Comhairle Cathrach
Bhaile Átha Cliath
Dublin City Council

Discussion Paper Report

Housing SPC

Date: 10th May 2018

Further Report on Regeneration and Development Proposals for Dublin City Council Apartment Complexes

Contents

Discussion Document

This paper is a discussion document which is in its second iteration following discussion and direction by the members of the Housing SPC. The paper was first presented to the March SPC and has subsequently been updated with particular focus on the funding options for the regeneration of DCC's older apartment complexes

1. Summary

Dublin City Council, building upon its experience of regenerating complexes, is seeking to develop a strategy to regenerate its apartment complexes that are over 40 years old and to build more and better public housing. Dublin City Council has currently over 6,000 apartments that are built more than forty years ago. Because of its scale this Regeneration Programme has the potential to be the largest such programme in the State.

Under the strategic framework of the National Development Plan, the National Planning Framework, Rebuilding Ireland and the City Development Plan, Dublin City Council will review its own active land management and co-ordinated planning in addressing the housing shortage. In addition to providing vital housing, Dublin City's Regeneration Programme will act as a dynamic catalyst for urban redevelopment.

Dublin City Council will seek to deliver housing led area renewal and estate redevelopment at increased sustainable densities and build upon established principles of community-based, tenant-led approaches to estate regeneration, ownership and management.

The current demand for housing means the Dublin City Council no longer has the option of decanting the entire estate before undertaking building works. New innovative building sequencing solutions are available to ensure community stability is maintained during the building programme.

State funding for replacement housing is likely to be challenging as the primary focus appears to be on new builds. Accordingly, the Council may need to consider creative ways of sourcing the finance for this programme which will most likely necessitate funding solutions, from a combination of public and private sources.

Nine sources of public and private finance are analysed in this paper using a Multi-Criteria Assessment. Option 1, which proposes to continue seeking funding from the Department of Housing, Planning and Local Government, was found to be optimal according to this scoring model. The other options are ranked in accordance with their score. The merits of the other options including transferring complexes to approved housing bodies and negotiating with adjacent landowners and leveraging land through long-term leasing are outlined in this paper.

A one size fits all approach to regeneration will not be appropriate. Each apartment complex will be treated as unique and the regeneration delivery and funding mechanism will need to be sufficiently flexible to reflect this.

Because of the scale of the Programme a capital works plan for the next 15 years is envisaged to implement the regeneration of the 6,000 apartments.

Dublin City Council is proposing as part of the Housing Strategy[1] component of the City Development Plan to audit the developmental potential (to achieve greater densities) of the council's apartment complexes and make recommendations on the Council's Capital Works Programme for the period 2018 to 2040.

Rank	Funding Options	Score
1	Continue to seek funding from the Department of Housing, Planning and Local Government	88
2	Negotiate with adjacent landowner	82
3	Transfer some apartment complexes to Approved Housing Bodies	78
4	Leverage land through long term leasing	77
5	Seek funding from the Housing Finance Agency	70
6	Set up an-arms length company to deliver the programme	66
7	Public Private Partnership options	64
8	Partial Land Disposal	60
NA	Seek funding from corporate bonds	NA

Colour	DCC
Green	DCC would have no reservations about this option
Light green	DCC would consider this option further
Amber	DCC should investigate further
Red	DCC would have some reservations at present with this option

[1] http://www.dublincity.ie/sites/default/files/content/Planning/DublinCityDevelopmentPlan/Documents/Dublin%20City%20Development%20Plan%202016%20-%202022%20Volume%202.pdf

2. Key Issues that need to be discussed

The following is a non-exhaustive list of key issues for consideration that will inform Dublin City Council's Estate Regeneration strategy:

1. What lessons have we learnt from our previous estate regenerations?
2. How can existing communities be kept intact during the regeneration process?
3. What is international best practise in energy efficiency, essential infrastructure, green space and sustainably mixed neighbourhoods?
4. Who are the more and better homes for?
5. How do we ensure sustainable communities?
6. What types of tenure and land uses are envisaged?
7. Is the model of mixed tenure and mixed income communities acceptable?
8. What is the most appropriate vehicle(s) for the delivery of the renewal and redevelopment programme?
9. What role(s), if any, should Approved Housing Bodies play?
10. What role(s), if any, should the private sector play?
11. What is the most appropriate finance model(s) for the delivery of the programme?
12. Should there be a *Decent and Better Homes* standard for all our stock?
13. What roles do the other statutory agencies (HSE, Department of Education and Skills, Department of Social Protection, Department of Justice etc.) have in ensuring the redevelopment and regeneration is sustainable?
14. What are the non-physical elements of regeneration that need to be planned in advance?
15. How best to ensure new housing programmes deliver a combination of successful social integration through refurbishment or redevelopment, enhanced quality of life, and proximity to educational, training and employment opportunities?
16. What community benefits should be considered in the programme?

We are seeking your input into the above questions. It is also proposed that other relevant stakeholders are involved in the framing of this strategy.

3. Lessons from our previous estate regenerations with regards sustainable communities

Lesson 1:	**New Bricks and Mortar is not sufficient to sustain the regeneration of our estates.**
Lesson 2:	**Local empowerment and capacity building is perhaps the key issue in ensuring sustainability. DCC needs to empower the local community to sustain change over the long term and to be guardians of their own estate and future**

Estate regeneration is about reinforcing a sense of community identity, rebuilding social networks, empowering the local community to sustain change over the long term and enabling them to be guardians of their own estate and future.

The local community needs to be involved from the start of the process and supported by the City Council's area and community development staff.

The City Council's local area and community development staff need to develop and sustain the local capacity of the community with regards:

- key project planning skills (reading maps/inputting in the design etc)
- knowledge of the Council and the Department of Housing's approval's system
- how to exert influence over the plans, priorities and actions

Lesson 3: Mixed income estates are more sustainable than equivalents

Why Mixed Income?

One of the biggest challenges facing DCC is the need to provide quality public housing while avoiding contributing to or reinforcing social segregation through the creation of single class segregated estates.

Research by the Irish Housing Unit[2] (2005) outlined three categories of neighbourhood effects of mono-tenure[3] estates:

1 Economic

If households on low incomes are concentrated in an area, money available to support local shops, sports facilities and local commercial services is likely to be scarce.

2 Social

An important aspect of areas dominated by social housing is stigmatisation where residents experience discrimination in such areas as access to credit, education and employment.

3 Community

Where there is a concentration of unemployment and poverty, communities can become inward looking. This can have the effect of reducing wider social networks necessary to access employment and other opportunities, and a lack of working families to act as role models.

The benefits of introducing mixed incomes in existing estates may include:

- More money to support local facilities (shops/leisure facilities/schools etc)
- Improved reputation and confidence in the area
- Greater diversity and respect for differences
- Increased tenant satisfaction

[2] Norris, M, Mixed Tenure Housing Estates: Development, Design, Management and Outcomes, (2005)

[3] report by Clúid on stigma in social housing estates and discusses social mixing:

https://www.cluid.ie/wp-content/uploads/2017/03/Cluid_Changing-Perceptions-report_D6.pdf

4. Dublin City Council's Regeneration Progress

Dublin City Council has made very significant progress over the last 10 – 15 years on the necessary regeneration of our apartment complexes throughout the city. It has successfully implemented regeneration and refurbishment projects across its five administrative areas. Some key highlights include the regeneration of nearly 3,000 units in Ballymun, the demolition of Fatima Mansions its replacement with the mixed tenure Herberton development; the refurbishment of Boyne Street, the transformation of St Joseph's Mansions to Killarney Court (managed by Cluid) to the current building programme ongoing in Dolphin House and Croke Villas and with work imminent on St Mary's Mansions and St Teresa's Gardens.

Several Senior Citizen Complexes with bed-sit units have been refurbished to a very high standard in recent years (converting two bed-sits into single one bed-roomed apartments) however the overall number of units (density) is being reduced, in most cases by 50% which is not sustainable in light of the current housing shortage.

5. Why is developing a Renewal and Redevelopment strategy and plan important now?

With the focus on new builds, the City Council must agree a new capital work programme for its apartment schemes that are over 40 years old and in need of renewal/redevelopment.

There are over 6,000 apartments across more than a 100 schemes (Appendix B). By virtue of its scale this Regeneration and Development Programme has the potential to be the largest housing regeneration programme in the State with far-reaching positive implications.

It has the potential to deliver the type of scale required to make a real difference to the quality of life of our tenants, to those on our waiting list and to implement our objectives as part of the Government's *Rebuilding Ireland: Action Plan on Housing and Homelessness*. The Regeneration Programme will deliver across the five pillars of Rebuilding Ireland, namely: addressing homelessness; accelerating social housing; building more homes; improving the rental sector and utilising existing housing.

The City Council is already making headway with the ambitious regeneration of a number of its inner city complexes, with plans to complete and deliver some 4,200 quality homes in sustainable communities and create better urban places by 2022.

This delivery will necessitate funding solutions from a combination of public and private sources.

6. What implications does Project 2040: A National Framework Plan have on our regeneration plans?

In addition to providing vital housing, Dublin City's Regeneration and Development Programme will act as a dynamic catalyst for urban regeneration. *Project 2040* and the *National Framework Plan*[4] place particular emphasis on the physical consolidation of the city centre area. Compact and smart urban growth is planned. A new €2 billion Urban Regeneration and Development Fund will aim to achieve sustainable growth in Ireland's five cities and other large urban centres, incentivising collaborative approaches to development by public and private sectors.

The plan seeks to secure at least 40% of future housing needs by building and renewing within our existing built-up areas.

Under Project 2040 it is proposed that a National Regeneration and Development Agency be established to ensure more effective co-ordination and management of the development of lands, in particular publicly-owned lands within and throughout urban centres across a range of scales, delivering more compact and sustainable growth.

Dublin City Council should be strategically positioned to maximise this funding opportunity and to deliver more and better homes.

[4] See http://npf.ie

7. Where are we?

- There are over 6,391 units across 109 flat complexes that were built from the 1930s onwards (see Appendix B).
- A high proportion of these buildings are in need of renewal/redevelopment.
- Approximately €30m is spent annually on the reactive maintenance of these complexes.
- The buildings are in general physically solid structures, well located and currently support stable communities.

8. Where are we going?

<u>More</u> and <u>Better</u> Homes

<u>More Homes</u>

- Increased public housing built on public lands.
- This can be achieved through more efficient and effective use of public lands (much greater densities)

<u>Better Homes</u>

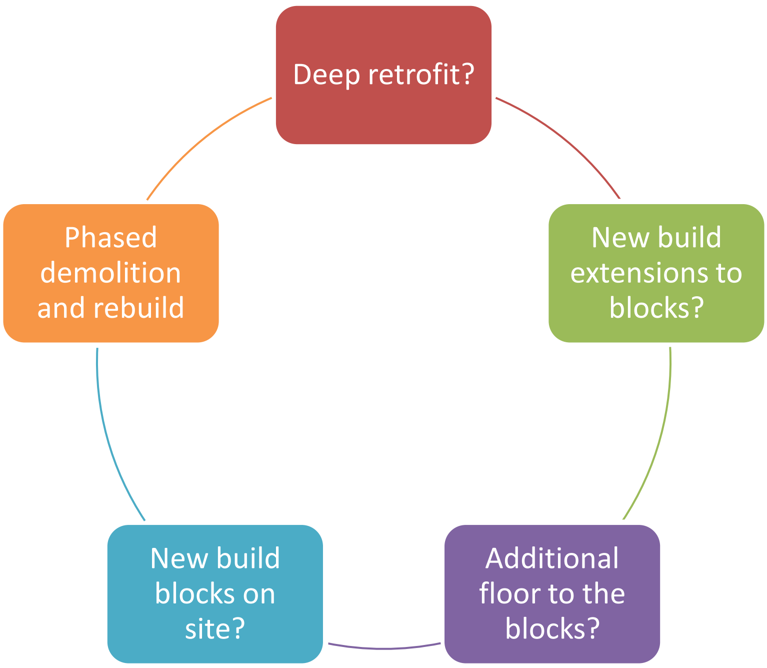
- The Housing Department would like to develop a plan for every flat complex to ensure the delivery of quality, safe, warm, sustainable and energy efficient homes.
- The needs of the elderly and disabled will be customised into every plan.
- Improved neighbourhoods: Our regeneration projects will act as a catalyst for the renewal of underutilised areas by strengthening the fabric of urban centres, bringing back a mixture of uses to urban areas and locating people where services are available.
- Reducing anti-social behaviour.
- Future proofing homes.

9. How are we going to get there?

- Each site needs to be reviewed in conjunction with elected members and residents. DCC in leading housing led regeneration must also consider strategies to underpin the long-term physical, social and economic regeneration of the areas.

- The following options should be considered for each estate complex on a case by case basis:

  - Deep retrofit?
  - New build extensions to blocks
  - Additional floor to the blocks
  - New build blocks within the site?
  - Phased demolition and re-build



- Recent feasibility studies indicate the cost of deep retrofitting complexes can be as high as demolition and rebuild.

- The current demand for housing means the Dublin City Council no longer has the option of decanting the entire estate before undertaking building works. New innovative building sequencing solutions are available to ensure community stability is maintained during the building programme.

- There will be significant challenges in securing funding approval of the scale and magnitude for this Regeneration Programme.

- Dublin City Council appreciates that the proximity of friends, family, neighbours and personal networks built up over generations has a real social value and gives a commitment that it will plan and implement strategies to keep communities intact whatever redevelopment option is chosen.

- Some of the flat complexes may require a deep retrofit and similar to the demolition option, may require the construction of temporary residential buildings on site. Whilst this could facilitate keeping the community intact, it will be more costly and the length of the project will need to be prolonged.

- A major factor influencing the need to regenerate housing areas is the way that the blocks create or fail to optimise the full developmental potential of the land.

- Some of our apartment complexes may be protected structures and a case by case assessment of each site will be required.

- Dublin City Council will remain committed to provide ongoing quality maintenance service to all its apartments throughout the process.

10. Options for funding requirements

In accordance with the Public Spending Code, where a cost benefit analysis approach is required on all projects with a value in excess of €20m, a Multi-Criteria Assessment (MCA) has been undertaken on all identified funding options. The MCA considered all options that had the potential to meet some or all identified Project Objectives.

The primary objective is the funding of additional social housing on public regeneration lands. The high level nature of this assessment reflects the fact that the variables cannot be precisely determined and the measures are therefore based on risks, probabilities and estimations of the in-house multi-disciplinary team. The criteria are designed to attach relative importance to each criterion. The cost to DCC is considered the most important criterion and is given a double weighting. The other criteria are: does the option facilitate ramping up of regeneration; does the option enable DCC to retain control of the land and what is the risk assessment for the option.

The score against each criterion is expressed on the range 0 -10

Table 1. Scoring methodology for each criterion

Score	Ability of the stated option to fulfil a particular criterion
0 -3	DCC would have serious reservations about the potential to achieve this
4-5	DCC would have some reservations about the potential to achieve this
6-7	DCC would have slight reservations about the potential to achieve this
8-10	DCC would have no reservations about the potential to achieve this

Option 1, which proposes to continue seeking funding from the Department of Housing, Planning and Local Government, was found to be optimal according to this scoring model, see section below for details.

DCC needs to consider how any borrowed funds would be repaid?

Differential vs Economic vs Market Rent

Local Authorities charge differential rents (based on tenant's net disposable income) as required by national policy. Differential rents are typically 13-15% of a tenant's net weekly disposable income. DCC's average weekly rent is €62.50. It is not credible for DCC to seek borrowings from financial institutions citing differential rents income alone as a basis for repayment of the loan.

Market rent is the rent that a landlord will secure through demand and supply levels for rented accommodation in a given location.

Economic rent is the amount required to meet the cost of provision including maintenance of the housing unit.

To enable DCC to raise/borrow finance, some form of state funding of the wedge between differential and economic rent is required on an ongoing basis for the term of the loan. This could be similar to the Payment and Availability Agreement that Approved Housing Bodies receive which is approximately 90% - 95% of market rent for the term of the loan.

10.1 Continue to seek funding from the Department of Housing

Dublin City Council will continue to submit proposals to the Department of Housing, Planning and Local Government. State funding for replacement housing is likely to be challenging as the primary focus appears to be on new builds. However, such funding should be more available where we are going to achieve a significantly higher density on Regeneration sites and as other opportunities for new build in the city dry up i.e. shortage of other building land.

We may need to consider more creative ways of sourcing the finance for this programme. This will most likely necessitate funding solutions from a combination of public and private sources or the use of innovative funding mechanisms previously unexplored in Dublin for example, those which constitute best practice in comparable EU cities (see Section 11).

The main benefit is the City Council can avail of up to 100% capital grant funding and there is no borrowing or repayments required. It should be noted that DCC may not always get 100% of the costs and does top-up the grant funding with funding from its own resources in some cases. For example the Department has capped expenditure on Community Facilities and DCC provides the balance from its own resources.

The main risk to this option that has been identified is that State funding for housing will be on new builds and not replacement housing.

Table 2. First option: continued departmental funding score

Option 1.	Continue to seek funding from the Department of Housing, Planning and Local Government			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	10	100%	4	40
Facilitate ramping up of regeneration programme	8	80%	2	16
DCC retain control of lands	10	100%	2	20
Risk assessed	6	60%	2	12
Total				88

10.2 Seek funding from the Housing Finance Agency

The HFA generates funding through a number of sources including the National Treasury Management Agency (NTMA), Local Authorities (LA's), the European Investment Bank (EIB) and the Council of Europe Development Bank (CEDB). EIB and CEB funding is available to the HFA subject to the end projects meeting certain conditions: primarily the development of new housing or regeneration of existing housing stock which includes improved energy efficiency.

The Housing Finance Agency (HFA) has confirmed that they view Dublin City Council as a relatively safe proposition for lending and are willing to collaborate.

The most efficient method for the HFA, DCC and DHPLG to proceed would be as follows:

1. DCC to identify a project requiring finance
2. HFA to lend up to 100%
3. DHPLG agrees to underwrite an adjusted Payment and Availability (P&A) Agreement between DCC and HFA for the term of the loan.

Outcomes

- HFA finances the project
- DCC gets finance
- DHPLG pays a lower P&A agreement to DCC than to AHB (because the interest rate is lower)

Constraints

- Payment and Availability Agreements are currently only available to AHBs
- In the absence of DHPLG agreement to extend the P&A model to local authorities, it would not be feasible for any local authority to pay back the finances from differential rents alone and some form of subsidy would be required.
- Due regard should be given to the availability of a borrowing envelope required for the proposals under review. This may, or indeed may not be available and until confirmed cannot be assumed. The value of the local authority borrowing envelope for non-housing and housing purposes is limited. This is a more critical issue than the availability of funds for loan from the HFA.

Risks

The main risk identified is the risk of repayment default and the impact DCC's borrowing could have on its other services.

Financial Prudence:

DCC should avoid incurring further debt given its current housing indebtedness of over €500 million. Given DCC current indebtedness to the HFA, this should not be increased further without serious consideration of the other funding options.

Table 3. Second option: HFA funding score

Option 2.	**Seek funding from the Housing Finance Agency**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	6	60%	4	24
Facilitate ramping up of regeneration programme	10	100%	2	20
DCC retain control of lands	10	100%	2	20
Risk assessed	3	30%	2	6
Total				70

10.3 Seek funding from Corporate bonds

European Housing Associations that have raised bonds on the financial markets are interested in collaborating with the City Council on this Regeneration Programme.

Corporate bonds are a way for a company to raise debt for unspecified operational purposes. They can be issued in many forms but all bonds are essentially promises to pay back both the principal debt and a return to the purchaser over a defined period of time. Generally bonds pay a fixed rate of interest and over a relatively long period (15 -25 years) and are often traded, providing the added advantage of liquidity to investors.

Constraint

The Local Government Act 2001 removed the capacity of Dublin City Council to issue bonds. Previously DCC held this capacity, principally through Acts in the 1960's. As part of the work programme of the Finance SPC, representations have been made to the Department of Finance for DCC to be facilitated to issue a municipal bond, for housing purposes. This was refused as was the proposal that the NTMA issue a bond on DCC's behalf, again for housing purposes.

Further investigation is warranted for DCC to understand whether or not the 2001 Act precludes DCC engaging with bonds as a source of funding. Also this option does not address how this funding would be repaid.

A bond issue is a form of borrowing and should be compared with other forms of borrowing to establish whether there is benefit in securing funds through a bonds issue rather than a grant/bank loan.

Given the restrictions applying to all borrowing (i.e. bank loans and bonds), there would not seem to be a valid basis to pay an additional premium for funds secured through a bond issue.

Option 3. A meeting is provisionally scheduled in June 2018 with a European Housing Association to be informed of experience in other jurisdictions.

10.4 Set up an arms-length company to deliver the programme

Arms-length management organisations (ALMO's) were first established in the UK in 2002; there are now 33 ALMO's managing over 450,000 properties across 36 local authorities. For example, in London the following ALMO's operate;

- Barnet Homes - 15,706 units
- CityWest Homes - 21,150 units
- Homes for Haringey - 20,441 units
- Lewisham Homes - 17,909 units
- Sutton Housing Partnership - 7,419 units
- Tower Hamlets Homes - 21,099 units
- Kensington & Chelsea TMO - 9492 units

The ALMO model allows social housing investment without completely passing ownership of housing stock out of council control. One third of board members are council tenants with the remaining positions filled by serving councillors and independents, often with business and housing experience. This structure enables organisations to access housing expertise, retain a relationship with their parent councils as well as guaranteeing tenants an important voice at a senior level.

There are examples of arm's-length companies in Dublin that have had a redevelopment/ regeneration brief:

- Dublin Docklands Development Authority
- Ballymun Regeneration Limited
- Grange Gorman Development Agency
- Temple Bar Cultural Trust

The main risks identified relate to issues of control and transfer of assets that would need to be seriously considered before establishing such a company.

The other issue is how will funds be repaid?

However, the fundamental question is ***why*** set up an arm's-length company if the cost of borrowing increases as a result?

Financial institutions view Dublin City Council as a more favourable lending proposition than an arm's-length company and the interest rate offered will reflect this.

Table 4. Fourth option: ALMO model score

Option 4.	**Set up an-arms length company to deliver the programme**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	6	60%	4	24
Facilitate ramping up of regeneration programme	10	100%	2	20
DCC retain control of lands	7	70%	2	14
Risk assessed	4	40%	2	8
Total				66

10.5 Investigate Public Private Partnership options

Dublin City Council has had mixed fortunes with Public Private Partnerships (PPPs). The collapse of a number of prominent PPPs in the last decade seems to eclipse the transformation of Fatima Mansions into Herberton and the current development at Charlemont Street.

The SPC agreed a motion on the 8th March 2018 that "Public lands should only be for Public Rented Housing". This would preclude the traditional PPP model (which delivered the transformation of Fatima Mansions into Herberton, the current development in Charlemont Street and will deliver the three Housing Land Initiative Sites, namely: O'Devaney Gardens, St Michael's Estate and Oscar Traynor Road) but would not preclude the model currently used in the planned development of social units in Scribblestown and Belmayne. The latter were announced in October 2015 of a plan to build 1,500 social housing units at six different sites in five different local authority areas through a public private partnership (PPP). Two-and-a-half years later, the contract for the first batch of 500 units - valued at €100m - is still under negotiation with a short list of contractors.

The challenge will arise where DCC owns a large tract of land and wants to ensure a mixed income and sustainable community; it will be just left with the option of social and affordable rented accommodation.

Public Private Partnerships have been formally recognised in the UK through the National Audit Office (NAO) as being high risk and are not recommended to be entered into by local authorities. The experience of UK local authorities merits further investigation.

Constraints:

In terms of procurement, this is the slowest and most expensive way to build housing.

The contracting authority effectively pays a premium for deferring payment and extending out the contracts for many years.

The bigger the contracts the longer they take.

In large outsourced contracts, the government department or agency may have little if any control over who those subcontractors are and weighing up their record on safety, or employment practices, or construction quality or their local labour policies. When control of the supply chain is outsourced it is often entirely driven by price. This leaves us exposed to another Carillion type collapse.

PPPs were established here on engineering contracts: on a roads contract there are fewer things to go wrong, it is easier to assess future costs, they are lower risk.

But housing projects are far more complex, construction risks and future costs are difficult to price. So bidders walk the line between risking their business if their estimates are inadequate or charging a premium to cover all eventualities.

The complexity of construction contracts and their long-term nature brings a significant amount of risk. But what the Carillion experience shows is that risk is never really outsourced because ultimately it can fall back on the taxpayer.

Table 5. Fifth option: PPP model score

Option 5.	**Public Private Partnership options**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	6	60%	4	24
Facilitate ramping up of regeneration programme	9	90%	2	18
DCC retain control of lands	6	60%	2	12
Risk assessed	5	50%	2	10
Total				64

10.6 Partial Land Disposal

The City Council should be reluctant to sell or transfer any public land. In the UK the following three mechanism are generally used by local authorities, often in combination with Approved Housing Bodies (AHB's):

1. Unconditional land sales
2. Conditional land sales
3. Development Agreements

The challenge/risk of using land sales at the early stages of estate regeneration is that it tends to centre on the loss of control on the part of the local authority and wider community. A parallel example would be the NAMA sales to companies that have failed subsequently to develop the land. A land sale could be considered in the context of DCC having completed a significant proportion of development on the site for public housing and in the absence of alternative funding is seeking to finance vital community services/infrastructure via disposing of a proportion of the site.

Development agreements can be used to help the local authority retain some controls but the use of these contractual agreements can lead to difficulties in ensuring that all scenarios can be equally planned for and that land value is fairly apportioned. Furthermore, development agreements can also be complex for a local authority to procure and usually require an OJEU Competitive Dialogue process. In addition, in many cases the actual development within the 'red line' of the project boundary will be influenced by regeneration activities that are taking place outside of it. This infrastructure investment can be very challenging to capture.

Table 6. Sixth option: land disposal score

Option 6.	**Land Disposal**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	6	60%	4	24
Facilitate ramping up of regeneration programme	10	100%	2	20
DCC retain control of lands	4	40%	2	8
Risk assessed	4	40%	2	8
Total				60

10.7 Leverage land through long term leasing

The City Council should be reluctant to sell or transfer any public land. It should endeavour to lever the value of the land without disposing of its interest in the land.

In the UK, some high profile housing regeneration schemes are being facilitated through the use of instutional investment in long leases, sometimes referred to as 'income strips'.

'Income strip' relates to a forward funding deal where an investor and a developer deliver new homes (e.g. rental units) on an estate regeneration site. DCC/AHB commits to the development by agreeing to taking on a long lease on the units (say 35 to 45 years). At the end of the lease term the homes revert to DCC (the freeholder).

The benefit for the investor is they acquire an income from the asset for an extended period. The benefit for DCC would be that residential units are developed on the basis of a revenue commitment (via AHB) as opposed to a capital sum.

An example of this is the Thames View estate in Barking and Dagenham[5].
The 'Legacy' development vehicle (led by former English soccer players and headed by Rio Ferdinand) is based upon this model.

The Legacy Funding Model

1. The Freehold is retained by the Local Authority.
2. Leasehold for 45 years issued by Local Authority to an investor.
3. Development is funded by investor at their own risk.
4. Net rental income paid directly to Local Authority by tenants.
5. Local Authority pays a proportion of that rent to investor.
6. After lease has expired, LA retains entire built site.
7. The Local Authority can retain asset and have an income stream or alternatively can trigger the right to buy and sell units and keep all proceeds.

[5] See https://vimeo.com/163024972

Table 7. Seventh option: long term leasing score

Option 7.	**Leverage land through long term leasing**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	7	70%	4	28
Facilitate ramping up of regeneration programme	9	90%	2	18
DCC retain control of lands	8.5	85%	2	17
Risk assessed	7	70%	2	14
Total				77

10.8 Transfer some apartment complexes to Approved Housing Bodies

Approved Housing Bodies (AHBs) have been, and continue to be, a key mechanism for the Department of Housing, Planning and Local Government to implement its Housing Strategy. The Government's Social Housing Strategy 2020 *"places AHBs at the heart of social housing provision in the coming years, with a view to the sector expanding significantly and playing a lead role in the delivery and supply of new social housing."*

AHBs, as private non-profit bodies offer accommodation, similar to private landlords, to low-income households in need of housing.

Currently, AHBs are classified as private non-profit controlled institutions.

What sources of finance are available to AHBs?

There are two primary funding mechanisms provided by the Department of Housing, Planning and Local Government to facilitate the construction or acquisition of properties for social housing purposes by AHBs.

Under the **Capital Assistance Scheme (CAS)**, funding of up to 100% of project costs may be advanced by local authorities to AHBs to provide accommodation for the elderly, homeless and people with disabilities.

The Department of Housing, Planning and Local Government also provides financial support to AHBs in the form of a long term loan under the **Capital Advance Leasing Facility (CALF)** to assist with the financing of the construction or acquisition of units that will be provided for social housing use. This loan facility can support up to 30% of the eligible capital cost of the project, where the units will be provided by the AHB under long-term lease arrangements (known as Payment and Availability Agreements and funded by the Social Housing Current Expenditure Programme (SHCEP)) to local authorities for social housing use.

Both schemes are administered by local authorities, and funding advanced to AHBs is subsequently recouped from the Department of Housing, Planning and Local Government in line with the terms and conditions of the relevant scheme. A Section 183 by the Council to dispose of the lands is also required.

What are the implications of Central Statistics Office's Review of Sector Classification of Approved Housing Bodies (December 2017)?

The Irish Council for Social Housing stated in December 2017 that the decision to reclassify 16 large housing associations as bodies controlled by the Government could threaten their ability to borrow money to build thousands of rental homes. The implications of the CSO's recommendation to Eurostat may be significant for housing associations.

Under the Rebuilding Ireland programme, the large housing associations – known as Tier 3 bodies and each controlling more than 300 houses – are expected to build up to 15,000 houses by 2021.

The CSO felt that the housing bodies have independent governance structures, but they fell down on "finance and control". The decision could limit their ability to fund construction through borrowings from banks or credit unions and create uncertainty for building programmes.

What are the benefits and constraints of DCC giving a housing regeneration project to an AHB?

Benefits

- Additional mechanism to increase supply of social housing in DCC's area
- AHBs (unlike LA's) can avail of the Payment and Availability Agreement underwritten by the Department of Housing, Planning and Local Government
- Some positive examples of sustainable refurbishment
- AHBs have ramped up their stock since the 1980s

- Perceived to be efficient landlords
- Specialised staff
- AHBs assume project risks

Constraints

- Transfer of public lands to a third party private non-profit controlled institution
- Long term housing function of DCC?
- Capacity to fulfil a programme of this scale would have to be considered
- Considered to be on balance sheet in the future?
- Views of existing DCC tenants who may be reluctant to move to an AHB
- Tenants have no right to buy

Table 8. Eighth option: transfer some stock to AHB score

Option 8.	**Transfer some apartment complexes to Approved Housing Bodies**			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	9	90%	4	36
Facilitate ramping up of regeneration programme	8	80%	2	16
DCC retain control of lands	5	50%	2	10
Risk assessed	8	80%	2	16
Total				78

10.9 Negotiate with adjacent landowner

This option will be subject to a legal agreement and will need to address DCC's concerns regarding planning, keeping the community intact and finances.

DCC should examine the potential opportunity of liaising with adjacent landowners. In particular, DCC should examine the potential of collaborating with the following:

- Health Services Executive
- Coras Iompar Eireann (CIE)/Dublin Bus
- Religious Institutions
- Educational Institutions and the Department of Education
- Private Developers
- NAMA

In the UK, Transport for London (TfL) is to build 10,000 homes across the capital during the next decade as it turns to property development to raise £1bn of funding for the capital's Underground system, trains and buses. The group that runs London's public transport network has shortlisted 75 sites, spanning 300 acres in total, to use for building homes, as well as office and retail space.

CIE is currently partnered with a commercial property development company to redevelop lands it no longer requires for transport purposes. DCC has occupied apartment complexes on lands that adjoin CIE lands and the opportunity for a future joint venture with CIE exists.

An agreement with an adjacent landowner could benefit DCC if agreement could be secured re delivering additional housing units.

Table 9. Ninth option: negotiate with landowner score

Option 9.	Negotiate with adjacent landowner			
Criteria	Score 0-10	% Score	Weight	Weight Score
Cost to DCC	10	100%	4	40
Facilitate ramping up of regeneration programme	9	90%	2	18
DCC retain control of lands	5	50%	2	10
Risk assessed	7	70%	2	14
Total				82

11. Summary Analysis

Table 10. Score review of all nine stated options

Rank	Funding Options	Score
1	Continue to seek funding from the Department of Housing, Planning and Local Government	88
2	Negotiate with adjacent landowner	82
3	Transfer some apartment complexes to Approved Housing Bodies	78
4	Leverage land through long term leasing	77
5	Seek funding from the Housing Finance Agency	70
6	Set up an-arms length company to deliver the programme	66
7	Public Private Partnership options	64
8	Partial Land Disposal	60
NA	Seek funding from corporate bonds	NA

Colour	DCC
	DCC would have no reservations about this option
	DCC would have slight reservations about this option
	DCC would consider this option further
	DCC would have some reservations at present with this option

12. Comparative cities with innovative best practice:

1. Cost Rental

An alternative for DCC would be to support the provision of affordable cost rental housing. Cost rental systems are well-established in other countries such as Denmark and Austria. The rent charged would be a mid market rent. i.e. somewhere between differential rent and market rent.

The City of Vienna is recognised as the global innovator with regards cost rental housing. Alternative models can be viewed in Glasgow and Edinburgh.

2. Approved Housing Body Led Regeneration

Glasgow is a leading example of what can be achieved via Approved Housing Body, stock transfer and raising bonds on the international finance markets.

Glasgow City Council and house builder Keepmoat have just agreed a deal to build 826 new homes in one of the city's key regeneration areas. More than three quarters of the new homes (628) in the Sighthill Transformational Regeneration Area (STRA) will be for private sale. The remaining 198 will be for 'mid-market rent' and will be let by Glasgow Housing Association (GHA).

The STRA programme is being delivered by a partnership between the city council, Scottish Government and GHA. It has received funding from the Glasgow City Region City Deal. The 10 year programme will involve a €250m investment into the area in the north of the city.

3. Perimeter Design of Public Housing

With regards the technical design of the perimeter of the apartment complex and its street and internal courtyard treatment, our Architects Division cite Amsterdam city as a model of best practice.

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4. **Euro-cities Conference on Financing Affordable Housing**

Dublin City Council is hosting an international conference on the 19 and 20 June 2018. This event is being co-ordinated by Dr Dáithí Downey and his research team. Invitations will issue shortly to the Housing SPC members.

13. Recommendations:

The multi-disciplinary project team (already in place) headed up by Darach O'Connor, Senior Executive Officer :

- **(a)** Issue a tender to review the development potential of all housing apartment complexes across the five administrative areas
- **(b)** Meet with councillors across the five area committees to discuss a rolling implementation plan
- **(c)** agree a capital work programme for the city and its delivery mechanism
- **(d)** seek interaction/learning/collaboration with cities of best practise
- **(e)** report back to the Housing SPC on an ongoing basis.

Brendan Kenny | **Tony Flynn**
Deputy Chief Executive | **Executive Manager**

10th May 2018

14. Appendices

Appendix A:

Draft tender brief for City Housing Development Potential and Regeneration Implementation Plan

May 2018

Appendix B:

Central Area Apartment Complexes Over 40 Years old (Incl. S/C)

Location	Area	Year	No. of apartments
Sheridan Court	Central	1970/2007	78
Ballybough House and Poplar Row	Central	1939/1973	141
Alfie Byrne/Hill Street	Central	1958/1965	60
Hardwicke St (ROConnor/DO'Dwyer Hse)	Central	1957/1957	210
Blackhall Parade/Marmion Ct	Central	1970/1969	84
Dorset Street	Central	1966/1965	137
St Michans House	Central	1934	120
Chancery House	Central	1935	27
Avondale House	Central	1936	66
Henrietta House	Central	1939	48
James Larkin House	Central	1954	20
Gardiner Street	Central	1960	38
Dunne Street	Central	1963	21
North Clarence Street	Central	1963	42
Charleville Mall	Central	1964	26
North William Street	Central	1964	47
Kevin Barry House	Central	1966	60
Constitution Hill	Central	1968	90
St Georges Place	Central	1969	60
Matt Talbot Court	Central	1971	72
Courtney Place	Central	1972	90
Temple House	Central	1974	10
Friary Court	Central	1978	10

South Central Apartment Complexes Over 40 Years old (Incl. S/C)

Location	Area	Year	No. of apartments
St Audeons House	South Central	1936	55
Emmet Buildings	South Central	1936	72
Oliver Bond House	South Central	1936	391
Mary Aikenhead House	South Central	1939	150
Galtymore Drive	South Central	1940	8
Marrowbone Lane	South Central	1940	112
Thomas Court	South Central	1941	28
Rafters Lane	South Central	1952	14
Lissadell Road	South Central	1952	40
Huband Road	South Central	1953	20
Bluebell Road	South Central	1953	36
Davitt House	South Central	1957	64
Bernard Curtis House	South Central	1958	120
Ravensdale Close	South Central	1959	16
Micheal Mallin House	South Central	1959	54
La Touche Court	South Central	1960	44
Riverview Court	South Central	1960	45
Tyrone Place	South Central	1960	97
Rutland Avenue	South Central	1963	53
Meath Place	South Central	1964	30
School Street	South Central	1964	40
Thomas Court Bawn	South Central	1964	40
Pimlico Terrace	South Central	1965	30
Summer South	South Central	1965	40
Braithwaite Street	South Central	1965	69
Basin Street	South Central	1967	132
Ash Grove, The Coombe	South Central	1970	35
Sarah Place	South Central	1970	52
Islandbridge Court	South Central	1970	68
Clonmacnoise Court	South Central	1976	29
Rossaveal Court	South Central	1976	40
Lisssadel Court	South Central	1977 / 2001	41

South East Apartment Complexes Over 40 Years old (Incl. S/C)

Location	Area	Year	No. of apartments
Beggars Bush Court	South East	1910	49
Moss Street	South East	1917	24
Mercer House	South East	1934	104
Pearse House	South East	1938	345
Whelan House	South East	1939	64
Markievicz House	South East	1939	170
George Reynolds House	South East	1950	76
Canon Mooney Gardens	South East	1952	80
O Rahilly House	South East	1955	112
McDonagh House	South East	1957	32
Whitefriar Gardens	South East	1957	64
Leo Fitzgerald House	South East	1958	46
Beech Hill Villas	South East	1962	52
Rathmines Avenue	South East	1962	74
Cuffe Street	South East	1963	30
Grove Road	South East	1963	30
Digges Street	South East	1963	34
York Street	South East	1963	40
Conway Court	South East	1965	54
Bishop Street	South East	1966	66
O Carroll Villas	South East	1967	32
Macken Villas	South East	1967	36
Verschoyle Court	South East	1969	81
St Vincent St (South)	South East	1971	41
Glovers Court	South East	1976	38
Mount Drummond Court	South East	1979	36
Beech Hill Court	South East	1983	32

North West Apartment Complexes Over 40 Years old (Incl. S/C)

Location	Area	Year	No. of apartments
Albert College Court	North West	1970s	30
Ard na Meala	North West	1970s	30
Broombridge Road	North West	1950s	10
Canon Burke Court	North West	1970	10
Carnlough Road	North West	1930	8
Glasanaon Court	North West	1977-1985	49
Martin Savage Park	North West	1973	7
Mellowes Court	North West	1978	57
Sandyhill Gardens	North West	1973	9
Finglaswood Road	North West	1952	36
Burren Court	North West	1973	41
Botanic Avenue	North West	1975	36

North Central Apartment Complexes Over 40 Years old (Incl. S/C)

Location	Area	Year	No. of apartments
Cromcastle Court	North Central	1971	128
Glin Court	North Central	1976/1986	39
Gorsefield Court	North Central	1977	45
Lismeen Court	North Central	1975	24
Millwood Court	North Central	1977	41
Mount Dillon Court	North Central	1977	45
Raheny Court	North Central	1969	41
Rosevale Court	North Central	1968	63
St. Anne’s Court	North Central	1977	61
St. Gabriel’s Court	North Central	1974	43
St. Vincent’s Court	North Central	1979	20
Thorncastle Court	North Central	1966	54

All Apartment Complexes Over 40 Years old (Incl. S/C)

Area		Number of Apartments
Central Area	(23)	1557
South East Area	(27)	1842
South Central Area	(32)	2065
North West Area	(13)	323
North Central Area	(14)	604
Total Complexes:	**(109)**	**6391**