

Feasibility Study on a Social Rentals Initiative in Dublin



CONDUCTED BY TSA CONSULTANCY ON BEHALF OF FOCUS IRELAND



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1. INTRODUCTION

1.1. Background and objectives of the study

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, research and advocacy. Focus Ireland provided homes for 685 households in long- and short-term properties (managed, leased or owned by the organisation) in Dublin, Waterford, Kilkenny, Limerick, Clare, Sligo and Cork in 2012.

Social Rental Agencies (SRA) that rent properties from the private rented sector and sub-let them to vulnerable and marginalised households with support needs have been established in a number of European countries, including France, Belgium, Finland and Germany. Accessing good quality and secure housing for people experiencing homelessness is a challenge in many countries, and a number of innovation initiatives have been developed to address this.¹

In December 2012, Focus Ireland, Cork Simon, and St. Vincent de Paul formed the *Cork Rentals and Housing Support Partnership* with the support of Threshold, to source 21 apartments in the private rental sector, and to lease them directly to people experiencing homelessness and sleeping rough. The accommodation units are rented from landlords at the market rent, then rented on to people within the Rent Supplement thresholds in Cork, and the partnership covers the difference in rent. Housing support is provided to tenants to support them in maintaining their tenancies and move on from homelessness. Landlords are guaranteed a monthly rent, ongoing maintenance of their property, and an assurance that the property will be returned at the end of the lease in the same condition as when the lease was agreed. This initiative is the first of its kind in Ireland, and is being resourced by the four charities.

1.2. Aim and objectives of feasibility study

The aim of this study is to examine the feasibility of establishing an SRA in Dublin. The mandate of this SRA will be to provide secure and high quality housing for people that are currently residing in emergency and transitional homeless accommodation.

The objectives of the SRA will be to source appropriate rental accommodation, settle households experiencing homelessness into these properties, and provide ongoing support as necessary to ensure that the tenancies are maintained by the households.

¹ See for example FEANTSA's Good Practice Briefing '*Social Rental Agencies: An Innovative Housing-Led Response to Homelessness*', May 2012.

The objectives of this study are to:

- Assess the feasibility of establishing an SRA in Dublin.
- Examine the impact, outputs and outcomes of the *Cork Rentals and Housing Support Partnership* for the households and four organisations participating in this initiative.
- Determine how the SRA in Dublin might be resourced, and what savings could be achieved for the State and NGO sector from the establishment of an SRA.
- Assess the number of properties that the SRA could lease from private landlords (i.e. the capacity of the SRA).
- Propose how the SRA would function and be managed, and identify the responsibilities of the Local Authorities, NGO, partner organisations and tenants.
- Assess the potential interest of private landlords in leasing properties to the SRA, and identify any concerns they may have in participating in this initiative.

1.3. Rationale

The rationale for an SRA as considered in this study is based on the following:

- The lack of capital funding and development programmes for social housing impacts on the capacity of the State to meet the long-term housing needs of homeless households.
- National policy notes the key role that the private sector will play in meeting the long-term accommodation needs of homeless households.
- There is a lack of access to private rented accommodation by homeless households, as landlords are reported as being reluctant to accept Supplementary Welfare Allowance (SWA) Rent Supplement, and so innovative measures are required to address this difficulty.
- Measures to access private rented accommodation through private sector leasing or the Rental Accommodation Scheme (RAS) have had low participation rates.
- The lack of available private rented sector (PRS) accommodation undermines the Housing First policy of tackling homelessness.
- A significant portion of homeless households that have accessed the PRS report having to pay unofficial 'rent top-ups' to private landlords, where the maximum rent provided under SWA (rent caps) falls below the market rate. This means that the household must absorb the excess. This excess, in combination with the tenant's contribution towards the rent, can drive households into increased debt, and ultimately compromises the sustainability of tenancies².

² See TSA Consultancy (2012): *Out of Reach: The impact of changes in rent supplement*. Dublin: Focus Ireland

- These experiences point to the need for a coordinated approach to accessing private rented sector accommodation for homeless households.

1.4. Methodology

The research process for this feasibility study included the analysis of policies, procedures and practices of Focus Ireland in relation to housing management and maintenance.

Twenty interviews were also undertaken with the following ten organisations:

- Focus Ireland
- Cork Simon
- Threshold Cork
- Dublin City Council
- South Dublin County Council
- Dublin Region Homeless Executive (DRHE)
- Department of Social Protection
- Department of Environment, Community and Local Government
- REF PM Lettings
- Irish Property Owners Association (IPOA)

2. CONTEXT

2.1. Housing First

The Housing First model for tackling homelessness 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 differs from other models, such as the staircase model, which works on the basis that homeless households must progress across a number of stages in dealing with issues that gave rise to their homelessness prior to accessing accommodation. In contrast, the Housing First model acknowledges the central role of accommodation in addressing these problems.

The *Programme for Government and Homelessness Policy Statement* contain a commitment to ending long-term homelessness and the need to sleep rough by implementing a housing first or housing-led approach.

2.2. The private sector and policy

In policy terms the private sector plays an important role in long-term housing. The Government's policy on homelessness *The Way Home: A Strategy to Address Adult Homelessness in Ireland 2008 – 2013* subsequently included as a strategic aim the '...greater use of the private and voluntary and co-operative housing sectors.'

The Government's *Homelessness Policy Statement* (February 2013) notes that the availability and supply of secure, affordable and adequate housing, the availability of appropriate measures to prevent homelessness, and the availability of appropriate facilities and supports for homeless people are critical to guaranteeing the success of the housing-led approach in Ireland. Furthermore, it acknowledges that there is a need for greater innovation to accelerate the transfer of homeless people from inappropriate and expensive emergency accommodation into more appropriate and sustainable housing, and to identify the barriers and solutions to accessing a supply of appropriate and adequate housing.

2.3. The private rented sector in Dublin

According to Threshold, the number of households dependent on rent supplement to meet the costs of their housing increased by 61 percent during the period 2005 to 2012, with 87,700 recipients at the end of 2012.³ Rent supplement accounts for approximately 35 percent of the private rental market.⁴

³ Threshold (2012) *Annual Report*.

<http://www.threshold.ie/download/pdf/thresholdannualreport2012.pdf?issuusi=ignore>

⁴ Dáil Éireann Debate - 15/Nov/2012 Residential Tenancies (Amendment (No. 2) Bill 2012: Second Stage (Continued), Vol. 783 No. 1

However, access to the private rented sector remains problematic. In this section a brief overview of recent developments in the PRS is provided.

Current status in terms of availability

Over the last year, roughly 3,700 units have been rented in Dublin each month. In recent times, supply has reduced, and currently there are fewer than 2,400 properties available to rent in the capital. Therefore the demand for rental accommodation exceeds supply, and any issues of access will be magnified by these issues.⁵

The Dublin rental market has seen a consistent increase in market rates since the third quarter of 2009 (www.daft.ie). Rents nationally were 4.8 percent higher on average in the third quarter (Q3) of 2013 than a year previously. In Dublin, the average rent for Q3 was 7.5 percent higher than the same period in 2012, registering their fourth consecutive quarter of growth. According to the Daft report, this is the fastest rate of rent inflation since mid-2007 and reflects tight supply in the Dublin market. The rate of increase in Dublin is significantly higher than in areas outside of the capital as rents across the country have stabilised, having risen 0.9 percent (or €6 on average) during the year to mid-2013.

A breakdown of the average rental rates and increases for Dublin are outlined below.

Table 2-1 Average rental rates in Dublin Q3 2013		
Area	Av. monthly rent	% change from Q2 2012
North County Dublin	€989	+ 6.5%
West County Dublin	€990	+ 6.3%
North Dublin City	€1,085	+ 7.4%
Dublin City Centre	€1,176	+ 7.1%
South Dublin City	€1,235	+ 8.2%
South Dublin County	€1,331	+ 8.4%

Source: The Daft.ie Rental Report 2013, Quarter 3.

With regard to the newly established PRTB and ESRI rental index, figures for Quarter 3 for 2013 are not yet available. However, figures for Dublin for Quarter 2 (2013) confirm a similar pattern to the Daft.ie data. In that quarter, the ESRI/PRTB index reports that the annual increase for house rentals in Dublin was 3.6 percent (compared with Quarter 2 in 2012) and the corresponding figure for apartments was 5.6 percent.⁶

These rent increases are markedly higher than those in the period between 2011 and 2012, when increases in average rents in Dublin were no higher than 2

⁵ Daft.ie Quarterly Rental Report (Q2 2013).

⁶ The PRTB Rent Index is produced by the ESRI based on anonymised data supplied by the PRTB.

percent, according to Daft.ie. The increases according to accommodation type and area⁷ are outlined in the table below.

Area	1 Bed		2 Bed		3 Bed		4 bed	
	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012
Dublin city (North)	837	11.3%	1,052	6.3%	1,257	5.5%	1,525	16.6%
Dublin city (South)	905	10.3%	1,148	6.5%	1,395	4.2%	1,739	9.5%
North County	799	4.0%	971	10.0%	1,126	8.2%	1,439	18.3%
South County	988	11.9%	1,308	6.7%	1,660	2.0%	2,187	-2.5%
West Dublin	797	11.8%	928	1.6%	1,055	-0.6%	1,120	8.8%

Source: The Daft.ie Rental Report 2013, Quarter 3.

The ESRI/PRTB index for Quarter 2 (2013) provides a breakdown in average rental rates for the entire Dublin area according to accommodation type. While the categories of data and the rental period are different, the data report similar rental sector increases.

Accommodation Type	1 Bed		2 Bed		3 Bed		4 bed	
	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012	Av. rent (€)	% change Q2 2012
Detached house	n/a	n/a	1,374	n/a	1,561	7.1%	1,627	2.9%
Terrace house	734	2.9%	962	2.7%	1,070	0.9%	1,468	11.9%
Apartment	835	1.9%	1,027	3.3%	1,244	1.0%	1,406	0.6%
Other flats	615	5.3%	862	4.1%	n/a	n/a	n/a	n/a

Source: The ESRI / PRTB rental index 2013, Quarter 2.

	Single, no children	Couple, no children	Couple / one parent with 1 child	Couple / one parent with 2 children	Couple / one parent with 3 children
Dublin local authorities	€520	€700-750	€850-950	€900-975	€950-1000

⁷ North city includes postal area codes which are north of the city (primarily the odd numbers) and South city comprises those areas with even postal area numbers.

⁸ The lower rate in each of the categories is the maximum rent limits for SWA as they apply in the Fingal County Council area only. <http://www.welfare.ie/en/Pages/Rent-Supplement.aspx> (accessed 21 November 2013)

Relationship between maximum rent levels and average rents

It is difficult to compare the maximum SWA rent level and average rents, as many of the categories are not directly comparable.⁹ However, in the case of single persons with no children, some comparison can be made between maximum rent limits and average rent levels for a one-bed unit of accommodation (not shared). The lowest average monthly rent for one-bed rentals across Dublin is in Dublin West (€797). This is €277 higher than the rent cap. A further analysis of Daft data indicates that the individual postal area with the lowest average rental figure for one-bed accommodation is Dublin 7 at €747, which is €227 more expensive than the rent cap for a single person.

For a couple (with no children) seeking a one bedroom unit, the rent cap is between €700 and €750, with the lower rate applying to Fingal County Council.

The average rental figures include accommodation at either end of the property rental market, and therefore may not reflect the range of rental prices. Nonetheless, the experience of homeless people and organisations has consistently raised concerns about the reluctance of landlords to rent their properties to people on SWA, and coupled with the rent cap, this has driven people into very poor quality accommodation.

Letting and management agents

Letting agents are facilitators through which an agreement is made between a landlord and a tenant for the rental of a residential property. In Ireland, letting agents provide the following services:

- Let-only service: where the agent finds and screens tenants only (the landlord then manages the on-going maintenance and tenancy).
- Full management service: where the agent or management company manages the whole process, from finding tenants to the on-going management of the property.

The charges levied by agents depend on the nature of the letting service offered, but between 10-12 percent or one month's rent were cited in discussions as being a standard rate for lettings plus management services. Agents handle approximately 80 percent of lettings in Dublin, according to those consulted. Of the remaining 20 percent of lettings, approximately half accept rent allowance payments.

⁹ Maximum rent levels are established for each household profile category, rather than for the type of accommodation that they may be seeking.

2.4. Access by homeless households

Many landlords are reluctant to lease their accommodation to homeless households, and research undertaken by Focus Ireland¹⁰ in 2012 found that:

- 59 percent of landlords consulted accepted people in receipt of rent supplement
- 26 percent did not accept rent allowance
- 15 percent were undecided about whether they would accept it in the future

As to what would influence their future involvement in rent allowance, landlords reported the following factors:

- Rent limit increases (59 percent of all survey respondents). Since this research has been undertaken, there has been an increase in the maximum rent levels ('rent caps') in Dublin, but this increase has not kept up with increases in the private rental market.
- Guaranteed supports from support organisations for tenants to maintain tenancies (52 percent).
- Department of Social Protection paying rent supplement directly to landlords (48 percent).
- Availability of 'rent up front' and not in arrears (44 percent).

Where households have accessed the PRS in the current climate, there is some evidence that many have had to make an unofficial 'under the table' top-up to the rent, while declaring a lower rental figure on their Rent Supplement form (the lower figure corresponding to the maximum 'rent cap' for their area).¹¹ This rent top-up is in addition to the tenant's own minimum contribution towards the rent (which is currently €30 for single households).

From January 2014 the minimum contribution towards rent supplement for couples will be increased by €5 per week, from €35 to €40 (new and existing recipients). The minimum contribution for single people, including single people with children (currently €30), will not change.

The experience of homeless organisations in Cork and Dublin, and landlord representative bodies and agents, who were consulted as part of this research was that the following barriers are experienced:

- Perceptions of risk amongst landlords in leasing accommodation to homeless households.
- Increased demand for accommodation – landlord's market and no scope for negotiating deals.
- Market rates are higher than SWA Rent Supplement limits.

¹⁰ TSA Consultancy (2012): *Out of Reach: The impact of changes in rent supplement*. Dublin: Focus Ireland

¹¹ IBID.

Measures to promote access

A number of schemes have been developed for promoting access to the private rented sector: namely RAS (the Rental Accommodation Scheme) and the long-term private sector leasing scheme. To date these have had limited results. The view is that these schemes have not sufficiently incentivised landlords given the strength of the private sector housing market in cities across Ireland, in particular Dublin. Both schemes seek to access private rented sector accommodation at reduced rates (the amount offered is between 80 and 92 percent of market rates, depending on the level of maintenance to be provided under the leasing scheme).

As a result of difficulties in accessing accommodation in the private rented sector, there are a number of specific initiatives to support access including:

- *The Rent Supplement Initiative* – this initiative is a focused collaboration between agencies and service providers to support the quick access of homeless households into PRS accommodation, involving coordinated support (including support in preparing SWA applications) and speedy responses to applications for SWA. Between August 2012 and May 2013, 59 homeless households accessed PRS, of which 27 were supported through the Rent Supplement Initiative.
- *The ASH (Applicant Sourced Housing) Initiative* – this is a South Dublin County Council (SDCC) initiative to increase the number of social housing leasing scheme units. It has been in operation for approximately 12 months. Housing applicants themselves source the accommodation through usual PRS sources and refer the potential landlord to the local authority to discuss conditions. The initiative operates as part of the private sector leasing arrangement, and usually 92 percent of the market rate is agreed (where the landlord agrees to undertake the maintenance function). The lease agreement between the landlord and tenant is monitored and supported by the local authority. Approximately 100 units of accommodation have been secured for households on the housing list (rather than homeless households) – many of these are family (3-bed) accommodation in parts of West Tallaght and North Clondalkin.

2.5. Housing Assistance Payment (HAP)

The administration of rent supplement is due to transfer from the Department of Social Protection (DoSP) to local authorities in 2014. There are currently 82,000 rent supplement recipients, and 60 percent of these are accessing the payment on a long-term basis. Rent supplement will revert back to being a short-term housing support measure, and it is envisaged that those on the payment will be smaller (approx. 15,000 recipients). Others who are in receipt of long-term housing support payments will come within the HAP programme.

The HAP will be piloted in a number of local authority areas in advance of the transfer. The piloting stage is likely to commence in late summer 2014. The local authorities in which HAP will be piloted will include: Limerick City and County Council, South Dublin County Council, Louth County Council, Monaghan County

Council, and Cork City. The rent supplement payment will be established as a Housing Assistance Payment (HAP). This opens up possibilities for new initiatives around access to the private rented sector, in order to provide more options for clients of the housing authorities. It will engage the local authorities more centrally in the negotiation and acquisition of units through the private rented sector, and rents will be paid directly to the local authorities by tenants (through a differential rent system).

A multi-agency steering group has been established to develop proposals to give effect to this transfer. The group is chaired by the Department of the Environment, Community and Local Government and consists of representatives from the Department of Social Protection; Public Expenditure and Reform; Office of the Revenue Commissioners; the County and City Managers Association; and the Housing Agency.

3. THE CORK RENTALS AND HOUSING SUPPORT PARTNERSHIP

3.1. Origin and partners

In late 2012, a partnership was formed between Cork Simon, Focus Ireland, Threshold and the Society of St Vincent de Paul in response to the crisis in accessing private rented sector accommodation and the increasing number of people sleeping rough in Cork city.

In order to enable more homeless households to gain access to housing through the private rented sector, the partner organisations agreed to collaborate in developing a model whereby the homeless services would engage in lease agreements with landlords and property owners, and sub-let these units to their clients.

Three of the four partner organisations agreed to each take on seven units of accommodation to test the model. Within a period of two months, the pilot was operational.

Rationale for the partnership

The rationale for the Cork Rentals and Housing Support Partnership (hereafter referred to as Cork Rentals) is that the perceived or actual risk for a landlord in renting to a homeless household is removed and absorbed by Cork Rentals, 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.¹² It does this by taking out full lease agreements with the landlord. Any arrears of the sub-let tenant or voids are of no concern to the superior landlord, whose contractual relationship is with Cork Rentals alone.

Target group

The target group for Cork Rentals is those who are homeless and residing in emergency accommodation, and those at risk of homelessness (particularly those affected by domestic violence). All are required to be eligible for rent supplement and a deposit under the scheme.

3.2. Functions and activities

Accommodation search: from the PRS is coordinated (e.g., through Daft and landlords with whom services have a working relationship). This is organised in such a way that services with an established relationship with landlords will take the lead in sourcing accommodation through that contact. It is agreed that the partners will not unilaterally engage with Daft, and that the sourcing of accommodation from Daft is coordinated. Daft is the main source of finding

¹² Photographs are taken of the property at the time the lease agreement is signed as a record of its condition.

accommodation in the initiative, and the initiative competes with individuals seeking private sector accommodation at viewings.

Accommodation screening: two of the partner organisations and a maintenance worker will attend the viewing appointment to ensure quality standards are met. A checklist has been developed for consistency in standard.

Leasing accommodation: each service provider takes out a lease agreement in their own organisation's name. To date, most of the leases are for a period of one year. Each service provider negotiates with the landlord the rental figure, where it exceeds the rent cap. However, given the private rented sector market conditions, there is a protocol agreed that accommodation valued at up to €650 for a single person (the rent cap is €485 for a single person in Cork) can be taken on without reference back to the steering group or the organisations taking part in the initiative. This can go up as high as €850 for families. This ability to make decisions speedily is key, as access is so limited and the market so competitive.

Sub-lease arrangements: the organisation that holds the lease with the landlord sub-lets the property to homeless households (the households are selected by the partner organisations). There is no lease agreement or contractual relationship between the superior landlord and the homeless household.

Provision of housing supports: all tenants access housing supports. The provision of housing support and housing management are kept separate (the roles are divided between the partners to ensure that this happens). Tenants have medium to high support needs, and a high proportion have addiction issues. The housing support workers meet on a monthly basis to coordinate responses and identify needs of tenants.

Management of maintenance: most of the day-to-day and light maintenance needs are met by Cork Rentals, delivered by in-house resources of Cork Simon. This includes maintenance issues which would normally be the responsibility of the landlord, and so is an added incentive for the landlord. However, if there are maintenance issues requiring a qualified contractor or expertise in the trades, the superior landlord will undertake this function (if they are liable for it). Moreover, the maintenance of white goods is not provided by the initiative.

3.3. Management and outcomes

Oversight and governance

There is a steering group in situ which meets on a quarterly basis to review progress. The four partner organisations sit on this group.

A monthly meeting takes place between tenancy support workers across the organisations (this is particularly important as tenancy support functions and the landlord function is usually split across different organisations to ensure that the same organisation is not providing both functions). The tenancy support workers' meeting considers allocations and cases.

Publicity and participation

The partner organisations acknowledge difficulties in engaging landlords with the scheme. The initiative generated publicity in the local and national press when it was first initiated, and this generated interest amongst landlords, particularly those who were in mortgage difficulties with buy-to-let properties. However, many of these properties were excluded from the pilot on the basis that standards in their properties were low. As the landlords were drawn to the initiative because they were in financial difficulty, they did not have the resources to address these low standards.

Costs and resources

Rental agencies working with landlords generally charge 8-10 percent (often one month's rent) for their letting and management services. There is no discount accessed on rental figures agreed, in spite of the services offered by Cork Rentals. It is not viable to seek a discount, as there is the need in the first instance to provide an incentive for landlords to engage with initiatives such as this.

Focus Ireland, Simon Community and SVP contribute to the finances of the initiative, while Threshold contributes to tenancy support. The cash cost to each contributing organisation was projected at €13,000 per annum. This was based on a projected 21 tenancies provided by SVP, Cork Simon and Focus Ireland (7 tenancies each). The cost to the partners comprises the top-up on rents (i.e. the balance between the SWA rent limit and the rental rate agreed with the superior landlord).

According to the initiative, all but one of the 14 tenancies have been secured at rates above the SWA rent limit, and the only tenancy that fell within the rent limit was in Bandon (all others are in Cork city). One family was successful in an application for a discretionary increase on the rent limit. However, even with this discretionary increase, it did not meet the full cost of rent and a 'top-up' payment was required.

The limit agreed between the partners is €650 (which is €165 per month above the rent limit). In some instances, there has been some success with landlords in negotiating lower rents than this figure, and as a result the average rent paid for single tenancies is between €550-€600 per month (when the initiative started the SWA rent limit for a one-bed single person unit was €450, but this has since increased to €485).

Moreover, family accommodation has also been secured and this too has been secured above the SWA rent limit (the rental rate that the initiative will pay can be €850 per month).

As there have been 14 tenancies to date in this initiative (rather than 21) and the SWA rent limit has increased in the period of the pilot, the estimated cost per organisation is lower than that projected. The costs change as new tenancies come on board and the requirement for rental subsidy changes. Taking the

average cost identified above, the cost per organisation for 21 tenancies is likely to be in the region of €10,000 in rental subsidies. This relates only to rent subsidy and not to additional costs, such as voids or meeting the costs of arrears.

The other costs associated with the initiative (for example, staff time) have been absorbed by the partner organisations through the utilisation of existing staff resources, and so have not been included in the above costs. For example, the housing support function and management of the initiative is provided by in-house staff across the partner organisations. Maintenance is provided by Cork Simon's maintenance teams, and because these teams use labour market programmes (such as Tús and Community Employment) this enables light maintenance work to be undertaken with limited cost. Some aspects of the initiative are resource intensive, in particular the viewings of the units of accommodation.

Outputs and outcomes

The Cork Rentals model is at an early stage of development, and tenancies have been in place for less than one year. In its first year of operation, 14 households have been accommodated (representing 19 individuals, including three children). Two of these households returned to emergency accommodation, and one is currently serving a prison sentence (from a proceeding case and not related to the tenancy).

At present, 11 of the original 14 tenancies are in place (the accommodation is sourced from seven property owners). The majority (eight tenancies) are single households. This means that the tenancy breakdown rate is 14 percent, although the total population figure is low. This compares with the Dublin Rent Supplement Initiative, which reports that 8.5 percent of tenancies collapsed (five out of 59 tenancies accessed in the private rented sector).¹³

50 percent of the Cork Rentals households were homeless on a long-term basis prior to their current tenancy, and had medium to high support needs (an estimated 80 percent have substance misuse issues).

Five of the tenancies are with Cork Simon, three with the SVP, and three with Focus Ireland.

In general those consulted noted that the standard of accommodation is poor compared with other PRS accommodation, and this is a reflection of the heavy demand for property in Cork city and the scope for landlords to reject tenants. Accessing good quality accommodation is a continuing challenge for the initiative. Approximately 50 percent of accommodation viewed has been rejected for poor standards.

However, it should be noted that all accommodation sourced meets the minimum standards established by Cork Rentals.

¹³ Dublin Region Homeless Executive: *Outcomes of the rent supplement pilot initiative* (2013).

It has been a useful mechanism for the provision of housing for individuals who have particular difficulties in accessing accommodation, for example ex-prisoners, and others who have no history or record of managing tenancies. In the case of one man who was leaving prison and was attending residential drug treatment, having accommodation secured for the end of his treatment was believed to be an important factor in the success of this treatment. The service therefore links in with the prison in-reach service in Cork.

In terms of collaboration between services, the model has been successful in applying a coordinated approach to accessing accommodation from the private rented sector. There is consistency of approach, and a commitment from the partners to the model. The collaboration is particularly important as the innovative nature and risk involved in Cork Rentals is believed to benefit from joint working and sharing of expertise.

Future challenges

Because such a large proportion of the cost of the initiative arises from meeting the difference between the market rent and the rent supplement limit, a key part in Cork Rentals sustainability will be a scheme similar to the Rent Supplement Initiative in Dublin, which would allow greater flexibility in exceeding rent supplement limits where a household is moving out of homelessness. It is believed that this could make the scheme revenue neutral for organisations. Because of the cost of providing emergency accommodation for people who are homeless, it would also be financially attractive for Government.

4. PROPOSED MODEL OF A SOCIAL RENTALS INITIATIVE FOR DUBLIN

On the basis of the research and consultations undertaken for this feasibility study, an outline of a Dublin-based Social Rental Company (SRC) is provided below. An analysis of the key operational and risk issues is also provided.

4.1. Function and purpose

The key functions of a social rentals initiative are outlined below.

FUNCTION		ISSUES
SRC negotiates access to accommodation from 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.
SRC acquires properties on a rental / lease basis from private sector landlords and property owners.	→	By leasing the property, the SRC would take on liability for all tenant responsibilities, and effectively guarantees landlords who are reluctant to rent units to households exiting homeless and on SWA.
SRC negotiates a lease arrangement on a long-term basis.	→	The guarantee provided for the SRC should (in time) encourage a long-term lease agreement, given the risk-free element of the transaction for the landlord.
SRC seeks a lower than market rental rate in return for guarantees and long-term lease	→	The guarantee system of the SRC 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.
SRC undertakes some of the maintenance functions of the landlord in the ongoing management of the property.	→	<p>This acts as an incentive to landlords, by minimising their ongoing involvement in the units.</p> <p>As homeless organisations have maintenance teams in situ, this is an added value that has limited resource or financial implications.</p> <p>Large scale maintenance responsibilities of the landlord (e.g., white goods equipment maintenance) is not undertaken by the SRC, nor is electrical issues.</p> <p>However, as the first port of call for the household's maintenance needs, the SRC can support housing maintenance.</p>
SRC sublets the property to homeless households.	→	SRC becomes the landlord, and manages the relationship with the household without the involvement of the property owner. SRC absorbs all risk for voids, arrears, tenant liability for maintenance, etc.
SRC liaises with support services	→	Tenants receive housing support under existing initiatives (SLI and TSS) in their tenancy.

The feasibility of undertaking a general 'housing search' function for homeless households was questioned by those consulted, as this could cause confusion about the SRC's role and relationship with potential tenants and landlords. In the

consultations, it was emphasised that clarity, consistency and clear publicity and promotion would be a critical part of the model.

4.2. Location

The PRS market condition is likely to be one key factor in determining the success of the initiative. A strong rental market is not only reflected in cost, but is likely to determine landlord response if operating in a highly competitive market.

It is proposed that the South Dublin County Council (SDCC) area could be a location for a pilot initiative (for example, rent rates are lower in this area, SDCC is one of the local authority areas for piloting the HAP initiative, and other initiatives have been tested in SDCC). However, it could also be argued that as the majority of the homeless population and homeless services are located in Dublin City Council, testing it in this area would also be useful.

4.3. Scale

As there is a combination of fixed costs and variable costs in delivering a SRC, the cost per unit of accommodation will reduce as more units are secured. However, fixed costs comprise a relatively low proportion of the total costs, which means that issues of scale are not as crucial in determining costs.

Issues of risk are important in determining the scale. For example, in the event of a termination of lease by the superior landlord, there would be a need to re-house the sitting tenant of the SRC. On this basis, it is proposed that the SRC units would not exceed approximately ten percent of long-term housing units available in the housing or homeless organisations engaged in the initiative. As Focus Ireland has over 300 units of accommodation in Dublin (and is in the process of acquiring 27 new units), this would imply that an initial 35 units could be taken on by the organisation with some contingency.

If the initiative was to develop on a partnership basis, this figure could increase. Moreover, as the initiative bedded down, the extent to which this provision is required will become clearer, as turnover of leases with superior landlords would become clear.

This would provide some contingency, as there is some turnover of long-term accommodation (in the order of approximately 2.5 percent per annum).

4.4. Resources

Staffing

In housing management terms, managing 35 tenancies would require a housing management officer on a part-time basis. The time-consuming elements of housing inspections and liaising with potential landlords may mean that this function is maximised. The need for training for staff member in undertaking the function around legal issues and inspection of properties was noted. Moreover, the housing officer function would need to undertake housing inspections on a monthly rather than a quarterly basis.

See Appendix 2 for a description of the roles of the Housing Management Officer in the SRC.

Supports

In terms of housing support, the existing resources within Focus Ireland, the Peter McVerry Trust (PMVT), Threshold and Dublin Simon (which administer the SLÍ initiative and/or the prevention/ tenancy sustainment services) could be accessed by tenants. The structures are already in place for these supports to be offered. In discussions with a landlord representative body (IPOA) and a letting and property management agency, the availability of supports is a crucial consideration for landlords in participating in such an initiative. In addition, a pre-requisite for prospective tenants to complete pre-tenancy training would also be an important factor in engaging landlords.

The question arises as to whether the entity providing the tenancy management function should also provide the housing management function. In the case of Cork, the same organisation does not provide both functions. However, housing support and tenancy management is regularly provided by the same organisation, and we have not evaluated the necessity of keeping the two functions separate.

Nonetheless, if a separate legal entity was established as a Social Rental Company, this separation of function would automatically occur (as the housing support function could continue to be delivered by the individual homeless service provider). This and a possible governance structure are discussed below (in Section 4.5).

Maintenance

The maintenance function is regarded as an important aspect in attracting landlords to participate in a SRC. Moreover, the maintenance function would be required in the initial viewing and screening of accommodation. There may also be a need for quantity surveyor skills to assess the properties.¹⁴

Focus Ireland provides a direct labour maintenance service to over 300 homes in the Dublin area (that it owns, leases or manages), which is part funded by labour market programmes (Community Employment and Jobs Initiative), and supported by two Focus Ireland employees. The team operates from a site in Dublin city centre, and has some scope for expansion, and as such, could contribute to the operational maintenance costs of the SRC. The main constraint would be if a property was acquired in outlying areas of Dublin where travel time could undermine capacity.

The maintenance teams are not qualified in the trades, but provide effective light maintenance services. In Cork Rentals, maintenance on white goods is not provided.

¹⁴ However, in the Cork Rentals model the inspection is undertaken by the maintenance teams with two representatives of the partner organisations.

There may be a small contribution towards the costs, particularly if significant expansion of units took place.

4.5. Governance structure and systems of management

One key question is whether the functions of a SRC should be undertaken by one organisation, whether a number of organisations should form a partnership and each take on some of the functions, or whether a separate entity should be formed to undertake the initiative.

At the very least, the process would need some form of coordination in order to avoid multiple agencies duplicating contact with landlords.

In Cork, three of the four partner organisations hold the leases for the properties sourced from the private rented sector. Oversight is undertaken by a steering group structure, comprising all of the partners. Monthly meetings take place with tenancy support workers to consider operational issues. The approach undertaken in Cork was that the organisation providing the support would not be the same organisation providing the tenancy support. This approach was undertaken to expedite the establishment of Cork Rentals, and to quickly demonstrate the model's capabilities which was established in a two month period.

Regarding how a structure might develop in the longer term, one option is to follow the model adopted in Cork, whereby partners come together and undertake separate roles without forming a new legal entity. Alternatively, a separate legal entity could be established (comprising either one or a number of partners), or the service could be provided within a single organisation within existing structures. The governance structure adopted could depend on the scale of the initiative, the supports received by it, and its long-term sustainability.

The pros and cons of each governance structure are outlined in Table 4-2 below.

Table 4-2 Pros and cons of different governance structures		
Form	Pros	Cons
Separate legal entity	<p>Clarity around the structure and functions - less potential for confusion</p> <p>A separate entity limits risk to the partner organisations (financial, legal, regulatory, reputational)</p> <p>A separate identity may protect the reputation of the organisations with regard to tenancy management and would ensure that housing management and housing support are kept separate from the outset</p> <p>Potential for collaboration and learning maximised, and could include others in the</p>	<p>Legal incorporation required - additional reporting and administration obligations (CRO)¹⁶</p> <p>May not be able to benefit from good reputation of homeless service providers amongst landlords</p> <p>Homeless organisations might consider their reputations to be at risk from practices of other partners.</p> <p>May be perceived as avoiding liabilities by providing an arms length relationship - guarantees may be</p>

	structure (e.g., local authorities) Clarity of delineation between roles of AHB ¹⁵ and SRC function. Provides scope for other partners to engage in the initiative.	required from the partner organisations
Single NGO leads the process	Speedy delivery of an initiative Utilises capacity already in existence Decision-making process might be quicker Lead NGO would be committed to protecting its own reputation with landlords.	Would limit the scope of the initiative and scaling Would undermine potential for learning transfer If other NGOs subsequently enter the market in the same way, would create duplication
Coordination of existing NGOs	Could be established quickly Collaborative approach could support transfer of learning within the sector Could ensure consistent delivery by contracting existing homeless organisation to deliver the management Would facilitate a separation between housing support and housing management functions Would share the risk to organisations	Could lead to inconsistencies in delivery Could potentially lead to duplication of effort across organisations Need to be effectively managed May result in slow decision-making if all roles jointly agreed

Based on these considerations, the optimum method of delivery would be the establishment of a separate structure to provide oversight of a social rentals initiative, particularly in the long-term. This would provide a basis for consistency of practice and policy, would limit the risk and exposure to participating organisations, would enable the existing housing support functions as currently delivered by each organisation to remain as is, and would ensure clarity in promotional activities with the private rented sector.

The composition of the social rentals initiative should include homeless organisations taking part in the initiative, and could also engage with the local government sector. However, if the local authority had a contractual relationship (rental income) with the initiative, this could compromise their participation on a board structure. Expertise required such as environmental health, maintenance, housing support, housing development, legal and quantity surveying could be sought for participation in the initiative.

Regulatory issues

The Property Services Regulatory Authority (PSRA) was established on a statutory basis in April 2012.¹⁷ The main function of the Authority is to control and regulate property services providers (i.e. auctioneers/estate agents, letting agents and management agents), which includes the licensing of all such

¹⁶ Companies Registration Office

¹⁵ Approved Housing Body (AHB), approved by the Department of the Environment, Community and Local Government. All of the potential partners in this initiative are AHBs.

¹⁷ This was established by order under the Property Services (Regulation) Act 2011, and comes within the remit of the Department of Justice and Equality.

services providers. There are almost 4,000 licensees on its register of licensed property services providers.

The question was asked during the consultations if this initiative would come within the terms of the Authority. The majority view was that it would not, as it is not entering into a letting management agreement with a private landlord, but a simple lease agreement. It is not acting on behalf of the landlord with the tenant (and the landlord has no formal relationship with the tenant). Also, given that the private sector leasing programme does not require the leasee to register as an agent, the same provisions should apply in this case. However, it is recommended that this issue should be submitted for legal opinion.

A social rentals model would come within the remit of the Private Rented Tenancies Board (PRTB), once the Residential Tenancies Amendment legislation is passed in the Houses of the Oireachtas and is enacted (which will take place in 2014).¹⁸

Systems of delivery

As to the actual delivery of the initiative, this could be undertaken directly either by: a separate structure, a contractual relationship could be developed between lead and other partners taking part in it, or a consortium style approach could be developed between the partners in its delivery.

Policies and procedures

A SRC would undertake two roles: that of principal tenant (through the lease agreement with the superior landlord) and that of landlord of the sub-let tenant.

Table 4-3 Roles of the Social Rentals Company	
Landlord role	Tenant role
Property owner (superior landlord) - leases accommodation to SRC and has landlord responsibilities	SRC is the principal tenant of the property owner/ landlord.
SRC - sub-lets accommodation to household exiting homelessness and has landlord responsibilities	Household is the sub-let tenant.

As principal tenant, the SRC would have a 'vicarious liability' for the activities of the tenant. This is likely to have implications for policies and procedures around tenancy management, and the SRC would not have the same scope for flexibility around arrears, evictions policy, etc., as homeless organisations may currently have with their own housing stock. This may have reputational implications and risks for homeless organisations, given their charitable and not-for-profit status. A more vigorous application of re-chargeable repairs policies for reimbursing costs of maintenance, and repairs that are the responsibility of the tenants may

¹⁸ This legislation amends the 2004 Residential Tenancies Act and brings tenancies within the voluntary housing sector under the remit of the Residential Tenancies Board.

be required. A risk analysis undertaken in Section 5 further discusses these issues.

It was also suggested that monthly housing checks may be required (rather than checks on a quarterly basis). These checks could be provided as part of a floating support service, and it was the view of those consulted that this would need to be separate to the housing support function.

Provision of housing support would be an important aspect of the initiative, and should be a condition of participation amongst those taking part in it. Moreover, there was a view amongst those in the letting sector that a pre-requisite to undertake pre-tenancy training would also provide an incentive to landlords to engage in the SRC.

Another condition for participation would be the agreement of prospective tenants to pay their tenant contribution through direct payments (e.g., direct debit). The An Post Household Budget scheme is not currently available other than for certain State and Semi-State bills. However, legislative change to support the Housing Assistance Payment (HAP) is expected to create new possibilities in this regard.

Ultimately the SRC will commit to returning the property to the landlord in the condition in which it was originally let, less normal wear and tear. This will most likely add costs to the SRC.

Allocations

If financial support was provided through local authorities / Department of Social Protection to cover the difference between market rents and rent supplement limits, allocations could be made by local authorities from those on the homeless housing list. A streamlined nomination process would be required, to ensure that the nominations process is timely and appropriate.

4.6. Views of the private rented sector

Consultations undertaken with the IPOA and a lettings and management agent indicated a positive response to the initiative. The following points were made:

- There is no scope for negotiating lower than market rents, particularly in the Dublin area, at present.
- The provision of housing support would be a key influencer for landlords taking part in the initiative.
- Maintenance support would be an important incentive, as significant housing management time is taken up with investigating minor maintenance issues, some of which are the responsibility of the tenant.
- The way in which the initiative would be promoted would be critical. For example:
 - Clarity on the role and function of the partners and the landlords would be essential.

- The use of the term 'agency' can be a misnomer, as the nature of the relationship between the initiative and landlord is not one of an agent. This word should be avoided.
- A coordinated approach would be important to avoid confusion and overlap across homeless services.
- The IPOA would be prepared to promote the idea amongst its members, through its newsletter and at regional 'roadshows' that it undertakes.
- Consideration of acquiring rental properties on an unfurnished basis may also attract landlords.

The question was asked if letting agents would have an interest in this initiative. In the Cork Rentals initiative, some of the units have come through letting agencies. In the longer term, when the current cycle in the market ends, and where negotiations with landlords for reductions in rent are secured, this could undermine scope for engaging with letting agents, as it could operate in competition with them.

Participation numbers

It is impossible to determine the potential participation rate of landlords, even when considering the response to this feasibility study was positive. According to the DRHE, 245 homeless households accessed the private rented sector in the first two quarters of 2013.

The Rent Supplement Initiative reports that amongst its caseload of 215 households included as part of the initiative, a total of 98 progressed into some form of housing. Of these, 59 households secured accommodation in the PRS between August 2012 and May 2013, either through the support of the Rent Supplement Initiative (27 households) or independently (32 households).

In terms of scaling up the SRC initiative, and given the resources required in its implementation, it is suggested that a reasonably conservative target be considered in the first instance of operation.

5. RISK ANALYSIS

The risks associated with this project relate to the nature of the guarantee provided to the landlord by the SRC. These arise in the areas of maintenance, payment of rents, and absorbing any costs of voids, arrears and defaults, and maintenance liabilities. The view was expressed by those consulted that units secured under this initiative are unlikely to be high-end accommodation and will be generally low quality, even if they comply with legal minimum standards and standards established by the initiative.

Moreover, and particularly in the case of short-term tenancies, if the superior landlord ends the lease after one year, the formerly homeless household will require re-housing by the Social Rentals Company. The experience of Cork Rentals is that leases have been one year in length at the outset, but the views of landlord representatives consulted as part of this study was that landlords would be satisfied to sign long-term leases once the approach is tested.

As mentioned above, there will be a need for the Social Rentals Company to put in place robust housing management policies and procedures, which may differ from existing flexible policies of homeless organisations. This could risk reputational damage amongst the tenants. Moreover, the point was raised that if eviction procedures are instituted, this could delay possession of the unit in the case of a dispute by up to 18 months – during which period rent would have to be paid by the SRC, and court costs could be significant in pursuing an eviction.

Finally, the cost of accessing PRS accommodation will need to be subsidised and supported. It would be important that the funding would be secured for a significant period in order to secure the tenancy on a long-term basis.

Some of these risks may be minimised where tenants are in receipt of housing support from initiatives such as the Support to Live Independently (SLÍ) initiative or the tenancy sustainment and prevention services, which are delivered by homeless organisations and coordinated by local authorities.

5.1. Summary of potential risks

- Additional rental cost burden for the SRC – no capacity for achieving discounts in the current market
- Defaults on rental payments / arrears
- Long-term leasing arrangement may not be matched by funding commitment for the period of the lease – could lead to ongoing shortfalls after a period of time
- Lease agreement period ends and tenant has to be re-housed
- Lease agreement ends arising from problems with tenancy and eviction procedures need to be pursued – cost to reputation and financial costs
- Tenant liabilities are passed on to Focus Ireland – could be an open-ended guarantee

- Lease agreement ends and tenant does not agree to move and formal eviction procedures must take place

5.2. Mitigation

Some procedures could be put in place to mitigate some of the potential risks, including:

- Tenants would agree to direct payments in order to avoid arrears
- Establishing a separate entity may enable new procedures to be implemented
- The total stock of housing acquired through the initiative should be limited to ten percent of housing stock of the partner organisations in case of contingencies required for re-housing
- Regular floating support including monitoring visits
- The tenant would be required to participate in housing support programmes and pre-tenancy training

5.3. SWOT ANALYSIS

Table 5-1 SWOT Analysis of Social Rentals Company	
Strengths	Weaknesses
<p>Can provide incentives for landlords (where private sector leasing has not) in the current market</p> <p>Good response from letting agents and landlord bodies</p> <p>Added value from existing services (e.g., maintenance and tenancy supports)</p> <p>Can ease access to PRS</p> <p>Can tackle rent caps paid between the tenant and landlord and risks to tenant therein</p> <p>Could test the model so that it can gain significant momentum in the down cycle in the PRS market</p>	<p>Lack of income to sustain initiative</p> <p>High risk to the SRC</p>
Opportunities	Threats
<p>IPOA interested in the model and scope for negotiating access to the sector is good</p> <p>Could be developed as a pilot initiative in areas of Dublin and developed on a collaborative basis.</p>	<p>Letting agents could be long-term competitors</p> <p>Shortage of private rented sector accommodation - landlords may not initially engage</p> <p>Reliance on rent supplement caps may undermine capacity of SRC to meet rental rates</p>

6. FINANCIAL PROJECTIONS

6.1. Assumptions - costs

An assumption of the financial projections for the SRC is that an acquisition of approximately 35 units per annum could be targeted, at least during the initial stage of the initiative.

For the purposes of projecting costs, the location selected as an example is North Dublin city, which is within the administrative area of Dublin City Council. If another local authority area was selected for piloting, the costs are likely to be slightly lower.

In the view of property management staff in Focus Ireland consulted as part of this study, 35 units would be a manageable size and would comply with a 10 percent of housing stock figure as a contingency. This figure could be monitored and changed depending on the tenancy turnover and outcomes, which would become known in the first couple of years of operation.

The costs projections for rent are based on published average figures (Daft.ie) and are an estimate, as individual discussions with landlords could yield lower figures and market rates for rent vary within each area and housing category.

There is no sinking cost requirement included as cyclical maintenance requirements would remain the responsibility of the property owner. There is also no capital costs associated with acquiring the housing.

Much of the costs in this financial projection are variable costs. As there are likely to be some fixed costs (e.g., administration), it is likely that the cost per unit will reduce as more units of accommodation are sourced.

Table 6-1 Assumptions – Expenditure	
Cost item	Assumptions
Rent to superior landlord	Based on average rental rates calculated by Daft.ie for accommodation in North Dublin city for one-bed and two-bed units. Workings are presented below.
Staff	<p>Based on the project worker role within Focus Ireland (upper end of the salary scale) plus 10.75% employer PRSI. This position would be a half-time position in years 1 and 2 and a full-time position in year 3.</p> <p>A position of project leader is included to oversee the initiative (in the first year 10% of a project leader post is allocated to this position, and the percentage increases in years 2 and 3 to 15% and 25% respectively). The salary level is based on the Focus Ireland salary scale (mid-point) for this role.</p> <p>Associated organisational and administration costs are apportioned at 10% of the salary of total staff costs.</p> <p>There are no housing support staff costs projected as existing initiatives and supports would be drawn upon (e.g., SLI and other supports).</p>

Housing management costs	<p>Voids are estimated at 5% percent of tenancies per year. The vacancy period per void is estimated at nine weeks.</p> <p>Arrears are calculated on the basis of 10% loss of income in year one. However, if this initiative came within the HAP, this figure would be smaller as legislative provisions will provide for mandatory deduction of rent payable to local authorities at source. This, in addition to tighter housing management, should reduce the arrears figure to a maximum of 7% in years 2 and 3.</p> <p>The budget for maintenance per annum per property is €500. There are no costs associated with light maintenance, as it is assumed that these would be available from Focus Ireland or other homeless organisation as a contribution at least in the initial stages and piloting of the initiative.</p>
Fees	A provision for technical fees is provided for in the first phase of development.

6.2. Assumptions - income

The projected source of income is SWA Rent Supplement (based on the maximum rent limits).

Table 6-2 Assumptions – Income	
Income item	Assumptions
Rent received (from tenant)	<p>The income generated is based on the SWA rent supplement maximum figure for Dublin city (which is equivalent to all local authority rates with the exception of Fingal County Council).</p> <p>Calculated on the basis of a housing stock breakdown of 75% single / one-bed and 25% two-bed accommodation (26 one-bed units and 9 two-bed units in year 1).</p> <p>This initiative may come within the HAP in the long-term.</p>

6.3. Workings

Workings to accompany the rental income and rental costs for each year are included in Appendix 1.

6.4. Financial projections

Projected costs

Table 6-3 Projected Operational Costs (€)			
Projected operational costs	Year 1	Year 2	Year 3
<i>Total units (at 35 per annum)</i>	<i>35</i>	<i>70</i>	<i>105</i>
Rent payable to superior landlord ¹⁹	374,760	749,520	1,124,280
Provision for voids	2,062	4,123	6,185
Provision for arrears	24,255	52,466	78,700
Project Leader (part-time)	5,655	10,178	14,137
Project Worker (part-time in years 1 and 2)	22,576	22,576	45,153
Insurance	500	500	500
Provision for fees (legal, survey, audit and accounting)	1,500	1,500	1,500
Maintenance fees	17,500	35,000	52,500
Promotion and advertising	1,000	1,000	1,000
Office and administration	2,991	6,264	9,284
Total cost	€452,799	€883,129	€1,333,238

Projected rental income

Table 6-4 Projected Rental Income			
Projected income	Year 1	Year 2	Year 3
<i>Total units (at 35 per annum)</i>	<i>35</i>	<i>70</i>	<i>105</i>
Rent (tenant contribution plus SWA) ²⁰	243,240	486,480	729,720
Total income	€243, 240	€486,480	€729,720

Projected shortfall

Table 6-5 Projected shortfall and additional income required (€)			
Projected shortfall	Year 1	Year 2	Year 3
<i>Total units (at 35 per annum)</i>	<i>35</i>	<i>70</i>	<i>105</i>
Total shortfall per annum (all units and costs)	209,559	396,649	603,518
Shortfall per unit (subsidy required)	5,987	5,666	5,748
Total cost per unit sourced (inc. full SWA)	€12,937	€12,616	€12,698

¹⁹ See Appendix 1 for the workings accompanying the rental costs.

²⁰ See Appendix 1 for the workings accompanying the rental income.

Projected shortfall and comparison with costs of emergency accommodation

The per unit costs of the SRC compare favourably with the cost of housing an individual in emergency accommodation, which was estimated by Focus Ireland in 2012 as approximately €30,000 per annum. There is no data available from the Department of the Environment, Community and Local Government, and according to the Minister in 2011, it is not possible to calculate the average cost of providing emergency homeless accommodation and supports²¹ and so figures are based on the Review of Homeless Services Expenditure conducted by the Homeless Agency (now DRHE) in 2008.²²

Total estimated average cost for emergency accommodation ²³	€30,000
Total cost per unit sourced under the SRC (year 1)	€12,937
Cost of SLÍ and housing support ²⁴	€1,200
Estimated potential saving (after SLÍ support is costed)	€15,863

6.5. Potential sources of income

The main potential source of income for the SRC is additional finance under the Supplementary Welfare Allowance (SWA) Rent Supplement. SWA Circular No. 21/11 provides for exceptional circumstances where the maximum rent limit can be exceeded where there are special housing needs (including those who are homeless).²⁵ If this project qualified as an exceptional project, it could generate additional income for rent (over and above the rent given to the property owner), to cover its own overheads and costs. Exceeding the rent cap in this manner would provide value for money to the State, as the extra amount would not be paid to the landlord but would be put towards the sustainability of the initiative.

According to the DRHE, in respect of the Rent Supplement Initiative less than half of those who secured PRS accommodation required a discretionary increase

²¹ Dáil Éireann, Written Answers - Emergency Homeless Accommodation, Tuesday 22 November 2011

²² Homeless Agency (2008): *Review of Finances and Expenditure for Homeless Services in Dublin*. Dublin: Homeless Agency

²³ The review of expenditure (Homeless Agency, 2008) makes the point that this figure is an average cost, and that there are wide cost variations in the provision of emergency accommodation 'due to the very different forms of supports provided by organisations, which can range between low support to very high intense support. In addition, facilities being used vary in terms of capacity and building standards, which can mean higher facilities costs.' (p.15)

²⁴ The Support to Live Independently (SLÍ) initiative is a housing support measure available to households exiting homelessness and is delivered by certain homeless organisations on behalf of the four local authorities in Dublin. All households moving from homelessness into long-term housing are offered SLÍ. For provision of housing support for up to a six month period, a payment is made of €1,200 but this could be extended, depending on the individual household's needs.

²⁵ SWA Circular No. 21/11, Rent Supplement – Maximum Rent Levels.

in the rent cap levels, as they were able to secure accommodation within the rent cap limits.

In the Cork Rentals initiative, most of the applicants applied for a discretionary increase in rent supplement, but these were rejected in all but one case. In the Cork Rentals model, the costs of implementation have been met through the funds of the homeless organisations, and these costs have been estimated at €13,000 per annum.

Even if an increase in rent allowance was secured, additional funds would be required to meet the overheads and other set-up costs for the initiative. In the view of those consulted, there are likely to be opportunities for exploring new models around access to the private rented sector once the Housing Assistance Payment (HAP) becomes part of the local authority structures. The draft DRHE action plan (2014-2016) includes provisions for exploring how large-scale local authority procurement of accommodation could take place across all the local authority areas. In advance of this, the HAP will be piloted before its transfer, and it is envisaged that that piloting of HAP will start in summer 2014. Seven local authority areas have been selected for HAP, which include Limerick, Cork, South Dublin, Kilkenny, Louth and Monaghan.

Given these developments, discussions could take place around piloting a social rentals initiative to test the model in selected parts of Dublin.

Such a pilot could be delivered in South Dublin County Council (where the ASH initiative is already operational and which is selected as one of the HAP pilot areas), or in Dublin City Council, which is where the majority of homeless households and services are based. A pilot could complement existing initiatives as it would further explore supply side initiatives. If a pilot was to be undertaken, it should include the local authorities, engage with the DRHE, and be undertaken on a collaborative basis with a number of homeless providers. This would form the likely basis for its support and development.

However, in implementing the pilot HAP arrangements, there is limited scope for additional funding to cover the costs of a SRC. However, Budget 2014 announced that a new social impact investment initiative will also see more than 130 homeless families move out of private emergency accommodation and into sustainable long-term tenancies. Discussions should be undertaken with the Department of Environment, Community and Local Government around the potential application of the social impact investment initiative to this initiative, particularly in light of the cost savings to be made with the SRC (compared with emergency accommodation provision).

Moreover, with the continued operation of the Rent Supplement Initiative, detailed discussions should take place on how the piloting of this model could come within the Rent Supplement Initiative, both from an operational point of view (coordination of SWA applications and collaboration) and also potentially to source 'rent cap' discretionary increases to help fund the additional costs.

As the Rent Supplement Initiative is based on individuals (with support) accessing the private rented sector, this initiative could potentially complement these measures as it could test new access points to the private rented sector for

homeless households which are likely to encounter significant difficulties in accessing their own tenancy agreements with the private rented sector.

7. CONCLUSIONS AND RECOMMENDATIONS

A Social Rentals model as a mechanism for accessing the private sector was positively viewed in the consultations undertaken as part of this study, and could potentially secure private rented sector accommodation for homeless households currently experiencing barriers in accessing tenancies.

As the model operates on the basis of engaging with landlords who do not already provide accommodation to homeless households, it could potentially add to the current stock of private rented accommodation available to homeless households, and could add value and complement existing initiatives such as the Rent Supplement Initiative and others.

However, it should be noted that the model is not without its risks, and should proceed on a piloted basis in Dublin in order to test the responses amongst the private rented sector and monitor outcomes. The pilot area could be South Dublin County Council, which will be one of the locations for piloting the HAP initiative and where the market for private rented sector may not be as competitive as other areas. However, given the concentration of homeless services and homeless households in Dublin City Council, this too may be a potential location for piloting.

It is recommended that Focus Ireland should lead the initiative in the initial stage, but should engage with other partners in its oversight and delivery. This could include collaboration with other homeless services, and could also facilitate local authority engagement. This would enable learning from the initiative to be maximised and would support further model development across homeless services. A separate management structure (e.g., a steering group) should be established in the first instance, but it is suggested that a separate legal structure would be the most optimum mechanism for the management of such an initiative on a long-term basis. A separate structure would also enable existing services provided by homeless organisations to be clearly distinguished from the activities of the Social Rental Company.

The indications are that regulatory requirements (e.g., a property management license) would not apply to the initiative, but legal advice should be explored on this point.

In terms of the delivery of services, the Social Rental Company could employ its own staff and resources. Alternatively, contracting out the delivery functions to an existing provider or number of providers (including Focus Ireland and others) could be an option insofar as it would benefit from existing expertise and operational structures.

Consideration of risk mitigation measures should include the following additional policies and procedures:

- Tenants would agree to direct payments in order to avoid arrears
- Establishing a separate entity may enable new procedures to be implemented

- The total stock of housing acquired through the initiative should be limited to ten percent of housing stock of the partner organisations, in case of contingencies required for re-housing of tenants at lease end (at least in the first couple of years of development)
- Regular floating support including monitoring visits should be provided
- A condition of access should be the participation in housing support programmes and pre-tenancy training

Careful consideration should be given to promoting the initiative, as clarity around its function and purpose is essential for engaging the private rented sector. Organisations such as the IPOA should be approached to promote the initiative amongst its member organisations.

In this respect, it is important that the Social Rentals Company does not provide a general private sector housing search on behalf of homeless households, as this is likely to cause confusion as to the function of the Social Rentals Company. There is however a need for a coordinated search functions to take place separately.

In terms of funding for the initiative, there may be opportunities when the Housing Assistance Payment (HAP) becomes operational within local authorities as this will provide flexibility. In advance of this, the HAP will be piloted in certain areas. In terms of accessing funding through rent supplement, discussions should take place with a view to the SRC partnering with the Rent Supplement Initiative, as it would be complementary to it (by sourcing accommodation through landlords not currently engaging with homeless households). While the Rent Supplement Initiative has led to a small portion of households gaining a discretionary increase in rent supplement 'rent caps', those who have had particular needs have received such exemptions.

Finally, this project is ideally suited to funding under the 'Social Impact Investment Mechanism' announced in Budget 2014 when it completes its pilot phase. Any proposal for funding should also highlight the savings that the social rentals initiative could provide, when compared to the costs of accommodating homeless households in emergency accommodation.

APPENDIX 1

Workings for financial projections

Rental income and rental expenditure

The calculations for monthly and annual rental costs and income are outlined below. These compare the estimated rental costs (based on market rates) and the shortfall in rental income (based on SWA rent limits).

Rental payments (costs)

Table 7-1 Workings for annual rental payments to superior landlords (Year 1)				
	No. of units	Rent per month (€)	Monthly rent (€)	Annual rent (€)
One bed units	26	837	21,762	261,144
Two bed unit	9	1,052	9,468	113,616
Total rent cost Yr 1	35			€374,760

Table 7-2 Workings for annual rental payments to superior landlords (Year 2)				
	No. of units	Rent per month (€)	Monthly rent (€)	Annual rent (€)
One bed units	52	837	43,524	522,288
Two bed unit	18	1,052	18,936	227,232
Total rent cost Yr 2	70			€749,520

Table 7-3 Workings for annual rental payments to superior landlords (Year 3)				
	No. of units	Rent per month (€)	Monthly rent (€)	Annual rent (€)
One bed units	78	837	65,286	783,432
Two bed unit	27	1,052	28,404	340,848
Total rent cost Yr 3	105			€1,124,280

Rental income (SWA)

Table 7-4 Workings for annual income (SWA rent limits)				
	No. of units	Rent per month (€)	Monthly rent (€)	Annual rental income (€)
One bed unit	26	520	13,520	162,240
Two bed unit	9	750	6,750	81,000
Total income Yr 1	35			€243,240

The table below outlines the difference between rent payments to superior landlords, and rental income from SWA Rent Supplement.

Table 7-5 Monthly rental costs and income (Year 1)							
	No. units	Monthly rental cost		Monthly rental income		Additional subsidy req'd to meet market rent cost	
		Cost of rent p/month (€)	Total cost (€)	Rent cap (€)	Rental income p/mth (€)	Av. cost per unit (subsidy p/month) (€)	Total est. annual subsidy (€)
North Dublin City							
One-bed acc. average	26	837	21,762	520	13,520	317	98,904
Two-bed acc. average	9	1,052	9,468	750	6,750	302	32,616
Total	35						€131,520

APPENDIX 2

SRC Housing Management Officer | Job description

Roles would include:

- To negotiate with letting agents and landlords to access suitable accommodation for clients of the SRC exiting homelessness.
- To participate in the evaluation and development of the SRC and attend and contribute to team, section and agency meetings as required.
- To work within the framework of the overall objectives of Focus Ireland.
- To manage housing units secured under the SRC, and to liaise with local authorities and funders regarding allocation of these housing units to clients.
- To liaise with support services and maintenance staff to ensure that clients receive support in their accommodation, and that the accommodation is adequately maintained.
- To issue tenancy agreements with tenants and ensure that the terms of these are adhered to.
- To manage ongoing relationships with landlords, and to ensure that the terms of the lease agreement between the SRC and the landlord are adhered to.
- To work within a client-centred approach.
- To work as part of a multi-disciplinary team and liaise closely with other staff of Focus Ireland.
- To put in place rent payment systems and collect rent from tenants.
- To work with and under the supervision and direction of line management within the project.
- To be familiar with and comply with all relevant Focus Ireland policy (e.g. Child Protection Policy, Data Protection and Confidentiality Policy, Customer Complaints Policy, Health and Safety Policy, Personnel Policy).
- To maintain accurate records and statistics in accordance with Focus Ireland policy.
- To be vigilant of any Health, Safety and Welfare risks in the workplace and bring any concerns to the attention of line management or Health & Safety Representatives.
- To participate in relevant training and development courses as agreed by line management.
- To undertake such other duties as might be reasonably assigned from time to time in consultation with the line manager.