



Pre-Budget Submission 2007

to:

**Department of Environment,
Heritage and Local Government**

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Threshold - What We Do

Threshold is a national not-for-profit organisation established in 1978. Our mission is to solve people's housing problems and to campaign for a better housing system. Our advice and placement services are focused on those who are in greatest need of our support - the marginalised and those suffering from poverty and inequality. Threshold also campaigns for housing policy reform and promotes innovative solutions to relieve the housing disadvantage experienced by our client group, mainly tenants living in the private rented sector.

Ireland has gained a reputation for marked income inequality on the one hand and high house prices and rents on the other, a combination that has made life extremely difficult for those who missed out on the economic opportunities of the past decade. Over a third of renters (35%) have incomes below the poverty line. The private rented sector today accommodates more than 11% of Irish households, considerably more than does the social housing sector. A lot of those living in the private rented sector are there because they have nowhere else to go; renting privately is a last resort. Most of Threshold's work involves helping them deal with housing problems.

Threshold provides independent advice and advocacy services through our regional advice centres in Dublin, Cork and Galway and our recently opened advice centre in Limerick. We also provide outreach advice clinics to local communities and to new communities such as Polish migrants. As well as helping tenants who are living in private rented accommodation, we help people who are homeless and people living in social housing. Homeowners and landlords who are experiencing problems are also welcome to consult Threshold's advice centres.

During 2006, Threshold has been improving its capacity to advise and advocate for people with housing problems. A strategic plan was developed for the western region and work is underway to locate larger premises in Galway City due to greater demand by clients. In Dublin additional outreach services were established and an out-of-hour service makes it easier for people to get our help.

Threshold also offers unique accommodation placement services to homeless people seeking housing in the private rented sector. Threshold's Access Housing Unit in Dublin, sponsored by the Homeless Agency, and our regional placement services based in Galway and Cork help people to move out of homeless hostels and shelters by linking landlords with suitable homeless tenants. We also provide follow-up support in Dublin to ensure that tenants are successful in their new home. We plan to expand these services to other local authority areas around the country but we need additional resources to do so.

By campaigning for appropriate housing as a right, Threshold promotes the vision that everyone in Ireland has access to an affordable, secure and suitable home. We campaign for policies that develop vibrant neighbourhoods and sustainable communities and that promote an inclusive society. In carrying out research through our Housing Research Unit, and presenting our findings at local and national levels, Threshold makes the case for housing reform. Reports currently near completion include an investigation of whether the government's tenant purchase schemes have reduced access to social housing, a joint research report with OPEN (One Parent Exchange and Network) looking at accommodation standards required for lone parent families living long-term in the private rented sector and an investigation of housing availability for one person households on modest incomes.

Issues Confronting Threshold's Clients

Threshold's clients come mainly from the low-priced end of the private rented sector, single people who cannot get into social housing, families in receipt of rent supplement, workers employed on low wages, and migrants who have come to Ireland to work. **Our clients numbered 20,000 in 2005, over half (57%) of whom had incomes less than €15,000 which is below minimum wage levels (€15,912 pa).** Many of our clients spend up to 44% of their weekly income on rent. The traditional housing route in Ireland, home ownership, is open to few of them, even with the government's 'affordable' home ownership schemes.

Conditions in the private rented sector really matter to the many people who have no alternative place to find a home. Implementation of the *Residential Tenancies Act 2004* and the establishment of the Private Residential Tenancies Board has been a welcome initiative. The rights and obligations of both landlords and tenants are now enshrined in law. Vulnerable people facing illegal eviction, invalid notice to quit, unreasonable rent increases, invasion of privacy have recourse to a new dispute resolution mechanism.

To realise the improved protection possible under the legislation, Threshold's timely intervention is crucial for vulnerable tenants. Our staff support clients, many of whom lack confidence and have limited self-advocacy skills, low literacy skills, or poor English language skills that impede their ability to claim their legal rights on their own. **Assistance and guidance through unfamiliar and complex regulations can make the difference between housing and homelessness.** Sometimes Threshold advocates for our client right through the process, but other times, because the law spells out the landlord's obligations, we can mediate a solution directly between the parties. Demand for these services is growing and Threshold requires additional resources to ensure that we can help everyone who needs us.

Legislation and policy for the private rented sector needs to go still further if the sector is to provide adequate housing for those unable to purchase homes. Threshold is concerned about the number of deposit retention disputes that occur, with 2,255 people asking us for help in 2005. A landlord who unfairly withholds a rent deposit can make it impossible for a vulnerable tenant to afford new accommodation and puts them at risk of homelessness.

Threshold seeks the establishment of an independent rental deposit board.

A worrying trend emerging in Threshold's advice services over the past few years has been the number of older people seeking our help. Many older people, who have been unable to buy a home, get a local authority house, or who have returned to Ireland after many years abroad, are now forced to compete for scarce accommodation. Over 1,300 people aged 50 and over sought Threshold's advice in 2005. Small fixed pensions, higher housing costs, increased fuel costs and a generally more expensive country have forced some of them to live in squalor. Threshold provides one-to-one support to ensure that this vulnerable group get the help they deserve. But the real answer lies in ensuring decent housing for all and, as a first step, ensuring that standards of rented accommodation are rigorously enforced.

Threshold seeks emergency funding to support vulnerable older persons experiencing housing disadvantage.

Substandard accommodation is a problem that threatens well being and family stability. Almost 800 people contacted us for help with regard to the poor condition of their accommodation last year. Problems of damp, vermin infestation, or a lack of hot and cold running water undermine people's quality of life. In a recent Threshold survey of rent supplement tenants in Cork, half of the people surveyed faced issues of standards in their rented homes. As half of Threshold's have annual incomes of less than €15,000, the problem of poor standard accommodation is clearly linked with poverty and the resulting lack of choice.

Existing minimum standards legislation has not worked. There is more protection and careful inspection of premises for someone who can afford to eat in a restaurant than for someone on low income renting a home. While local authorities are obliged to inspect rented properties, some carry out no inspections whatsoever despite receiving government funding to do so. Another urgent need is to update what we mean by minimum standards. The day when a two-ring camping stove complies with the requirement for adequate cooking facilities and one toilet on the landing is shared between four bed-sits must end.

Threshold seeks immediate modernisation of the statutory minimum standards for rental dwellings.

At the launch of Threshold's Annual Report 2005 in August 2006, the Minister for Housing and Urban Renewal, Noel Ahern TD, announced a new Action Programme to review existing minimum standards regulations and look at improved enforcement by local authorities of minimum standards. Threshold welcomes the Action Programme as a positive move towards eliminating substandard rented accommodation in Ireland. We will be making submissions to the Department of Environment, Heritage and Local Government (DOEHLG) and the Centre for Housing Research on the

contents of any new minimum standards regulations for the private rented sector, including a proposal to Government for a system of certification to ensure that all rented property is fit to live in. We believe that such a system will afford proper protection to vulnerable tenants and will also be welcomed by every compliant landlord in the country.

Threshold seeks a fit for the purpose certification requirement for rental housing

As well providing protections for individual private rented tenants, the Government must also insulate the private rented sector as a whole from external factors that could threaten its stability. The people Threshold's staff meet on a daily basis are especially vulnerable should the Irish housing boom fade or reverse. Loss of jobs and public spending constraints due to falling tax revenue are not the only risks. Relentless interest rate rises may not simply slow housing output; they may lead to the withdrawal of some buy-to-let investors from the rental market, and rent increases by others trying to meet mortgage payments. The predominance of small scale, part-time landlords in the market makes it sensitive to shocks and difficult to stabilise. We advocate as a matter of urgency the exploration of cost rental schemes to address the issues faced by key workers and others on low pay, as well as an investigation of how to use the tax code to promote more accommodation at the lower end of the rental market. Further, Threshold recommends a review of vacant properties in the state and appropriate legislative change to remove any incentive to under-utilise our housing stock.

Threshold seeks the establishment of a high level working group to review a range of ways of improving access to affordable rental housing.

Housing Assistance for Tenants on Low Incomes

Much effort has been devoted to enabling first time buyers to purchase housing at discount prices because it is recognised that the current high prices compromise affordability. The same attention has not yet been given to the plight of workers living in the private rented sector and paying out high rents for basic accommodation. The existing rent relief on income tax does little to the alleviate hardship caused by high rents.

A growing number in Ireland who experience housing affordability problems are the 'working poor'; they are employees on or near the minimum wage who cannot buy a home of their own, even at a discounted rate, but at the same time are ineligible for rent supplement because they work more than 30 hours per week. Many employees who work for local authorities or hospitals or sell goods and services, if they do not already own or rent a social housing unit, face difficulties. As pointed out in NESC's report *Housing in Ireland: Performance and Policy*, almost one third of all jobs in the Irish economy are forecast to require less than upper secondary schooling to be adequately performed and their earnings levels are likely to remain modest.

Rents in the private sector climbed by 6.2% over the last year, and in the most recent third quarter of 2006, CSO reports that the pace quickened further with a rise of 2.6% in three months.

The table below shows that market rents would consume an inordinate share of the budget of a single person household earning a modest income. Only in the commuter counties does the average rent for a one bedroom unit fall below €700 per month but of course higher transport costs would offset savings on rent.

Market	Rent per month	Rent % minimum wage *	Rent % average industrial wage*
Dublin city centre	€966	73%	38%
Dublin city north	€842	63%	34%
Dublin commuter counties+	€689	52%	27%
Cork city	€708	53%	28%

*39 hour work week and gross pay. +Excluding the commuter towns.

Source: DAFT.ie survey Q2, 2006 and Central Statistics Office

Government policy falls short when someone working and facing affordability problems in a high rental area can only get housing assistance by going on welfare. The hardships and work disincentives that ensue from this approach can and must be avoided. Although combating housing deprivation beyond the narrow confines of the welfare sector has major fiscal implications, the cost of doing nothing can no longer be ignored, in terms of lost economic and social opportunities. Ideally low paid workers who rent privately should get a tax credit, with the amount linked to rent levels prevailing locally. Those whose income is below the tax threshold would receive a refund from the government. Pending income tax reform, rent relief on income tax should be substantially increased.

While people on SWA are eligible for a housing subsidy under the rent supplement scheme, research by Threshold and others reveals that their ability to find an affordable home in the private rented sector is compromised by the way the scheme works at present. Most landlords letting accommodation will prefer an applicant who can pay the deposit and first month rent up front over an applicant who may become six weeks in arrears. Some of the landlords who do accept rent supplement charge their tenants 'top-ups' to the official rents. Further, there are poverty traps inherent in the existing rent supplement scheme.

Recommendation 1

The government must address the serious affordability and availability crises facing those on low and modest incomes who are living in the private rented sector because they have no alternative:

- A high level working group must be established urgently to examine all possible avenues for addressing the affordability problem in the rental sector and make recommendations to the government.
- Substantial additional resources have to be set aside to put in place new measures to meet the crisis.
- The arrangements for obtaining housing assistance must be extended beyond welfare recipients to those on modest incomes who need assistance to meet their housing costs.
- Rent supplement recipients must be enabled to compete equally for accommodation in the private rented sector by changing current payment systems, including allowing rent payment in advance by direct debit, as is customary in the sector.
- Tax relief on rent payments must be substantially increased.

Increasing Affordable Rental Housing

NESC recommended piloting affordable rental schemes and the new partnership agreement, *Towards 2016* also refers to “an emphasis on innovation and joint policy approaches with social partners to accelerate delivery, including affordable rental and shared equity options”. In other countries discounted rent schemes have been developed to address the affordability crisis, sometimes involving employer participation. The success of Section 50 tax incentives in promoting rental housing for students shows the potential for expanding affordable supply.

There are other innovations that merit investigation, for example to bring vacant dwellings into use in high demand areas. The terms of Section 23 tax incentive schemes could be tightened. The feasibility of other housing schemes could be explored, such as those operating in several continental countries where rents are based on costs and the benefits of amortisation and capital gains are shared amongst tenants. In addition DOEHLG should without further delay support pilot projects to offer housing to low and modestly paid workers at rents below market rates, and report on their performance.

Threshold commissioned a report in 2004 on the potential for direct investment by financial institutions in low cost rental housing, *Opportunity Knocks*. It is time for the government to pursue this avenue further, for

example, by introducing special purpose vehicles to avoid double taxation on property investment funds (also termed REITs).

Recommendation 2

The government must seek innovative solutions to increase the supply of affordable, good quality private rental housing, in addition to accelerating social housing investment. The high level working group on affordable rental should investigate ways to promote affordable increased supply, including

- Targeting any extensions of tax incentives such as Section 23 at low income rental projects
- Confining all existing tax breaks on residential investment, regardless of how long they have been in place, to property that is bona fides occupied.
- Developing schemes to encourage employers to provide subsidised housing for key workers.
- Adapting Part V in high demand areas for new housing at rents discounted from prevailing market rates.
- Introducing affordable rental projects, particularly in urban areas, and mainstreaming them, based on the knowledge gained.
- To enhance and stabilise the private rental market, encouraging institutions to invest directly in the rental market, for example by facilitating REITs, as recommended by Threshold in its report, *Opportunity Knocks*.

New National Development Plan and Social Housing Investment

Despite the social housing investment commitment in the National Development Plan (NDP) 2000-2006, the assessed need for social housing reported by the Department of the Environment, Heritage and Local Government in March 2005 was 43,684 households, equivalent to about one third of the existing social housing stock in the state. Although a stricter methodology was applied in 2005 the count was only 10% less than reported in 2002 and it was 12% higher than the level reported in 1999, just before the start of the NDP. More than 32,000 children are in households waiting because they need long-term homes.

The new social partnership agreement promises 26,000 social units for 2007 - 2009 plus 1,000 RAS-specific units. While that commitment is an improvement on the estimated average annual 6,008 units completed during

the first NDP, it is not sufficient to minimise assessed social housing need.¹ To achieve real progress the NDP for 2007-2013 should see an escalation of government efforts. The National Economic and Social Council recommended a net increase of 73,000 social housing dwellings by 2012, approximately 10,000 units per year. Threshold considers this the minimum required to combat housing deprivation. But the key driver must link social housing investment to the level of assessed need. Performance must be judged by the outcomes for people.

The challenge is not simply to find the capital funds but also to ensure the efficiency of the system. For example, some local authority spokespersons insist that it is not the lack of building finance that is restraining output but rather in-house factors such as land acquisition, project design and planning approvals. Housing associations also highlight as obstacles access to land and delays in getting project approvals by government.

Initial performance under local authority action plans for social and affordable housing demonstrates that stronger incentives are needed for achieving targets. At present the Affordable Homes Partnership is promoting the securing of land and key infrastructure in the greater Dublin area for affordable purchase housing. In fact an over-arching national housing agency is required that takes into account broader influences that transcend council boundaries, such as immigration, and shifting patterns of population and demand, and their widespread effects on the need for social housing. Working with local authorities such an agency could amalgamate the various affordable purchase schemes, focussing on areas of greatest demand, and at the same time, ensure that social housing investment receives the attention it deserves.

The size composition of social housing investment and the use of that investment also is a concern because working age single people have tended to be excluded in the past. Local authority social and affordable action plans 2004-2008 considered the types and sizes of accommodation that should be constructed, given the types of households in long term housing need. A national review is needed of the appropriateness of these plans in the context of the experience of single person households in the housing system. Similarly, the allocation of housing units to homeless single persons appears low, given their priority need. Indeed the low level of housing allocations for working age single person households ought to be subject to critical analysis.

¹ The estimate is the annual average of actual local authority starts for 2000-2005 and housing association completions 2000-2005. The NDP promise of 40,100 local authority starts and 15,500 housing association completions amounted to 7,943 units annually on average.

Recommendation 3

The government must take further measures to promote social housing investment:

- The National Development Plan 2007-2013 to set each local authority a target of reducing the number of households in long term housing need to 10% of the rented social housing stock, and support social housing investment accordingly.
- Responsive investment so that a household assessed to be in need of social housing does not have to wait for a social unit longer than twelve months. This maximum waiting time should be reviewed and reduced as soon as is feasible.
- Acknowledgement of the problems faced by single people, including a review of sizes of new dwelling units anticipated in local authority social and affordable housing action plans, social housing allocation for homeless single persons and treatment of singles on housing waiting lists.
- The remit of the Affordable Homes Partnership broadened to make it a national housing agency with responsibility for accelerating social as well as affordable housing build in urban areas, particularly in assembling land in the places where eligible households want to live.

A Better Future for the Private Rented Sector

Maximising the Effectiveness of RAS

Research conducted by Threshold with OPEN (One Parent Exchange and Network), to be released shortly, provides insights for enhancing the effectiveness of RAS in combating social exclusion. Our project focussed on lone parent families living in the private rented sector and eligible for RAS. We concluded that since RAS accommodation is intended to provide long term family homes, the quality of should significantly exceed the level established by the minimum rental dwelling (1993) regulations.

In addition, a degree of tenant choice is important under RAS so that families join community life and preserve educational and family connections. Given the vulnerability of lone parent families they should enjoy the maximum level of choice of location under RAS. Similarly, transfers within RAS as family circumstances change need to be facilitated in a sensitive manner.

Recommendation 4

The Rental Accommodation Scheme must respond to the needs of those it serves:

- RAS practice in finding and allocating accommodation must respect each participant's needs and ability to choose.
- Dwelling standards for RAS must exceed the statutory minimums, reflecting the fact that the programme addresses housing need that is long term.

Regulation in the Private Rented Sector

The *Residential Tenancies Act, 2004* is a major step forward for the private rented sector. However Threshold identifies the speed with which the Private Residential Tenancies Board (PRTB) handles landlord and tenant dispute cases as a concern. In particular, tenants in deposit retention cases need a timely response to enable them to place a deposit on another home. But the large number of deposit retention disputes going to the PRTB (more than half the Board's case load) has meant lengthy delays for some of our tenants seeking a decision. During 2005 the PRTB released 26 decisions on deposit retention. The start date for three cases is unknown, while we understand that the average time taken between the Board receiving the complaint and a decision for the remainder was eight months.

In Threshold's view an independent body, a deposit retention board, rather than the landlord should hold rent deposits. Such a body would protect the monies, reduce the likelihood of disputes and speed up resolution of those disputes that do occur. Problems with deposits are by far the largest issue for people coming to Threshold for help. Reform in this area would significantly improve the operation of the rental sector.

In order to avail of the protections set out in the Act, many tenants with housing problems need advice and advocacy support to present their case. Few people on low incomes are able to afford legal representation if it is required. It is crucial that Threshold and other information providers are allocated sufficient resources to meet new demands for support.

The release of "Action on Private Rented Accommodation Standards" by DOEHLG is warmly welcomed by Threshold since we have long been calling for remedial measures. The setting of a target completion date for tightening and up-grading the minimum standards would invigorate the process.² Also publication of detailed criteria to direct local authorities seeking PRTB registrations revenue for standards enforcement would promote the adoption of proactive, risk-based inspection and enforcement regimes.

² A time frame has been set with respect to social housing according to *The Housing Policy Framework*. "An audit of the social housing stock will be undertaken in 2008 to ensure standards and levels of satisfaction are rising."

Threshold is eager to participate in the standards project. We recommend that the reform consider a 'fit for the purpose' dwelling certification requirement to be submitted by landlords registering tenancies. It is also important to consider the implications of high density living in apartment blocks in the standards setting context.

The quality of Irish housing is improving with high rates of output and an active buy-to-let sector. Action to ensure that all rental housing is of adequate quality would extend the benefits derived from Irish prosperity more widely and equitably.

Recommendation 5

Actions by the Department of the Environment, Heritage and Local Government are required to improve the regulation of conduct and practices in the private rented sector:

- Introduce a rental deposit scheme, a practice adopted in several other jurisdictions.
- Conduct a strategic review of the functioning of the Private Residential Tenancies Board to ensure an effective dispute resolution service and monitoring of the sector.
- Announce the timeframe for upgrading minimum rental dwelling standards, and publish the terms for funding standards enforcement by local authorities.
- Require landlords when registering a tenancy with the PRTB to certify the dwelling as 'fit for the purpose'.
- Increase funding to organisations, including Threshold, who can support vulnerable people to take cases to the dispute resolution service established by the Residential Tenancies Act 2004.

Placement services

In urban areas such as Dublin and Cork, intense competition at the lower end of the rented market makes it difficult for low income households to find and keep a home. The overall supply of rent-geared-to-income social housing is being eroded by tenant purchase and by housing estate regeneration.³ Social housing output in the two cities has not shown sustained increases. Neither is there an upward trend in openings to social units due to casual vacancies, as displayed in the table below.

³ Dublin City Council, for example has seven regeneration projects underway where the amount of social housing units will decline from a total of 4,038 to 3,095.

Social housing activities in Dublin and Cork cities

	2002	2003	2004	2005
	Units	Units	Units	Units
<i>Tenant purchases</i>				
Dublin	86	135	161	171
Cork	49	56	70	82
<i>Casual vacancies</i>				
Dublin	661	952	589	539
Cork	178	224	142	146
<i>Output & acquisitions</i>				
Dublin	1024	1009	712	1030
Cork	266	192	281	386

Source: DOEHLG Housing Bulletins

In the private sector, and especially since the advent of property-based tax breaks, vacant dwellings appear to be a significant proportion of the housing stock. Meanwhile the supply of bedsit accommodation is diminishing according to Threshold's placement service workers. Prevailing rents for one bedroom accommodation are beyond the means of single person households both those on benefits and those working for low wages. Lets for low rents advertised in media such as the daily press or DAFT.ie are in short supply. Informal networking, by word of mouth, is therefore an important route to finding a home.⁴ It is to such urban markets that many looking for employment gravitate, especially migrants from other countries.⁵

If the most vulnerable people can be helped to find a home, they are more likely to take up opportunities to improve their quality of life. But homeless persons, older people and others at risk often lack the self-advocacy skills needed to persuade a landlord to rent to them. Threshold can assist clients to make their case and prepare the documentation required to get rent supplement and a deposit. By improving the client's awareness of the rental market and advocating on their behalf, Threshold ensures that they do not feel pressured to accept unsuitable accommodation out of desperation. For example, clients are discouraged from taking on substandard housing or rent commitments that exceed the relevant rent supplement ceiling. According to a 2004 Threshold survey, one fifth of rent supplement recipients were topping up their rent and getting into financial difficulties as a consequence.

Recommendation 6

The Department of the Environment, Heritage and Local Government fund free placement services in high demand private rental markets to enable those most at risk to avoid housing disadvantage and hardship.

⁴ Threshold has found informal networks for low-end rental accommodation to be important in Galway and Limerick where it has also advice offices.

⁵ The 2005 housing needs assessment reports that 15% of those in need were not Irish citizens.

Threshold's Recommendations

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