



**NOTIFICATION TO ATTEND SPECIAL MEETING OF THE HOUSING SPC  
TO BE HELD IN THE COUNCIL CHAMBER, CITY HALL, DAME STREET, DUBLIN 2.  
ON WEDNESDAY, 22 JULY 2015 AT 12.00 PM**

**AGENDA**

**WEDNESDAY, 22 JULY 2015**

**PAGE**

1 Land Initiative Report

**1 - 22**

This page is intentionally left blank

# DUBLIN CITY COUNCIL

Update Report 225/14

## Housing Construction Collaboration for Vacant Council Lands & Technical Dialogue Follow Up Meetings

Dick Brady & Jim Keogan

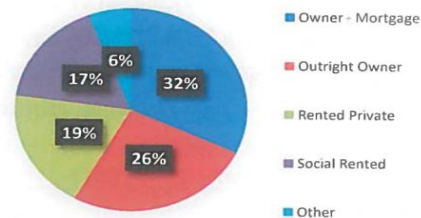
22 July 2015

# Context

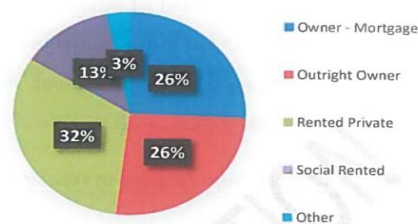
Page 2

2006	2011	2022
Population		
506,000	526,000	606,000 (RPG)
	Population Growth 2015 - 22	59,000
Household Size		
2.4	2.17	1.9
	Housing Demand	4,200 units per annum
Residential Completions		
7,000	500 (2011) - 900 (2014)	

Dublin City 2006



Dublin City 2011



# Background

- In a public notice Feb 2015 Council sought expressions of interest from parties willing to take part in “technical dialogue” about how three large Council owned sites might be developed for mixed use mixed tenure schemes.
- Process involved entering into discussion with market about how best to achieve development of the sites using the land as leverage to achieve the desired mix of tenure and uses.
- In addition the technical dialogue facilitated discussion with market about how Council lands might be used to meet housing shortage but also to stimulate construction in Dublin.
- By mixed tenure the Council includes owner occupation, private rented market and below market rental and social rented.

# Technical Dialogue Process

- Notice received positive response from property sector specialists and providers comprising: house builders/developers (24), project managers specialising in property, engineers, architects, estate agents (14), investors (10) Approved Housing Bodies (8) modular housing specialists (2) and consortia from Ireland and UK.
- All respondents (65) were asked to meet expert panel and 58 did meet in hour to 2 hour interviews.
- Expert panel with in-depth knowledge of planning, valuation & housing comprising mainly existing & former local authority officials.
- Process produced report with market recommendations.

# Housing Typologies

- Most participants understood that apartments are necessary part of meeting severe housing shortage.
- The start up cost of apartment development can be prohibitive, however in accordance with recent density policy to kick start development lower densities can be considered on certain suburban sites.
- There was concern about apartments and the demand for this type of housing particularly among potential owner occupiers.
- There was a lot of interest in single ownership apartment blocks, schemes but with mixed rental tenures within the scheme – Council, Approved Housing Bodies, Private Market Rental and Below Market Rental. This was seen as best approach for investors rather than mix of owners and renters. It overcame the concerns about management, maintenance and service charges.
- Some participants wished to see greater use of modular housing as a way of reducing construction cost uncertainty. These participants pointed to gains in terms of consistency and attainment of high standards including energy efficiency but also speed of delivery of a high end product.

# Market Recommendations

- The report which was tabled to both the Housing and Planning SPC committees sets out the background to the technical dialogue process in greater detail.
- The 3 main market recommendations can be summarised as follows:
  1. <sup>Page 6</sup> Focus on Oscar Traynor and Belcamp Lands, but bring in two of the former PPP lands at O Devaney and St Michaels Estate.
  2. Review Masterplans where they exist to see if they are fit for purpose and update as necessary prior to bringing lands to the market.
  3. Consider disposal by freehold with lease option for part of sites to encourage/incentivise development of rental market including at below market cost but also social rental and owner occupation.



# Selection of Sites

- The market is strongly of the opinion that it is premature to seek to develop the lands at Cherry Orchard at this time. The City Council will include the entire Cherry Orchard area in a Local Area Plan.
- The market soundings undertaken as part of the technical dialogue process advised that the Oscar Traynor lands and Belcamp lands should be developed but that former PPP sites closer to the city centre should also be considered. In particular the sites at O Devaney and St Michaels were seen as worth considering for a mixed use mixed tenure development.
- The sites which have the most detail by way of existing Masterplans are Oscar Traynor, O'Devaney, St Michaels with Belcamp needing more work. This would therefore be the order in which they could be approached.

# Multi disciplinary Team

- The Council has already in place a multi disciplinary team which prepared the 225/14 report which led to the technical dialogue process and which in turn led to this report. This team will be responsible for implementing proposals arising.
- Their first task will be to review the existing plans and Masterplans. These plans may need to be updated, but the Council developed them following an intensive consultation process so there is every intention to retain the core principles.

# Next Steps

- The team to create lots within each site. Each lot would offer the potential to develop a mix of uses and tenures (using the land as leverage to achieve supply side interventions where appropriate such as below market rental as well as other forms of tenure including social housing).
- The creation of lots within a large site could allow several developments on a large piece of land to happen at the same time. The Council may have to undertake enabling works to put in place the basic infrastructure to allow development to take place.
- The cost of the enabling works would need to be met by the Council initially although it could be recouped from the sale of lands particularly parts that were deemed appropriate for non residential including retail and commercial uses.

This page is intentionally left blank

# Lands Initiative Report

## Update Report 225/2014

Following agreement of the Council (report 225/2014 refers) and after discussions with the DOECLG who in turn consulted with the National Treasury Management Agency, advertisements were placed in the media early in February 2015 seeking participants to a technical dialogue to explore options for developing some large Council owned lands in particular:

- Lands at Belcamp/Malahide Road (North Central) (300 residential units)
- Lands at Cherry Orchard (adjacent hospital) (South Central) (300 residential units)
- Lands at Oscar Traynor Road/Malahide Road (North Central) (840 residential units)

## Response to Public Notice (Feb 2015)

Based on the responses<sup>i</sup> received to the public notice (Feb 2015) the Council considered it worthwhile to meet with respondents on a one to one basis. Each respondent was invited to meet with a panel comprising a mix of internal and external planning, architects, valuers and housing experts. Respondents came from a variety of backgrounds including estate agents, finance advisors and investors, house builders, developers, Approved Housing Bodies, project managers/engineers and architects and consortia combining all or some of the above.

## Development Potential of Lands

There was a broad consensus that the lands at Cherry Orchard would be the least likely to appeal to the market at this time. The main concern related to social sustainability and the recommendation was that the significant infill sites in the area should be developed before this greenfield site. In addition these lands were seen as relatively landlocked compared to the other two sites and to other Council lands including former PPP lands at O'Devaney and St Michaels. All respondents considered that there was potential to develop the lands at Belcamp and Oscar Traynor.

## Weakness of Apartment Market

Despite the positive reaction to the development potential of the two north city sites the issue of whether or not an "owner occupation market" for apartments still existed was raised. The concern centred on the cost of constructing apartments to current standards relative to current market prices in those areas. This concern was restricted to apartments only and was not seen as an issue with other housing forms.

## Requirement for Mixed Tenure

These lands were deemed too large for development exclusively for social housing and the Council wished to explore with representatives of the property market how the development of the sites could contribute to alleviating the housing shortage in the city including looking at options for mixed tenure development. The Council was particularly interested in looking at options for managed private rental properties at market rent and at cost based rent as well as home ownership and social housing on these lands. There was a variety of reactions to the idea of the model proposed by the Council using

the land to leverage a combination of mixed tenure (social rent, below market or subsidised renting, market renting and owner occupation).

### **Building to Sell v Building to Hold – Supply Issues**

Most Irish based respondents were of the view that the construction sector in Ireland was not geared up to build-to-hold for rental income and that this model would be difficult to adopt as the market here had traditionally borrowed to build repaying loans with income from the sale of housing. It was acknowledged that building-to-hold worked in other countries and there was some discussion about developers who had become landlords it was still considered that this was by accident rather than design. The risk was seen as significant and there was a view that domestic banks would not fund housing long term. UK respondents were more in tune with the concept as were some investor-respondents but there was concern about the risk of achieving return on capital employed (RoCE) related to cost of apartment delivery and funding interest rates (short term funding v long term funding interest rates).

### **PPP Approach**

Many respondents commented on the high level of transaction costs associated with PPP particularly for unsuccessful applicants/tenders. They indicated that costs and planning uncertainty could be reduced if an indicative masterplan showing open space, road layout and services was prepared by the Council. Masterplans were prepared some time ago for the Oscar Traynor/Malahide Road and Belcamp/Malahide Road lands and while they may need to be updated much of the preliminary work has already been done.

There was very little enthusiasm for reverting to the traditional PPP procurement (land swap and/or money in exchange for social housing units and community facilities), which was seen as having been an obstruction in the context of housing provision because of its complexity, expense and the time taken from EU notice to tender and conclusion. Where there was any willingness to consider this option it was in the context of houses not apartments. In some cases particularly UK respondents PPP was seen as a way of delivering social housing in exchange for annual lease payments. There was not much conviction that a mixed tenure mixed use approach would succeed using traditional PPP methodology. The discussion tended to move onto the architectural competition model at this point as a model which predated PPP and which had worked in a number of locations.

### **Architectural Competitions**

There was some positive discussion about an architectural competition approach which would allow 4 or 5 applicants to be shortlisted, these could then be resourced to provide greater detail including financial proposals from which a finalist could be selected, this would apply to each site. Such an approach could provide for aspirations to do with both a mix of tenure and mix use to comply with zoning, density and requirements for open space. This approach would operate in conjunction with disposal but there was a concern that it could develop into a PPP approach unless it followed a disposal route.

### **Modular Housing**

One solution proposed by several respondents to the issue of construction costs was to use modular housing including in apartment schemes. The advantages cited were quality, price certainty and

speed of delivery and these were seen as even more important if the Council wished to promote innovation in delivery of mixed tenure.

There was also some discussion particularly with modular housing proponents that design would cater to their production systems and where modular was not proposed the option of build/finance/maintain was discussed with sites achieving planning prior to disposal via Section 183 and with preliminary design and specifications beyond planning also being provided.

### **Lease Rental Model (Availability Agreement) – Social Housing**

There was considerable understanding of the model being discussed by Government through the NTMA which proposes “lease rental income” to pay the cost of providing of social housing. It was acknowledged that the scale of development required on these sites (300-800) would not permit this model to be used as a mix of tenures would be required to achieve social sustainability.

One option proposed was that the lease rental model could be adapted so that some of the lease payments would be met from private rental income (e.g. managed by an Approved Housing Body but underwritten by the Council/Government). This option effectively required a guaranteed ROC so that any shortfall in private rental income would be met by the State. The model is being used in the UK although there housing benefit could make up the shortfall.

An availability agreement (PPP) model similar to traditional PPP but closer to model being proposed by NTMA was proposed by several respondents. There was interest particularly from UK respondents to a model whereby the units were provided to Council specification and then leased back by the Council when built over a 25-30 year period (at reduced rent provided an agreed return on capital was achieved).

There were different opinions about whether ownership would revert to the Council at the end of the availability agreement period and whether this would be by way of nominal or actual payment.

There was some discussion about whether it was preferable to exclude design from the model in favour of providing sites with planning permission.

### **Disposal (Section 183) 2001 Act.**

Several respondents suggested that the Council would be able to achieve the same outcome from a disposal of the lands with the option to purchase back housing units through Part V mechanisms by agreement this could be increased beyond the current statutory level.<sup>ii</sup>

It was suggested that disposing of the land to the highest bidder was not the only criteria that had to be used in a disposal that there were other considerations that could be used including future uses of the land for below cost renting etc. This model was spoken of as a disposal with conditions that were imposed or agreed in relation to the Council's aspiration for the lands in the short, medium or long term.

Respondents coming from an Approved Housing background tended to think that the lands or part of them should be given to them to develop for social housing which they would build using private finance loans and that the Government/Council should then pay them a lease amount to repay their loan.

A number of respondents from the private developer background were interested in the acquisition of the sites for future development. They felt the lands should be sold on a phased basis with accompanying Masterplans. In a number of circumstances it was stated that the timing of

developments was crucial, at present builders/developers can secure finance from international sources at competitive rates, if interest rates change however then the viability of such developments would need to be reconsidered. In general this sector was not convinced that there was a market for private rental that they could meet<sup>iii</sup>.

### **Shared Risk (Private Renting)**

There was a view among house builders/developers and this view was shared by others that if private rental (particularly below cost renting) was to be promoted on public lands it would only work if the risk was shared through some level of guaranteed lease rental income by Government. Most respondents were open to part of the site being used for owner occupation to help fund the cost of provision of rental properties (particularly if linked to traditional housing forms i.e. not apartments).

It was envisaged that Approved Housing Bodies would provide management rather than Council and that this might reduce the risk of rent arrears. It was also seen as providing a more coherent housing market if local authorities were not seen to become involved in private renting. The majority of Approved Housing Bodies initially felt that their sector's remit did not extend to market rent however generally they agreed that it could be considered.

A number of providers suggested that they would provide design build and finance (and maintain) mixed tenure housing on the sites if there was a guarantee of ROCE. In the more sophisticated examples the model provided for void periods, mix of rent levels, provision for rent arrears, void periods and allowances for capital works to do with refurbishment/void turnarounds. Rents would be based on prevailing rental income in the area with subsidies agreed with the Council (e.g. 80% and social rental levels).

This model had the advantage of provided a mix of tenures and rent levels and unlike pure leasing models there was a built in mechanism for generating income towards the payment of ROC albeit that the risk remained with the public sector. The proposers indicated that there was an issue with the size and quality standards of apartments. The solution mentioned on a number of occasions in the same context was for modular housing where construction costs would be relatively fixed. The modular housing under discussion was the higher end of the market. It was promoted as being of equal if not better quality that standard build in apartments and able to meet current Irish housing standards/regulations including BER etc.

### **Multi ownership Apartment Schemes**

There was agreement that mixed tenure within block of flats that remain in single ownership would be easier to sell to investors than individual flats in multi-ownership blocks – this is similar to the experience of the Council where pepper potting of apartments within blocks is not proving as successful as pepper potting in traditional “houses”.

### **Conclusions**

The market in Dublin is interested in working with the Council to develop some of its land for a mix of housing types and tenures. It is nervous about becoming involved in mixed tenure private rental and below cost rental unless there is a safety net of guaranteed lease funding in the event of a shortfall in rental income to repay ROCE to investors. There is reluctance to become involved in traditional PPP models due to uncertainty in planning, timing and transaction costs particularly for those who do not go on to make a successful bid. Options such as disposal with conditions, masterplans, Part V and possibly architectural competitions were seen as achieving the same outcomes without the same disadvantages of PPP. Other sites were seen by respondents as potentially more easily developed than Cherry Orchard including former PPP sites but the two north side sites were seen as attractive.



The cost of constructing apartments to the current standards was a concern particularly relative to current market prices in some parts of the city.

## Recommendations

1. Lands should be offered to the market with Masterplans (indicative rather than statutory) showing requirements for public open space, infrastructure including public transport, roads, drainage, sewers. Mastepans should indicate scale, height and density of development residential and commercial where relevant.
2. Former PPP lands at O'Devaney and St Michaels should be included as well as Belcamp and Oscar Traynor lands but the lands at Cherry Orchard should be held back until other infill lands in Cherry Orchard are developed and the social sustainability of the area improves.
3. Development of the lands should be undertaken by the private sector following disposal of the lands via Section 183. The disposal should provide for the Council to purchase units back under Part 5 using the requisite valuation process. In order to ensure that a percentage of units provided are retained for private rental including below cost rental it is recommended that a percentage of the lands should be disposed of via 20-25 year lease at a significant discount compared to the remainder of the land which can be sold freehold at current market prices. At the end of the lease period the lease can either be extended at nominal rent or it can be sold freehold with no discount.

---

<sup>i</sup> Approximately 65 responses were received (there were some duplications) and of these 2/3 met with the Council to discuss their thoughts and ideas for how the lands should be developed.

<sup>ii</sup> Dublin City Development Plan provides for 20% of which 15% is social and 5% is affordable. The indications from Government is that new legislation will be introduced shortly which will set the percentage for Part V at 10%.

<sup>iii</sup> They tended to be of the view that the foreign investors operating in the private rental market had purchased apartment schemes that were below cost of construction based on current standards. However they were willing to consider this as an option if research showed that there was a growing trend for investors to purchase for long term rental.

This page is intentionally left blank

To the Lord Mayor and  
Members of Dublin City Council

Report No. 225/2014 of the  
Chief Executive



Comhairle Cathrach  
Bhaile Átha Cliath  
Dublin City Council

---

**HOUSING CONSTRUCTION COLLABORATION FOR VACANT COUNCIL LANDS**

---

## HOUSING CONSTRUCTION COLLABORATION

### Background

The City is facing a housing shortage with just 1,360 homes completed in the Dublin Region last year. It is estimated that 7,000 units (approx) are required in the region per year, over the next few years to meet current housing demand. The Council, which has had very little access to capital funding for housing since 2008 does however have significant land banks that could be used to supply social and private housing, including private rented. The Council has been regularly approached by investors and is confident that there are innovative solutions that can be made to work to help reduce the housing shortages facing the city. The proposal is to seek expressions of interest from partners to work collaboratively to design, build, finance housing, and to provide management solutions for a mix of housing types and tenures. The following sites have been identified as being suitable for development in the short-medium term;

<b>Name &amp; Location of Lands</b>	<b>Approx Size</b>
Lands at Malahide Road & N32, Dublin 17	6.3 Ha
Bunratty Road, Dublin 17	0.47 Ha
Cherry Orchard Hospital Lands, Dublin 20	8.2 Ha
Oscar Traynor Road junction M1	14.9 Ha
Cornamona Court, Ballyfermot, Dublin 10	0.7 Ha

### Proposed Approach

It is recommended that Dublin City Council seeks Expressions of Interest from parties for the Development of a number of City Council sites. The sites will be developed in accordance with the City Council Development Plan 2011-2017. The primary use will be residential together with retail and commercial uses where appropriate.

The residential elements should be a high quality development of mixed tenure Private and managed Social Housing units of various housing unit types and sizes, reflecting the density needs and restrictions of the location.

The Expressions of Interest should be accompanied by outline proposals regarding the Tenure Mix and Financial Model options for the delivery of long-term sustainable accommodation and the long-term management of same, ensuring the optimum outcome and return to Dublin City Council; along the proposals regarding the Design, Layout (including layout of tenure types), Quality and any Phasing as appropriate of the proposed developments.

## The Sites

### Belcamp Lane Site at N32 & Malahide Road



This 6.3 Ha site is located at the junction of Malahide Road and the N32 (Western Cross) opposite Tesco Clare Hall. The site forms part of the Clongriffin Belmayne Local Area Plan area. There is a service way leave across part of the site, which is zoned for residential purposes Z1 in the City Development Plan

### Bunratty Road



This is a narrow, infill site of 0.47 Ha (approx), between Bunratty Road and Oscar Traynor Road. The site has an existing Planning Permission, and has good access to services. It is zoned for residential purposes in The City Development Plan, and has the potential to deliver some 60 units plus.

### Cherry Orchard Hospital Lands



This is a large 8.2 Ha site located close to Cherry Orchard Hospital, acquired by the City Council from the HSE some years ago. The site requires services and accesses to be put in place as part of any redevelopment. The lands are zoned for residential (Z1) purposes in the City Development Plan.

### Oscar Traynor Road junction M1



This large 14.9 Ha site is located fronting Coolock Lane/Oscar Traynor Road, close to the junction with the M1 motorway. The site is serviced and has the potential to provide for several hundred housing units with associated facilities. The land is zoned Z12 in the Development Plan, which provides for residential use.

Cornamona, Kylemore Road / Colepark



This is a relatively small 0.7 Ha brownfield site, fronting Kylemore Road, Ballyfermot. The site is serviced, and is zoned Z1 residential in the Development Plan, and has the potential to provide for a good quality residential scheme.

**Recommendations**

It is recommended that expressions of interest are sought by way of public advertisement from parties interested in developing the sites identified in this report in accordance with the City Council Development Plan 2011-2017. The primary use would be residential (including social housing) together with retail and commercial uses where appropriate.

Prior to a legal agreement to dispose of title, the full requirements of Section 183 would apply; thus at this time the Council is being requested to agree to exploratory discussions being initiated via a public advertisement seeking Expressions of Interest. If there are issues that Councillors are aware of which should be taken into account, the Chief Executive will take these on board.

Other sites could also be included at a later stage through a separate process if this first phase is successful in achieving housing development including social housing development.

**Philip Maquire**

**Dick Brady**

This page is intentionally left blank