

# Social and Affordable Housing: Current Initiatives

## Introduction

The availability and affordability of housing remains a central concern for the Irish government. The current housing strategy of the Irish government is laid out in Housing for All<sup>1</sup>. The government has targeted the delivery of 312,750 homes between 2022 and 2030, which would include 88,400 social homes, 53,800 affordable or cost rental homes and more than 170,000 private homes and has committed state spending of €40 billion to do so. A number of state initiatives aimed at delivering this strategy in accordance with the Housing for All plan are currently in operation in the market, including:

1. A Temporary Waiver of Development Contributions and Uisce Éireann & Wastewater connection charges;
2. Croí Cónaithe (Cities) Scheme;
3. Secure Tenancy Affordable Rental Scheme;
4. Project Tosaigh; and
5. Mortgage to Rent Scheme.

This update gives a brief overview of the above initiatives. We will shortly publish a more detailed analysis on a number of them.

## What is 'Social and Affordable' Housing?

### *Social housing*

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<sup>1</sup> [Housing for All](#).

<sup>2</sup> Cost rental housing provides affordable rented accommodation to people on middle incomes. It is aimed at people who are above the threshold for social housing but have difficulty affording private rented accommodation (the

This generally refers to rental housing delivered by local authorities and approved housing bodies ("AHBs") to people assessed as being unable to afford housing from their own resources. Housing is allocated according to need and not only affordability.

### *Affordable housing*

This is typically provided through private developers subsidised by state bodies to make homes available for purchase at a lower price to people who are unable to afford the open market price of the property with their own resources. Long-term rental schemes such as cost rental<sup>2</sup> also come under this heading.

## Increased State Intervention in Housing

The increasing level of state intervention in the private housing market can be partly traced back to Part V of the Planning and Development Act 2000 (the "Act") and its perceived failure to deliver an adequate supply of social and affordable housing. Part V provides for the social and affordable housing obligations of developers by allowing local authorities to acquire a specified percentage of land at its pre-planning permission value. The local authority can then build homes on the land, pay a developer to build them or avail of a Part V leasing option.

Submissions<sup>3</sup> from industry bodies have noted that some developers regard Part V as an

rent you pay is based on the cost of building, managing and maintaining the homes).

<sup>3</sup> Submissions received as part of the 2014 Part V review conducted by the Housing Agency.

additional cost that they attempt to recover via the sales price, thus defeating the goal of passing benefit on to the wider community.<sup>4</sup> The recent introduction of government initiatives with the same or similar objectives highlights the inadequacies of Part V.

## Key Initiatives in Social and Affordable Housing

### *Temporary Waivers of Development Contributions, Uisce Éireann and Wastewater Connection Charges*

In April 2023, the Department of Housing, Local Government and Heritage announced a temporary waiver of development contributions and a refund scheme for Uisce Éireann water and wastewater connection charges in respect of new residential developments.<sup>5</sup>

The waiver means that developers will not need to pay development contributions or water connection charges for residential developments commenced between 25 April 2023 and 24 April 2024. Developments commenced within this period must be completed by 31 December 2025. The waivers were introduced to speed up the construction of new homes by reducing building costs for developers and are estimated to represent an average saving of up to €12,500 per home.

Developers must submit a Development Contribution Waiver Scheme Application Form (a simple one-page document available online that can be downloaded) and commencement notice to the relevant local authority to claim that waiver. For the water connection charges waiver, developers will still need to pay these

monies upfront and then notify Uisce Éireann once building has commenced to receive the refund.

### *Croí Cónaithe (Cities) Scheme ("CCCS")*

The CCCS (announced in May 2022) provides funding to developers for suitable apartment developments where there is a demonstrated viability gap which would impede building or purchase by owner-occupiers.

The CCCS is managed and administered by the Housing Agency (the "HA"), a government body. There are a number of eligibility requirements for funding, with the level of support available dependent on the viability gap for each apartment.<sup>6</sup> The maximum funding anticipated for each apartment is €120,000, which may be increased by up to 20% if the calculated viability gap exceeds that figure. Funding is paid to the developer's solicitor and released to the developer when the sale closes.

Apartment developments must be commenced on site by 31 May 2024, or by a later date agreed between the HA and the developer, and delivered as new homes by the end of 2026.

### *Secure Tenancy Affordable Rental ("STAR") Scheme*

The STAR scheme launched on 1 August 2023 and will operate until 31 December 2027. It aims to make available up to 4,000 cost rental homes in the private rental sector to assist eligible households experiencing affordability pressures. Units made available

<sup>4</sup> As seen in the Society of Chartered Surveyor's Cost of Housing Delivery Report 2020, which adds a €5,300 "Part V impact per private house" onto the delivery cost of a new home.

<sup>5</sup> Under the Planning and Development Act 2000, a local authority can implement a Development Contribution Scheme

requiring developers to pay development contributions at commencement stage.

<sup>6</sup> Eligibility requirements set out at paragraph 3.2 of the CCCS [FAQs](#).

under the scheme will have rents of at least 25% below market rate in high demand areas and must be designated as cost rental homes for at least 50 years.

The STAR scheme is managed by the HA and open to all potential providers. All units in receipt of investment from the scheme must be completed within two years of the commencement date or 31 December 2027, whichever is the earlier.

Investment is made in the form of a Cost Rental Investment and Equity Participation Agreement with the developer. The scheme specifies a fairly lengthy list of provisions that must be included, so this agreement is not simple. The investment is secured by a charge on the property which ranks behind any funder security, subject to the terms of an inter-creditor agreement.

The amount of funding available will depend on the costs and revenues outlined in each proposal, with a maximum amount of €170,000 available for Dublin and €150,000 across the rest of the country. An additional uplift of €25,000 is available subject to certain sustainability criteria being met.

#### *Project Tosaigh*

Project Tosaigh, launched in November 2021, aims at accelerating the delivery of housing on sites with full planning permission which are not being developed by private sector owners due to financial and other constraints. The project aims to deliver up to 5,000 affordable homes for purchase or rent by the end of 2026.

Project Tosaigh is managed by the Land Development Agency, a commercial, state-sponsored body which steps in to kickstart construction and partners with developers,

making homes available either as cost rental or for purchase through a shared equity scheme.

#### *Mortgage to Rent ("MTR") Scheme*

The MTR scheme was established in 2012 and is aimed at homeowners at risk of losing their homes due to mortgage arrears. Defaulting borrowers can remain in their homes as social housing tenants under the scheme by surrendering ownership of the property to their lender. The property is then purchased by an AHB or a private company, with rent based on the individual's ability to pay. There is a buy-back option after five years.

Following some uncertainty over the future of the MTR scheme after termination of the pilot scheme in May 2023, the Government recently rebooted the pilot and selected Macquarie, Irish Homes and Fresh Start Homes to offer MTR solutions. Two AHBs, iCare and Foscadh Housing, were also selected for the scheme. There is a concern that there will be few MTR applications processed this year due to the drawn-out nature of the process and the requirement for new operators to establish MTR platforms and engage with lenders. The scheme had already been suffering delays from late last year, when the only private sector participant under the previous pilot, Home for Life, was suspended from taking on new cases to allow the HA to work through its portfolio.

#### **Conclusion**

There are a number of initiatives being introduced or revived by the Irish government and state bodies to make housing more affordable for developers, renters and buyers.

The strategy adopted by the Irish government to address the ongoing affordability issue faced by people wishing to buy homes or rent in an area they want to live in consists of multiple measures which aim to address a variety of issues. The current policy of the Irish government underlines that there is no single solution or quick fix to make housing more affordable. This is a long-term play which we will continue to keep a watching brief on.

As noted above, we will shortly be publishing a more detailed analysis of a number of the initiatives referred to in this update.

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