

LIHAF fails to deliver affordable housing



Eoin Ó Broin TD

LIHAF fails to deliver affordable housing

Introduction

The Local Infrastructure Housing Activation Fund (LIHAF) was launched in July 2016 as part of Rebuilding Ireland by the then Minister for Housing, Planning, Community and Local Government, Simon Coveney.

The funds stated objective was to:

“Provide public off-site infrastructure to relieve critical infrastructure blockages. This will enable the accelerated delivery of housing on key development sites in Dublin and in urban areas of high demand for housing.”¹

There was also a clear commitment within Rebuilding Ireland that the funding for the opening up of sites was contingent on clear commitments from bidders around the *“accelerated pace and scale of delivery of homes in the right locations and with affordability-built in.”²*

30 public infrastructure projects received approval under the Local Infrastructure Housing Activation Fund (LIHAF).

The stated aim was to deliver at least 15,000- 20,000 new homes by the end of 2019.

Controversy

Shortly after the fund was launched, in August 2016 the Department of Housing, Planning, Community and Local Government (DHPCLG) stated in [Circular PL10/2016-APH4/2016](#) that a minimum of 40% of the homes should be delivered at prices of 10% below the average market rate.

One month later DHPCLG rowed back on the above commitment. In a clarification appendix to the previous circular, after meeting with housing providers and local authorities they admitted that it wouldn't always be possible to deliver homes at 10% below the market value.³

In April of 2017 the affordability issue was addressed by the government. Commenting on the latest house price reports published by Daft.ie and MyHome.ie, Minister Simon Coveney stated that there is a strong focus on affordability in the projects being funded under LIHAF.

Local authorities were specifically asked to focus on affordability in considering what proposals to put forward and have received commitments from housing developers about affordability.⁴

However, two months later during a session of the Housing Committee officials from DHPCLG admitted that funding provided under the Local Infrastructure Housing Activation Fund (LIHAF) may not provide any affordable units under €300k in Dublin and lower elsewhere.⁵

When asked under questioning if it was possible that there could be an allocation made under LIHAF without any home coming in under €300,000, senior Departmental Official David Walsh said that yes it was possible.

1 <https://rebuildingireland.ie/lihaf/>

2 https://rebuildingireland.ie/wp-content/uploads/2016/07/Rebuilding-Ireland_Action-Plan.pdf p 62

3 https://d1trxack2ykyus.cloudfront.net/uploads/2017/05/DHPCLG_LIHAF_Criteria_Clarification.pdf

4 https://merrionstreet.ie/en/NewsRoom/Releases/Minister_Coveney%E2%80%99s_statement_on_Housing_Supply.html

5 https://www.oireachtas.ie/en/debates/debate/joint_committee_on_housing_planning_community_and_local_government/2017-06-27/2/

LIHAF fails to deliver affordable housing

What was promised

In March 2018 Minister Eoghan Murphy announced final approval for 30 projects under LIHAF. These developments would, according to the Minister, activate the supply of almost 20,000 housing units on previously inactive sites. In terms of reduced cost housing or so-called affordable housing Minister Murphy stated:

“Over 28% (5,600) of these 20,000 new homes will be social or affordable homes. In addition, a further 28% (5,600) homes will have a LIHAF related cost reduction and another 8,800 will be sold at market rates, greatly increasing supply and with many in locations offering very good affordability.”⁶

The cost of these projects is €195.7 million, of which €146.7 million will be funded by the Department of Housing, Planning and Local Government and €49 million by local authorities.

There were infrastructure projects for Clare, Cork, Dublin, Kildare, Kilkenny, Limerick, Louth, Meath, Waterford and Westmeath.

19,979 homes were now promised by 2021, two years later than the earlier deadline of December 2019. The scheme would deliver 3,274 social homes, with 2,350 affordable housing units from a statutory or administrative scheme and 5,636 “cost reduced” units were projected to be delivered.⁷

What has been delivered?

To date three LIHAF projects have been completed. Of the remaining 26, up to the end of April 2020, 14 projects have been approved to go to, or are already at, construction stage.

Nearly four years after LIHAF was first announced just 2,162 homes have been delivered by the end of Q4 of 2019.

925 of these are labelled Cost Reduced/More Affordable, with 145 social/part V units delivered to date. No affordable homes have been delivered.

The figures speak for themselves. Yet another key plank of Rebuilding Ireland is failing to meet its targets.

- ◆ Only 11% of the total number of target homes delivered to date.
- ◆ Only 4% of the total number of social units delivered to date.
- ◆ Only 12% of the total number of so-called affordable units delivered to date.⁸

⁶ <https://www.gov.ie/en/press-release/f13a3b-minister-murphy-publishes-details-of-signed-lihaf-projects/>

⁷ <https://rebuildingireland.ie/wp-content/uploads/2019/04/LIHAF-Information-Table-1.pdf>

⁸ Table in appendix- <https://www.kildarestreet.com/wrans/?id=2020-05-13a.3456&s=%22LIHAF%22+speaker%3A407#g3457.q>

LIHAF fails to deliver affordable housing

How much were the so-called affordable units?

There is a disconnect between what Fine Gael defines as affordable and what is actually affordable for ordinary working people.

In September 2018 Minister Eoghan Murphy stated:

“... when we talk about house prices, we talk about €320,000 generally in the Greater Dublin area, Cork and Galway and €250,000 in other parts of the country. So we will be working towards those sort of affordability requirements that already exist as part of government policy,”⁹

In September 2019, while defending the price of housing on the O’Devaney Gardens site Minister Murphy claimed that €310,000 “is affordable for people on the average industrial wage” for a new home.¹⁰

He failed to mention that the full cost of these homes was actually €360,000 as the government has a €50,000 equity stake that must also be paid down.

Under the Central Bank’s mortgage lending rules, a household would need a gross income of almost €80,000 to purchase such a home. However, the income threshold for affordable housing is €75,000. Equally the average Rebuilding Ireland Home Loan offering in Dublin in 2019 was €200,000, well below what would be required to purchase one of Eoghan Murphy’s so-called affordable homes.

High housing costs are most commonly measured as above 30% of net disposable income.

Given that affordable housing is targeting households whose gross incomes are below €75,000 for a couple and below €50,000 for a single person, genuinely affordable homes should be €230,000 or less in Dublin, the commuter belt and other major urban areas and €220,000 or less across the rest of the state.

Oldtown/Mooretown Fingal County Council

In the Oldtown Mooretown development 800 homes were to be delivered by 2021, with 80 of these to be Part V social housing units and with 720 to be cost reduced units.

The current phase of housing for sale on the site is advertised at <http://meadowbanksworld.ie/>. The following is the mix of housing and price range on offer, with a LIHAF cost reduction of €2,500 incorporated into price of the dwellings.

- ◆ 2 bed €297,500
- ◆ 3 bed €352,500 -€387,500
- ◆ 4 bedroom homes - €407,500 -€452,500¹¹

The so called affordable three beds on offer here are coming in at between €7,500 and €42,500 more than the €345,000 estimated cost of a three bed in the area according to the Department’s projections published in March 2018.¹²

9 <https://www.thejournal.ie/land-development-agency-4234012-Sep2018/>

10 <https://www.thejournal.ie/eoghan-murphy-odevaney-gardens-4814512-Sep2019/>

11 Source: Selling Agents Sherry/Fitzgerald 15th June 2020.

12 <https://rebuildingireland.ie/wp-content/uploads/2018/03/LIHAF-Information-Table-March-2018.pdf>

LIHAF fails to deliver affordable housing

Donabate Fingal County Council

In Donabate, the projected number of new homes to be delivered thanks to LIHAF was 1,200 with 900 of these units to be sold at a cost reduced price of between €340,000 and €380,000.¹³

In relation to the Glenveagh lands at Donabate, housing currently for sale is advertised at <https://semplewoods.ie>. The following is the mix of housing and price range on offer with a LIHAF cost reduction of €5,500 incorporated into the price of the 3, 4 & 5 bed dwellings.¹⁴

- ◆ 3 bed - €380,000
- ◆ 4 bed -€460,000 - €525,000
- ◆ 5 bed -€580,000

The so called affordable three beds on offer were coming in at the higher end of the of the Department's 2018 projections.

Ratoath, Meath

In the Ratoath, Meath development 266 homes were to be delivered by 2021, with 26 of these to be Part V social housing units and with 20 to be cost reduced units.

According to figures received from Meath County Council a 10% LIHAF reduction was applied to ten units in Broadmeadow View.

The following is the mix of housing and price range on offer with a LIHAF cost reduction of 10% off market price incorporated into the price of the 2 & 3 bed dwellings.

- ◆ 3 bed semi detached- average cost €299,250
- ◆ 3 bed end terrace-average cost €286,438
- ◆ 3 bed mid terrace- average cost €281,490
- ◆ 2 bed mid terrace- average cost €259,618

On the private market these homes were going for between €288,464 and €332,500.

The cost reduced/affordable units under LIHAF are still unaffordable for people accessing the Rebuilding Ireland Home Loan.

¹³ <https://rebuildingireland.ie/wp-content/uploads/2018/03/LIHAF-Information-Table-March-2018.pdf>

¹⁴ 15 Source(s):Selling Agents Knight Frank -15th June 2020 & Glenveagh – 18th June 2020

LIHAF fails to deliver affordable housing

Conclusion

LIHAF was launched and promoted as an additional tool to unlock developments in need of infrastructure funding and in return deliver more affordable homes.

However, many of these developers did not actually need this funding and could have funded the infrastructure from their own finances.

Meanwhile, promises of affordability were never realised.

It is also clear than many of these developers did not actually need this funding and could have developed the infrastructure from their own finances.

The €200m fund has been beset with delays. Originally it was to deliver up to 20,000 homes by 2019, this was pushed out to the end of 2021.

To date only 11% of the total number of targeted homes have been delivered, with only 12% of the total number of so-called affordable units delivered. Crucially these homes are not affordable to modest and above modest income working families.

We still don't know what impact the Covid19 restrictions will have had on residential construction output, however it is clear from the data above that it is unlikely that 20,000 new homes will be delivered by 2021.

If Fianna Fáil is serious about delivering affordable homes it should scrap LIHAF in the next budget and invest in Local Authorities, Approved Housing Bodies and Community Housing Trusts to deliver genuinely affordable homes on public land.

APPENDIX

LIHAF-Timeline

August 2016

The Department of Housing, Planning, Community and Local Government (DHPCLG) stated in [Circular PL10/2016-APH4/2016](#) that a minimum of 40% of the homes should be delivered under LIHAF at prices of 10% below the average market rate.

October 2016

DHPCLG then rowed back on the above commitment two months later in an [appendix](#) to the original circular, after meeting with housing providers and local authorities citing that it wasn't always possible to deliver a home at 10% below the market value.

March 2017

Housing Minister Simon Coveney and Public Expenditure & Reform Minister Paschal Donohoe announced approval for 34 public infrastructure projects across 15 Local Authority areas.¹⁵

April 2017

Minister Simon Coveney stated that there is a strong focus on affordability in the projects being funded under LIHAF and that local authorities were specifically asked to focus on affordability in considering what proposals to put forward and have received commitments from housing developers with regard to affordability.

May 2017

During questions to the Minister in the Dáil, Minister Coveney could not provide any detail on what the affordability commitments the developers are obliged to stick to in order to access funding from this scheme.

June 2017

Officials from the Department of Housing admitted that funding provided under the Local Infrastructure Housing Activation Fund (LIHAF) may not provide any affordable units under €300k in Dublin and lower elsewhere.

March 2018

Minister Murphy published the details of 30 public infrastructure projects that received final approval under LIHAF.

May 2018

Minister for Housing Eoghan Murphy could not state the number of homes priced between €170,000 and 280,000 that would be delivered under LIHAF.

May 2020

Three LIHAF projects have completed infrastructure construction. 2,162 residential units have been completed to date, with 925 of these units falling under the "Cost Reduced/More Affordable." heading

¹⁵ <https://www.gov.ie/en/press-release/b125b7-government-announces-the-local-infrastructure-housing-activation-fun/>

Responses to Parliamentary Questions

For **Written Answer** on : **13/05/2020**

Question Number(s): **1249,1215** Question Reference(s): **4478/20, 5707/20**

Department: **Housing, Planning and Local Government**

Asked by: **Eoin Ó Broin T.D.**

QUESTION

* To ask the Minister for Housing; Planning and Local Government the funding allocated and drawn down under the local infrastructure housing activation fund to date; the number of recipients; the details of each; the number of units delivered; the number of discounted units delivered; and the price of each.

- Eoin Ó Broin T.D.

For WRITTEN answer on Wednesday, 13 May, 2020.

* To ask the Minister for Housing; Planning and Local Government the status of the local infrastructure housing activation fund; the amount of funding awarded to date; and the amount of funding awarded per project to date.

- Eoin Ó Broin T.D.

For WRITTEN answer on Wednesday, 13 May, 2020.

REPLY

As an initiative of the Rebuilding Ireland Action Plan for Housing and Homelessness, the Local Infrastructure Housing Activation Fund (LIHAF) is primarily designed to fund the provision of public off-site infrastructure to relieve critical infrastructure blockages and enable housing developments to be built on key sites at scale.

30 projects received final LIHAF approval with an overall budget of €195.7m, of which €146.8m will be Exchequer funded, with the remainder funded via local authorities. Of the 30 projects, Kildare County Council has confirmed that its project on the Naas Inner Relief Road will not now progress, although an element of the housing that was associated with the project has taken place.

Details of the approvals by local authority area, budget allocation, project description and projected housing delivery are available at www.rebuildingireland.ie/LIHAF.

Currently, 3 LIHAF projects have completed infrastructure construction. Of the remaining 26, up to the end of April (and excluding the Naas project), 14 projects have been approved to go to, or are already at, infrastructure construction stage. Of the remaining 12 projects, 3 are expected to have tenders approved and go to construction before the end of Q3 2020. Nine are not yet ready to go to infrastructure tender stage which is required in order to receive approval to proceed to construction. My Department is reviewing these projects and considering requests from local authorities for extensions to the funding agreements as and when they arise.

LIHAF fails to deliver affordable housing

In terms of LIHAF funding drawdown, thus far, most infrastructure projects have been at the design, planning and procurement stages, and the bulk of expenditure will arise during the construction phase. This is reflected in the level of expenditure to end Q1 2020, with approximately €37.731 million in Exchequer funds drawn down (matched by a further 25% local authority funding bringing the total expenditure to €50.308m). The table below details the exchequer funding drawn down up to end of Q1 2020.

Local Authority	Project name	Drawdown of LIHAF funding Exchequer Contribution to end of Q1 2020 (€)
Clare	Claureen, Ennis	157,919
Cork City	Old Whitechurch Road	5,316,356
Cork City	South Docks	714,798
Cork City	Glanmire	490,751
Cork County	Midleton (Water-rock)	358,044
Cork County	Carrigaline	450,000
Dublin City	Dodder Bridge	473,487
Dublin City	Belmayne and Clongriffin	325,710
Dun Laoghaire Rathdown	Cherrywood	2,738,281
Dun Laoghaire Rathdown	Woodbrook Shanganagh	0
Dun Laoghaire Rathdown	Clay Farm	0
Fingal	Donabate Distributor Road	10,780,000
Fingal	Oldtown Mooretown	2,724,266
Fingal	Baldoyle Stapolin	274,561
Kildare	Naas	470,190
Kildare	Maynooth	390,556
Kildare	Sallins	654,584
Kilkenny	Ferrybank	225,435
Kilkenny	Western Environs	4,267,655
Limerick	Mungret	2,010,471
Louth	Newtown Drogheda	80,672
Louth	Mount Avenue Dundalk	114,789
Meath	Ratoath	814,063
Meath	Farganstown, Navan	1,953,988
South Dublin	Kilcarbery/Corkagh Grange	818,081
South Dublin	Clonburris SDZ	23,658
South Dublin	Adamstown	753,735
Waterford City and County Council	Gracedieu	112,234
Waterford City and County Council	Kilbarry	154,590
Westmeath	Brawny Road, Athlone	82,500

In terms of homes delivered, the table below details the number of completed homes up to Q4 2019. Figures in respect of Q1 2020 are currently being collated. Prior to the onset of the COVID-19 emergency, local authorities had estimated that a further 4,000 homes would be delivered in 2020; it is not yet clear what impact the pandemic will have on LIHAF delivery.

LIHAF fails to deliver affordable housing

Local Authority	Project Name	Residential Units Delivered to Date	Social/Part V	Cost Reduced/ More Affordable
Cork County	Carrigaline	180	0	0
Fingal	Oldtown/ Mooretown	379	8	211
Kildare	Naas	190	15	150
Meath	Ratoath	106	2	10
South Dublin	Adamstown SDZ	1,202	120	459
Cork City	Glanmire	13	0	3
Fingal	Donabate	66	0	66
Limerick	Mungret	26	0	26
Total		2,162	145	925

The individual sales price of homes that are delivered following the construction of the LIHAF facilitating infrastructure is not available in my Department. However, by way of example, Meath County Council has confirmed it will be offering units at Ratoath at a discount of 10% to the relevant open market prices. In Cork City, the LIHAF project at Glanmire will see 110 homes delivered with a discount of approx. €20,000 each on the open market price.

Circular PL 10/2016 APH 4/2016 26 August 2016



An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil
Department of Housing, Planning,
Community and Local Government



To: Chief Executives, City and County Councils

CC: Directors of Planning Services, City and County Councils,
Senior Planners, City and County Councils,
Regional Assemblies,
An Bord Pleanála,
Housing Finance Agency

**Circular PL 10/2016
APH 4/2016**

26 August 2016

Local Infrastructure Housing Activation Fund (LIHAF) - Call for Proposals

A Chairde,

This circular is a call for proposals from local authorities under the Local Infrastructure Housing Activation Fund (LIHAF) and outlines the general approach to the operation of LIHAF, including a broad template for funding proposals and assessment framework.

The ***Action Plan for Housing and Homelessness – Rebuilding Ireland***, published by the Government on 19 July 2016 and which addresses a range of key and pressing issues in the housing policy and supply area, indicates that targeted investment in enabling infrastructure to activate large housing development areas is one of the ways in which the Government considers that additional supply of social and private housing for sale or rent can be brought forward.

In this regard, the Action Plan established a €200m Local Infrastructure Housing Activation Fund (LIHAF) to be used within the context of a competitive call for proposals from local authorities, in conjunction with housing providers, for investment in infrastructure sufficient to enable early activation of suitably located and scaled housing sites that are currently zoned, along with a commitment from those housing providers to produce housing quickly, at scale and at affordable prices.



An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil
Department of Housing, Planning,
Community and Local Government



Clarification in relation to Assessment Criteria 4 (ii) of Appendix 1 to Circular PL10/2016-APH4/2016

Subsequent to the recent LIHAF discussion and briefing forum organised by the Department for local authorities and housing providers on 15 September, 2016, further clarification is provided below in relation to Assessment Criteria 4 (ii) of Appendix 1 to Circular PL10/2016-APH4/2016.

The feedback indicated that, considering average values for similar house types to those proposed in the wider housing markets in some of the localities of those sites and particularly in parts of Dublin, it may not always be possible to deliver 40% of the new homes under the LIHAF bids at prices 10% below the average cost of market housing including under €300,000 as mentioned in the Circular and Appendix, where average prices in the wider context are likely to be in excess of this figure.

The intention behind this criteria is to ensure that in return for investment by the State and local authorities through LIHAF in opening up strategic sites, bid proposals for that funding would be on the basis of demonstrating that a reasonable share of the new homes released as a result of that investment would be affordable and therefore would be subject to strong demand, which would in turn drive a high level of output off the sites benefiting from the fund.

Therefore, assessment criteria 4(ii) of Appendix 1 to Circular PL10/2016-APH4/2016 is amended by adding the words below at the end of the criteria.

Alternatively and where prevailing average house prices are more than the above, bids should put forward proposals for an affordability dimension to housing provision on the site on the basis of a measurable cost reduction exercise that compares between a “before” and “after” LIHAF funding scenario.

All bid proposals should incorporate an appropriate legal mechanism or form of undertaking to ensure cost reductions are delivered at the point of sale.

The provision of housing through agreement with AHB's or local authorities to purchase/develop social housing as part of the social housing programme, as well as local authority Part V housing provision, would also qualify as contributing towards meeting this criteria.

The Department remains available to provide any further clarifications as necessary.

Patrick O'Sullivan
Planning, Land Management and Housing Market Policy Division
30 September, 2016



Páipéar 100% Athchúrsúilte
Printed on 100% recycled paper

Extract from the transcript of the Committee debate below

Eoin Ó Broin

What is the Department's threshold for affordability because clearly it is not what was included in the original circular anymore?

Mr. David Walsh- Department of Housing, Planning, Community and Local Government

Unfortunately, it depends on the amount involved. The issue is the spread and scale of expenditure in some cases. Some local authorities have projects worth €15 million or €18 million, while others are receiving sums of €600,000 or €800,000. That might still open 800 units, but if the money is spread across them, the reduction will not be significant and it will depend on the location. While we are examining more broadly how to address the issue, the difficulty is with relative affordability in respect of what the prices were versus what can be delivered.

Deputy Eoin Ó Broin

Affordability is based on what people can pay, not-----

Mr. David Walsh

The dividend from the LIHAF depends on the output, the price of the lands opened up and what will be facilitated through the local authority. The grant agreements allow for the local authority and the developer to come back. We have made it clear that until such time as the agreements are in place, no money will be paid out. If a local authority cannot reach an agreement, we will have to explore what we can do. The greatest risk is that we will pay out scarce capital funds and will either not deliver the infrastructure or will deliver it but the housing will not come through.

Eoin Ó Broin TD

On the basis of what Mr. Walsh has said, there could, for example, be in Cherrywood a potential allocation of €15 million without any house coming in under €300,000. That is possible; therefore, there will be no affordability option.

Mr. David Walsh- Department of Housing, Planning, Community and Local Government

That is possible until such time as we see what the local authorities and the developers come up with. It is primarily an agreement between the local authority and the developers or landowners.¹⁶

¹⁶ https://www.oireachtas.ie/en/debates/debate/joint_committee_on_housing_planning_community_and_local_government/2017-06-27/2/

LIHAF fails to deliver affordable housing



Eoin Ó Broin TD

✉ : eoin.obroin@oir.ie ☎ : 01 621 8653

📍 : Office 4, 1st Floor, Griffeen View, The Square, Main St., Lucan, Co. Dublin.