

Lack of innovation and courage to take risks laid the foundation for crisis that affects so many

Mary Lee Rhodes
Analysis



We can all agree that high prices and pent-up demand are the main proximate reasons for the current housing supply crisis. But behind these lies a fundamental unwillingness on the part of key players in the housing system to take risks and innovate when they have the opportunity.

Instead of making changes that have a good chance of working, the propensity is to delay, to look for 100pc guaranteed solutions and/or ways to revert to 'business as usual' - the grossly inadequate supply of new housing since 2008 and the affordability gap we have today is the result.

But we could have acted earlier and tried any number of ideas after the country had exited the bailout programme and the economy had begun to recover.

In early 2014, public, private and non-profit housing experts began to propose ideas to get housing back on track and provide affordable accommodation. What happened to those ideas? The story of one of these, the social enterprise model called 'Newground', is instructive and indicative

of the difficulties faced in changing the housing system.

Social enterprise is big in Europe, and in Ireland we officially defined it back in 2013 as business models set up to tackle social, economic or environmental issues.

The Newground model was based on an approach used in Germany for decades to bring low-cost rental properties into the housing system. We modified this to fit the Irish policy context. It is a mini public-private partnership in which the private partner is a social enterprise.

Costs are reduced by cutting out developer margin, limiting profit on the design and build costs, borrowing at low rates either from social investors or banks willing to provide low-risk development lending, and deferring the land cost by acquiring local authority land in return for equity in the project.

The debt is repaid by renting to social tenants or HAP tenants initially, to fulfil social housing obligations and provide certainty to lenders, or renting to anyone at below market rates over time as the debt is paid off.

Unlike in Germany, the homes do not automatically become privatised at some future date, because the objectives of the social enterprise itself and the minority stake held by the local authority provide a more robust commitment to the social good that is affordable housing.

The first project proposal was initiated in 2014 with Fingal County Council, and got caught up in Alan Kelly's

'Clearing House' process the following year, during which local authorities were prohibited from talking to private individuals with ideas for building new social and affordable homes until these could be vetted by a cross-departmental committee.

By the time the idea was deemed to 'have merit' in September of 2015, the land identified by Fingal was committed elsewhere.

Without clear direction from the department, local authorities - bar Fingal - would do no more than have a friendly chat with innovators.

We had many friendly chats, giving presentations and explaining our model to everyone who would listen in housing policy and public administration circles.

At the time I was on the board of the Housing Finance Agency, and was encouraged by colleagues to continue our efforts to get a pilot project up and running. We were also working closely with Clúid Housing to ensure the model could incorporate a non-profit partner. We received pro bono advice from private market experts in design, construction, development, finance, tax and legal which, if paid for, would have cost upwards of €100,000.

But in 2016 all eyes were on the election. A new minister was appointed and everyone waited. He produced a plan which updated the plan from the previous minister and had more than a hundred action steps and targets grouped under five pillars. But as for the Newground model, or any of the ideas

presented to the Clearing House, there was no action.

At the Social Housing Summit in February, former housing minister Simon Coveney spoke about the actions planned and the targets set. I flew back from the US to present on how to fix the housing system, with the Newground model one of 16 initiatives I proposed.

I probably should have added some targets to be taken seriously. At least the Newground team finally got a meeting with the Department of Housing, only to be told the department was of the opinion the model might be on balance sheet, so they couldn't back it until they had more information from the CSO. We have yet to hear the outcome of the CSO review - if indeed there ever was one.

We have been told the Newground model does not meet the criteria as set out by Eurostat for it being added to the Government's balance sheet. Risk aversion, a propensity for delaying decisions, political considerations taking priority over public services and difficulty delivering are not new in Ireland.

The 'implementation deficit' in Irish public administration has been widely discussed for decades. We have wasted, and will likely continue to waste, opportunities that arise during and after crises. But we must endeavour to learn something each time we do.

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