Enabling Access to the Private Rented Sector? The Role of Social Rental Agencies in Ireland

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Abstract_ *Social Rental Agencies (SRAs) rent properties from the private rented sector (PRS) and sublet them to marginalised households. SRAs overcome barriers experienced by homeless households in accessing their own leases within the PRS. In Ireland, a shortage of PRS accommodation and a decline in social housing outputs has had a major impact on homelessness, and in 2012 Focus Ireland and three housing and homeless NGOs piloted an SRA in Cork city. Arising from this experience, Focus Ireland commissioned a feasibility study in 2013 to examine the potential for establishing an SRA in Dublin. This paper summarises the findings of the study, it outlines the Cork pilot and considers how an SRA could operate in Dublin. The paper concludes that – notwithstanding some risks – an SRA could potentially add to the stock of private rented accommodation for homeless households, and could provide value for money.*

Keywords_ *homelessness, housing, Ireland, Social Rental Agencies*

Introduction

Ireland's 2011 national population census reported 3 808 people sleeping rough or in homeless accommodation on census night, with the Dublin homeless population of 2 375 accounting for 62 percent of the total (CSO, 2012a).[1] Ireland's homeless policy has adopted a 'Housing First' model, which focuses on the immediate provision of long-term/permanent accommodation for homeless people, with supports and services subsequently built around the needs of each individual. This commitment is reiterated in Ireland's *Programme for Government* (Fine Gael/ Labour Party, 2011 – Christian Democratic and Social Democratic respectively) and the *Homelessness Policy Statement* (Department of the Environment, Community and Local Government, 2013). This policy is predicated on the availability of accommodation; in this regard the role of the private sector is important, as has been evidenced in successive policies. For example, the Government's policy on homelessness, *The Way Home: A Strategy to Address Adult Homelessness in Ireland 2008–2013,* included as a strategic aim the 'greater use of the private and voluntary and co-operative housing sectors' (Department of the Environment, Heritage and Local Government, 2008, p.21).

Overview of the Rental System in Ireland

Since the foundation of the state in 1922, Ireland's housing policy has traditionally promoted owner-occupation. This policy has been characterised as a dualist rental system (Norris, 2014), which means that one housing sector (home ownership) is offered preferential treatment through subsidies, incentives, and so on. A dualist system is also characterised by limited subsidies to the private rented sector, though this is protected from competition with the social rental sector; the social rental sector is small – its size is controlled by government limits on public subsidies for new building – and access is restricted to disadvantaged groups. As a result, households are provided with incentives for home ownership. In contrast, Norris (2014) describes a unitary model as one which is tenure neutral, and where social housing is accessible to a wider range of social groups and therefore competes with the private rented sector; this raises standards and encourages a higher rate of renting than is the norm in dualist systems.

Norris (2014) describes how in the period up to the 1970s in Ireland, there were numerous initiatives to support home ownership, including the sale of social housing on tenant purchase schemes, and other incentives, including tax relief on mortgages, grants for home purchase and local authority mortgage provision for home ownership.

1 This is a point-in-time count and does not include everyone who comes under the ETHOS typology developed by FEANTSA.

This resulted in a steady increase in home ownership. At the same time, access to social housing programmes was limited to those most disadvantaged, such that the social rented sector remained small. However, ongoing state subsidies for social rented units remained high owing to the low-income status of tenants. As a result, financial constraints led to a drop in social housing outputs, and the sector was further undermined by the aforementioned tenant purchase schemes. During this period, there were no subsidies for private sector tenants or landlords, and rents and tenures were, with certain limited exceptions, uncontrolled.

As a result of the economic crisis and cutbacks in expenditure during the 1980s, the capacity of local authorities to generate revenue to support capital programmes for social housing was curtailed as domestic rates were abolished and the decline in social housing outputs continued. Norris describes this period as the retrenchment of the dualist rental system. A number of measures were introduced, including private rented subsidies, tax incentives for private landlords and the regulation of the private rented sector (which, amongst other things, provided greater security of tenure to tenants). At the same time, grants and subsidies to new home-owners declined. The same period witnessed a decline in social housing construction, increased house prices and an increasing proportion of mortgages accounted for by the 'buy to let' sector. It also witnessed the emergence of housing associations competing with local government in the construction of social housing. However, while social housing output increased during the 1990s, its overall contribution to housing output remained low and the private rented sector increased in size for the first time in the state.

The post 2008 economic crash was accompanied by the emergence of a unitary rental model, according to Norris (2014); mortgage interest relief for homeowners was curtailed, a property tax was introduced and the emphasis of housing policy on home ownership diminished. Occupancy rights were equalised among tenants of all private renting and housing associations, and schemes were initiated for the leasing of private rental units by local government and housing associations for the purpose of providing social housing, as capital budgets had been significantly reduced. The role of local government in the provision of social housing has been superseded by housing associations, which the state now considers as the main future provider of social housing. Norris describes how these changes resulted from practical and financial challenges and were not ideologically driven, but have led to the emergence of a unitary rental system with greater competition between types of tenure and marked by an 'equalisation of minimum standards regulation', secure occupancy rights and the disbursement of public subsidies across both sectors.

Current status of the private rented sector

Total housing outputs in Ireland have declined in recent years; in 2013, only 8301 housing units were completed while, by comparison, 93419 units of housing were completed in 2006. The large supply of private housing in the 1990s and 2000s was partially driven by capital allowances and other tax incentives, as well as capital gains investments during this period (Crook and Rowley, 2004). Outputs have rapidly declined across all sectors since 2010, and 2013 saw figures at their lowest point since at least 1970. As noted above, the proportion of annual housing outputs accounted for by social housing (local authority outputs) has been in sharp decline since the mid 1980s. In 2013, local authority housing outputs numbered 293 units, representing only 3.5 percent of housing completions. Voluntary and co-operative housing units comprised 2.5 percent of completions, reflecting the drop in capital funding for social and voluntary housing since the onset of the economic crisis.

In the last few years, demand for private rented accommodation has further increased, fuelled by the decline in social housing outputs, population and demographic changes, low rates of mortgage lending since the financial crisis and, most recently, an increase in housing prices. According to census data (CSO 2012b), 29 percent of households were living in rented accommodation in 2011, up from 22 percent in 2006, and 69 percent of these were living in private rented or the voluntary housing sector. At the same time, the composition of the private rented sector in Ireland has been characterised by some as ‘a fragmented, under-capitalised “cottage” industry, lacking the professionalism and modern synergy with a strong regulatory framework that prevails in other EU countries’ (Taft, 2009).

Increased demand and limited supply have led to an increase in rental rates since late 2010 in urban areas, particularly Dublin. According to the Private Residential Tenancies Board (PRTB), there has been an upward trend in actual rents in Dublin since 2011, and average rents in the fourth quarter of 2013 were 7.6 percent higher than during the same period in 2012.[2] These increases are outlined in Table 1.

2 The Private Residential Tenancies Board (PRTB) was established by the Government in 2004 to operate a national tenancy registration system and to resolve disputes between landlords and tenants. It also provides policy advice to the Government on the private rented sector, and its dispute resolution service replaces the courts in relation to the majority of landlord and tenant disputes. See: prtb.ie

Table 1. PRTB rent index 2013 (Q4). Annual percentage change in actual rental rates

	Dublin	Dublin Houses	Dublin Apartments
2008 Q4	-8.6	-6.8	-9.1
2009 Q4	-16.5	-14.3	-18.1
2010 Q4	-1.7	-2.2	-1.2
2011 Q4	1.1	0.7	1.5
2012 Q4	3.4	2.5	4.4
2013 Q4	7.6	6.4	8.0

Source: PRTB rent index

It is likely that supply will continue to be an issue in Dublin; the Housing Agency projects a housing need for 37 581 units between 2014 and 2018, and estimates a current need for 5 663 units (Housing Agency, 2014).

The Private Rented Sector as an Exit Route from Homelessness

The State supports low income and homeless households in accessing the private rented sector through a 'rent supplement' payment. Its purpose is to provide short-term income support for people living in private rented accommodation whose means are insufficient to meet their accommodation costs and who do not have accommodation available to them from any other source. The Department of Social Protection reports that rent supplement recipients numbered 87 684 in 2012 (a decrease of 9 percent on 2011 figures). In spite of the policy aim that rent supplement should provide short-term assistance, 62 percent of the 2012 recipients had been in receipt of the payment for over 12 months, and over one third (36.2 percent) had been in receipt of the payment for over two years (Department of Social Protection, 2013). Rent supplement recipients account for approximately 35 percent of the total private rental market.

In terms of accessing a competitive private rented sector, homeless households are likely to be particularly vulnerable. Research commissioned by Focus Ireland (TSA Consultancy, 2012) reported the following experiences of homeless households attempting to access private rented accommodation:

- Discrimination from landlords, many of whom are reluctant to rent property to those on rent supplement, particularly when overall demand for private rented accommodation is high. It can also have the effect of driving rent supplement recipients into poor quality properties.

- Access is also impacted by the conditions of the rent supplement scheme. In order for a rental property to be considered eligible for rent supplement, it must not exceed a set maximum rent level as established for the local authority area in which the property is located. These rent limits (commonly referred to as 'rent caps') vary according to the type of accommodation, the nature of the household and the location of the property.

- Where the rent cap is lower than actual rental rates, the practice of rent supplement recipients and landlords colluding to declare a lower rent for the purposes of securing a rent supplement is common. In such instances, the gap between the declared rent and actual rent is paid by the tenant in the form of a 'top-up'. This excess, in combination with the tenant's original contribution towards the rent, can drive households into debt, and ultimately compromises the sustainability of tenancies. This practice also has the potential to distort rent rates as published.

An example of the discrepancy between rent caps and actual rents can be seen in data produced by the PRTB. In the fourth quarter of 2013 the cheapest one-bedroom accommodation in Dublin city was €640.21 per month, which was over €120 more expensive than the monthly 'rent cap' for a single person (with no dependents) of €520. This discrepancy is consistent across property types and sizes. At the end of May 2014, using current rent caps, *The Irish Times* newspaper searched property websites to see what rental options were available to families on rent supplement in Dublin city. The research found that for a couple or a single person with two children whose rental cap stands at €975, there was a total of just three rental properties available in the city at that price, while for a couple with one child and a rental cap of €950 the number of property options fell to just two (Duncan, 2014).

Social Rental Agencies as a Response to Supply Issues

Social Rental Agencies (SRA) emerged in the late 1990s in mainland Europe in response to housing policies and circumstances, many of which mirror those of Ireland. In Belgium, for example, the factors which gave rise to the setting up of SRAs included housing policies that favoured home ownership, low social housing outputs, government budgetary constraints and demographic changes in the population (De Decker, 2002). SRAs now operate in Belgium, France, Finland and Germany (FEANTSA, 2012). SRAs rent properties from the private rented sector and sublet them to marginalised households, providing rent at reasonable rates, long leases and the possibility of housing support.

Hegedüs *et al.,* (2014) discuss the potential for SRAs in Hungary, where privatisation of social housing, home ownership policies and increasing housing costs have created a pressing need for affordable rental housing units for low and medium income households. They discuss a number of innovative measures developed by municipalities and NGOs that have been aimed at increasing access to the private rental sector. However, although successful, programmes have been relatively small-scale and fragmented. Moreover, there remains an under-utilisation of privately-owned property and a lack of political will to finance extensive social housing measures. In their paper, Hegedüs *et al*., consider the need for an institutional structure to provide for scale and expansion in private sector reform, and propose that SRAs can meet this need. Their model includes a special risk-sharing financial model and it has received interest from a range of stakeholders, including local government, NGOs, landlords and financial institutions. They conclude that the introduction of Social Rental Agencies could unite these fragmented interests under a single framework.

The Cork Social Rentals and Housing Support Partnership

In response to problems of access to private rented accommodation and an increasing number of people sleeping rough in Cork (a city in the south of Ireland with a population of 120 000), Focus Ireland[3] and three other housing and homeless NGOs (Cork Simon[4], Society of St. Vincent de Paul[5] with the support of Threshold) formed The Cork Rentals and Housing Support Partnership ('Cork Rentals') as a pilot social rentals initiative in late 2012.

The partner NGOs agreed to take out lease agreements with landlords and to sublet units to homeless households. The rationale is that the perceived or actual risk to a landlord in renting to a homeless household is absorbed by the partnership, which guarantees rent payments, covers any voids and guarantees to return the property to the landlord at the end of the lease in its original condition.

The target group included homeless people in emergency accommodation, sleeping rough and those at risk of homelessness who are eligible for rent supplement. An initial target of 21 units was established, and these units would be sublet to people within the rent supplement thresholds. Any differences between the actual rent and the rent supplement 'rent cap' would be paid by the NGOs from their own resources.

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3 Focus Ireland is a national housing and homelessness organisation working to prevent people becoming, remaining or returning to homelessness through the provision of quality services, supported housing, and research and advocacy throughout Ireland.

4 Cork Simon is a homeless NGO, which works with men and women who are homeless or at risk of becoming homeless, offering housing and support, and campaigning for a society without homelessness.

5 The Society of St. Vincent de Paul is the largest voluntary charitable organisation in Ireland, and it supports those experiencing poverty and social exclusion by providing a wide range of services to people in need.

Functions and activities

Accommodation search and screening

Cork Rentals sources private rented accommodation and examines each unit against established quality standards. Approximately half of the units viewed are rejected due to poor quality.

Leasing accommodation

Each of the three homeless NGOs takes out a lease agreement (Cork Rentals does not have a separate legal status) and negotiates rents if these exceed the rent cap. Most leases are for an initial period of one year.

Provision of housing support

Tenants have medium to high support needs and all tenants access housing supports. Housing support and tenancy management functions are kept separate.

Maintenance management

Most light maintenance is undertaken by Cork Rentals, including aspects that fall under the superior landlord's responsibility – an added incentive for landlord participation in the initiative.

Oversight and governance

A steering group (comprising the four partner NGOs) meets on a quarterly basis. A monthly meeting takes place between all housing support workers. Cork Rentals does not have a separate legal status; the decision against a separate status was made to expedite the establishment of the pilot and to demonstrate its capabilities – Cork Rentals was operational within two months of conception.

Costs and resources

If the cost of accommodation is higher than the rent cap, the relevant partner organisation pays the additional cost from its own resources. This cost was estimated at €13 000 per annum per organisation, based on 7 tenancies. All but one of the tenancies were secured at rates above the rent cap. Other costs associated with the initiative (management, housing support and maintenance) have also been absorbed by the partner organisations but are not included in the above cost.

Outcomes

In its first year, Cork Rentals housed fourteen households. Three tenancies ended – two returned to emergency accommodation and another ended for reasons unrelated to the tenancy. Eleven of the original fourteen tenancies have been sustained, the majority being single households who had been long-term homeless, with medium to high support needs (an estimated 80 percent have substance misuse issues). Cork Rentals has enabled those experiencing the greatest barriers to accessing private rented accommodation to move out of homelessness; this has included ex-prisoners and people with no history of managing tenancies.

A Model for a Social Rental Agency

Arising from the success of Cork Rentals, Focus Ireland commissioned a feasibility study into a Social Rental Agency (SRA) in Dublin (TSA Consultancy, 2013). Some key findings of the study are outlined below.

Roles and functions

The SRA would undertake dual roles: that of a tenant of a superior landlord, and that of landlord to the household subletting the property. These two roles imply a range of functions, outlined below.

Table 2: The functions of a Social Rental Agency and their implications

FUNCTION		ISSUES
SRA negotiates access to accommodation with property owners.	→	As Ireland's domestic rental market is characterised by many property owners/ landlords owning few accommodation units, this is a time-consuming task.
SRA acquires properties on a rental/ lease basis from private sector landlords and property owners.	→	By leasing the property, the SRA takes on liability for all tenant responsibilities and effectively gives guarantees to landlords who are reluctant to rent units to households exiting homeless and on rent supplement.
SRA negotiates a lease arrangement on a long-term basis.	→	The guarantees provided by the SRA should (in time) encourage a long-term lease agreement, given the risk-free element of the transaction for the landlord.
SRA seeks a lower-than-market rental rate in return for guarantees and long-term lease.	→	The guarantee system of the SRA means that the landlord operates on a risk-free basis for which a lower-than-market rental rate is sought. This has proven not to be viable in the current market circumstances in Ireland.
SRA undertakes some of the maintenance functions of the landlord in the ongoing management of the property.	→	This acts as an incentive to landlords by minimising their ongoing involvement in the units. As homeless organisations have maintenance teams *in situ*, this has limited resource or financial implications.
SRA sublets the property to homeless households.	→	SRA manages the relationship with the tenant without the involvement of the superior landlord.
SRA liaises with support services.	→	Tenants receive housing support under existing support initiatives.

Risks and scale

The main risks involved in underwriting tenant liabilities are the payment of rent, absorbing the costs of voids, arrears and defaults, and undertaking maintenance. In order to mitigate these, the SRA would need to adopt robust tenancy management policies (potentially more robust than current policies with NGOs' own housing stock). There could be a risk of reputational damage for the NGO, particularly if tenants are evicted. In the event that eviction procedures were pursued, court costs could potentially be incurred and the procedure this could delay possession of a unit, during which period the SRA would have to cover the rent due – resolution of disputes can last for 18 months. It would be critical that 'cherry-picking' of tenants not occur, as the SRA model is particularly beneficial to those with high support needs and who find it difficult to source private rented accommodation. SRAs should be a net contributor to private housing available to homeless households. Where a superior landlord terminates the tenancy, households will require re-housing to avoid a return to homelessness. This could be a challenge and the feasibility study proposed that the target number of units should equate to approximately ten percent of the long-term housing units available: for example, as Focus Ireland has approximately 330 units in Dublin, 30-35 units could be acquired with some contingency for re-housing.

Resources required

Managing 35 tenancies would require housing management, housing support staff and maintenance provision – this was identified as an important incentive from the perspective of property owners.

Governance structure and systems of management

Options include 1) the establishment of a legal entity separate to the partner organisations; 2) the establishment of a partnership/coordinated structure between partner organisations; or 3) a single organisation – a homeless NGO – driving the process. The feasability study recommended establishing a separate legal structure in the long-term.

Table 3: Pros and cons of different governance structures

Form	Pros	Cons
Separate legal entity	Clarity around the structure and functions – less potential for confusion Limited risk to the partner organisations (financial, legal, regulatory, reputational) Clear delineation of roles (of NGO and SRA) and function (tenancy management, housing support functions) Potential for collaboration/ learning maximised, and for others to participate in the structure (e.g., NGOs, local authorities)	Legal incorporation required – additional reporting/ administrative obligations May not be able to benefit from good reputation of homeless NGOs amongst landlords, given its separate identity May be perceived as avoiding liabilities by establishing an 'arms length' relationship – guarantees may be required from the partner organisations.
Coordination of existing NGOs	Could be established quickly A collaborative approach could support transfer of learning across the sector Could ensure consistent delivery by using existing homeless organisations for management Could facilitate a separation between housing support and tenancy management functions Risk would be shared among organisations	Potentially slow decision-making Could potentially lead to duplication of effort across organisations Could lead to inconsistencies in delivery Would need to be effectively managed
Single NGO leads the process	Speedy delivery of an initiative Utilises capacity already in existence in NGO Decision-making potentially quicker Lead NGO would be committed to protecting its own reputation with landlords.	Could limit scaling and development Could limit learning transfer If other NGOs subsequently engage in activity, could create duplication.

Financial analysis

The study considered costs (staffing, maintenance, provision for voids, technical expertise, overheads and rent top-ups) and estimated an additional annual cost per tenancy at €6 000. When the costs of rent supplement and housing support are included, the total annual estimated cost is just over €14 000 per unit for a single household. This cost still compares very favourably to indicative annual costs of housing an individual in emergency accommodation, which is estimated to be in the region of €38 000. This indicates a potential saving of €24 000 per annum, without even taking into account the high costs of housing families in hotels – in May 2014 there were approximately 142 families accommodated in private hotels in Dublin.

Conclusions

Subsequent to the publication of the feasibility study, the Government's *Implementation Plan on the State's Response to Homelessness – May 2014 to December 2016* committed to establishing a Social Housing Rental Service in Dublin on a pilot basis by the end of 2014, and to review outcomes with a view to establishing similar initiatives in other major urban centres (Department of the Environment, Community and Local Government, 2014). The Implementation Plan states that (p.45):

> A Social Housing Rental Service (SHRS) would be a single point of contact for landlords, homeless clients and local authorities. The SHRS would have close links with the Department of Social Protection to facilitate timely payment of rent supplement for its clients and also with local authorities… [it] would be tasked with identifying and managing accommodation sourced in the private rented sector. The SHRS would deal directly with landlords and would hold the contractual relationship with them. The SHRS would ensure the payment of deposits, guarantee rent payments, cover voids and undertake all landlord and tenant interactions/relations. The SHRS would then place homeless clients in the accommodation which they have sourced and would ensure they had the appropriate tenancy supports to sustain a tenancy.

An SRA model will not address the more fundamental problems of housing and the limited supply of social housing units in Ireland. Given the over-reliance on the private rented sector for the provision of social housing, it could be argued that greater regulation of the sector, rather than increased funding, might be a more appropriate response. However, given the current crisis in access to accommodation, the model is a potentially innovative response to the barriers experienced by homeless households. It complements the existing housing management and support functions of homeless NGOs and, as an alternative to supported temporary and emergency accommodation, it will provide cost savings to the State.

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