



# SOLIDARITY **HOUSING**

GETTING THE  
VULTURES OUT OF  
IRISH HOUSING



**THE WORKERS' PARTY**



The Workers' Party stands for the socialist alternative. We envisage an Ireland free from the injustices of unemployment, poverty, racism and sexism – an Ireland free from the principal cause of inequality: capitalism.

We seek to create an egalitarian society where what matters is the interests of the majority, not greed or individualism. Instead of discrimination, racism and sectarianism, we call for unity; instead of exploitation, we seek social justice. In short, we seek to rebuild society upon the principles of socialism.

A democratically controlled economy, which satisfies the needs of all, is the foundation of a free and equal society. Working people, (including carers, students, the unemployed), who produce the wealth of society, are the ones best able to build this foundation.

'Solidarity Housing' is the first in a series of policy proposals relating to tackling the Irish housing crisis produced by The Workers' Party

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# EXECUTIVE SUMMARY

*Solidarity Housing* is a proposal from The Workers' Party to address the systemic failure of housing provision as a whole in Ireland - in terms of quality, affordability, security of tenure and inclusivity.

The crises in private rental and mortgage arrears have left more and more households without secure accommodation. This has created additional pressure on the social housing system. And yet only a tiny number of households are being housed each year. At current rates, it will take 95 years for sufficient local authority and voluntary housing to be delivered to clear the current national housing waiting list of 139,359 households.<sup>1</sup>

## What is Solidarity Housing?

*Solidarity Housing* proposes a radical widening of public provision of housing to almost all who want it, with the dual purpose of reducing costs to the state, whilst simultaneously providing secure housing which is affordable to all, relative to income. It opens the benefits of public housing – secure tenancy, stable community, and affordability – to the many new households experiencing housing difficulties.

If we want inclusive communities and high quality housing for all, **we must move housing into public control**. Housing needs to be taken out of the market context and viewed not as a commodity but rather as a social pre-requisite for a just society. It is inappropriate for such a basic need to be viewed as a 'commercial product,' traded for profit.

## How does Solidarity Housing work?

Within any given development, the state would rent 50% of homes to households who currently qualify for social housing and the rest to those who are not currently eligible for social housing. Rent for all households would be calculated as 15% of income up to €35,000, plus 30% of income above €35,000.<sup>2</sup>

HOUSEHOLD INCOME (BELOW)	SOLIDARITY HOUSING RENTS (PROPOSED)	SOCIAL HOUSING RENTS (CURRENT)
€9,857	€123	€123
€15,705	€196	€196
€22,504	€281	€281
€28,657	€358	€358
€34,932	€437	€437
€41,878	€629	
€50,721	€874	
€61,772	€1,181	
<b>AVERAGE MONTHLY RENT (PER UNIT)</b>	<b>€509</b>	<b>€279</b>

1 Based on CSO data that 465 homes were built by local authorities and voluntary housing bodies in 2015, and Department of Environment data that 1,000 units were acquired for use as social housing in 2015.

2 This is approximately the current cut-off point for access to social housing.

## What are the advantages of Solidarity Housing?

### 1. Solidarity Housing is more financially viable than other models

The *Solidarity Housing* model has the potential to significantly reduce the cost of housing provision not only to the public but also to the state. By offering near-universal access to public housing, at income-indexed rents, the state can accumulate surplus revenue for reinvestment in housing or in maintenance work. In addition, because governments can borrow money more cheaply than charities or businesses, the costs of borrowing money to build housing are considerably cheaper under a fully public model.

AVERAGE MONTHLY RENT / UNIT		State Revenue per unit, per month, by lending rate		
		State-issued bond <sup>3</sup>	Low-cost financing <sup>4</sup>	High-cost financing <sup>5</sup>
SOCIAL HOUSING	€279	-€154	-€562	-€902
SOLIDARITY HOUSING	€509	€143	-€265	-€605

### 2. Solidarity Housing delivers inclusive communities

Widening the income base with access to public housing helps remove the conditions that lead to economic and social segregation and marginalisation, and helps achieve socially integrated, confident communities that share their responsibilities cooperatively. Housing type and tenure does not distinguish between high- and low-income households, reducing stigma. All tenants, regardless of income, access the same benefits – affordability, democratically managed facilities and security of tenure.

### 3. Solidarity Housing provides security of tenure

Repeated crashes and bubbles have shown that neither mortgages nor private rental accommodation provide secure, lifelong homes. In contrast, the sliding scale of payments means *Solidarity Housing* provides security of tenure well beyond that of private rental or mortgage-based housing.

### 4. Solidarity Housing can be managed democratically

Inclusive, non-segregated communities are more difficult to marginalise. Because of this, *Solidarity Housing* offers a possibility of stronger community engagement in management of facilities and budgets.

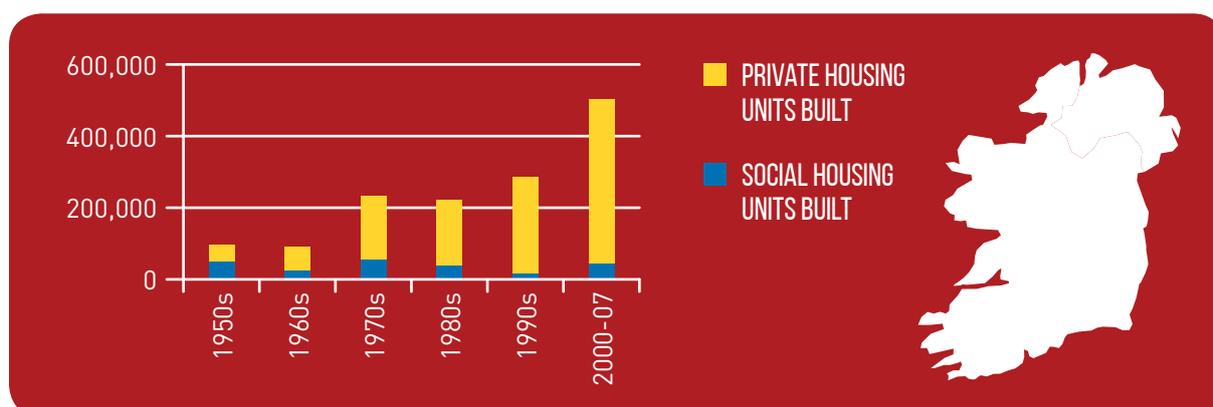
3 Loan at 2% over 30 years

4 Loan at 3% over 30 years

5 Loan at 4% over 30 years

# 1. HOUSING IN IRELAND IN 2016

Social housing as a percentage of Ireland's overall housing stock has declined significantly over the last number of decades. Fewer than 10% of households in Ireland now rent from either the local authority (8.7%) or a voluntary housing association (1%). This is due to a combination of the selling off of social housing and a decades-long decline in the numbers of social houses being built compared with private houses, as shown below.



Social housing as % of total output	1970s	1980s	1990s	'00-'07
	26%	19%	7%	9%

The decline in quantity of social housing has been accompanied by a narrowing of the income profile of tenants who continue to live in social housing. While 37% of owner-occupiers are classified as professional, managerial or technical workers, only 8% of local authority tenants are. The most recent EU SILC data indicates an average income of c. €27,000 amongst local authority tenants, compared with roughly €45,000 amongst those who have a mortgage or own their own home.

The gradual defunding, selling off and marginalisation of social housing has exacerbated associations between social housing, anti-social behaviour and high levels of vulnerability and unemployment. The "post-horse-bolting" attempted fix of Public Private Partnerships to regenerate housing developments failed spectacularly in almost every instance.

This virtual collapse in both the quantity and quality of social housing has not been met with a sustainable alternative policy approach. Rents in the private rental sector rose by 30% nationally between 2007 and 2015. The economic crash has left up to 25% of mortgages in arrears and tens of thousands of households facing eviction.

Additionally, there has been a significant growth in the private rental market, which comprises around 20% of housing stock, with many being forced to rent due to lengthy times on housing waiting lists. Private renting in Ireland is inherently precarious, and there is a near absence of any significant legal protection for tenants.

## **Government response to the housing crisis**

The government response to the housing crisis has been largely ideological in nature, characterised by a clear objective of delivering a “recovery” in property prices and by private involvement in social and affordable housing provision. Some examples of this strategy include:

### **Incentivising lower standards and fewer public homes**

The state has sought to encourage private investment by acceding to measures that increase profit margins, including reducing minimum apartment standards and scrapping Part V affordable housing quotas<sup>6</sup>.

### **Expansion of subsidies to private rental sector**

One third of households in the private rented sector are currently subsidised by the state, through schemes such as Rent Supplement or the Rental Accommodation Scheme. The introduction of the Housing Assistance Payment (HAP) programme has copperfastened this existing policy of using the private rental sector to make up for an absence of public housing. HAP is a long-term lease between landlords and the state, under which landlords receive a fixed income regardless of market rents. Upon entering a HAP arrangement, tenants are automatically removed from housing waiting lists – thus removing tens of thousands of families from the lists of those for whom the state is obliged to provide housing.

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<sup>6</sup> Part V refers to an obligation introduced in 2002 that developers of estates greater than five units allocate at least 10% of units to affordable private and 10% to social housing. The 10% affordable allocation was scrapped in 2015.

## Expansion of the role of Approved Housing Bodies (AHBs)

The government has begun a strategy of transferring a significant amount of remaining social housing provision away from local authorities and to AHBs, to allow housing-associated debt to be moved 'off balance sheet.' However, borrowing rates are higher for AHBs than for the state, pushing up overall costs. The move also means accountability for housing is taken away from government and given to private bodies.

## The Housing Land Initiative

The Housing Land Initiative, still under development by Dublin City Council, involves the council leasing out council-owned land to private developers (at zero cost to the developers). While promoted as a social housing scheme, just 30% of all units on the three sites involved will be used for social housing, with the rest used for a combination of private-public schemes, such as

- "Affordable" so-called starter homes, priced at around €250,000. A mortgage for such a home would require a household income about €70,000, making it an option for only the top 25% of earners. Significant tax incentives also exist for developers to build such 'starter homes';
- Pilot "cost rental" schemes through which a private developer acts as landlord for a large number of rental units on site. Tenants pay an affordable rent (c. 30% of income), but, crucially, the state pays the difference between that rent and the market rent at any given time – a significant subsidy to private landlords. Ultimately, the primary beneficiaries of such a policy will be private business interests.

Fundamentally, the Housing Land Initiative takes parcels of land that have historically been used for homes for the less affluent and turns them into assets for private developers.<sup>7</sup>

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<sup>7</sup> The three sites included in the Housing Land Initiative are O'Devaney Gardens (Dublin 7), St. Michael's Estate (Dublin 8) and Oscar Traynor Road (Dublin 9).

## 2. SOLIDARITY HOUSING

*Solidarity Housing* starts from the principle that, if we want inclusive, cohesive communities and high-quality housing for all, **we must move housing out of the hands of private speculators and into public control**. It is essential that housing be taken out of the market context and viewed not as a commodity but rather as a social pre-requisite - one which forms a necessary and integral element of a 'good society'. Clearly, it is inappropriate that private speculators make enormous profits through exploiting basic human requirements.

It is clear that any solution to the housing crisis requires a radical expansion of the provision of public housing and a reduction in the role of private speculators. By aiming to ensure that people's housing needs are met and, simultaneously, reducing the economic cost of provision, more resources can be directed towards other areas of non-exploitative economic activity than would otherwise be available.

### How does Solidarity Housing Work?

*Solidarity Housing* proposes a radical widening of public provision of housing to almost all who want it, with the dual purpose of increasing revenue streams to the state, whilst simultaneously providing secure housing which is affordable relative to income. It opens the benefits of public housing – secure tenancy, stable community, affordability – to the many new categories of households experiencing housing difficulties.

Under the proposed model, access to housing would be widened so that in any given development, the state will rent 50% of homes to households who currently qualify for social housing and the rest to those who are not currently eligible for social housing. Rent for all households will be calculated as 15% of income up to €35,000, plus 30% of income above €35,000.<sup>8</sup>

Overall, the amount of housing provided to low-income households would increase. The precise increase would vary but, for example, under the current Housing Land Initiative proposed by Dublin City Council, the quota of social housing is 30%. This would increase to 50% under *Solidarity Housing*. For many others, accessing *Solidarity Housing* will bring numerous advantages compared with either a mortgage or private rent. Greater affordability is a certainty, accompanied by the security of knowing that, should income decrease, so too would the household rent payable.

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<sup>8</sup> This is approximately the current cut-off point for access to social housing.

The rents would look as follows:

HOUSEHOLD INCOME (BELOW)	SOLIDARITY HOUSING RENTS (PROPOSED)	SOCIAL HOUSING RENTS (CURRENT)
€9,857	€123	€123
€15,705	€196	€196
€22,504	€281	€281
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Compare these rates with current average monthly rents in Dublin:



Overall, the amount of housing provided to low-income households would increase. The income distribution within new developments would reflect the income distribution in society generally.

## The Advantages of Solidarity Housing

### i. Financial Viability

At present, the State is involved in housing provision in different ways: the provision of public housing to those in the lowest income deciles; various forms of rent subsidies to the landlords of the one third of households in the private rented sector; and in emergency accommodation for homeless households.

**OVER DECADES THIS HAS MEANT THAT THE STATE INVESTS AND THE PRIVATE SECTOR PROFITS.**

Instead of the provision of housing being seen as a drain on public finances, the State can in fact move to a financially sound scenario. This is the objective of the *Solidarity Housing* model.<sup>9</sup>

<sup>9</sup> Figures relating to estimated revenue / unit are based on projections of typical household size, state-estimated build costs and most recent CSO demographic projections. Full costing tables are available from [info@workersparty.ie](mailto:info@workersparty.ie)

AVERAGE MONTHLY RENT / UNIT		State Revenue (per unit, per month), at various lending rate		
		State-issued bond <sup>10</sup>	Low-cost financing <sup>11</sup>	High-cost financing <sup>12</sup>
SOCIAL HOUSING	€279	-€154	-€562	-€902
SOLIDARITY HOUSING	€509	€143	-€265	-€605

*Solidarity Housing* is the best model for reducing the overall cost of housing because, since it is directed by the state, it is capable of removing many of the 'middle man' profits that add to the cost of housing in Ireland.

Profit is accumulated within housing in Ireland in a number of different ways:

- Owner-occupied, private housing accrues profits to developers, lenders and – to a lesser extent – the eventual house owner through appreciation;
- Private rental accommodation accrues profits to developers, lenders and landlords;
- Social housing accrues profits to developers and lenders.

Driving down the profits of lenders, developers and landlords is the best way to drive down the cost of housing in Ireland.

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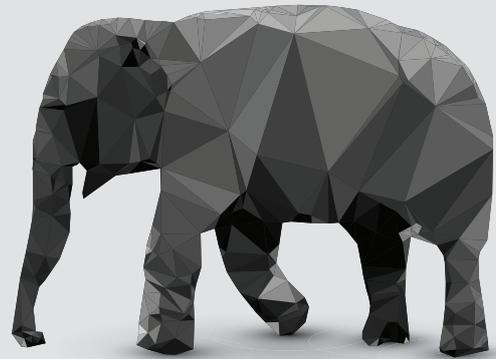
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11 Loan at 3% over 30 years

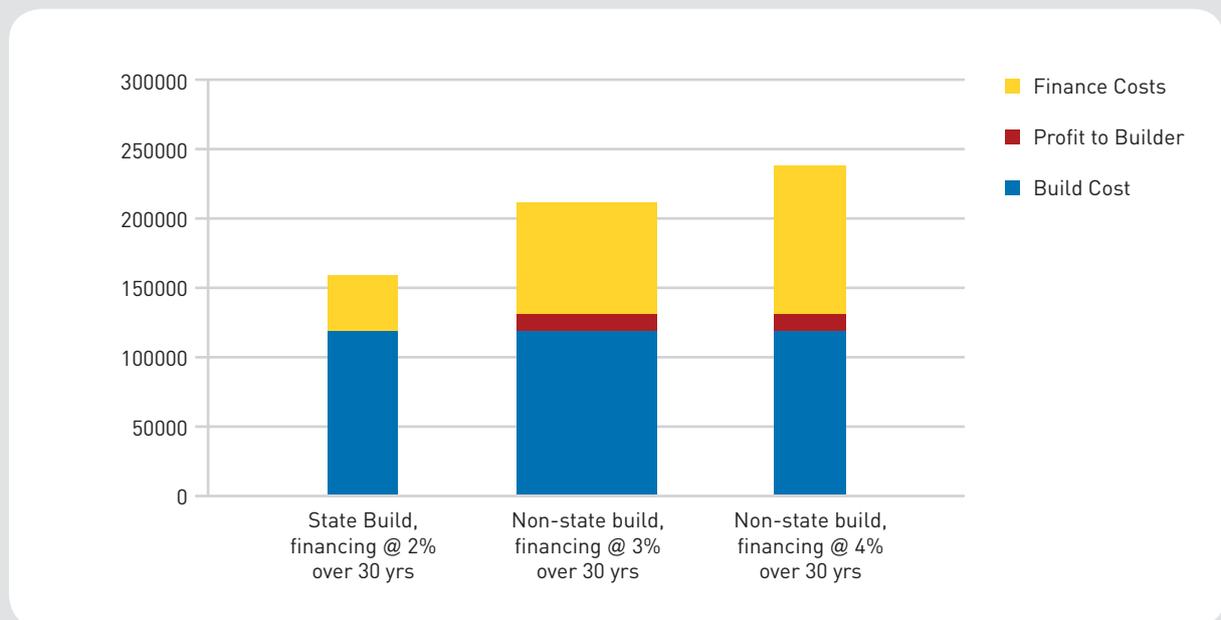
12 Loan at 4% over 30 years

# The Elephant in the Room; where does the money come from?

Long-term financial viability is clearly a positive outcome for any government initiative. It is also necessary to consider how the initial financing for public housing will be sourced.



Borrowing rates can inflate the cost of housing. In the table below, we can see that **profit as a percentage of the total end cost of each housing unit** rises from 33% at the lower end – housing built directly by the state, with money borrowed by the state – to as high as 126% in the case of housing which is financed and built entirely by private developers.



States are considered ‘safe bets’ by investors and, as a result, attract low interest rates. The National Economic & Social Council (NESC) has for example argued that, “Typically the state is in a position to borrow at the lowest cost so that funds raised by the state and provided as grants to social-housing providers will usually represent the lowest cost finance that can be used for social housing.” (NESC, 2014, *Financing of Social Housing in Selected European Countries*).

It is currently the case that Approved Housing Bodies (AHBs, not-for-profit private providers of social housing, which the state’s housing policy seeks to grow) have access to similar, low interest rates. But as successive governments seek to move housing-related debt ‘off balance sheet,’ this will change. The 2013 government strategy document on AHBs, *Building for the Future*, made clear that, while state-funding was the norm in the past, in the future “the sector will need to leverage State investment to attract additional private financial investment in the sector.” This will inevitably drive up lending costs and, in time, rents in AHB-provided housing.

Beyond ideological opposition to lowering the profits to be made from housing, there are few logical reasons *not* to fund housing through direct state borrowing.

## ii. Delivering vibrant and supportive communities

In Ireland, there has been an association between inclusive communities and mixing private and public housing. This is due to of the low quantity of public housing stock resulting in only the most marginalised groups accessing social housing.

Traditionally, Part V housing provisions were considered the best way to develop this 'mixed income' objective, by requiring developers to build 20% social and affordable housing in each new development.<sup>13</sup> However, a review carried out in 2012 by the Department for Local Government and the Environment indicates that, in the period 2001-2011, only 3.8% was actually delivered – and of this, some two thirds was of the affordable sort – not public housing at all.<sup>14</sup> This is hardly a sustainable strategy for integrating communities.

Because developers perceive social housing as reducing the profits they can expect to make on a development, it is fair to assume that they will attempt to circumvent any efforts to truly integrate income groups across a development. As can be seen from the above, the track record of the state in ensuring this does not happen is extremely weak.

The *Solidarity Housing* model, in contrast, does not rely on private developers to produce inclusive communities – it is done by the provision of public housing to a wide group. It mixes incomes, but not tenure types – 100% of housing is publicly owned and managed. The *Solidarity Housing* model produces a mix of incomes *without* giving handouts to the private sector.<sup>15</sup>

### Supporting the most vulnerable

Meanwhile, the state retains the ability to ensure citizens with particular needs – older people, homeless families, single parents, those who are long-term unemployed or in receipt of disability payments – are adequately housed. We propose that a percentage of housing units within any one development would be allocated from Band 1 or 2 from the current housing list – those with medical or social priority for housing access at any given time. Such a policy would ensure that households with particular needs do not fall through the cracks and that housing is not used to marginalise vulnerable groups.

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13 Part V refers to an obligation introduced in 2002 that developers of estates greater than five units allocate at least 10% of units to affordable private and 10% to social housing. The 10% affordable allocation was scrapped in 2015.

14 DKM Consultants (2012) Review of Part V of the Planning and Development Act, 2000 [www.enviro.n.ie](http://www.enviro.n.ie)

15 The Workers' Party regards income inequality between classes as a negative outcome of our exploitative economic system. Thus, while this housing model recognises the fact of inequality, we believe that ultimately our objective must be to end the economic disparity per se.

### iii. Security of tenure

A clear advantage of the *Solidarity Housing* model is that it provides greater security of tenure than all other forms of home tenancy in Ireland.

This is most clearly the case when compared with private rental tenancies, where tenants' security is limited by landlords' right to evict tenants when selling a house, banks' right to evict tenants when repossessing a house, and landlords' right to raise rents without ceiling.

In relation to mortgages, too – including so-called 'affordable' mortgage schemes – the economic crash has exposed the vulnerability of those who have purchased their home. As of December 2015, there were 88,292 mortgages in arrears in Ireland, with two thirds of those in arrears of above 90 days.<sup>16</sup> Foreign vulture funds hold 5.1% of Irish mortgage accounts, creating further insecurities for mortgage-holders and, in the case of buy-to-let mortgages, their tenants.

By contrast, with a universal model of housing, tenure is not dependent on maintaining one's income at a given level. As income rises, rent (and, therefore, revenue to the state) rises. If a period of unemployment arises, a loss of income is met with reduced rent – not eviction. The model would also eliminate the problem of negative equity that has been a feature of bubble-prone Ireland – for example, over 40% of loans that originated in 2007 were in negative equity in December 2014.

### iv. Democratic accountability and housing management

Housing is a basic human right. Like education and healthcare, it is The Workers' Party's view that as a basic human right, housing must be delivered and managed in a way that is democratic and accountable.

The *Solidarity Housing* Model would constitute a significant expansion of the volume of public housing in the state. The core objective is to deliver equal-access housing to all, whilst ensuring that those groups with particular needs do not fall through the cracks.

To oversee this, we propose the establishment of a National Housing Authority, modelled on the Northern Irish Housing Executive.

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<sup>16</sup> Central Bank of Ireland (March 2016) Q4 2015 Residential Mortgage Arrears Statistics

It is recognised that public housing authorities have gained a bad reputation in providing high-quality management of public housing – often opaque, unaccountable and unresponsive.

However, three key factors can improve this situation under *Solidarity Housing*:

- Participatory management and budgeting would be employed to promote a collective sense of ownership;
- Accompanying this, the residents of new *Solidarity Housing* developments would have a stronger ability to stand up for their rights than often-marginalised social housing developments, owing to their integrated, non-segregated nature. This contrasts positively with the traditional association of certain types of tenure with certain income brackets;
- Funding for maintenance would be ensured through the creation of a 'sinking and maintenance fund,' established by ring-fencing a portion of any surplus revenue generated in a *Solidarity Housing* estate.

# APPENDIX

## Case Study: O'Devaney Gardens, Dublin 7

The Housing Land Initiative is a Public Private "Partnership" proposed by Dublin City Council to develop housing on land at O'Devaney Gardens (Dublin 7), St Michael's Development (Dublin 8) and the Oscar Traynor Road (Dublin 9).

While the proposal for O'Devaney Gardens has not yet been finalised, the council has given some indications of how it plans to use the land. These include;

- The transfer of the land at no cost from the state to a private developer or not-for-profit;
- A mixture of public and private homes, including 30% council housing, and the rest a mixture of so-called "affordable starter homes" valued at around €260,000, and 'affordable private rental' homes, in which the state pays a portion of tenants' rent to the private landlord.

O'Devaney Gardens is a longstanding public housing scheme, subject to repeated funding and regeneration failures. The new Housing Land Initiative represents a massive reduction in the state's commitment to providing accessible housing on the site.

Here is a brief comparison of how the Solidarity Housing model compares to the council's proposal for O'Devaney Gardens.

	Solidarity Housing	Housing Land Initiative
<b>What determines who has access to new housing?</b>	50% of housing is assigned to those on below average incomes, and 50% to those on above average incomes.	30% of housing is reserved for households on below average incomes, and 70% given to households on above average and high incomes – so higher earners receive a greater quantity of housing built.  So-called "affordable" homes, costing an estimated €260,000, will in fact be affordable only to the top 30% of earners.
<b>Does the scheme represent financial sense for the state?</b>	Income from all tenants is determined as a percentage of income, and is paid to the state. Any surplus revenue can be reinvested in building or maintenance.	Under the 'private affordable rental' model proposed under the Housing Land Initiative rents paid to private landlords are topped up by state top-ups. This is a further expansion of the system of state subsidies to landlords.
<b>How is land managed?</b>	The land at O'Devaney Gardens remains under public ownership	Public land is transferred at no cost to a private developer, who retains all current and future profits associated with it.
<b>What sort of community is created?</b>	All households have the same tenure, rights and quality housing without distinction based on income.	Even though there is a mixture of incomes, there are different housing schemes, tenures and housing types, creating stigma and division.

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