

Appendix IV: Housing Strategy / HNDA – Supplementary Annex

Note: *The purpose of this appendix is to provide this assessment, as an additional annex to the existing Draft Housing Strategy. This approach meets the new statutory requirements while minimising changes required to the Draft Strategy. This assessment has been undertaken using the Department of Housing, Local Government and Heritage’s (DHLGH) HNDA Tool and Guidance¹ (published April 2021), as this provides an additional functionality not available at the time the Housing Strategy was drafted. This supplemental assessment is a focused analysis of affordable housing need which fulfils the new statutory requirements and focuses solely on the need for affordable housing.*

¹ <https://www.gov.ie/en/publication/ea99-housing-need-and-demand-assessment-hnda/>

Carlow County Council

Carlow Housing Strategy and HNDA 2022-2028 - Appendix A

Supplemental Assessment - Affordable Housing

KPMG Future Analytics

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A.1 Introduction and Purpose

This Annex has been prepared by KPMG Future Analytics to support key updates to the draft Carlow Housing Strategy and Carlow County Development Plan 2022-2028. The draft Carlow Housing Strategy and associated Housing Need and Demand Assessment (HNDA) ('the Housing Strategy') was prepared during the first half of 2021, prior to the passing of the Affordable Housing Act 2021. This new law defines two new forms of affordable housing (Affordable Dwelling Purchase and Cost Rental). It also amends the legislative underpinnings and requirements of the Local Authority Housing Strategies (under Part V of the Planning and Development Act 2000) in several ways, including:

- Introducing a requirement that a Housing Strategy makes an estimate of need for affordable purchase and cost rental housing (including through an assessment of rental affordability); and
- Raising/restoring Part V housing requirements to 20% of land granted residential planning permission, at least half of which (i.e. at least 10%) must be reserved for social housing and up to half of which may comprise affordable housing.

The Carlow Housing Strategy and HNDA 2022-2028 therefore is now required to make an assessment of need for these affordable housing tenures (in addition to social housing), and must use this estimate to determine the breakdown of Part V housing requirements between social and affordable over the period of the development plan.

The purpose of this appendix is to provide this assessment, as an additional annex to the existing draft Housing Strategy. This approach meets the new statutory requirements while minimising changes required to the draft Strategy. This assessment has been undertaken using the Department of Housing, Local Government and Heritage's (DHLGH) HNDA Tool and Guidance² (published April 2021), as this provides an additional functionality not available at the time the Housing Strategy was drafted. This assessment does not contradict the Housing Strategy and its HNDA but is instead a supplemental and focused analysis of affordable housing need which fulfils the new statutory requirements. As a result, this appendix focuses solely on the need for affordable housing.

A.2 Methodology

The HNDA Tool is an Excel-based model which assesses key housing market drivers to forecast demographic housing demand in a Local Authority administrative area over the period 2020-2040, broken down by tenure. The Tool may be set up and (where justified) customised through setting key inputs in several stages, as outlined below.

A.2.1 Demographic Forecasts

ESRI forecasts of population and household growth to 2040 at local authority level are built into the Toolkit. The model includes five scenarios (based on different international migration scenarios and other assumptions), four of which comprise ESRI forecasts from December 2020 (see Section 2.1.8 of the Housing Strategy). The fifth scenario is the '**Convergence**' scenario, which comprises the ESRI 50:50 City scenario adjusted for new housing supply since 2017, to facilitate convergence to the National Planning Framework per the Section 28 Planning Guidelines 'Housing Supply Target Methodology for Development Planning'. This has been applied in this instance.

² <https://www.gov.ie/en/publication/eaa99-housing-need-and-demand-assessment-hnda/>

However, it should be noted that the Convergence Scenario (and the HNDA Tool itself) runs on a different timescale to the Housing Supply Target for the Carlow County Development Plan (with the adjustment calculated over 2020-2031, as opposed to 2022-2028 for the Housing Supply Target). As a result, the HNDA Tool effectively spreads housing need over a longer period. For this reason, this appendix focuses on the *proportion* of affordable need calculated by the Tool for each year considered, rather the number of households, to avoid confusion between different measurements of housing demand.

A.2.2 Existing Housing Need

The Toolkit includes built-in data on existing unmet housing need. This is a combination of estimated overcrowded households and homeless households. This comprises 61 households for County Carlow. This default has been applied for this Appendix as it broadly aligns with the Carlow Housing Supply Target calculation. All other default settings relevant to this measure have been applied

A.2.3 Income Growth Forecasts

The HNDA Toolkit is prepopulated with CSO data on household incomes sourced from Census 2016, the Revenue Commissioners and Department of Social Protection data, forecasted to 2019 . Three pre-set scenarios may be used to forecast household income growth, which apply the same growth rate for every projected year, or custom scenarios may be developed and used where justified. KPMG Future Analytics have applied the custom income growth scenario set out in the Housing Strategy. This is to align this exercise with the Housing Strategy and its assumptions and evidence base and reflects historic market trends and up-to-date economic information, as set out in Section 4.2.3 and 4.2.4 of the Housing Strategy.

A.2.4 House Price Forecasts

The Tool is pre-programmed with house price data from the CSO's Property Price Register (PPR) index, and with five default house price forecast scenarios. Custom scenarios may also be developed and used. KPMG Future Analytics have applied the custom income growth scenario set out in the Housing Strategy. This is to align this exercise with the Housing Strategy and its assumptions. This price growth scenario reflects the most up to date house price data at the time of drafting of the Housing Strategy, as set out in Section 4.2.3 and 4.2.6 of the Housing Strategy. Default Tool settings have been applied with respect to affordability criteria.

A.2.5 Rental Price Forecasts

Within the HNDA Tool, several assumptions on the rental market may be made. The Tool is pre-programmed with rental price data sourced from the Residential Tenancies Board (RTB), and five rental price scenarios. As with incomes and prices, KPMG Future Analytics have applied the custom scenarios used in the Housing Strategy, as set out in Sections 4.2.3 and 4.2.7 of the Housing Strategy. Default Tool settings have been applied in terms of the proportion of those who buy and in terms of rental affordability thresholds.

A.2.6 Other modifications and changes

KPMG Future Analytics have made use of the most recently available version of the Toolkit, obtained in September 2021. Technical changes were made to the Toolkit to fix formula issues in the model to

allow calculation of custom scenarios, as the unamended version would not otherwise read custom scenarios correctly. Changes were also made to ensure consistency in how the model applies custom projections for income, rents, and sales prices for each year, which were calculated on an inconsistent basis in the original model. Some minor issues in aligning years to the plan period correctly for output data summaries were also addressed.

A.3 Outputs – affordable housing need

Based on the application of additional anticipated households and the scenarios for existing need, incomes, affordability, house prices, and rental prices as described in the previous section, the HNDA Tool calculates housing need annually and forecasts how many households can afford to purchase homes or rent privately. Of those who cannot, it calculates how many require social housing, and how many are ‘affordability constrained’ and require a form of affordable housing tenures (such as Cost Rental or affordable purchase). It is these households that are the focus of this appendix and of the determination of Part V requirements in the Housing Strategy.

Households are deemed eligible for social housing if their net household income is below a cut-off threshold (€25,000 for County Carlow). The Tool does not take account of higher maximum income thresholds for additional adults and children in a household,³ as it is not currently designed to assess different household sizes. Those who cannot afford private housing but are deemed not eligible for social housing using this threshold are classed as “affordability constraint” (i.e. requiring affordable tenure types like Cost Rental/affordable purchase).

The following tables summarise this estimate of housing need across all tenures. Over the plan period of 2022-2028,⁴ a total of 10.7% of households are classed as ‘affordability constraint’ and in need of affordable housing.

Table A.1: Estimated affordable housing need, 2020-2028 (% of total)

Year	Affordability Constraint
2020	3.9%
2021	4.8%
2022	6.8%
2023	7.9%
2024	10.7%
2025	11.7%
2026	11.8%
2027	12.9%
2028	12.7%
2022-2028	10.7%

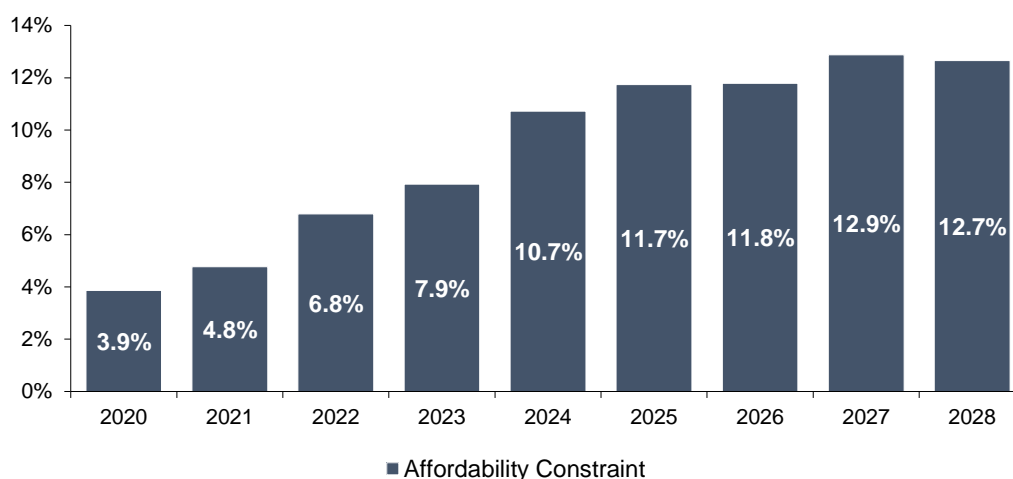
Figure A.1 below illustrates affordable housing need as a proportion of total housing demand (via the Convergence projections) over the period. This shows that the need for affordable housing as a

³ Under the Social Housing Assessment (Amendment) Regulations 2021, a household applying for social housing may get a 5% increase to the maximum income threshold for each additional adult household member, subject to a maximum increase of 10%, and separately, a 2.5% increase for every child living in the household.

⁴ As the HNDA Tool assesses full years, the period 2022-2028 in comprises seven years. The Carlow County Development Plan will be in force for six years comprising Q3 2022 – Q2 2028 inclusive. The full years have been considered in this appendix to ensure full impacts are captured.

proportion of total housing need rises steadily over period considered, rising from 3.9% in 2020 to 12.7% in 2028. This suggests a growing cohort above the eligibility threshold for social housing who cannot afford housing in the private market.

Figure A.1: Projected affordable housing need, 2020-2028 (% of total)



However, the proportion of buyers and private renters is projected as staying relatively steady over the period, suggesting that most of the increase in need for affordable housing may be considered a result of households in lower income deciles moving from social housing to affordable categories of need, as incomes grow generally and more households in lower incomes move above the €25,000 income cut-off point for social housing eligibility. This illustrates that the outputs of this exercise reflect the assumptions built into the HNDA Tool and broader national housing policy.

The Housing for All plan⁵ from August 2021 states that the DHLGH will review and reform income limits for eligibility for social housing in local authorities, and in particular the efficiency of the current model of three income bands to categorise local authorities (with County Carlow in Band 3). If this review changes the income limit for social housing eligibility, it would in turn change the proportion of households eligible for either social or affordable housing in Carlow.

In addition, under the Social Housing Assessment (Amendment) Regulations 2021, the €25,000 net income limit only applies to a single-person household, with rises in this threshold available for additional adults and children. A broader consideration of social housing income limits and household sizes in the Tool would also change the proportion of households eligible for or affordable housing and could potentially reduce identified affordable housing need.

Material Updates to the Housing Strategy / HNDA comprise:

- (i) **Replace Section 2.1.3 Urban Regeneration and Housing Act with Affordable Housing Act 2021**

The Affordable Housing Act has introduced several important changes to Irish housing. It establishes a legislative basis for new forms of affordable housing for households who cannot afford private market housing but are above eligibility thresholds for social housing. These new tenures are affordable purchase dwellings (sold by local authorities and other bodies at below-market costs) and cost rental, a new form of below-market rent with rents tied to delivery costs and subject to a minimum discount compared to market rents. The Act also amends Part V

⁵ Published Online, Aug. 2021: <https://www.gov.ie/en/publication/ef5ec-housing-for-all-a-new-housing-plan-for-ireland/>; Action 5.4, 'Review income eligibility for social housing.'

of the Planning and Development Act 2000 to introduce a requirement for Local Authority housing strategies to assess the need for affordable housing including cost rental over the course of a statutory development plan. The Act amends 'Part V' housing requirements to include a requirement for up to 20% social and affordable housing in developments in excess of four units (intended by Government to comprise 10% social and 10% cost rental and/or affordable purchase where justified).

(ii) **Update Section 2.1.7 regarding new National Development Plan 2021-2030**

Project Ireland 2040 – National Development Plan 2021-2030

The National Development Plan sets out investment priorities to deliver on the goals of the National Planning Framework, with a total investment of approximately €165 billion. It was revised and updated in 2021 to re-align with new national investment and development priorities and the Programme for Government. Infrastructure projects identified for County Carlow include Carlow Southern Relief Road (subject to appraisal) and supporting the establishment of a Technological University for the South-East to include IT Carlow.

In terms of housing, the National Development Plan (NDP) provides medium-term funding to deliver the national Housing for All strategy, with approximately €4 billion in State capital funding made available for housing annual from 2021 to 2025. This will support the delivery of the national targets in Housing for All of approximately 9,500 new-build social homes, 4,000 Affordable Purchase homes and 2,000 Cost Rental homes per year up to 2030. Local Authorities and Approved Housing Bodies will play a key role in delivering new homes, while the NDP also provides funding for the Land Development Agency to help deliver social and affordable housing on major public sites. The NDP also identifies critical infrastructure to support population and housing growth, with almost €6 billion of investment to be undertaken by Irish Water over 2021-25 (of which over €4.5 billion will be Exchequer funded), as well as other water infrastructure investment including 175 million in the Rural Water Programme. The NDP also supports the retrofitting of approximately 36,500 Local Authority-owned homes to promote energy efficiency and climate resilience.

(iii) **Include Information on Housing for all in Section 2.1.9**

'Housing for All: A New Housing Plan for Ireland' was published in 2021. It represents the Government's housing plan to 2030, replacing Rebuilding Ireland. It reiterates a national target of building an average of 33,000 new homes every year from 2021 to 2030, including approximately 10,000 social homes and 6,000 affordable homes for purchase or rent. It provides a comprehensive strategy and action plan across all tenures and elements of the Irish housing system, guided by four main 'pathways' to improving the housing system:

- Supporting home ownership and increasing affordability
- Eradicating homelessness, increasing social housing delivery and supporting social inclusion
- Increasing new housing supply
- Addressing vacancy and efficient use of existing stock

Local Authorities will play a key role (in partnership with Approved Housing Bodies) in delivering new social and affordable homes under Housing for All. Each Local Authority will produce a Housing Delivery Action Plan by December 2021 to translate national targets into clear local targets and actions, underpinned by an evidence-based assessment of local housing need.

(iv) **Include new Section 5.2.2.6**

‘Part V’ Housing Requirements

Under Part V of the Planning and Development Act 2000 (as amended), developers of residential or mixed-use schemes greater than 4 units are required to transfer 20% of the site to the local authority (or an AHB acting on their behalf) for social and affordable housing use, at a price based on delivery costs and limited profit.

The Affordable Housing Act 2021 defined new forms of affordable housing, comprising affordable purchase dwellings and Cost Rental housing. It also amends the legislative underpinnings and requirements of Local Authority Housing Strategies (under Part V of the Planning and Development Act 2000) in several ways, including:

- Introducing a requirement that a Housing Strategy makes an estimate of need for affordable purchase and cost rental housing (including through an assessment of rental affordability); and
- Raising/restoring Part V housing requirements to 20% of land granted residential planning permission, at least half of which (i.e. at least 10%) must be reserved for social housing and up to half of which may comprise affordable housing.

This Housing Strategy and HNDA is required to make an assessment of need for these affordable housing tenures (in addition to social housing), and to determine the breakdown of Part V housing requirements between social and affordable over the period of the development plan.

As this Housing Strategy and HNDA was originally drafted before the passing of the Affordable Housing Act 2021, an additional and supplemental analysis of need for these new affordable tenures in County Carlow has been undertaken and summarised in Appendix A. The outputs of this assessment are summarised in below.

Table..2: Estimated affordable housing need, 2020-2028 (% of total)

Year	Affordability Constraint
2020	3.9%
2021	4.8%
2022	6.8%
2023	7.9%
2024	10.7%
2025	11.7%
2026	11.8%
2027	12.9%
2028	12.7%
2022-2028	10.7%

This analysis demonstrates that there is an estimated need for affordable housing of approximately 10.7% over the plan period. This demonstrates that the envisaged equal breakdown of Part V requirements of 10% social and 10% affordable housing would be appropriate for County Carlow over the plan period 2022-2028. However, this requirement is subject to several factors when applied to individual planning applications:

- A lower Part V requirement of 10% (for use as social housing only) will apply to land purchased between 1st September 2015 and 31st July 2021 and granted permission for residential or mixed-use development between 3rd September 2021 and 31st July 2026. This is intended to prevent the new requirements impacting on development viability.
- The delivery of affordable purchase or Cost Rental dwellings on individual sites will be subject to national guidance and local factors. Carlow County Council will consider factors such as local demand, finance, viability, and operational factors in determining the suitability of Part V affordable housing delivery for individual planning applications. Alternative means of capturing Part V planning gain will be pursued where affordable housing is not appropriate, in line with national guidance.

Therefore, the Carlow County Development Plan 2022-2028’s requirement under Part V of the Planning and Development Act 2000 for lands granted permission for housing development will comprise 10% social housing and 10% affordable housing, subject to national guidance and regulation and subject to Carlow County Council’s determination of the appropriateness of affordable housing delivery on individual sites.

(v) **Update Section 5.2 for New Targets for Social Housing**

New targets for social housing new-build delivery have been set for County Carlow under Housing for All for the period 2022-2026, as set out below. Under Housing for All, there will be a greater emphasis on direct new-build delivery of social housing, with a gradual phasing-out of long-term leasing for social housing.

Table 3: Carlow new-build social housing targets under Housing for All (2021)

2022	2023	2024	2025	2026	Total
80	90	92	99	101	462

(vi) **Update Policies**

PO 5: To require that 20% of lands in respect of which permission for the development of houses is granted, be reserved for social and affordable housing in accordance with the Planning and Development Act 2000 (as amended) and national guidance and regulations. This requirement shall comprise 10% social housing and up to 10% affordable housing (including affordable purchase and/or Cost Rental), subject to local factors including the demand for and viability of affordable housing on individual sites. The Council reserves the right to determine the appropriateness of ‘Part V’ affordable housing delivery for individual sites on a case-by-case basis.

PO 8: To support attractive and vibrant places through the renovation and re-use of obsolete, vacant and derelict homes. This shall be pursued through methods including the application of the vacant site levy in accordance with the Urban Regeneration and Housing Act 2015 (and any subsequent replacement schemes) and the conversion of vacant properties into new social and affordable homes through schemes including the Repair and Leasing Scheme, the Buy and Renew Scheme, and long-term leasing. The Council shall also endeavour to bring about the timely re-use of vacant Council-owned housing stock.

