

THE VIENNA MODEL

HOUSING FOR THE
21ST CENTURY CITY

Delivering New Affordable Rental for Dublin

16/04/2019

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Land Development
Agency



Seminar: Delivering New Affordable Rental for Dublin

The Vienna Model Exhibition Series

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Background

- Land Development Agency – formed in September 2018
- Legislation – General Scheme of Bill to be published shortly
- Board of Directors now in place
- LDA fully operational – new hires with property development, financial, legal and procurement expertise
- Initial portfolio of 8 sites – from various State-owned bodies. In discussions regarding further sites
- Focus has expanded from helping to open up land (State and other) to providing affordable housing delivery solutions

Strategic Objectives

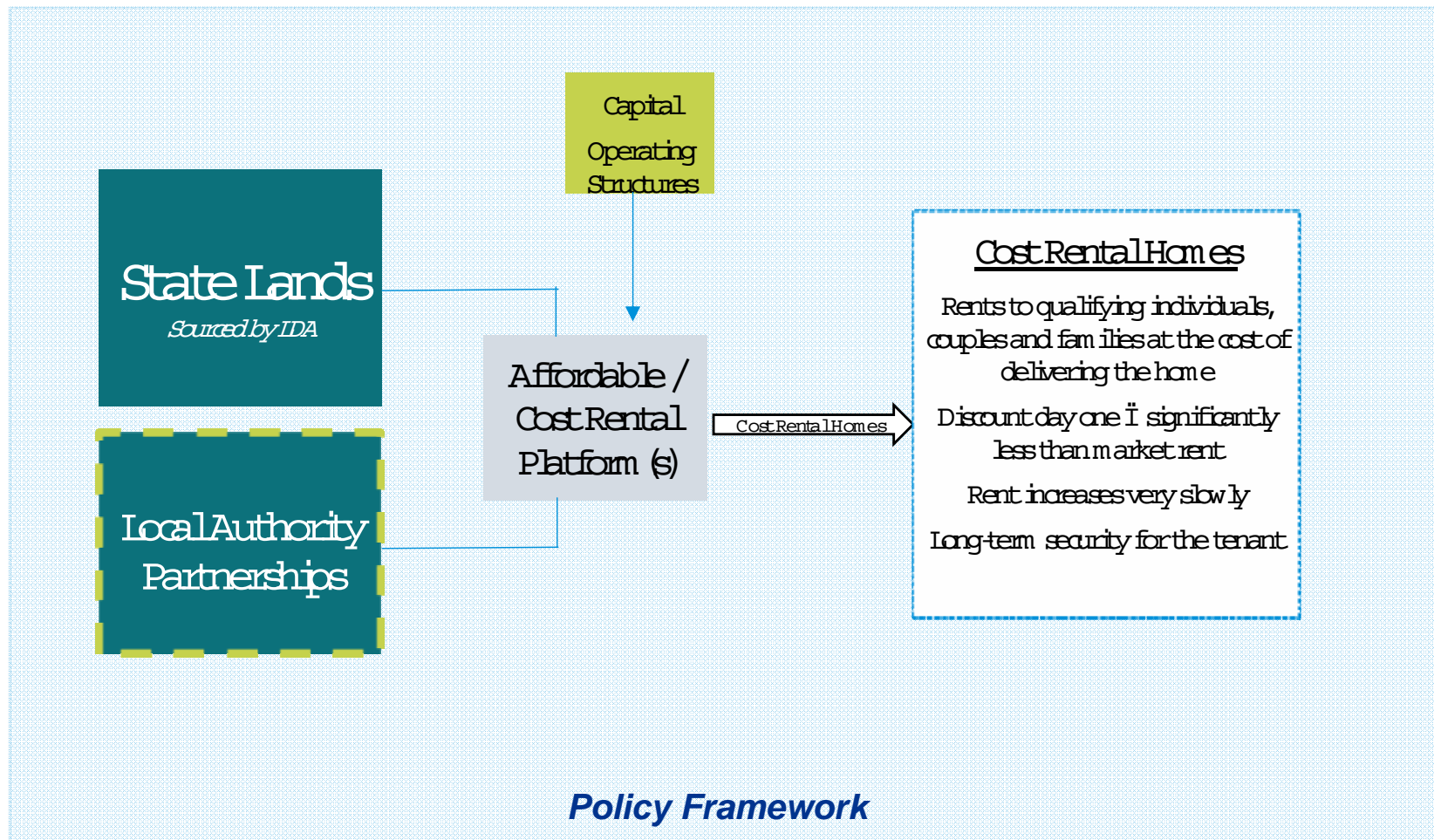
THREE STRATEGIC OBJECTIVES		
1. Land Market	2. Changing Ireland's Housing Choices	3. Innovation and Sustainable Development
<ul style="list-style-type: none">• Countering the boom / bust Irish development land market• Changing the competitive focus from land acquisition to housing delivery• Helping stabilise the cost of land as a raw material for housing production• Ensuring land is ready for development (e.g. infrastructure)• Leveraging the State land bank to bring private land into play	<ul style="list-style-type: none">• Targeting the increasing number of people who don't qualify for social housing but struggle to afford private housing• Supporting long-term, stable housing choices at prices that people can afford• Working in partnership to bring large-scale affordable housing to Ireland• Leveraging best practice abroad	<ul style="list-style-type: none">• Supporting fact-based ideas and innovation through research• Supporting climate change action through planning policies, such as Transport Oriented Development, reducing car journeys and sustainable building techniques• Championing new and efficient construction methods• Collaboration with other State bodies, e.g. Local Authorities

LDA and Affordable Housing

- Government requirement that at least 30% of land released by centrally controlled bodies to be utilised for affordable housing (in addition to 10% social Part V)
- In reality, through partnership with the landowner affordable component likely to be much higher
- Challenges for LDA / affordable sector:
 - What is affordable housing, esp. rental?
 - Who finances and operates homes?
 - *Affordable Rental Platform(s)* needed – can Ireland create a market for professional, large-scale providers of affordable rental homes?
- **Desirable:** Off-Govt balance sheet, access to land, access to capital, operational platform – **Scalability**

Cost Rental – How could it look?

Large-scale affordable sector

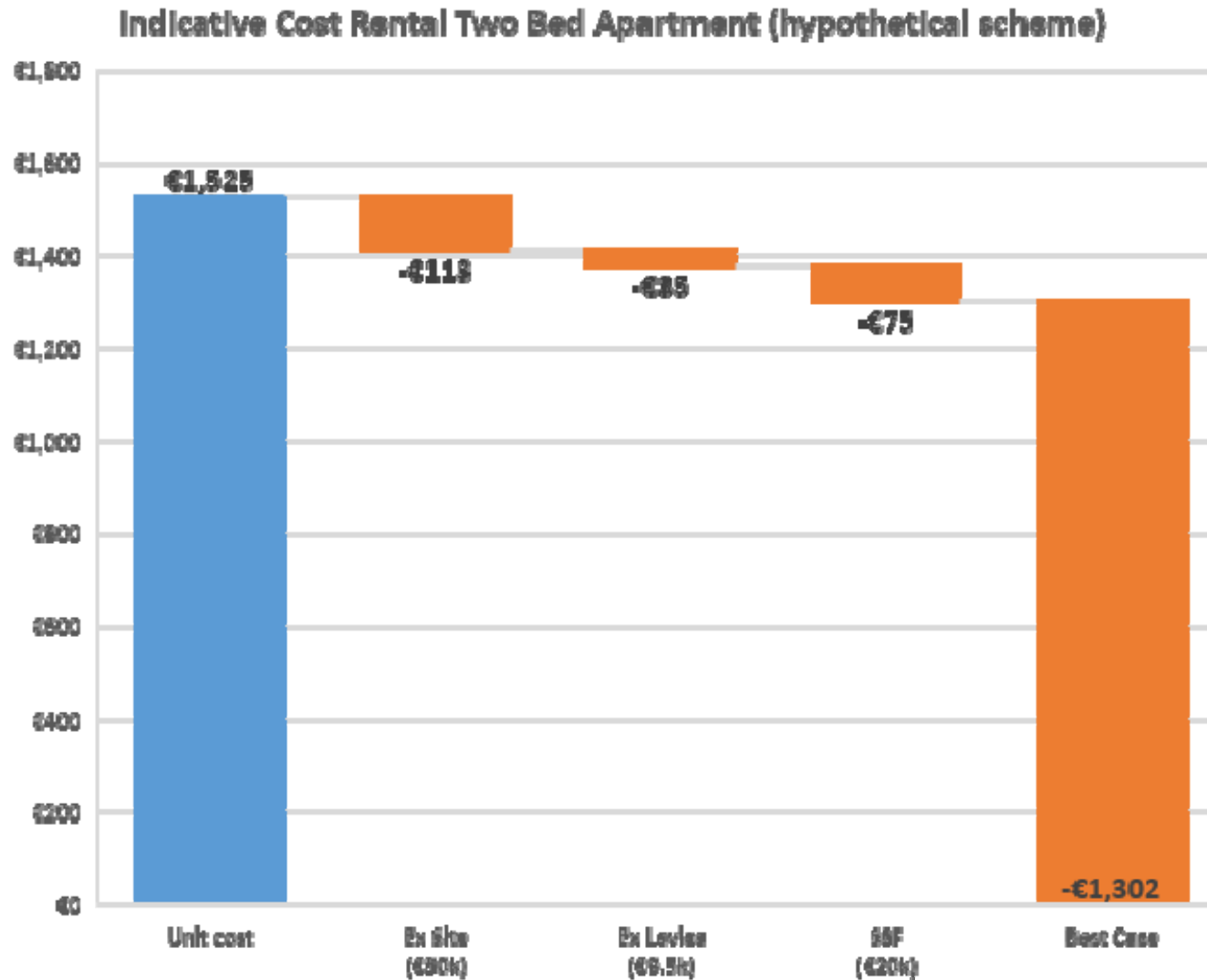


Potential: large-scale market comprising cost (affordable) rental homes by matching State and local authority lands with appropriate financing and operating structure

What does Affordable Rental look like?

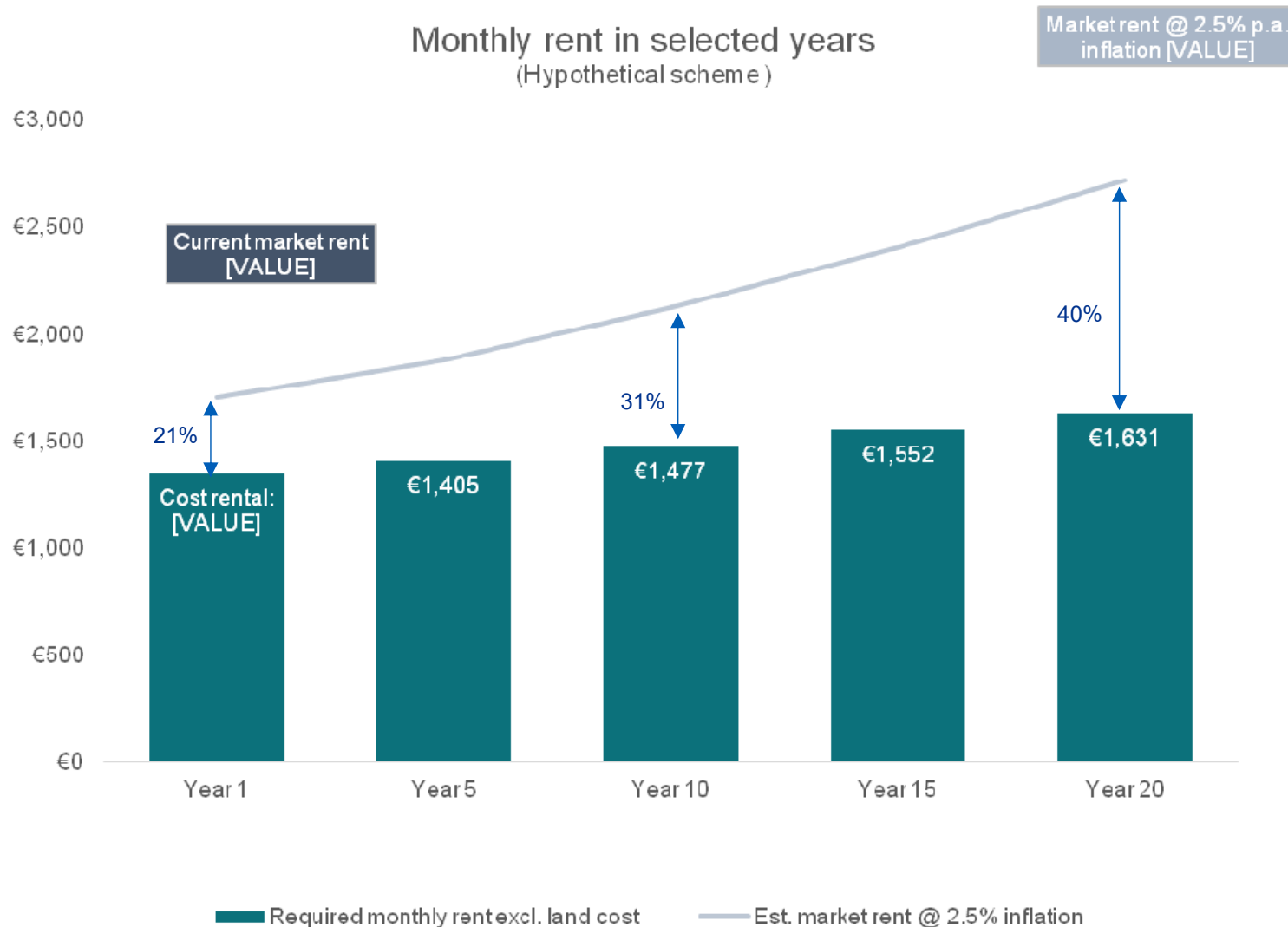
- Cost Rental - the provision of rental housing on the basis of the cost of providing it
- Finance servicing + operation cost = rent
- How is it that cost rental is lower than market?
 - Reduced land cost
 - Low cost / long-term debt – highly sensitive to this
 - Working with LA's to secure SSF etc
- Long-term security of occupancy for the tenants
- Important to retain affordability over the long-term – policy framework
- Typical starting rents at about 20-25% less than current market

Subvention helps.....



Based on debt at 60% of cost, paid down over 30 years

Let's focus on the long-term



- Market rents will increase over time
- Cost rents are subject to only operational cost inflation. As a result cost rents remain virtually static over the long term
- Gap between market and cost rents widen significantly over time
- However does not model moderating effect of large-scale cost rental sector on private market rents

Challenges remain, but the benefits mean we must overcome

- Platform
- Funding
- Land
- Allocation / administration
 - Locational premium?
 - Target cohort?
 - Earnings changes / assessment
 - Affordability based?
- Technical (e.g. Govt balance sheet)
- Private investment?
- Sustainability



- Economic competitiveness
- Scalability
- More stabilised housing market
- “Sticky” capital
- Equality / fairness / security
- Regeneration catalyst

Thank You