Delivering New Affordable Rental for Dublin

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Housing for All

Comparing Austrian and Irish Approaches to Funding Social Housing

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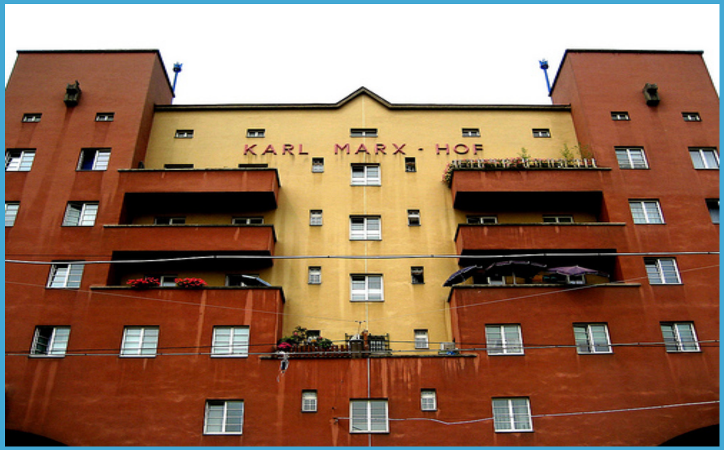
Context:

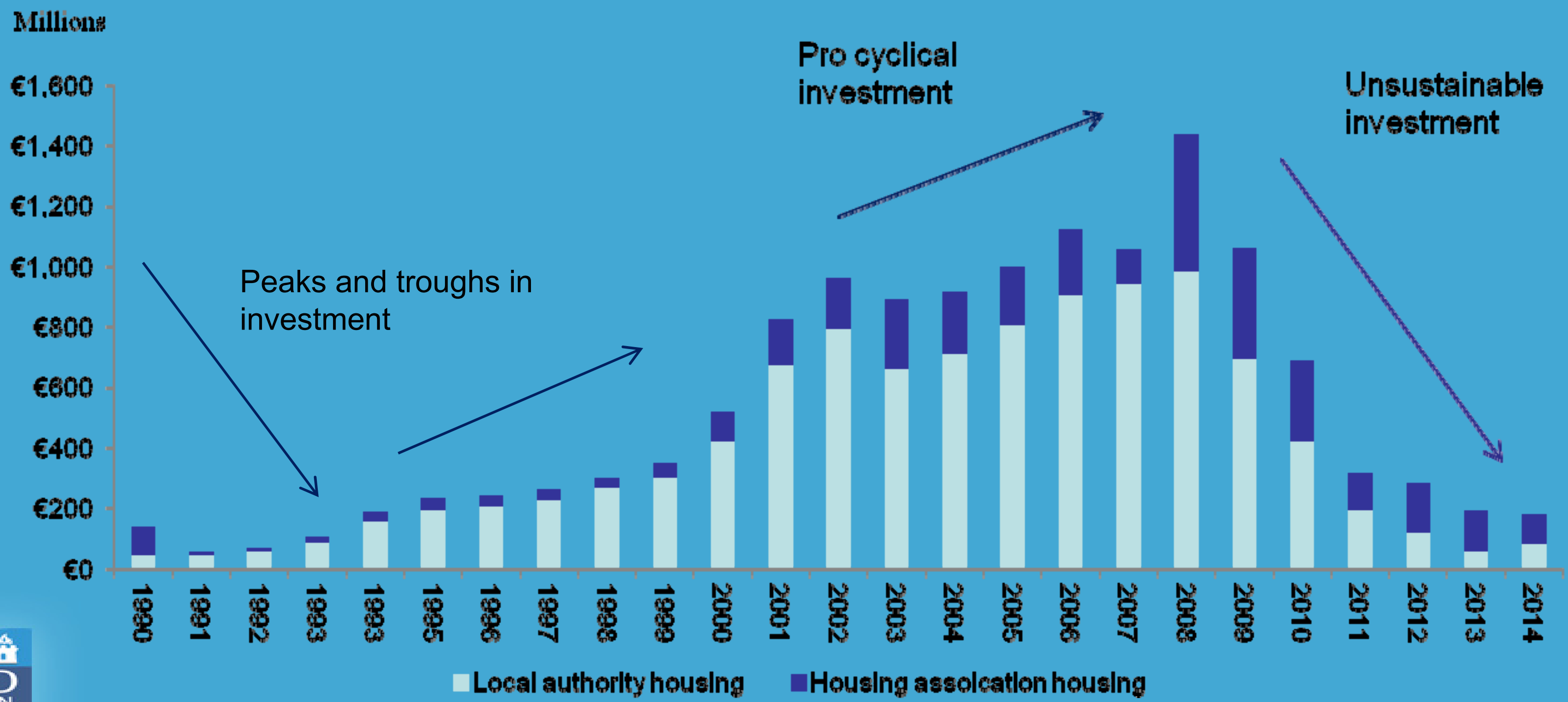
	Ireland	Austria
Inhabitants	3.4 m	8.1 m
GDP in 2009 compared to 2007	-9.4%	-2.3%
Dwellings	2 m	3.8 m
Households in social housing	8.9%	22%
- Of which are housed by government	82%	43%
Access to social housing	targeted	open
Households in owner occupied housing	69.8%	55%
Households in Private Rented Housing	11.8%	18%
Mortgage debt per capita	€23,409	€14,391

Argument

- Austrian economy is less volatile than Ireland.
- House prices in Austria are also less volatile and more affordable.
- This is partially explained by boom/bust pattern of housing output in Ireland compared to more steady supply in Austria.
- Social housing is a key reason for these differences:
  - output trends
  - funding mechanisms.



Ireland: pro-cyclical social housing investment.



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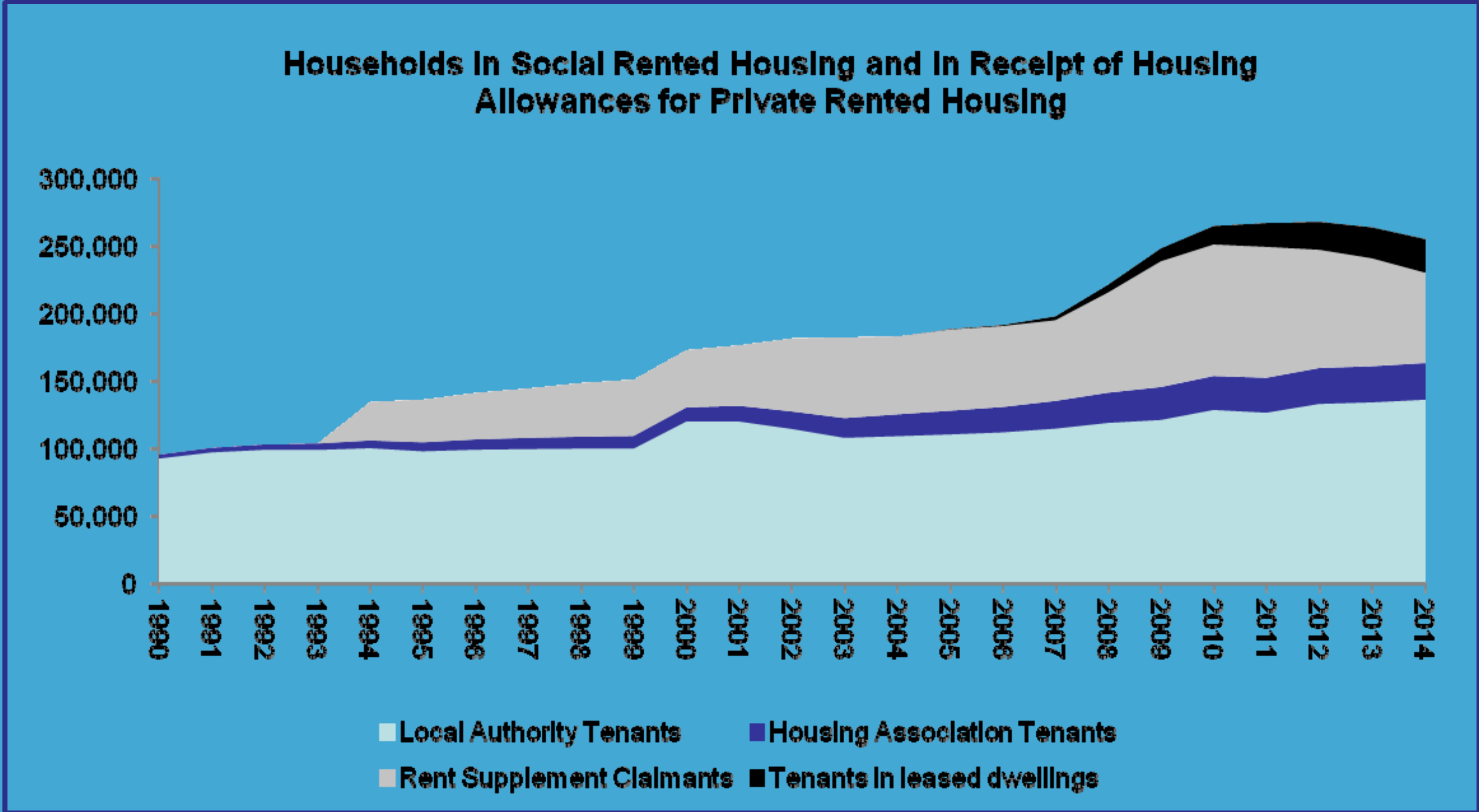
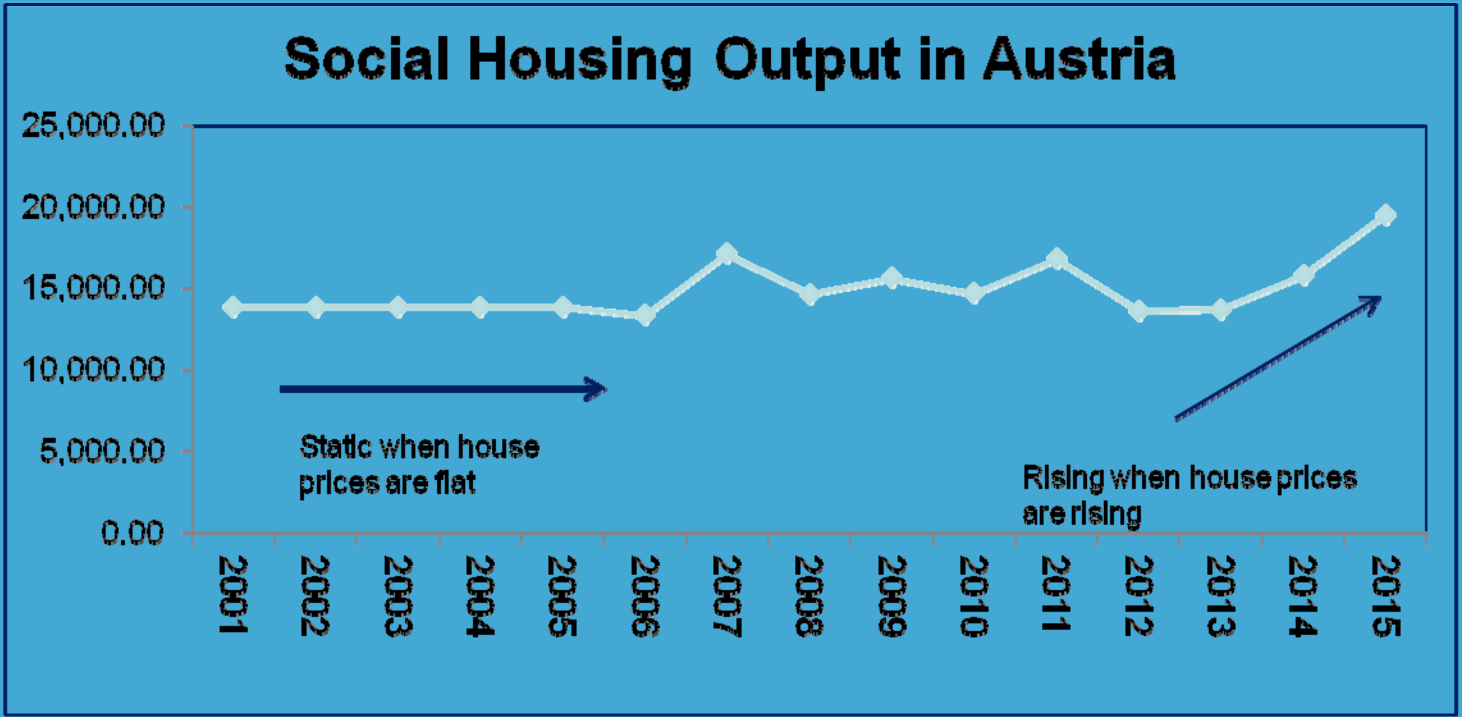


Austria: Counter-cyclical social housing investment



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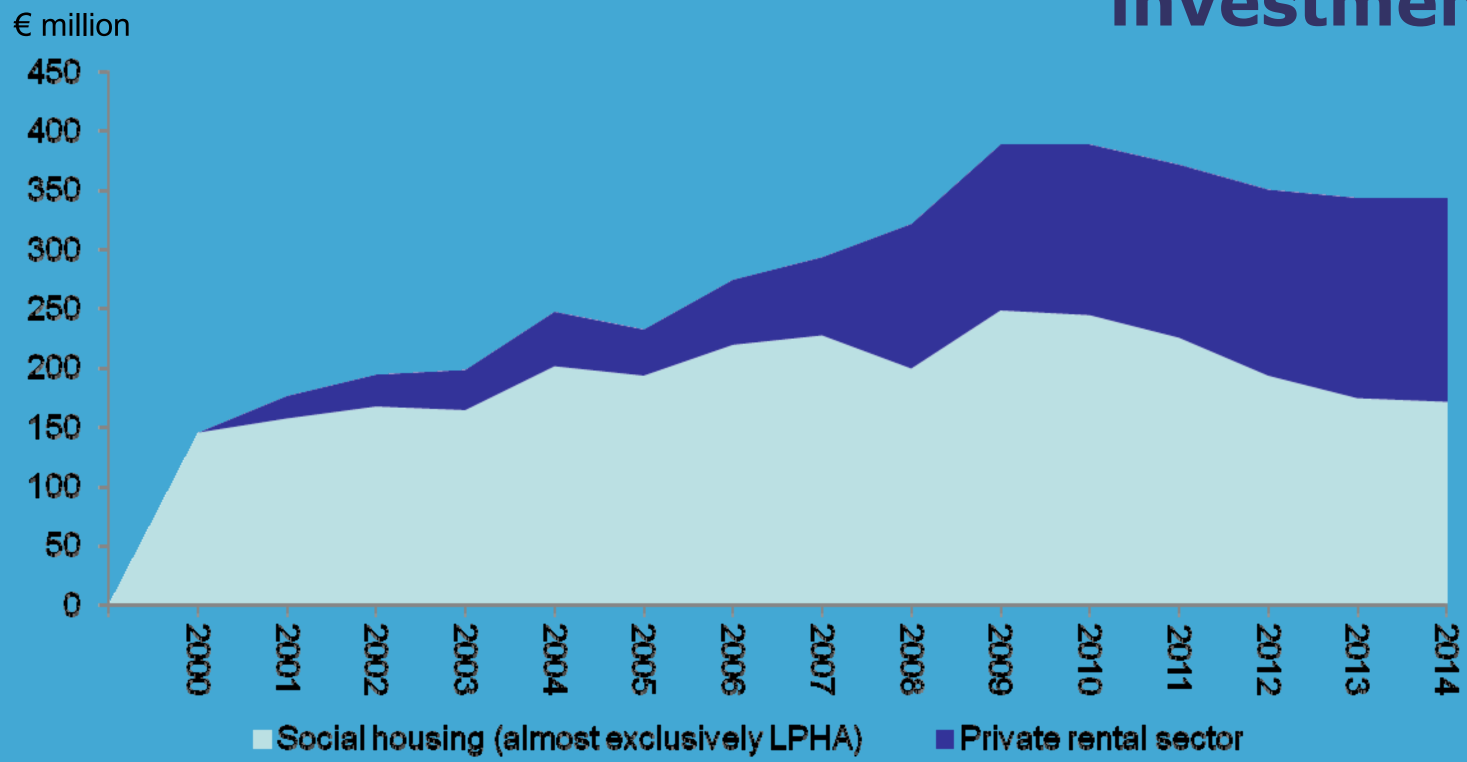

Analysis: sources of funding

Social housing finance in Ireland was almost 100% exchequer grant financed prior to the economic crisis:

•'When I have it I spend it, when I don't have it I don't spend it'

•Social housing funding grew when exchequer revenues grew during the housing boom

•Nationalised social housing finance system made social housing funding was very vulnerable to cuts in public spending.

•Lumpy system of funding – vast majority of the costs must be paid up front.

•Capital funding for new social house building fell by 80% between 2008 and 2009

•Rents reflect tenants' incomes not the cost of providing the housing service.

•Unregulated housing association sector which is dominated by small-providers

Analysis: sources of funding

Category	Form	Proportion	Source
Capital	Capital market mortgage loan or bond	40-60% of capital costs	Austrian banks
Capital	Public loan	30-40% of capital costs	Lander
Capital	Equity	10-20% of capital costs	LPHAs own reserves
Capital	Equity	0-10% of capital costs	Tenants
Revenue	Rents	These are 'cost rents' which cover the costs of debt service and housing management and maintenance	Tenants

Social housing finance in Austria relies on loans which spread out the cost of provision over the long term and is more diverse and therefore less exposed to problems in one funding stream.

Sources of funding include:

Bausparksen – system of contract savings finances low cost mortgages and social housing.

Housing construction banks – subsidiaries of commercial banks.

Access to commercial loans underpinned by:

- Public subordinated loans
- Regulation – double lock

Also cost rents repay these loans. They make borrowing is viable and mean social housing provision is almost free to government over the long term.

Analysis: focus of funding

Heavy emphasis on demand side subsidies in Ireland accentuated the housing boom:

•Housing allowance for unemployed private renters supported the private rented sector which expended to 2/3rds the size of the mainstream social housing sector

•Social housing accounted for only 5% of total housing output during the housing boom.

In Austria by contrast:

•80% of total spending on housing subsidies is devoted to supporting new house building or the refurbishment and regeneration of existing dwellings (i.e. supply side measures)

•Only 6% Austrian households receive housing allowances.

Analysis: Capturing the full value of funding

Long history of privatisation of social housing in Ireland:

- Dwellings sold at 40-60% discount from market value
- Socialises the costs + Privatises the gains
- Dwellings funded at 1950s prices have to be replaced at 2019 prices

In Austria by contrast:

- Sales of dwellings are very limited and Dwellings sold at replacement cost
- All finance from sales (and from repayment of social housing loans) must be reinvested in new housing provision
- Rents from dwellings built in the 1950s (and on which housing development loans have been repaid) cross subsidise the building of new housing.

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