a decline if compared to previous years. However, in the post-crisis context, international investors, such equity funds firms, buy billions of distressed assets and loans (Aalbers 2016). In Ireland, they have been increasingly interested in the mortgage arrears crisis, which saws NAMA and other banks selling loans and property assets to hedge funds (called 'vulture funds' in Ireland), mainly from the United States.[2] Many Irish banks were left with a large portfolio of mortgages in arrears and vulture funds buy this 'distressed debt' to sell it on a profit and potentially repossess the property to put it back in the market.

[2] NAMA is Ireland's National Asset Management Agency, set up in 2009 to acquire property loans from banks. 90% of NAMA sales of distressed loans were made to US-based hedge funds firms in 2013 (O'Callaghan et al., 2018).

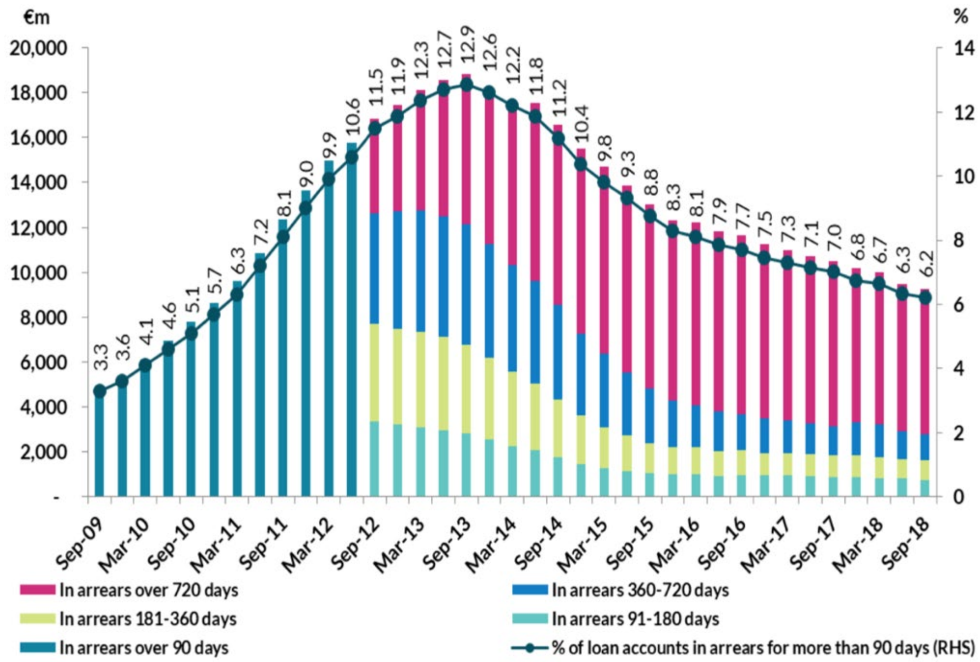

Figure 7.2 Private home mortgage accounts in arrears over 90 days.
Source: Central Statistics Office (CSO), various years.

Years of government retreat for the provision of social and the reduced support for affordable housing policy have created a hiatus in the response to the population housing needs. Next, I present the changes in the provision of social housing, including the new role of local authority and housing associating in providing affordable housing.

3. Housing associations: non-profit sector providers of social housing in Ireland

Local authorities have been the main provider of social housing in Ireland. Social housing is a rented accommodation supplied by a local authority or a housing association. Since the end nineteenth century, local authorities have provided 365,350 housing units, which counted for the 22.2% of the total Irish housing stock in 2016 (CSO, various years). In the past 30 years, a significant reduction in the role of local authorities as the primary provider of affordable housing has been observed, especially after the 2008 financial crash, when the number of local authorities' tenants declined by nearly 50%. This reduction is due to two main reasons: first, the reduction of funding available for social housing output, which declined by 93% between 2008 and 2013. Second, the tradition of local authorities selling social council housing to long term tenants without reposition (Norris and Hayden 2018). Housing associations are different from local authorities in that tenants cannot buy their homes, so they have retained their stock over the years.

In spite of being the main provider, local authorities rely on other suppliers of social housing, such as housing associations and housing welfare benefits. The delivery of social housing involves three main types of providers: local authority, housing associations, and private landlord that rents to tenants in receipt of housing subsidies, such as the Housing Assistance Payment (HAP).

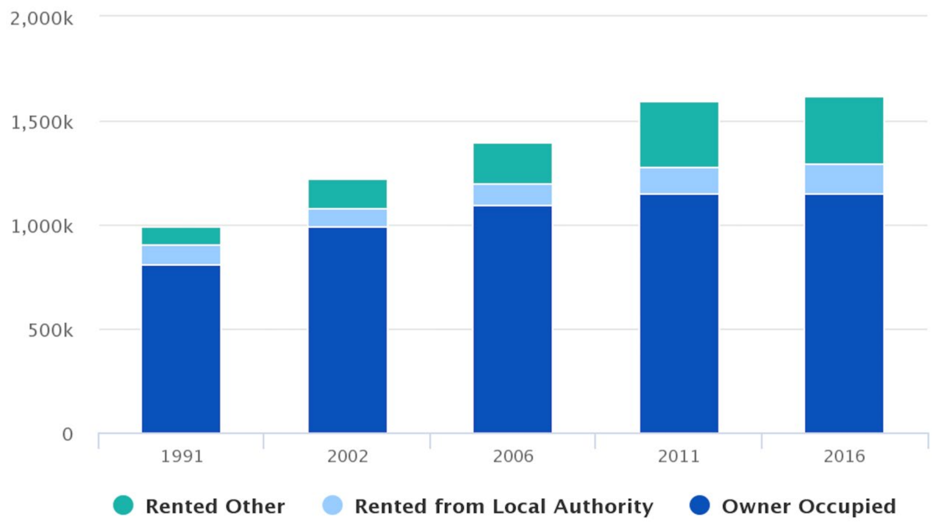

Figure 7.3 Households tenure status in Ireland (1991-2016).
Source: Central Statistics Office (CSO).

Housing associations are AHBs ('Approved Housing Bodies'), which are non-profit providers of social rented housing in Ireland. They are independent and registered not-for-profit charities. Until 1991, housing associations were a minor provider of social housing, delivering affordable, specialist housing for people with disabilities, the homeless and the elderly. But from 1991 on, housing associations started to participate in a range of rental schemes subsided by the Irish state, changing their status from small-scale housing provider to the point where they own and manage over 32,000 houses and apartments (CSO 2016). Around 140,000 social houses in Ireland are provided by local authorities and non-profit housing associations, allocated on the basis of need and let at a below marker rent value (Norris 2011). The decline stated-provided housing reflects the long-term re-arrangements of governmental policy towards the provision of social housing to low-income groups. The non-profit sector today is composed by over 540 AHBs registered with the Department of the Environment, Community and Local Government (DECLG). Housing Associations are in the process of being regulated by a statutory regulator, as set in the voluntary code of practice, 'Building for the Future - A Voluntary Regulation Code for Approved Housing Bodies', created in 2013.

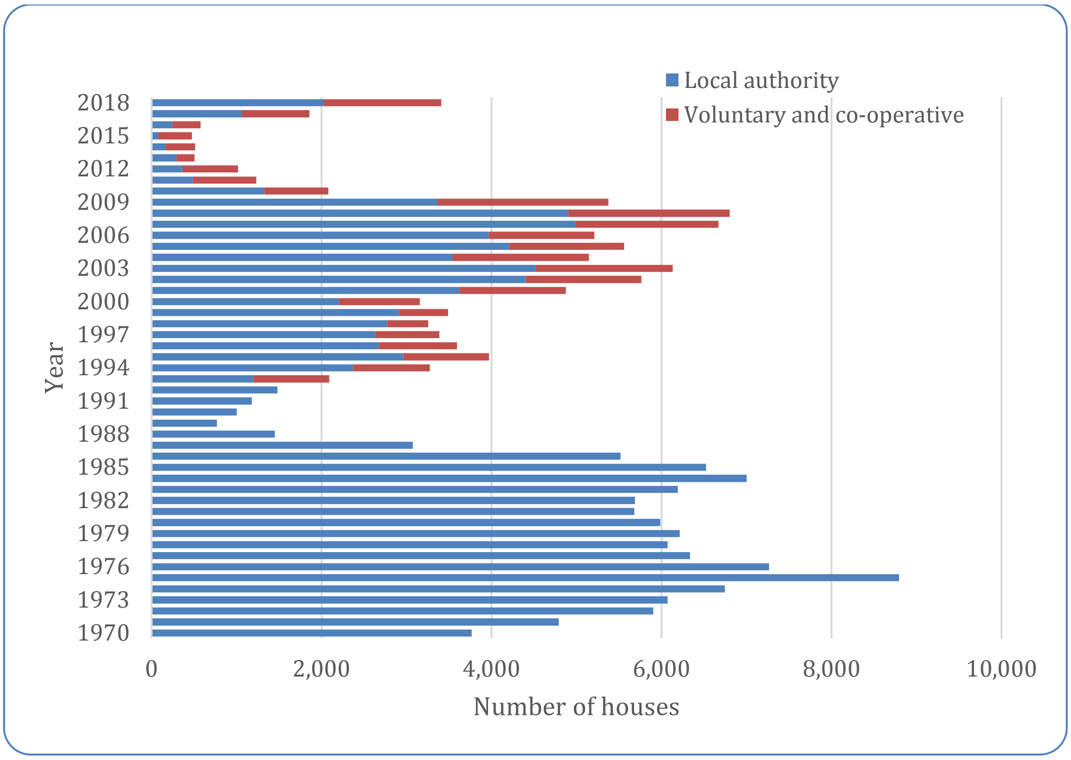

Figure 7.4 Housing completion by sector

Author's elaboration. Source: CSO Ireland (various years)

Housing associations have played an increasingly important in the provision of social homes, and Almost 10% of Irish households live in social housing. In the last census (2016), nearly 30% of all occupied dwelling were rented. The rate of home €35,000 owner ship dropped from 69.7 % to 67.6 %, while the growth in rented accommodation continues (See Figure 7.3). The delivery of social housing became more elaborated and varied over the years, as local authorities no longer is the sole provider of social housing. In 2017, for example, the 2,245 social housing output comprised of 1,058 houses constructed by local authority and 799 (nearly 35%) of new build social housing in 2017 was provided by housing associations (See Figure 7.4). The remaining 388 social homes delivered that year were delivered through a Public Private Partnerships (PPPs) mechanism, the 'Part V' of the Planning and Development Act, 2000. This mechanism enables local authorities to require that up to 10% of new houses private estates are set aside for social housing. As showed by Norris and Hayden (2018, p. 62), local authority and housing associations dwellings procured using 'Part V' of the Planning and Development Act, 2000, have dropped. They argue this is evidence the marked decline in total private sector house building since the recent economic crisis, and that despite the benefits of having council housing in mixed tenure developments, it also means that when market supply falls local authority housing output falls too.

7.3.1 Housing Associations finance models

The social housing system in Ireland has experienced different funding models' arrangements since the 1930s (Norris 2011). Initially, the financing of local authority housing was based on loans which were then paid back through rental payment from tenants and generous interest. Since the early 1990s, funding was provided from central government grants, which has made the social housing supply dependent on central government funding allocations (Murphy & Dukelow 2016). With the 2008 economic collapse, the state funding for social housing was drastically reduced, as was with the direct housing provision by local authorities (Figure 7.4). Concerns about the funding options after the financial crisis focus on the significant reduction of housing provisions. But as already pointed by Byrne and Norris (2018), the defunding of local authority housing is a long-term phenomenon, indicating that funding problems are not solely related to the recent fiscal and economic crisis but that successive policies have tried to find new options for the funding and delivery of social housing with less input of state resources. In practice, it means an attempt to withdraw the state as the main provider of social housing, passing that responsibility to housing associations, private landlords and private developers through housing assistance benefits. At the moment, the funding system has now returned to a borrowings/revenue model in which social housing providers can raise funds off balance sheet, in particular through the Social Housing Capital Expenditure Programme (Murphy and Dukelow 2016).

The changes in funding have not affected the model where social rents are connected to household income. From a management point of view, this system leaves a level of income gap between rental income from tenants and outgoing housing management and maintenance costs (Murphy and Dukelow 2016). For example, a house where a family would pay €1000 a month renting housing privately (€250 weekly), their average rent is about €50 weekly in the not-for-profit sector. Therefore, housing associations need to balance their books, and they attempt to fill the gap between what tenants can afford to pay and what they need to pay for the loans of the house bought or constructed. Instead of conceding grants the government provides housing associations with loans to cover for a percentage of the house they buy or construct. In many cases, housing associations fund their housing scheme using a government loan of 30% of the total purchase price to leverage a larger bank loan, normally from the Housing Finance Agency (HFA). As the state is playing a limited role in the provision of credit, the funding reduction pushes housing associations to find novelty financial solutions.

In the next section, I explore how three housing associations have devised alternative funding ideas and interesting solution for the provision of affordable housing and avoidance of evictions.

4. The making of possibilities for affordable housing

As discussed above, local authorities remain the major provider of social housing, but their delivery is followed by the housing association, which from 2011 to 2015 delivered more houses than local authorities (See Figure 7.4). The not-for-profit housing sector has gone through different funding models, especially after the austerity measures that reduced the capital spending on housing (Bergin et al. 2011). Basically, it changed the way of housing associations are funded. In turn, housing associations have attempted to develop an alternative model to respond to the scarcity of government funding. Largely, this study identified that these new models include partnerships with the private sector, alternative funding and sustainable development. This section starts with the case of Clúid, the largest housing association in Ireland.

5. Innovation in the finance of social housing – Clúid Housing Association

Clúid Housing provides over 6,000 affordable homes to nearly 16,000 tenants all over the country. They work in partnership with local authorities to provide housing to households registered on the social housing waiting list. In 2017, Clúid worked in partnership with 23 local authorities to deliver 595 new homes to 1,976 people across the country. As of December 2017, 15,900 people were living in 6,300 properties either owned or managed by Clúid. They have been a prominent housing association not only due the number of affordable housing they deliver and manage, but also by their ability to raise funds for new housing construction and regeneration projects.

For the construction 595 houses in 2017, Clúid financed this delivery in the following ways: 92.6% from private finance (bank loans), 2.5% management contracts, 4% 'Capital Assistance Scheme' (CAS), and 0.8% 'Capital Loan and Subsidy Scheme' (CLSS).[3] In order to continue delivering new social housing, Clúid has to actively obtain new sources of funding that can ensure the supply of units. Most of their lending is provided by the Housing Finance Agency (HFA), a self-financed government agency that offers loan finance to local authorities and housing associations. In fact, the Irish government has encouraged housing associations broaden their funding sources, highlighting the tangible benefits of having access to more than one lender (Clúid 2017). It is discernible here the government approach to incentivize housing associations to embrace new financial alternatives with the private sector, reinforcing the withdraw of the state in the direct provision of housing. Remarkably, Clúid has a strong balance sheet, maintained through a sustained project-based funding programme, largely due to government grants but with support from private sector loans.

Housing associations, such as Clúid, have a strong need to balance their books. Thus, housing associations have to raise funds from a combination of sources: loans from HFA, loans from banks and capital grants. In other words, the state has a limited role as a provider of credit, offering loans at friendlier rates but those still need to be repaid. Housing associations have a mortgage, such similar to

[3] The Capital Loan and Subsidy Scheme (CLSS) and Capital Assistance Scheme (CAS) provide capital funding to housing association to meet the cost of constructing units of accommodation.

a private household. They make repayments on that loan and receive regular funds in the form of grants to repay those loans.

Funding is crucial for housing associations, and the cuts in the overall grants has forced Clúid to deal with third-party actors, such as private banks. With the shrinking of housing funding schemes, housing associations reach to banks to obtain funding, and housing associations shape themselves into their new financial context. In an interview with a representative of Clúid, I was told about their need to develop a relationship with new organizations in order to obtain the funding they need: ‘What has been done by us is that we have had to work very hard at establishing a relationship with organizations that we were not so familiar with before, such as banks, and convincing them that we know what we are doing and that we are a good organization to lend money to. The banks are very cautious, because they are afraid to be defaulted on the loan’ (Clúid staff~~ 53~~).[4] It has increased their amount of work, since banks have to be convinced to lend money and have several eligibility criteria. With this diversity of funding options Clúid’s has developed the necessary capacity to construct and manage a larger portfolio of housing units.

Has this combination of financial sources – as exemplified in Clúid’s case – been sufficient to achieve housing affordability goals? The scarcity of credit has made it more difficult to finance a new supply of affordable housing. While the housing association sector has become bigger in Ireland – due to the government withdrawal of direct provision of affordable housing – the scale of new housing units delivered by housing associations still limited. It is important to point out that the majority of small housing associations do not have access to loans because the finance model is focused on government funding and private banks do not grant them credit (Norris and Hayden 2018).[5] 95% of housing associations own less than fifty housing units. In some cases, small housing associations have little possibility of starting new housing projects. Despite having a good tracking record provision and management of housing units in Ireland, housing associations still have limits to deliver the units required.

6. Innovation in low cost housing - Ó Cualann Cohousing Alliance

In June 2017, Ó Cualann Cohousing Alliance (Ó Cualann) made the headlines for featuring homes at 30% below market value, with units starting from €140,000 for a 1-bed apartment. The families moving

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4 As part of my research on housing mobilization in the post-crisis context, financed by the Irish Research Council, I interviewed several activists and representatives of housing association about the impact of austerity measures on housing policies.

5 Small housing associations are more dependent on state funding, and they encompass the majority of the AHB in Ireland. Most of its staff are volunteers and those small entities provide houses in small and scattered projects, attending to specific social groups (such elderly people and people with disabilities).

into of the 49 homes in the Poppintree development Ballymun in Dublin paid considerably less than the usual price of new houses in this area. Ó Cualann is a voluntary housing co-operative, with Approved Housing Body status, meaning that despite being a housing co-op, they enjoy the same status as any housing associations. Ó Cualann runs its own affordable purchase scheme. It reduced the cost of housing by lowering the minimal income for mortgage loan, eliminating profit margins and acquiring land at a lower value from local authorities.

The maximum household net income to qualify for social housing is €35,000 for a single person in Dublin, and where the median salary is €38,000 (Revenue Commission 2017). It means that this segment of workers does not qualify for social housing and might have trouble in accessing a mortgage with a private bank. Ó Cualann facilitates mortgage to buyers, which is around €900 per month for a three-bed house, instead of the average rental price of €1,452 in the area (DAFT 2018). In the Ó Cualann scheme, the maximum combined income for housing was €79,000 and a 4% deposit was required, as well as bank mortgage approval for the remaining total.

Their houses are cheaper than the market average for two reasons: first, Ó Cualann eliminated all developer's margin, reserving a maximum of 5% surplus to be used in new projects. In the private sector, developers seek a profit margin of about 15% to 30% (DHPLG, 2018). Second, because Ó Cualann is a not-for-profit AHB, Dublin City Council waived construction levies, greatly reducing the price of the land. Ó Cualann also provides a mix of social and affordable homes, to avoid segregating the community around income levels.

The cost of land, development levies and developer's margins have a substantial weight determine housing prices. The case of Ó Cualann demonstrates that non-profit bodies can provide low-cost accommodation, and development costs can be reduced when the state stop considering at land as a commodity to be profited from. There are two potential downsides in this scheme: a 'clawback' clause, prohibiting house owners to sell the house for ten years, and an over-reliance on land being available at minimum cost and infrastructure, such as roads and drainage, funded by the state or local authority.

7. Innovation in the prevention evictions - iCare Housing

iCare Housing is a registered AHB (Approved Housing Body) established to provide outcomes to indebted households. In addition to the growing social housing lists and the homeless crisis, there are also those families who are in mortgage difficulties and cannot repay their mortgage, thus at risk of becoming homeless. iCare helps families by purchasing their homes from banks where the mortgage holder is not able pay the mortgage and is eligible for social housing. In another words, iCare prevents families from being evicted. Until the end of 2018, 571 deals have been made with private banks to buy homes and keep the former owners living in them. The family pays rent as social housing tenants.

iCare joined the existing Mortgage-to-Rent scheme and created partnerships with support from the HFA (Housing Finance Agency). They obtained funds from private banks under normal commercials agreements and obtained loans from HFA that covered 30% of the purchase to acquire the houses. Mortgages in arrears are sold to iCare at a significant discount. In turn, iCare rents the house back to the previous homeowner and their debt is written off. After signing a 30-year lease with iCare, the tenants in this scheme can buy the house back at the same price paid by the entity. The deals are negotiated in case-by-case basis among iCare, the bank, and the Irish Mortgage Holders Organization (IMHO). In addition to preventing families to be evicted, iCare is also frustrating the plan of vulture funds planning to acquire distressed debt in Ireland.

This scheme has been an effective alternative solution to keep families in their homes, and it also alleviates pressures on social housing. However, not all banks or vulture funds are willing in engage in negotiations. In August 2018, for example, Ulster Bank ignored iCare's proposal to restructure or purchase 5,200 mortgages in arrears, which were them sold to an American private equity fund, Cerberus.[6] AIB, ESB and other private banks have engaged with iCare and IMHO to restructure debts and negotiate the mortgage-to-rent scheme, but there is little evidence lenders are willing to cooperate in any significant way to avoid evictions. Banks often fail to communicate adequately and timely with indebted customers and there are numerous reports that vulture do not engage properly with costumers in arrears (Cox 2018). As the number of properties that have fallen into arrears still high, iCare joined the anti-eviction movements discourse that want regulation to prevent landlords from evicting tenants before their own loans are sold to vulture funds.

The key implication of the three cases above is that housing associations are indeed key players in providing housing to low income groups. They have raised to prominence not just for delivering as many houses (sometime more houses) as the government; these associations have showed capacity to be inventive in the provision of affordable housing. They operate under clear principles, and their not-for-profit approach has demonstrated to be cost-effective when incentives are in place. Thus, while the case studies presented examples of innovation and commitment towards alternative approaches to the housing crisis, in all cases further efforts were thwarted by a policy model that restrict funding and move to the private sector the responsibility of providing affordable housing. A key driver of homelessness in Ireland is that low income earners and housing subsidy recipients have great difficulty in securing private rented accommodation, a problem that can only be resolved with the provision of more social rented housing (Norris and Hayden 2018). Local authorities acknowledge that housing

[6] See article at: https://www.thejournal.ie/ulster-bank-vulture-find-4210181-Aug2018/. Accessed 6 August 2019.

associations are playing an important role in delivering additional social housing, but they also acknowledge that the sector does not have yet the capacity, funds, and scope to deliver housing in the required development scale. The private sector has demonstrated no significant interest in supply houses at lower costs and rent pressures only grow stronger. The local authorities are better placed to provide the required housing output, but the government policy of over-reliance on the private sector has disincentivizing efficient state direct housing delivery.

8. Conclusion - Innovations in affordable housing

The delivery of affordable housing by not-for-profit developers provides an important contribution to the stock of social housing in Ireland. The role of local authorities in the direct provision of social housing started to change in the 1980s, and the path towards the withdraw of the state from the direct provision of social housing was consolidated after economic meltdown in 2008. This crisis has ramifications that initiated a major adjustment of how to provide social housing. Since then, the state has trusted private developers to provide much need housing units, while expanding housing assistance benefits to enable low-income households to rent private housing. Simultaneously, housing associations have assumed an important position in the provision of affordable housing.

This study has identified some of the new financial alternatives and new strategies for affordable housing. The cases presented demonstrate that cheaper housing is possible and that some component costs can be reduced. The analysis of innovations suggests that there would be value for the government to restructure the incentives and strategies needed to foster a better output of affordable housing. Many other changes are necessary, such as the suspension of the tenant purchase scheme and the introduction of efficiency incentives, but the prospect of improving the financing of affordable housing and having a more enabling role in land and incentives still lays with the government. Considering the discussion in the sections above, there is little evidence that not-for-profit housing providers are capable of adding to affordable housing supply at the required scale in the long term, mainly due to the inadequate commitment of public finance for new social housing at the level required.

In the current context, social housing is more a tool for global investment rather than the provision of home and shelter (Aalbers 2116). Within this process of commodification of housing, the government is complicit to varying degrees. A significant finding of the study is the key role incentives for construction – such as the elimination of levies and profit margins – play in the construction of lower-cost affordable homes. Affordable housing policy in Ireland, while obstructed by the lack of sufficient funding, is remarkably adaptable and subject to innovations. For a more diverse, just, and livable city, a long-term policy framework that allows progressive expansion and inclusion of deprived households is essential to undertake market and state failures.

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