



PAC-R-932

Correspondence 3A.1
Meeting 84 – 16/05/2013

Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

Oifig an Ard Rúnaí
Office of the Secretary General



13 May 2013.

Ms. Niamh Maguire,
Committee Secretariat,
Committee of Public Accounts,
Houses of the Oireachtas,
Kildare Street,
Dublin 2.

Dear Ms. Maguire,

I refer further to your letter of 9 May 2013 following my appearance before the Committee on 2 May in relation to the report of the C and AG on the Dublin Docklands Development Authority.

I now enclose the additional information requested in the course of the Committee's examination.

Yours sincerely,


Geraldine Tallon,
Accounting Officer.



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JGB.*

24 October 2006

Mr. Paul Maloney
Chief Executive
Dublin Docklands Development Authority
52-55 Sir John Rogerson's Quay
Docklands
Dublin 2

RECEIVED

20 OCT 2006

INN COMHSHAOIL

REACHTA AGUS

IS ÁITIÚIL

MENT OF

ENVIRONMENT, HERITAGE

LOCAL GOVERNMENT

Re: Ministerial approval related to property acquisition in Docklands

Dear Paul,

Further to your letter of 12 October 2006, I wish to inform you that, pursuant to section 30 of the Dublin Docklands Development Act 1997, the Minister for the Environment, Heritage and Local Government, with the consent of the Minister for Finance, has approved borrowing by the Authority up to the statutory limit of €127m. for the purpose of property acquisition in the Dublin docklands area.

Furthermore, in accordance with Section 6 of the Code of Practice for the Governance of State Bodies, the Minister, again with the consent of the Minister for Finance, has approved the taking by the Authority of a shareholding in a joint venture company.

Yours sincerely,



Mary Moylan
Assistant Secretary



Response to Section 6.2 – Code of Practice requirement

Background:

The Dublin Docklands Development Authority is a commercial semi-state organisation responsible for delivering on a wide range of objectives to ensure regeneration of a substantial part of the city of Dublin. It is self-financing and generates all of its revenues from property related transactions. At present it has a net worth of c €110m.

The Authority has identified that the Poolbeg peninsula requires improvement in its psychical environment if the Social and Economic regeneration of the area is to be achieved and for the Authority to achieve its objectives. A substantial site has now been identified that will allow this issue be significantly addressed.

The Authority considers that the best method of securing this site is by entering into a joint venture with an interested developer and tendering for the site with the view to its future development in accordance with the Authorities Masterplan. The expectation is that in so doing ,commercial returns of c 15% on investment will be delivered on the development of the site.

In acquiring property as part of its program of capital expenditure in Dublin Docklands, the Authority aims to satisfy the following criteria:

- to acquire land to provide the social, amenity and less commercially desirable elements in the Master Plan which are unlikely to be provided on privately-owned lands.
- in furtherance of the Government's decision made on the 22nd of November, 1997 to acquire from statutory bodies in the Dublin Docklands Area, lands which are owned by such bodies but are not required for the performance of their statutory functions.
- to acquire key sites in Dublin Docklands for specific targeted projects which will ensure delivery of the Authority's Master Plan objectives.
- where sites remain undeveloped in Docklands, to acquire same in order to secure their development.
- where appropriate, to acquire property to consolidate land ownership of major sites to ensure its orderly development, either by the Authority or the private sector".

The Business Case:

The site identified is within the Poolbeg peninsula and is adjacent to Dublin Bay , City Centre , Sandymount , Ballsbridge and a public park. Its affords the opportunity for a significant mixed-use development and the potential to create a New Urban Quarter.

The site measures 10.1 hectares (24.9 acres) and is currently in industrial use. It is zoned for residential and office use supported by retail and leisure and as such is similar to the model for development which has worked very successfully elsewhere within Docklands over the last decade. In fact the DDDA has developed successful sites elsewhere in joint venture as both promoter and partner.

The development potential of the site will be governed by a number of plans , notably, the Dublin City Development Plan 2005 – 2011 , the Dublin Docklands Area master plan 2003 ,the Dublin South Bank Strategic Development Framework 2002 and the Poolbeg Framework Plan 2003 , all of which suggest a mixed-use urban development with significant residential content.

The site offers over 2 million square feet of development potential that could see over 1500 residential units on site along with approx 80 sq meters of commercial use. Within the residential units, acquiring the site will allow us further deliver on our targets of 20% for social and affordable housing within Docklands along with community and amenity facilities.

With population growth continuing and in particular with the significant increase in numbers living within the Docklands, demand for residential units will continue to be significant over the next number of years. In addition overall vacancy rates in the Dublin office market continues to decline with the vacancy rate in the prime location of Dublin 2/4 falling to 4.4% .

We have arranged for a professional valuation of the site to be conducted and factoring in all of the above elements as well as a required rate of return of 15% the site has been valued at €220m. It is estimated that this will equate to returns of c €180m to the joint venture on current values.

Amount of Share Capital to be acquired:

As stated above the Authority considers that the best method of securing this site is by entering into a joint venture with an interested developer and tendering for the site with the view to its future development in accordance with the Authorities Masterplan. Whilst we would prefer to acquire the site in our own right we fully recognise the level of exposure to risk that this would place on us as an organisation and as such are pursuing the jv method.

This method of achieving the acquisition of the site via the purchase of a plc has been determined by the vendors and is designed to allow the purchaser acquire land – the intention is that structure including the plc be simplified following acquisition and further professional advice.

Our expectation is that we will seek to hold a fixed percentage of the equity (no more than 49%) in the joint venture company that controls the site. In so doing we will place maximum limits on the amount of funding that we are willing to put in place to acquire this holding.

The proposal requires the Authority to fund directly c €60m from cash reserves and where necessary a loan guaranteed against the Authorities assets. The intention is that the debt financing element , which makes up the balance of the funding for the acquisition of c €100m would be secured against the property to be acquired.

Details of any other state company holding shares in the JV:

No other state company will hold shares in the JV company.

Details of Financial commitment/exposure by Government:

No financial commitment will be required by any government department. The Authority will fund its direct commitment to the acquisition from its own resources and any bank funding received that will be secured against its own assets . The debt funding will be secured on the site acquired.

The Authority has no outstanding borrowings at present but has a facility to allow it to borrow up to €30m . Further more the Authority is authorised to borrow up to IR£100m (see section 16 of the Urban Renewal Act 1998 , equivalent to c €127m).

As part of this process we are also seeking ministerial consent to put a borrowing facility in place with one of the main clearing banks. This is likely to cost in the region of Euribor plus 30/40 basis points.

Remuneration of Employees of Joint Venture:

It is not intended that the JV will have any employees . Decisions will be made by

each of the respective owners in proportion to their shareholding.

From: "Gray, Theresa" <TGray@dublindocklands.ie>
To: <liam_whelan@environ.irlgov.ie>
Date: 16/10/2006 17:38:29
Subject: Procurement

Liam

Enclosed is the letter and enclosure sent to Mary Moylan on the 12th of October. Please also see additional advice on the procurement issue.

Best regards

Neil

From: Liam Whelan
To: dhiggins@dublindocklands.ie; pmaloney@dublindocklands.ie
Date: 16/10/2006 15:52:41
Subject: property acquisition in docklands

Paul,

Would it be possible to let me have an e-version of your letter of 12 October to Mary Moylan (and the attachment from A&L Goodbody)?

Under section 6 of the Code of Practice for the Governance of State Bodies, the establishment or acquisition by the Authority of subsidiaries, and the acquisition of shares, is subject to the legal capacity to do so and to the prior written approval of the Minister, given with the consent of the Minister for Finance. Any offer to acquire shares made by a State Body must refer expressly to such legal capacity and to such approval requirements. However, I am not aware of any provision of the 1997 Act that expressly authorises the Authority to proceed as proposed, i.e. to take equity in the proposed joint venture company. If I have missed it perhaps you would set me right - if its not there, we may have a problem. I would hope not to have to rely on a general provision such as section 18(2) in approaching the Department of Finance for sanction.

Section 6.2 of the Code of Practice specifies minimum information which should be supplied when seeking such approval. I anticipate that the Department of Finance will require more detailed information than is set out in your letter. It would be as well now to address the provisions of 6.2 (as far as is possible at this time) in order to avoid delay in getting the requisite approvals.

I have asked David under separate cover for further details of the proposed funding/borrowing(?) arrangements.

Regards
Liam

CC: Mary Moylan

From: Liam Whelan
To: dhiggins@dublindocklands.ie
Date: 16/10/2006 14:45:04
Subject: property acquisition in docklands

David,

I have Paul's letter of 12 October to Mary Moylan concerning the proposed acquisition in docklands. Could you clarify please what is entailed in the financial package - "c. €60 million from cash reserves and where necessary a local guaranteed against the Authority's assets"? What is the total proposed exposure on the part of the Authority (€100m?), and how is it going to be funded - where does the c.€60 million in cash reserves arise, and is there a proposal at this time to borrow, or not?

Regards

Liam



DUBLIN DOCKLANDS
DEVELOPMENT AUTHORITY

Mary Moylan,
Assistant Secretary,
Department of the Environment and Local Government,
Custom House,
Dublin 1

16/10

*Mr. Michael...
PL discuss projects
16/10*

Údaras Forbartha Dugthailte
Baile Átha Cliath

Dublin Docklands
Development Authority

12th October 2006

Dear Mary,

RE: Property Acquisitions in Docklands

The Dublin Docklands Development Authority Act 1997 requires the Authority as its general duty to secure:-

52-55 Cé Sir John Rogerson
Dugthailte
Baile Átha Cliath 2
Éire

52-55 Sir John Rogerson's Quay
Docklands
Dublin 2
Ireland

Phone +353 1 818 3300
Fax +353 1 818 3399
E-mail info@dublindocklands.ie
Website www.dublindocklands.ie

- i) The social and economical regeneration of the Dublin Docklands area on a sustainable basis.
- ii) Improvements in the physical environment of the Dublin Docklands area, and
- iii) The continued development in the Custom House Docks area of services of, for, in support of, or ancillary to the financial sector of the economy.

In accordance with such objectives, the Authority is empowered to acquire, hold and manage land in the Docklands area for its development, redevelopment, renewal or conservation either by the Authority or by any other person. In addition the Authority can develop, redevelop, renew, conserve or secure the development, redevelopment renewal or conservation of land under the Act.

The Authority had identified that the Poolbeg peninsula (see attached map) requires improvement in its physical environment if the Social and Economic regeneration of the area is to be achieved and for the Authority to achieve its objectives. A substantial site has now been identified that will allow this issue to be significantly addressed.

The Authority considers that the best method of securing this site is by entering into a joint venture with an interested developer and tendering for the site with the view to its future development in accordance with the Authorities

Masterplan. The expectation is that in so doing ,commercial returns of c 15% of investment will be on the development of the site.



Code of Practice for the Governance of State Bodies

The purpose of this letter is to seek approval and notify the Minister in accordance with the provisions of paragraph six of the Department of Finance Code of Practice for the Governance of State Bodies, of the intention of the Authority to enter into a joint venture with a development partner with a view to acquiring the site .The site is only available for sale on the basis of the purchaser acquiring the full shareholding in a PLC.

Údaras Forbartha Dugthailte
Baile Átha Cliath

Dublin Docklands
Development Authority

Procurement

The attached memorandum from the Authorities legal advisors confirm that the approach being taken by the Authority should not breach any procurement rules.

52-55 Cè Sir John Rogerson
Dugthailte
Baile Átha Cliath 2
Éire

A valuation prepared by the Authority indicates that at a reasonable density of commercial and residential development the value of the site could be in excesses of €200m.

52-55 Sir John Rogerson's Quay
Docklands
Dublin 2
Ireland

Proposed Bid

The extent of the capital commitment necessary to be made by the Authority and its development partner in the event of a bid being made for the joint site is estimated to be in the region of €220m. Such a proposal requires the Authority to fund directly c €60m from cash reserves and where necessary a loan guaranteed against the Authorities assets. The intention is that the debt financing element of c €100m would be secured against the property to be acquired.

Phone +353 1 818 3300
Fax +353 1 818 3399
E-mail info@dublindocklands.ie
Website www.dublindocklands.ie

We have invited the three main clearing banks to quote for the funding element directly required to be made to the Authority . We have instructed them that no state guarantees will be forthcoming but that we will seek Ministerial consent in writing before drawing down on any facility. The banks are currently quoting costings at c 30-40 basis points above Euribor .

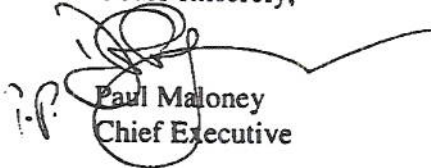
The Authority has no outstanding borrowings at present but has a facility to allow it to borrow up to €30m . Further more the Authority is authorised to borrow up to IR£100m (see section 16 of the Urban Renewal Act 1998 , equivalent to c €127m).



**DUBLIN
DOCKLANDS
DEVELOPMENT AUTHORITY**

As the terms of the tender require a full tender to be submitted before the 25th of October 2006, the Authority asks that the enclosed represents official notification to the Minister under the code so that the Authority may proceed.

Yours sincerely,


Paul Maloney
Chief Executive

Údaras Forbartha Dughailte
Baile Átha Cliath

Dublin Docklands
Development Authority

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Mary Moylan
Assistant Secretary
Department of the Environment and Local Government
Custom House
Dublin 1

2nd Oct 2006

Dear Mary,

Re: Approval for DDDA borrowing

As discussed with you, the Authority is now seeking approval from the Department of the Environment and Local Government to put a borrowing facility in place with one of the main Irish clearing banks.

Under section 30 DDDA Act of 1997 as amended by section 16 of the Urban Renewal Act 1998, the Authority may borrow money for the purposes of providing for current or capital expenditure up to an amount of c €127m (formerly IR£100m). The purpose of the facility is to provide the Authority with the funds to invest in property in accordance with set down criteria.

In acquiring property as part of its program of capital expenditure in Dublin Docklands, the Authority aims to satisfy the following criteria:

- i) to acquire land to provide the social, amenity and less commercially desirable elements in the Master Plan which are unlikely to be provided on privately-owned lands.
- ii) in furtherance of the Government's decision made on the 22nd of November, 1997 to acquire from statutory bodies in the Dublin Docklands Area, lands which are owned by such bodies but are not required for the performance of their statutory functions.
- iii) to acquire key sites in Dublin Docklands for specific targeted projects which will ensure delivery of the Authority's Master Plan objectives.
- iv) where sites remain undeveloped in Docklands, to acquire same in order to secure their development.
- v) where appropriate, to acquire property to consolidate land ownership of major sites to ensure its orderly development, either by the Authority or the private sector".

In furthering the above as set out by our Board ,the Authority intends to pursue a number of land acquisitions in the next number of months. To facilitate this will require additional funds above those available from our own resources and in this regard we have opened discussions with a number of banks. Details of terms available from the banks will follow when available.

To date the Authority has not used any borrowings to fund expenditures either current or capital.

Acquisitions will be pursued in joint venture with private developers on a commercial basis where the development will seek a return that will equate to those achieved in the open market. Currently this is expected to deliver returns of c 15%.

It is intended that any borrowings drawn-down will be fully paid by the time the Authority has delivered on its Master plan objectives , currently expected to be 2012 .

Kind regards,

Paul Maloney
Chief Executive

From: Liam Whelan
To: David Higgins
Date: 27/09/2006 11:23:06
Subject: Re: Funding requirement

David,
Further to my earlier e-mail, I should have said that we have no difficulty with the Authority entering into discussions with lending institutions to establish available terms etc. - obviously, this is without prejudice to the position regarding Ministerial approval, should the Authority decide to proceed with new borrowings.

Regards
Liam

>>> "Higgins, David" <dhiggins@dublindocklands.ie> 26/09/2006 17:58:17 >>>
Liam,

I attach a copy of a letter I will forward to you re the borrowing discussion we had earlier. Look forward to hearing from you shortly.

Best regards,

David

Tel: 01-8183300

Fax: 01-8183399

From: Liam Whelan
To: David Higgins
Date: 27/09/2006 11:10:02
Subject: DDDA borrowing requirements

David,

As you are aware, any borrowings require the approval of my Minister, "given with the consent of the Minister for Finance". The Authority's cumulative borrowings may not exceed £100m., or €127m.

Without yet going to D/Finance, I anticipate that the following range of information would be expected

- * current borrowings and annual repayments;
- * purpose of proposed borrowings (i.e. the business plan involved);
- * how borrowings are to be secured (in particular, does the question of a State guarantee arise?);
- * likely duration of loan(s);
- * approximate interest repayments and details of how these will be handled in the context of the Authority's financial position;
- * anticipated commercial returns;
- * contribution to achievement of the Master plan objectives.

In effect, we will need the kind of detailed information and business case that you would have to work up before going to any lending institution.

I am trying to establish whether or not DDDA borrowings fall under the General Government Balance (GGB) - if they do, as I suspect is likely, this will be a further complication.

When I have had a look at our records, I will contact you if anything further occurs.

Regards
Liam

>>> "Higgins, David" <dhiggins@dublindocklands.ie> 26/09/2006 17:58:17 >>>
Liam,

I attach a copy of a letter I will forward to you re the borrowing discussion we had earlier. Look forward to hearing from you shortly.

Best regards,

David

Tel: 01-8183300

Fax: 01-8183399

Liam Whelan, ✓
Principal,
Urban & Village Development Section,
Department of the Environment & Local Government,
Custom House,
Dublin 1.

*als Konefhan
pl have filed
with other relevant pps*



Údaras Forbartha Dughailte
Baile Átha Cliath

Dublin Docklands
Development Authority

27th September 2006

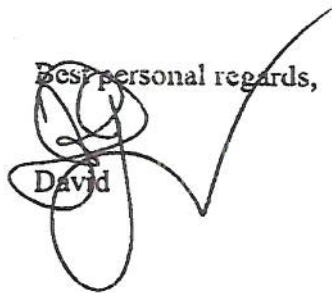
Dear Liam,

Re: Approval for Specific DDDA borrowing

Further to our conversation of today, regarding the borrowing powers of the Authority under section 30 of the DDDA Act 1997 and more specifically section 16 of the Urban Renewal Act 1998 which provided for borrowing up to IR£ 100m (€127m), I would like to request approval to enter into discussions with three banks for funding alternatives to look at potentially drawing down this amount.

Please let me know what further actions and information you require us to follow and I will ensure that all matters are dealt with as quickly as possible.

Best personal regards,


David

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Dughailte
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Éire

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