
Housing Land Initiative - O`Devaney Gardens

BACKGROUND:

The site of the now demolished O` Devaney Gardens apartment complex was originally developed as a single tenure social housing scheme in 1954, with 272 apartments over 13 four-storey blocks (1 bedsit, 56 one beds, 72 two bed and 143 three bed apartments). In 2004/2005 the complex was approved for demolition and redevelopment under a Public-Private Partnership (PPP), between the City Council and a private developer, but that proposal collapsed in 2008 following the economic downturn. During the course of these plans it was always intended to create a new mixed tenure residential development and not to re-introduce a single tenure scheme.

Notwithstanding, the collapse of the PPP proposal, the de-tenanting of the remaining units continued with tenants moving into homes of their choice, mainly throughout the Dublin 7 area until the last of them were re-housed in 2018 which allowed for the final blocks of apartments to be demolished.



O`Devaney Gardens

HOUSING LAND INITIATIVE:

Following on from the economic crisis and a significant period of very limited construction of housing generally and a lack of public funding for the development of social housing, Dublin City Council in anticipation of an upturn in the economy, presented a report on proposals to develop DCC owned lands to City Councillors in July 2014. It was agreed to test the market and seek input from interested parties for the following:

*The development of high quality residential schemes of **mixed tenure including private and managed Social Housing units** of various housing unit types and sizes, reflecting the density need and restrictions of the location.*

Following on from the expressions of interest and discussions with both the Department of Housing, Planning and Local Government and the National Treasury Management Agency (NTMA), interested parties were invited to participate in a Technical Dialogue Process and to explore options for development of the lands identified (at the time the lands involved were located at Belcamp, Bunratty Road, Cherry Orchard and Oscar Traynor Road). The response from interested parties generated a report which was presented and approved by the Joint Housing and Planning Strategic Policy Committees in December 2015.

The report's recommendations, agreed at that meeting, were as follows:

That lands should be offered to the market with indicative (not statutory) masterplans, outlining open space, roads, public transport, indicative densities and heights, etc.

That former PPP lands such as O'Devaney Gardens and St. Michael's Estate should be included.

That development of the lands should be undertaken under the following three principles:

- Involving the private sector in order to reduce planning and financing risks to the Council.
- Keeping any borrowing *off balance sheet* in order to comply with strict new EU spending rules and allow for cross-financing by way of liquidating land values to help finance social and affordable homes.
- Promoting mixed tenure on the lands to ensure long-term sustainability of the new homes preventing segregation of social housing and avoiding the development of overly large single tenure estates.

A more detailed study for each site was presented to meetings of the Joint Housing and Planning Strategic Committees outlining in detail how development of the sites was to be progressed. Actions on progressing the recommendations of this report were held in abeyance, due mainly to the continuing collapse of the housing market and the financial challenges faced by the construction sector as well as a serious lack of public funding.

Eventually, the proposals were re-vitalised through an important intervention by the Department of Housing and Planning in November 2016 when they agreed to fund **30%** of the units constructed on all three sites for Social Housing.

Reports on three separate Feasibility Studies, one for each site, O'Devaney, Oscar Traynor and St Michael's, were presented to, and overwhelmingly approved, by the Joint Housing and Planning Strategic Policy Committees in December 2016 and by the full City Council, in January 2017.

Following the clear mandate given by City Councillors in January 2017, and the obvious need to respond to the housing crisis in the city, management (Housing Department) proceeded immediately to initiate the necessary Public Procurement Process. There is a National and EU obligation to use one of the five EU Procurement Procedures for projects of

this size, and the Competitive Dialogue Process was identified as the most appropriate procedure.

The Housing Land Initiative has always included the following key principles:

- Procurement through Competitive Dialogue which places tight control over the developments, via a contractual Development Agreement.
- Reduction of exposure of Dublin City Council to inherent Planning Risk (and costs) involved in progressing development of the sites.
- A built-in tenure mix set at 50% Private, 30% social and 20% Affordable.
- Site development costs and associated infrastructure to be borne mainly by the successful tenderer i.e. the Preferred Bidder.
- Land Ownership remains under Dublin City Council control until each phase is complete to ensure that speculative profiteering is not available to the Developer (“flipping” site to enhance profit, delaying development until value of land increases, etc.).
- A discount on market price provided by the Developer in respect of the social and affordable homes.

THE PROCUREMENT PROCESS:

At its most basic, Competitive Dialogue process involves the following steps:

- Invitation, through a Pre-Qualifying Questionnaire (PQQ), for interested parties (developers, etc.) to demonstrate that they are capable of delivering the project. These parties are assessed and shortlisted on the basis of the (mostly technical) information they submit.
- The shortlisted parties are then invited to submit their plan for the site (the Outline Submission) based on the Invitation to Participate in Dialogue (ITPD), which is essentially Dublin City Council’s brief for the project - describing the project, the planning history, the site constraints, the financial requirements, City Council requirements, etc.).
- The Shortlisted Parties then submit their development plans for the site (layout, heights, densities, materials, infrastructure, etc.), a series of dialogue sessions between Dublin City Council’s Project team and each of the developers’ technical team ensues, at which the technical options are assessed and honed, after which a clearer understanding of the brief and solutions are arrived at.

Then, as a result of a combination of:

- The initial brief (the Invitation to Participate in Dialogue)
- The plans (outline submissions) from the shortlisted parties.
- The learning from the dialogue sessions and the clarifications from both parties.

A final brief is drawn up (the Invitation to Submit Final Tender (ISFT)). The shortlisted parties submit their final tenders, the tenders are assessed and a preferred bidder is identified, a Development Agreement is drawn up and signed by both parties, thus ending the procurement process and allowing the project to progress to the next stage.

This elaborate and complex process has now been completed under the guidance of a permanent Steering Committee comprised of Dublin City Council, (Housing, Planning, Legal, Finance, Architects and Valuers) The Department of Housing, Planning and Local Government, The National Development Finance Agency and an Independent Process Auditor. Consultant Legal and Financial Services were also commissioned when considered necessary.

There were a total of six bidders for the project.

The preferred bidder is **Bartra Capital Property** who submitted the **Most Economically Advantageous Tender**

AFFORDABLE PROCESS:

In order to comply fully with the Public Procurement process it was imperative that the 20% “affordable” element of the Housing Land Initiative (HLI) requirement should be both identified and defined at an early stage. The 20% “affordable” requirement was considered to be in compliance by including one of three options:

- Affordable Rental
- Cost Rental
- Affordable purchase

The HLI Project Team tested the three options through a Cost Benefit Analysis and the “Affordable Purchase” model was identified as the only viable methodology, mainly as a result of the fact that both of the two rental models (Cost Rental and Affordable Rental) at that stage were quite some time away from reality. While there was an existing scheme and associated legislation already in place for Affordable Purchase, there was no such corresponding scheme or legislation in place for either Cost or Affordable Rental.

The scheme will be based on the 2009 Housing (Miscellaneous Provisions) Act, Part 5 of which was commenced in June 2018 to provide a statutory basis for the delivery of affordable housing for purchase. Even though the legislation has been enacted, the affordable dwelling purchase arrangements requires further regulations to be put in place over the coming months regarding, amongst other things, eligibility, the charging order, the charged period, transfer orders, and payments against the charging order. We expect that all these operational procedures for the programme will be finalised well before these particular homes are available for purchase.

If the proposed homes in this quality development were available on the market now we consider (As agreed by our Professional Valuers) that they would be fetching in the region of 450,000 Euro (Average). A discount of 20% is being applied by the Developer, this together with the application of the Government’s Serviced Site Fund (50k per unit) and the waiver of Development Levies (10k per unit) brings the ultimate purchase price for the successful affordable housing applicant to **300,000 Euro** (average). Purchasers may also be entitled to the Government’s Help To Buy Scheme of up to 20,000 Euro. There will of course be a Clawback process put in place in order to ultimately retrieve the discount/subsidy availed of.

Under the proposed agreement with the developer, prices will be set at 1st Jan 2018 prices, so the increase in unit prices normally expected over the lifetime of a development (each new phase would normally be priced up to include inflation) will not be applied to either the social or the affordable units, with the result that a home of similar size and typology will be the same price in the 5th year as the first year. The other advantages to affordable Purchase include:

- Adding to tenure diversity while at the same time strengthening social cohesion by reducing the potential for short term occupation associated with the rental market.
- Satisfying the stated objectives of the Housing Land Initiative by providing the “affordability” element.
- Providing a more straightforward model to potential bidders and simplifying the procurement process.
- Reducing the overall costs associated with the long term administration of rental models.
- Providing the opportunity for some local residents to purchase in the area of their preference

- The Development Agreement obliges the developer to sell the affordable homes in the first instance to nominees of the council.

It has been put to us in recent days by some City Councillors as to why the 20% Affordable could not now be changed to Cost Rental however such a change would conflict with the Public Procurement Process and cannot at this stage be changed. We do expect that there will be strong demand for these affordable homes because most will be within reach of families/persons applying for the current re-building Ireland Home-Loan Scheme. In the O Devaney Gardens proposal the discount relating to the 20% affordable homes comes from the following:

- Discount from the developer.
- Contribution from Government Services Sites Fund.
- Deferral of Development Levy.

O`DEVANEY GARDENS AFFORDABLE PURCHASE PRICE RANGE PER UNIT		
SIZE	PRICE RANGE	NO. OF HOMES
2 BED HOUSE	260,000 - 300,000	8
3 BED HOUSE	300,000 – 320,000	29
1 BED APART.	240,000 – 250,000	39
2 BED APART.	300,000 – 320,000	89
		165 Total No. of Homes

The maximum dwelling price under the Rebuilding Ireland Home Loan is €320,000. There has been 246 City Council Home Loans drawn down since this scheme was introduced, the draw downs were as follows:

- 26 loans drawn down @ €288,000
- 40 loans drawn down between €250,000 and €288,000
- 75 loans drawn down between €200,000 and €249,000
- 105 loans drawn down under €200,000

The developer was required, as part of the Invitation to Submit Final Tender (ISFT), to submit prices for each size, typology and tenure. These prices (amongst other criteria) were evaluated by both Dublin City Council's Quantity Surveyors Division, and the National Treasury Management Agency (with advice from KPMG). The evaluation ended in the developer being awarded a score based on a scoring matrix which allowed for their prices to be assessed against the evaluation criteria. It should be noted that neither the Quantity Surveyors Division or the NTMA contended that the tender prices were excessive or were not in line with expectations. The tender price for the affordable units will be paid to the developer as the winning tender on the basis that the prices, along with the rest of the tender, is the Most Economically Advantageous Tender (MEAT). The competition rules are governed by EU regulations which have to be applied rigorously from the moment the Procurement Process starts. The preferred bidder obtains that status on the basis that they score the highest and are considered the MEAT, in other words they fulfil the tender at a price which is cheaper than the competition and which is not considered abnormally low or excessively high.

THE LAND:

By comparison with other land site sales in the area the land was valued at €15M to €20M in 2017. Access to the land is the primary leverage on which the entirety of the Housing Land Initiative is based. Although the developer will be paid for the social and the affordable units, this will be at a discount from the built cost. The developer is also responsible for the infrastructure on site, the development of the park, the play areas, community facilities, landscaping, design, planning, financing, and carrying any variations in the 1 Jan 2018 fixed price, along with a cash payment of €7M.

We are getting a package which realises the monetary value of the land in such a way as to satisfy the original vision for O'Devaney Gardens (sustainable mixed tenure, off balance sheet development, 192 turnkey social homes, 165 homes at affordable prices, fixed price contract, social and physical infrastructure, low risk planning and finance, while at the same time ensuring that the land cannot be used by the developer for windfall profiteering.

SOCIAL HOUSING:

Dublin City Council is getting a total of 192 social housing units from the development of this site, including the 56 homes currently being built on part of the site. A further 38 social homes are being progressed at a nearby site on Infirmary Road. During the de-tenanting process for the previous apartments on O Devaney Gardens a significant number of private houses were acquired in the general area for social housing and therefore the level of social housing after this development is completed in this area will be higher than what it was when the O Devaney complex was in place and occupied.

The Department of Housing, Planning and Local Government will fund the full cost of the social housing in this development.

WHAT WE ARE GETTING FROM THIS DEVELOPMENT:

The entire Housing Land Initiative process and especially the procurement process, is designed to get the best possible deal for the City, both in terms of social, and in financial gain, using the leverage afforded by state owned lands.

- The O'Devaney Gardens site is being developed with **824** new homes in a quality sustainable mixed tenure scheme (56 already being built separately – ready for occupation next year), including catering for those families whose incomes disqualify them from social housing, but who may wish to purchase a home in the area of their choice.
- Development of the site without the associated risks (Financial, Planning)
- Enhanced control over the development via the Competitive Dialogue and the Development Agreement, including input into heights, densities (also subject to Planning) along with restrictions on apartment typologies and tenure, i.e., **no studio apartments, no shared accommodation, no student accommodation.**
- There will be tenure neutrality across the three tenure types (no design difference between the social, private or affordable homes).
- Fixed prices for both the social and the affordable units over the period of the development which represents an equivalent cash value in the region of €19M.
- Discount on both the social and affordable units from the market price–equivalent cash value in the region of €32M.
- All the infrastructure, roads, footpaths, street lighting, drainage, landscaping, new public park, crèche, etc., with an equivalent cash value in the region of €10M.

- A Cash Payment of €7M related to the residual value of the site from the developer to DCC will offset sunken costs already incurred on this project eg demolition etc.

Although 50% of the built units will be sold by the developer at market prices, this only represents 22% of the land.

The table below shows the full breakdown of the proposed residential development **768 homes. (Plus the 56 currently under construction).**

TENURE MIX (excluding 56 units)				
SIZE / TENURE	PRIVATE	SOCIAL	AFFORDABLE	TOTALS
2 BED HOUSE	0	0	8	8
3 BED HOUSE	0	11	29	40
1 BED APT	119	64	39	222
2 BED APT	274	80	89	439
3 BED APT	18	37	0	59
TOTALS	411	192	165	768

BENEFITS FOR THE CITY AND LOCAL COMMUNITY:

- Main Public Park- 6,800 Square Metres.
- Retail Facilities- 4 Units varying between 164 and 238 Square Metres.
- Amenity- 2 Units ranging between 148 and 222 Square Metres.
- Community Facility- 1 Unit 233 Square Metres.
- Playground- 825 Square Metres
- Multi Use Sports Area (MUGA).
- Crèche – 1 Unit 365 Square Metres.
- Pocket park – 200 Square Metres.
- New connection road linking South Circular Road to Montpellier Park.
- Cycle-ways along Main Boulevard and through a “Green Cycle-Way” North /South. There is also provision for cycle friendly pathways along the north/south greenway.
- 192 additional social homes (additional to the 56 currently being built). There are a further 38 new social homes to be built on the nearby Infirmary Road site.
- 165 affordable homes at a very significant discount from market prices.
- Commitment by DCC to develop Community/Cultural Campus at the northern section of the nearby Infirmary Road lands.
- Social Labour Clause which ensures a minimum of 10% of the workers on site will be taken from the live register representing opportunities for local employment. Social Employment and Pay and Conditions Clauses will also be inserted in the Development Agreement between the Developer and DCC.

CONCLUSION:

This proposal/project maximises the gain to the city as a result of leveraging the value of the site to an extent which would not be possible otherwise. An earlier version of this report was presented to the Central Area Committee on Tuesday 10th March there was also a presentation by the Developer. A similar presentation was also made to the O Devaney Gardens Consultative Forum.

A special briefing (With questions and answers) for City Councillors was held in the Wood quay Venue on Tuesday 23rd September and a Community Open Session is being held in the Prussia Street Community Centre on Wednesday 2nd October (4 PM to 8 PM)

Dublin City Council is entering into a comprehensive Development Agreement with the preferred Bidder to deliver what was approved by City Councillors in January 2017.

A huge amount of work has been carried out so far in getting to this stage including much effort and time given by local residents who participated on the Local Consultative Forum which was established at the start of the process.

An integral part of the Public Procurement Process and a requirement prior to signing the Development Agreement is the need for City Councillors to approve the Transfer of Land Title procedure (Section 183) to the Developer in order to facilitate them in sourcing the necessary investment to carry out this full project, costing in the region of three hundred million euro, and to facilitate their Planning Application to An BORD PLEANÁLA.

Ultimately, of course, ownership of the private homes will go to the purchasers/management company of those homes, ownership of the 192 homes will go to Dublin City Council and ownership of the 165 affordable homes will go to eligible applicants under the Affordable Housing Scheme.

The actual transfer of title will take place in phases in line with construction and in line with the Development Agreement which ensures control and oversight of the development at all times.

If the transfer of title procedure by City Councillors is approved, the developer will then, following a period of intensive consultation with the local community, submit their Planning Application to An Bord Pleanála. If this application is successful Bartra will be ready to commence the development very quickly.

We will work carefully with the developer to implement a strong integrated and sustainable management structure and process for the whole new development and we will report in due course to City Councillors and the Local Community on this particular issue, which we regard as hugely important.

This stage of the O'Devaney Gardens project represents a huge milestone in the drive to regenerate specific areas of the City, as well as the provision of much needed housing in the City, the others being Oscar Traynor Road and St Michael's Estate. A preferred bidder will be selected shortly for the Oscar Traynor Road site and a full design team will be commissioned very soon to bring the St Michael's Estate scheme forward.

Our Monthly Housing Delivery Report outlines progress on all housing schemes but the **appendix** to this report sets out all the projects where we are specifically targeting Affordable and Cost Rental housing in the city.

If the Section 183 transfer process is not approved then unfortunately the O'Devaney Gardens Project and the Procurement process will have to be abandoned. This would mean going totally "back to the drawing board" and we realistically would estimate that it could be another five years before we would reach the stage that the project is currently at.

We would also have to abandon the Oscar Traynor Road Project which is being processed under the same procurement model setting it back at least five years also. All this would represent the loss in the region of 1,500 new homes.

The Section 183 transfer of title proposal is listed for decision at this (October) monthly meeting of the City Council and I strongly recommend that Councillors would approve it in order for this vital Project to be progressed to full fruition.

Brendan Kenny
Assistant Chief Executive
7th October 2019

APPENDIX – Current proposals for Affordable and Cost Rental Housing in the city:

<u>Projects</u>	<u>Affordable (No.)</u>	<u>Cost Rental (No.)</u>
O Devaney	165	0
Oscar Traynor	140	0
St Michael's	0	350
Poolbeg	600	??
Donore Avenue	??	500
Park West	100	900
Coultry Road	0	300
Balbutcher/Silloge	157	0
Other sites Ballymun	300	200
Cherry Orchard	215	0
Other sites Cherry Orchard	500	0
Belcamp Area	??	500
Finglas	100	0
Total (Estimated)	<u>2,277</u>	<u>2,750</u>