



Construction costs for direct-build Dublin City Council residential developments

In recent weeks, there has been a lot of focus including media reports on the cost of constructing residential units by Local Authorities particularly in Dublin City. Direct building by Local Authorities means putting the final design out to the market and a subsequent decision to select the Most Economically Advantageous Tender (MEAT).

When national data on average construction costs get published from time to time it often does not demonstrate the higher costs that prevail in a large urban area such as Dublin City. Over recent years as housing construction has ramped up throughout the country, there can be big variations depending on the date picked for the data analysis.

For example projects completed in the period 2016-2019 would have been tendered in the period 2014- 2017 at a time when construction costs were a good deal cheaper, and in the Dublin City context we were still building houses rather than apartments (Apartments are much more expensive). Indeed our level of new build was still quite low during that period (big emphasis on acquisitions at that time) in comparison to the following period of 2019 to 2022.

A further issue that can result in a misleading interpretation of data on construction costs is whether the data includes the totality of all-in costs. Examples of these costs are vat, professional fees, utilities etc. Sometimes vat is not included in data published that can distort the figures for comparison purposes.

In some situations, there could be expenditure, prior to going to tender on site clearance including demolition, de-contamination, security etc. on land owned by the Council and these would be regarded as sunken or legacy costs that also have to be recouped, as part of the construction project. In some cases, there may be additional claims for various reasons made against the Council by the contractor and these too will end up included in the all-in costs for a particular project.

All this, means that data on construction costs for Local Authority new build does require a reasonable level of interrogation and analysis to ensure that it does reflect the realistic position. That type of analysis and interrogation was clearly missing from some of the commentary around this issue in recent times.

In a reply to a Parliamentary Question from Deputy Richard Bruton (Number 297) dated 1st December 2020 the Department of Housing, Heritage and Local Government confirmed an average unit construction cost of **€383,609** for 6 projects in Dublin City that were approved after 1/1/2019.

This figure is broadly in line with what we have been quoting over recent months and consistent with the data outlined in the table below. However, it does not include Vat on construction and therefore this would bring the all-in up to **€435,396** per unit.

The table below shows detail on seven of our existing projects that are currently under construction and close to completion, the average unit all-in cost of the 461 units involved is **€429,271**. This average figure is brought down because of the lower build costs for the scheme of houses only.

These facts on construction/all-in costs dispels the notion that it is cheaper for Dublin City Council to directly deliver the construction of social housing and it is important to note that none of the seven projects listed below include any land costs because in each case the land is wholly owned by Dublin City Council.

It is essential that different methods of delivering much needed housing are seriously considered, and used, including innovative partnerships with private developers, acquisitions, leasing etc.

For example, the O'Devaney Gardens project will deliver high quality social and affordable housing to the City Council for an average unit cost of **€390,000 (incl. Vat) which is significantly less expensive than those now being delivered directly by Dublin Council. The abandoned Oscar Traynor Road project would have delivered social and affordable housing at similar prices.**

We have a strong and experienced Costing Division in Dublin City Council that is headed up by Mark Bourke Chief Quantity Surveyor, which monitors and oversees all costs involved in the provision of housing by the City Council. Mark and his team will be continuing their analysis of unit costs into 2021 and will be revisiting all the data outlined in this report to provide ongoing commentary on the differences between public and private construction expenditure. We will share this analysis in the first instance with the DCC Housing Strategic Policy Committee. The following will be some of the issues included in this analysis:

- *Many of Dublin City Council's housing projects are in inner city locations, some in parts of the medieval city. They are often contiguous to existing buildings with restricted road or operational access. In other cases, they are part of a regeneration scheme of older flat blocks that require de-tenanting and demolition sometimes on a phased basis. This effectively means we can have a live building site within an existing community that brings its own challenges and costs.*
- *These particular inner city sites cannot be compared to green field sites in terms of construction difficulties, but green field sites in the suburbs do bring substantial costs around open space, community facilities, roads and other infrastructure. Apartments, particularly those with higher density and height are much more expensive than traditional houses mainly because of basements, structure and sub structure, lift cores, lifts, piling, craneage and car parking etc.*

- *Private developers on private sites, have to absorb land costs but have efficiencies not available to Dublin City Council such as long term relationships with sub-contractors etc. where multiple, sequential projects can be scheduled to negotiate down on price and embed efficiencies through scale and assurance on future projects. They certainly do not have to go through the very extensive process that a Local Authority has to go through in order to deliver a residential scheme.*
- *Every project for Dublin City Council is a new procurement event with no possibility of recurring work, except for where we bundle sites that has proved effective but this is not always possible. There is no workable procurement methodology for the City Council to negotiate on price with contractors. It is an open tender process.*
- *The current procurement process is also very limited on excluding bidders based on past performance. Many builders do not apply for public work contracts given their complexity and the level of oversight that the City Council carries out on sites. This often limits the field where increased competition might provide better prices. However, our rigorous oversight does ensure the highest quality and optimum compliance. The number of contractors competing for major DCC residential projects has reduced in recent years.*
- *The quality of our new builds does save money in terms of long-term maintenance/repairs and life cycle costs that are not evident in the unit prices often published. Private developments would often take a different approach as they are normally selling off the properties.*
- *We have to undergo very significant consultation at the pre-planning/design phase, often continuing during construction but this is essential, as opposition to social housing is the norm rather than exception that can lead to long delays and even legal challenges.*
- *It is essential in the Dublin City context that the focus is firmly on the provision/delivery of housing, and not so much on how it is done and who does it, relying on Direct Build will not on its own solve the existing and serious housing shortage in Dublin City. It is not just about high construction costs it is also about a rapidly decreasing supply of residential land in DCC ownership.*

Brendan Kenny
Deputy Chief Executive
30th December 2020

Social Housing Construction Unit Costs		Scheme 1	Scheme 2	Scheme 3	Scheme 4	Scheme 5	Scheme 6	Scheme 7
Dwelling types		Houses & Apts	Houses & Apts	Houses	Apts	Apts	Houses & Apts	Houses & Apts
Year	-	2018	2018	2018	2019	2019	2019	2019
No of Units	461	54	56	88	55	57	78	73
Construction Unit Cost (Tender)	€323,111 (Overall Average)	€372,842	€303,636	€215,316	€334,238	€351,814	€326,703	€357,230
Other Costs (Soft)	-							
Utilities/Levies	-	€5,850	€5,850	€5,850	€5,850	€5,850	€5,850	€5,850
Construction VAT @13.5%	-	€50,334	€40,991	€29,068	€45,122	€47,495	€44,105	€48,226
Professional/Design fees	-	€54,062	€44,027	€31,221	€48,464	€51,013	€47,372	€51,798
VAT on Design fees @21%	-	€11,353	€ 9,246	€ 6,556	€10,178	€10,713	€ 9,948	€10,878
Construction Unit All-in Cost	€429,271 (Overall Average)	€494,441	€403,750	€288,011	€443,852	€466,885	€433,978	€473,982

- The above figures do not include possible contractor claims, legal fees, or sunken/legacy costs on sites.
- The above figures do not include any land acquisition costs because the land in each case is owned by DCC.
- Scheme number 3 consisted of houses only.