

# DÁIL ÉIREANN

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AN COMHCHOISTE UM THITHÍOCHT, PLEANÁIL AGUS RIALTAS ÁITIÚIL

JOINT COMMITTEE ON HOUSING, PLANNING AND LOCAL GOVERNMENT

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*Dé Céadaoin, 14 Samhain 2018*

*Wednesday, 14 November 2018*

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The Joint Committee met at 9 a.m.

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## MEMBERS PRESENT:

Deputy Mick Barry,	Senator Victor Boyhan,
Deputy Dessie Ellis,+	Senator Martin Conway,
Deputy Mattie McGrath,	Senator Jennifer Murnane O'Connor,
Deputy Eoin Ó Broin,	Senator Grace O'Sullivan.

+ In the absence of Deputy Eoin Ó Broin for part of the meeting.

In attendance: Deputy Richard Boyd Barrett.

DEPUTY MARIA BAILEY IN THE CHAIR.

## **Business of Joint Committee**

**Chairman:** Apologies have been received from Deputies Casey, Ó Broin and O’Dowd. Deputy Ó Broin is delayed at another meeting and will be replaced by Deputy Ellis until he arrives, and Deputy O’Dowd is chairing another meeting. I propose that we go into private session to deal with some housekeeping matters. Is that agreed? Agreed.

*The joint committee went into private session at 9.05 a.m., suspended at 9.10 a.m. and resumed in public session at 9.12 a.m.*

## **Financing of Social Housing: Discussion**

**Chairman:** At the request of the broadcasting and recording service, members and visitors in the Public Gallery are requested to ensure that for the duration of their meeting their mobile phones are turned off completely or are switched to airplane, safe or flight mode, depending on their device. It is not sufficient to put one’s phone on silent mode as this will maintain a level of interference with the broadcasting system.

Today’s meeting will involve consideration of item 3 on the agenda which is the topic of social housing financing through enhanced leasing, land initiatives and PPPs. On behalf of the committee I welcome Ms Cathy Bryce and Mr. Paul O’Neill from the National Development Finance Agency and Ms Áine Myler and Mr. Michael Cleary from the Society of the Chartered Surveyors Ireland to today’s meeting.

Before we begin I refer to privilege. I draw attention to the fact that by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence given to this committee. However, if they are directed by the committee to cease giving evidence in relation to a particular matter and they continue to do so, they are entitled thereafter only to a qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and they are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person, persons or entity by name or in such a way as to make him, her or it identifiable. Members are reminded that under long-standing parliamentary practice members should not comment on, criticise or make charges against a person outside the Houses, or an official either by name, or in such a way as to make him or her identifiable.

I now call on Ms Bryce to make her opening statement.

**Ms Cathy Bryce:** I thank the Cathaoirleach and members of the committee for their invitation to update it today on some of the social housing initiatives with which the NDFA is assisting the Department of Housing, Planning and Local Government, which I will refer to here as the Department.

I am director of the NDFA and a member of the executive management team of the NTMA. I joined the NTMA in August of this year.

I am accompanied this morning by Paul O’Neill, who is a finance sector head at the NDFA and has responsibility for a number of the sectors including housing.

The NDFA is the statutory financial adviser to State bodies in respect of all public capital investment projects of scale. In our advisory role, the NDFA provides a number of services including financial robustness testing, tender assessment and advice on optimum forms of funding. The NDFA also has a broader responsibility for the procurement and delivery of PPP projects other than those in the transport sector. We have a mix of skill sets within the team ranging from financial advisory, to construction, engineering, design and project management. We have built up significant experience over the past 15 years across a range of large-scale infrastructure projects in education, justice, health, tourism, transport and energy. In addition to project delivery, we also have an active role in monitoring the operations of a significant number of PPP schemes in the State.

The committee has asked me to focus on three topics relating to social housing delivery: public private partnerships, PPPs; land initiatives; and enhanced leasing.

On the first of these, PPPs, our role is extensive and includes assisting the Department and the relevant local authorities with planning, design, risk transfer, procurement and delivery. From the moment the projects are handed over to us by the Secretary General of the Department, we are formally accountable to procure these projects within a defined set of parameters, including budgetary and technical specifications. Upon completion of construction, the projects are then formally handed back to the Department and/or local authorities. I should say at the outset that the NDFA has a limited role in respect of the second and third topics that the committee has asked us to comment on, namely land initiatives and enhanced leasing. I will explain this later but will first focus on PPPs. The Government has approved three social housing schemes which will provide approximately 1,500 homes. Two of the three schemes under this initiative are in procurement.

The first scheme, social housing bundle 1, is being co-ordinated by Dublin City Council on behalf of five local authorities, and comprises six sites across counties Louth, Dublin, Kildare and Wicklow. In total, this scheme - a summary of which is included in the slides of the supporting document submitted to the Committee - encompasses 534 homes for social housing. By way of update, following a competitive tender process, a preferred bidder for this scheme, named Comhar, was selected in September 2018 and comprises a consortium of the following companies: Sisk Construction, which will be primarily responsible for the construction work; Oaklee and Choice Housing, which will be responsible for tenancy management and maintaining the homes over the life of the scheme, being 25 years post construction; Macquarie, which is involved as an independent provider of equity to the project; and the debt providers which are expected to include the European Investment Bank and Bank of Ireland. As is normal in a PPP structure, the State is not required to pay any moneys during construction. When the homes are delivered and made available to the intended beneficiaries, then the State will make monthly unitary payments over the 25 year life of the project to pay for the upfront cost of the assets and for the ongoing maintenance. At the end of the 25 year contract, the State fully owns these social homes. Construction is expected to begin on this scheme in the first quarter of 2019 with all homes to be completed in 2020.

The second scheme, social housing bundle 2, is currently being tendered with fully costed bids due to be received on 1 February 2019. There are four bidders in this process: the three bidders from the first scheme and one additional consortium. As for bundle 1, all bidding consortia include a mixture of experienced contractors and approved housing bodies. This scheme is being co-ordinated by Cork County Council and involves eight sites across the six counties of Cork, Galway, Clare, Waterford, Roscommon and Kildare. In total this scheme involves 465

homes for social housing. We anticipate that construction will commence in the third quarter of 2019 and all homes will be completed by 2021.

The third scheme, social housing bundle 3, is at pre-procurement. In September, the Department identified a Long List of 14 potential sites. The NDFA has completed a high-level technical suitability assessment of these sites. Once the list is finalised by the Department in consultation with the local authorities, the NDFA, along the other partners, will become engaged to help drive design, planning, procurement and delivery.

I have provided more detailed information in the supporting documentation on the timelines for bundles 1 and 2. As with any large scale public infrastructure, the timelines are considerable. The main reasons for this are that the process of selecting sites and bringing them through site preparation, design and planning takes a significant period of time. The public procurement process, which can only commence once these processes are completed, also has set timelines which must be adhered to, both for legal reasons and in order to ensure robust competitive proposals are obtained. End

Equally relevant is that this is the first time the Department and local authorities have been involved in PPPs in the housing sector which has involved significant upfront work by all parties. However, there is now a good framework in place and in the short term we expect it to create efficiencies in the third bundle and future delivery. In the longer term this new channel for procuring social housing could run alongside other methods of delivery and provide additivity, something that has not been available to us in the past decade.

I am aware of the ongoing debate about PPPs and value for money. The submission of robust competitive proposals is paramount in ensuring value for money is delivered to the taxpayer. Like all PPPs, the NDFA procures on behalf of State bodies and follows Department of Finance and Department of Public Expenditure and Reform guidelines on value for money. The private sector tenders must demonstrate value for money against the public sector benchmark, being the estimated cost of undertaking the project in question on a traditional basis. The guidelines are being followed in the social housing PPP programme. Best practice and current practice is to disclose further details of value for money at the appropriate time following contract award. This has happened across the education and transport sectors, as it will in the case of social housing.

The NDFA is working in an advisory capacity with various local authorities throughout the country to assist them in procuring mixed tenure developments on sites that they own. Our primary role is to provide advice on financial matters and tender assessment. Local authorities identify suitable sites and specify the tenure mix they require, that is, the breakdown between social, affordable and private homes. They go to tender in seeking bids for the delivery of housing based on the tenure mix specified. At the end of construction, the social houses are owned by the local authorities. A list of schemes on which we are assisting is included in slide No. 4 in the supporting documentation. The most progressed of the schemes is in Kilcarbery in south county Dublin. South Dublin County Council has selected a preferred tenderer and expects to sign a development agreement with this party in the next two months. Once the development agreement is signed, the preferred tenderer will apply for planning permission. Under the scheme it is envisaged to provide 975 homes, of which 30% will be social housing. On the basis of sites of which we are aware, the land initiative scheme has the potential to cumulatively deliver 6,500 new homes, of which approximately 1,500 will be social housing. However, it should be noted that all of the schemes still require planning permission and financing.

As mentioned, the role of the NDFA in enhanced leasing is limited. Our involvement to date has primarily been in obtaining market soundings on behalf of the Department and providing advice on the form of the lease to be offered. The scheme is being administered by the Housing Agency on behalf of the Department. The Housing Agency is responsible for the evaluation of submissions, selection of candidates and evaluation of market rents in conjunction with the local authorities. Our primary role in social housing provision is in respect of the three PPP bundles, with the first of the schemes expected to start construction in the first quarter of 2019.

**Chairman:** I thank Ms Bryce. I invite Ms Myler, director general of the Society of Chartered Surveyors Ireland to make her opening statement

**Ms Áine Myler:** I thank the Chairman and members of the joint committee for giving me the opportunity to address them. I am the director general of the Society of Chartered Surveyors Ireland, SCSi, a professional body which represents more than 5,000 members in the property, construction and land sectors in Ireland. I am joined by fellow chartered surveyor Mr. Michael Cleary who works in private practice, specialising in planning and asset and development management. He co-authored the society's recent report, Real Cost of New Apartment Delivery, and previously served as chairman of our planning and development committee.

There are many elements to this discussion, but for the purposes of this opening statement, we will focus on how improvements could be made to increase the delivery of social housing by unlocking the value and benefits of collaborating with the private sector. Last year the SCSi prepared a report entitled, Real Cost of New Apartment Delivery, which followed on from an earlier report entitled, Real Cost of New House Delivery. The findings in both reports suggest land and financing costs are crucial market obstacles in the development of apartment and housing schemes aimed at delivering affordable accommodation. The apartment costs report, in particular, report shows that costs can vary from €293,000 for a low rise suburban Dublin apartment to €578,000 for a medium rise apartment in Dublin city. Site costs outlined in the report which is now somewhat dated vary from €33,000 per site unit to €125,000. It can be difficult to justify paying such high land costs in a market with viability challenges. However, it is well accepted that the high price paid for development land is a symptom of a market starved of well located and serviced development land opportunities.

In considering the finance impact on development, it is perhaps not surprising that the Viennese housing model which has been highlighted as a good one by other bodies is successful in having private developers assist with social housing delivery programmes. The Vienna housing fund, Wohnfonds Wien, attracts developers by providing very low interest funding, currently 1% for 30 years, and actively managing the very limited land available in the city. Developers make a profit, but with these elements essentially de-risked, the necessary market returns from investments can be lower. It is essential that the industry as a whole, both private and public, work together to seek to improve the shared approach to the solving the housing challenge.

In the context of social housing procured by local authorities, as we are all aware, time delays can have significant repercussions for costs and, ultimately, the overall housing output. It is not uncommon, whether because of procurement issues or planning and construction problems, for significant delays of between 12 and 18 months to arise. The average housing development can often lose a monetary value of 10% to 15% of its units because of such delays. The impact of unforeseen issues can be very costly.

PPPs can be a useful tool for risk and gain sharing. When used properly, they are a good mechanism for releasing public assets to be developed in collaboration with the private sector,

with the private sector providing risk capital, as well as know-how, and the public entity providing the land. Cities that are addressing their housing needs well are doing so by learning from long experience. There should be a review of the lessons learned from residential projects that did not deliver the housing mix originally envisaged. This needs to be fostered across all stakeholders. It will present an opportunity for the newly established Land Development Agency to engage with sectoral expertise to provide best practice guidance and support in PPP schemes and complex proposals where the critical scheme promoter role is key to a successful outcome.

It is important to support public sector delivery as the use of Part V, while effective in delivering social units in the boom years, led to the privatisation of the knowledge, skills and infrastructure required to deliver social housing. This has created a skills gap in the public sector, but as internal professional resources are being developed again, there is a real opportunity for local authorities to enhance their project knowledge by taking on the developer/promoter role for social and affordable housing projects. These skills will be critically important in times of reduced private supply, as an anti-cyclical counterweight when public housing needs increase.

Ireland also needs to de-risk its housing policies by supporting a range of public, private and not-for-profit entities to bring more supply to the market. To achieve a more robust delivery system, many development entities should be encouraged to take part, including private, for-profit organisations, as well as not-for-profit endeavours that meet set criteria in terms of scale and expertise. The approved housing body sector should be encouraged to deliver units that can be maintained in public ownership in the long term. These schemes should focus on cost rental and social rental funding models.

The Local Infrastructure Housing Activation Fund, LIHAF, is welcomed by the industry and developers. The Land Development Agency could prove to be a significant catalyst in freeing up the planning and infrastructure risks and making more State land ready for the PPP process. The agency could also be used to strategically streamline the procurement routes for residential projects. Its aim should be to become the specialist in this area and be a key resource for all State bodies and local authorities tasked with delivering the very ambitious national development plan and, in particular, the supply of public housing.

The SCSi has been supportive of the announcement that local authorities will once again return to the direct construction of homes. They must be properly resourced, with access to the right skill sets, professional knowledge and expertise in order that they can put together the best social housing solutions without undue cost or delay.

We look forward to discussing this subject in more detail with the committee.

**Senator Grace O'Sullivan:** I have a question for Ms Bryce on public private partnerships, PPPs. What lessons have been learned from PPPs that were not delivered or completed during the period of the recession? Have those lessons allowed improvements and a better model for PPPs to be identified? Would it be possible for local authorities to deliver the same quantity of housing without the land initiative or PPPs or both?

**Ms Cathy Bryce:** It is important to make a clarification. I think the Senator is referring to the regeneration scheme PPPs. They used the same name but were very different from the model I referred to for social housing bundles 1, 2 and 3. That is because those earlier schemes never envisaged that the private sector would operate and maintain the houses over a long period. They were up-front schemes and similar, in some ways, to the land initiative schemes I referred to in my opening statement. There are slight differences in how they are bid. I ask Mr.

O'Neill to explain that aspect.

**Mr. Paul O'Neill:** I will take the Kilcarbery project, which was in our opening statement, as an example of one of our current initiatives. The local authority set a tenure mix of 70% private units and 30% social units and engaged a contractor through a bidding process. The contractor bids in the value of the cost of building the social units. That is then the payment from the local authority to the contractor. Separately, the contractor also bids in a land contribution payment which it proposes to make to the council in return for the residual land. They are both separate payments. In land swap deals in the past, the payments were more aligned or linked to each other, and when the land values at the time decreased, it had implications for those projects. Those payments are separate now because of the current learnings and the new the structures in place.

**Ms Cathy Bryce:** I hope that answers the first question. On quantity, the scale of what is required to be delivered and the numbers of social houses forecast to be required mean it would be very challenging for any one channel to provide them. We do see the PPPs, land initiatives, enhanced leasing and other methods as providing significant accretion possibilities to achieve the demanding numbers sought. The local authorities building directly will be a mainstay of the delivery. These other channels, however, do provide an opportunity to bring increased supply and to broaden the availability of skill sets by using some private sector companies that are involved in these different schemes.

**Senator Grace O'Sullivan:** With regard to the local authorities, Ms Bryce identified that there has almost been a lapse period with skill sets. How does she see that aspect functioning for the local authorities? How will they be able to deliver when there is such a deficit of skills at the moment?

**Ms Cathy Bryce:** Those skills are being built back up. One of the things we would say, in general, in respect of social housing is that stop-start is very difficult. That is also the case in regard to PPPs. If we were to do these first three bundles and then stop, it would take a great deal of effort to start again. It is the same with the local authorities and skill sets. It is important to try to keep some continuity in all of the channels, if at all possible. The local authorities are building up their skill sets. We have worked, or I should say that the team has worked, as I am relatively newly joined, with great people in the local authorities on developing these PPP schemes. We would certainly like to keep that continuity of experience now that it has been acquired after an amount of hard grafting, if I can put it that way. It is a challenge, overall, for the industry because we are suddenly into this upsurge of construction in all areas and not just in social housing. I refer to housing in general, offices schemes etc. My colleagues might comment on that further.

**Mr. Michael Cleary:** That is correct. As a practitioner, I have been involved for about 25 years on delivering on planning and development. We have been involved as development managers at the coalface with the good, the bad and the ugly, and the good again. I have some direct experience of this. I have a couple of points to make. One is similar to the point made by Ms Bryce, and that is that the delivery mechanisms are very difficult to get up and going again. For ten years the National Asset Management Agency, NAMA, led the way in trying to revitalise the industry overall. It took some years to get even commercial projects up and running. Residential projects, by their nature, are much more complex because they involve dealing with individuals as well as all of us here, and trying to satisfy a market need that is both social and affordable. We did not mention that here but it is very important.

The two issues on planning and development in the delivery process are the planning mix and the tenure. I refer to who is going to own the end product. We are all of the time trying to work to that. There is also a constraint in regard to what can be financed. Those are competing issues. The NDFA has set out a process and that is starting to work and deliver now from a standing start. The private sector also has a part to play here. In some of those initiatives, such as Kilcarbery and those undertaken by other local authorities, the local authorities themselves have upskilled. They now have the necessary people in place to deliver on those initiatives. As someone who has been doing this for about 25 years, we need to look beyond the immediate issue. It is an important issue and all of the evidence is there to support the fact that we need to address it. We do, however, also need to think beyond that so that we do not get caught in this scenario again.

Since 2011 or 2012, the Society of Chartered Surveyors of Ireland has been trying to promote some kind of an entity that would act like, for example, the Dublin Docklands Development Authority, originally the Custom House Docks Development Authority. I refer to some entity on a national scale that would keep an eye on the future in respect of what should happen with its remit. The remit for the Dublin Docklands Development Authority was the redevelopment of the docklands area. It had a bad experience near the end of its shelf life but it was quite good up to then. We need something similar at this stage and we welcome the Land Development Agency. We have not seen fully what its remit is. I am talking about anything, however, that can add to the knowledge base, strategically pick out sites that need to be delivered, remove the planning issues around that - those that private sector will not or cannot take the risk on - and deliver on infrastructure such as sewerage, power and all of those things.

I refer to having sites shovel-ready so that when the private sector comes, and that will either be through the National Development Finance Agency, NDFA, process as outlined or through some other process, they have been de-risked. It would also be important that an eye be kept on the use mix because the type of mix is important. Our experience in projects in which we have been involved, which we will not mention here, includes seeing projects 15 to 20 years ago that did not even make the headlines. They started out with the best of intent by local authorities. We went through the process, we lived it and we all thought that we did the right thing. Last week, or the week before, I drove by one and brought kids in around it. I told them that we all thought we were going to do something great there but that it had not worked out. Those are the lessons to be learned. That kind of corporate knowledge needs to be provided to something like the Land Development Agency - I just picked that as an example - so that it can be handed down.

The second part of the point is the anti-cyclical aspect. Much of finance is based on there being some kind of consistent profit or return to pay for the input. A consistent level of output, therefore, is needed to provide the housing in the locations where it is needed. This goes back to the NDFA's point as well. It takes a long time to put these skill sets in place and, when they are in place, there should be encouragement to perform. They should be analysed and brought in front of committees like this regularly to see how they are performing. They should also be tweaked as needs be, but only in a small way and over a long duration because the arc of delivery on housing is ten, 15 or 20 years. We believe strongly that a forward plan is needed and that it needs to be supported.

**Deputy Dessie Ellis:** I thank Ms Bryce for her opening presentation. She spoke a great deal about the regeneration PPPs. I will refer to the Scribblestown scheme in Finglas which is to start before Christmas. As far as I am aware, it is 100% social housing. During the years the

reputation of PPPs has not been great in terms of delivery and how they have been operated. I am trying to figure out how this one will be much better than previous PPPs. On some of them the sod has been turned about six times. I find it frustrating that it takes so long. The pulling together of public and private has been a major problem. I am told by management of Dublin City Council that the Scribblestown scheme should start before Christmas, but I suspect it will probably be in the new year.

Many of the PPPs are managed by voluntary housing bodies such as Oaklee Housing and Choice Housing. I have always been a great believer in local authorities building more. It is a much more straightforward mechanism in terms of delivery for them to have their own companies build or to employ private firms to build for them. They could deliver a lot more.

That brings me to what is planned for Coultry in Ballymun. It is planned to provide 400 units there in what is called a cost rental scheme. From my conversations with Dublin City Council, it is talking about the cost being €1,000 a month or thereabouts. We know that in the general area of Ballymun it would probably be €1,500 or €1,600. I am not sure about the value in terms of cost rental on this site because the land is being given over, but various figures for land prices have been given, including €33,000 and €50,000. I much prefer to see local authorities building social and affordable housing, rather than going down the road of PPPs. I am not asking the delegates for an answer because I do not expect them to give me one.

I have always wondered why apartments are so expensive compared to houses. I have never quite got my head around it. A number of years ago I believed it was much cheaper to build apartments. Why have they been a lot more expensive in the past year or two? I am still puzzled by it. Surely it is much cheaper to build 100 units in a block than it is to build 20, 30 or 40 houses or whatever the equivalent number is. I wish someone could explain it to me because it has never sunk in.

Is Sisk the main builder? Will it complete all of the PPPs or is it a mixture of builders?

**Ms Cathy Bryce:** It is included in the consortia that has been selected for bundle one. For bundle two, there are four contracting firms still bidding.

**Deputy Dessie Ellis:** They will be handed over to the local authorities after 25 years. Is that generally how it is run?

**Ms Cathy Bryce:** The land will remain owned by the State for the entire period. The houses will always be State-owned. They will be managed by the private sector for the 25 year period. They will have to be handed back in a set condition, which will be monitored. There will be penalties if the houses are not in a suitable condition at the end of the period. They are State-owned houses on State land. It is an important clarification.

Will I try to pick up on some of the points made by the Deputy?

**Deputy Dessie Ellis:** Yes.

**Ms Cathy Bryce:** On what were called regeneration PPP schemes, they are not similar to the current initiatives. They were quite different. They were more akin to the land initiatives whereby the private sector built a mixture of private and social homes and used some of the moneys from selling the private land and houses to subsidise the social homes. They were short-term contractual arrangements. These are long-term arrangements. I accept the Deputy's point about local authorities. My understanding is the mainstay in meeting the very significant

requirement for social housing in the next few years will be the local authorities undertaking their own building and management.

On the cost-rental site mentioned by the Deputy, we do not have any involvement on the Ballymun site. Therefore, I cannot comment on it.

**Deputy Dessie Ellis:** It is only being put out to tender, but it is being done in one block. It will be a cost rental scheme.

**Ms Cathy Bryce:** I cannot comment on it.

**Deputy Dessie Ellis:** I am not asking Ms Bryce to comment on it. I am just aware of it.

**Ms Cathy Bryce:** The Scribblestown site is part of bundle one. We expect construction to start in quarter one, as per my opening statement. I ask Ms Myler to answer the questions about apartments.

**Ms Áine Myler:** It has been a factor for many in looking at the costings. What we find in project management with our quantity surveyor colleagues who were involved in the provision of the report with the planning and development surveyors is that the cost of delivery of suburban low rise apartments is very different because they are the closest to standard residential construction. The issue arises because it is taken out of that sector and brought into constrained sites such as city centre sites. The regulatory system for the development of apartments is significantly different from that for housing once they go above three storeys. The building is done in a very different way. There are significant fire safety regulations required to be met. There is a significant amount of common area space which is not present in houses because everything inside the four walls of a house is owned and occupied. There are significant additional regulatory factors in the delivery of medium rise apartments, including the cost of land and finance. One apartment cannot be sold as soon as the ground floor apartment is finished. The entire block has to be held and finished satisfactorily before anything can be sold in a scheme. The finance costs in developing apartment blocks are considerably different from those in developing housing. When the first house is topped out and the site works around it are finished, it can potentially be sold to fund the next phase of a scheme. Finance, land and regulatory frameworks have a very significant impact on the delivery of apartments compared with standard suburban models.

**Deputy Dessie Ellis:** Effectively, Ms Myler is saying building low rise apartments blocks on greenfield sites will work out more cheaply. There are restraints in terms of the time developers have to get everything done before they get people in and recover their costs. It would be cheaper to build three or four-storey buildings on greenfield sites. Much of the problem arises in the city, for example, where builders have to squeeze into spots. That is what Ms Myler is saying.

**Ms Áine Myler:** That is part of it. Dublin City Council's innovative approach looks at it in terms of volumetric delivery. The modular building concepts that are being encouraged and resourced may start to show some reduction. To be fair, we are only in the infancy of the delivery of those schemes which are often more expensive at the start just to prove the model. Potentially, when there is scale in the marketplace, it will start to bring down costs.

**Senator Grace O'Sullivan:** I absolutely agree with Deputy Ellis. When one scales up the supply of more apartments according to the model system, every apartment will probably be the same standard model. I just do not understand how the cost of apartments has risen so much. Is

it like this in other countries? I understand the SCSI wants to prove the model, but in countries such as the Netherlands and Germany it has been standard for decades. Again, the question is why. Is it market driven because there is such a high level of demand?

**Mr. Michael Cleary:** The general thrust of our advice is that land is always the most expensive intangible in the rate per square foot because it is the part that is not tendered for. It is usually procured if it is not publicly owned, if it privately owned, and usually bid for. The capacity to bid and win land skews everything else. One can quite readily measure the construction cost element. Any good quantity surveyor, whether it be a social apartment, in respect of which there is full transparency on the cost of construction, or a private apartment, can quickly tell what the cost of the lift, the lights and every other element will be.

There are a number of reasons it is expensive in Ireland. Some relate to the technical issues, to which Ms Myler alluded, such as basement car parking spaces and so on.

I refer to the number of apartments that must be put off a core. The placing of more apartments off a core, in other words, off a lift shaft or stairwell, is helpful. I refer also to the number of single or dual aspect apartments. In other countries, for example, the ones to which the Senator referred, there are single aspect apartments, which means that one can fit more apartments around the core with a singular aspect. Does this make it a better or worse apartment? That is for someone else to decide, but it is a way to reduce costs.

The third part is the cost of finance, which goes back to the Viennese housing model, to which we referred. The Dutch also have such a model. It is a matter of being able to de-risk the process, which is the point we have been emphasising all along, and provide land with planning permission, with what we said the Land Development Agency could do. You are telling someone, "I need you to produce and deliver X number of housing or apartment units." The finance costs would then be really cheap because the risk level would have dropped all the way as one would have removed the infrastructure and planning risks and de-risked the process.

Going back to a point raised I think by Senator Grace O'Sullivan, in 1993, on my second day in the job, I was with a developer who received a list of quantities and threw it across the room, saying, "I cannot believe apartments are that expensive to build in Ireland." I was not a grey-haired quantity surveyor at the time, but I said the reason that was the way it was was that one of the issues was that Ireland was an island and, unfortunately, the transfer of labour and the procurement of all of these goods - the other part of this - had to take place from somewhere else. Working in Holland or elsewhere on mainland Europe was incredible in that regard. During the downturn we did a lot of work in London and Germany and it was incredible how they sourced their equipment and inputs from various places. They were able to move them across overnight. It takes an age to get them to Ireland. Therefore, there are a variety of factors at play.

**Deputy Richard Boyd Barrett:** I thank the delegates for their presentations. As I was watching the proceedings on the monitor earlier, I caught their earlier contributions. It would take a lot on their part to convince me that there was a point in even looking at public private partnerships. Will they explain to me how under any circumstance it could be cheaper, faster and more efficient to go through what seems inevitably to be a more complex and cumbersome process in which we must involve private sector actors and their concerns about risk, the market and so on and essentially pander to them and de-risk things for them? Is it the job of the State to de-risk things for the private sector, as opposed to using our own money to build on land we own, taking out site costs or whatever one calls them, to

provide houses at the cost needed, getting architects in to design them, putting infrastructure in place and then getting brickies, carpenters, electricians and the rest to go in and put them up? A building worker will say that if the basics are done, a house will be built in six weeks. Therefore, I do not understand how this just goes on and on.

In that regard, I would like to ask about a specific site in Shanganagh. I understand various options being discussed for the site have been referred to the National Development Finance Agency because, inexplicably in my opinion, the council is required to look at a PPP. The elected councillors do not want one and I am absolutely certain the people of the area do not want one. They want public and affordable housing for people who are on the waiting list and those who are above the income thresholds to be included in the list and who cannot afford to buy in the private market. That is what they want. They want to be able to rent or buy in the private market. It seems that it is logically and obviously the case that it could be done as one big bundle. The councils could put the infrastructure in place and design the stuff themselves. Obviously, they can build at the lowest possible cost because they do not have to seek outside finance or borrow. We could use the State's own money and not borrow. There would be no risk involved because we know that there are plenty of people on the housing list to take the houses, as well as plenty of people who cannot buy in the private market and who would be jumping over one another to take a cost rental and affordable house. Is there any case in which the model I am setting out would be less efficient than all of the PPPs, with all of their complexities and all of the other considerations that necessarily must be included?

**Ms Cathy Bryce:** Regarding the Shanganagh site-----

**Chairman:** If Deputy Boyd Barrett will allow it, I will take Deputy Ó Broin's questions because he has parliamentary questions tabled for oral reply. Is that okay?

**Deputy Richard Boyd Barrett:** Of course.

**Deputy Eoin Ó Broin:** My questions follow on from Deputy Boyd Barrett's.

I thank the delegations for their presentations and acknowledge the very useful work the Society of Chartered Surveyors Ireland does in its cost of construction reports which are very valuable. While we have the Department's reports, it says something that it was the SCSi that produced the reports on houses and apartments well before any Government agency.

I do not want to have an ideological discussion with the NDFA on public private partnerships; I would like to get some facts. One of the great tragedies is that while the presentations are very useful, they do not give us the facts we need as a committee to try to answer some of the very legitimate questions raised by Deputy Boyd Barrett. Part of the problem is the great mysterious thing called the public sector benchmark. The way in which this exercise takes place is that qualified officials from the Department and local authorities in the case of the PPP bundles determine what it would cost the public sector to do this work. It is then locked away in secret and neither elected members of councils nor the Oireachtas is allowed to see it, but when tenders come in, they are compared against it to see whether we are getting value for money. My concern is that until I see how the NDFA does it, I am not convinced it can capture the reality of what happens.

If I am tendering for a PPP bundle such as bundle one, I must look at what it would cost to build, that is, labour and materials. I must bring my own finance, which is probably more expensive than public sector finance from the Housing Finance Agency or other sources. I must

factor in maintenance costs of the property over a 25-year period, which is a tricky business. There is, therefore, an element of risk which is factored into the costs. I must then make my premium.

Anyone who knows anything about local authority delivery of housing knows that at no stage does it secure full cost recovery of the unit over 25 years. It does not, for example, receive a monthly payment from anyone that covers the cost of building, finance, management and maintenance and it certainly does not receive a premium. One of the reasons the social housing stock is in urgent need of regeneration after about 25 or 30 years is that the public sector does not have these availability agreements. How much detailed information can the NDFA give us, for example, on the public sector benchmark for the first bundle of 500 PPPs? How can the National Development Finance Agency, NDFA, assure us, in the absence of being able to see that comparison ourselves, that we are really comparing like with like in the benchmarking exercise? Can the witnesses tell us the cost per unit of that first 500 bundle? The reason I am asking that is, even on the construction end, we know the average cost according to the Department of Housing, Planning and Local Government for social housing output at the moment is €200,000. The Department of Public Expenditure and Reform has a slightly different figure of €216,000. Local elected councillors are being asked to approve planning permissions and Oireachtas Members are being asked to consent to this without knowing the actual cost. When we asked for those costs before the first tender was awarded, we were told we could not have them for reasons of commercial sensitivity. I assume we can now have the bundle 1 cost, or is that still a problem? Can the National Development Finance Agency respond on that?

If the witnesses cannot give us the cost, or the unit cost, can they at least confirm some of the additional costs that the private sector requires to cover the additional cost of finance and the risk factor in terms of projecting maintenance cost and the additional premium? Of course that means it will be more expensive. Can the witnesses at least tell us it is not like for like and there are additional costs there?

I have two other concerns. The NDFA gave us two slides, which are very helpful, and they show that, from conception to tenanting, it is a four-year process. Local authorities are bad but they are nowhere near that bad. It is now down to about two to two and a half years from conception to tenanting. The NTMA has lots of experience of PPPs in other Government sectors, whether with water or schools or whatever, so is this always going to be four years? Can this be reduced? When will it be reduced? We are all putting lots of pressure on the Department on Housing, Planning and Local Government and the local authorities to reduce their 12 to 18-month approval and tendering process below that.

Then there are the contractual issues. These are 25-year contractual arrangements. They are very complex legal agreements. There is substantial evidence from Britain about how the use of these complex contracts for urban regeneration and social housing has led to lots of difficulties, as we have seen with Carillion and the beginnings of that here. How does the NDFA's model factor in those less tangible risks and can it convince us that it has done any learning from the failure of many of these public private partnerships and regeneration projects in Britain, which have ended up costing the taxpayer substantially more than was originally agreed?

I have a brief question for the chartered surveyors. One of the really interesting things that emerged from the Department and Housing Agency reports, which came after the report of the Society of Chartered Surveyors Ireland, is that, on the one hand, the Housing Agency report tell us that the cost of construction is about in line with European norms, which is a really useful bit of data to get. On the other hand, the Department's report confirmed my reading of the

chartered surveyors' reports, particularly the apartment reports, that it is simply not possible, given the all-in development costs that we have just outlined, for the private sector to deliver houses, but particularly apartments, for people on incomes up to €75,000, in line with the Central Bank's mortgage lending rules. Do the witnesses agree with that analysis? Am I wrong in that? Is that what the facts tell us? If so, do we have to start relying less on the private sector, with all of those complex costs, to deliver housing for that sector of workers? Does the chartered surveyors' research and the two Government reports, that I am sure they have studied, make the case that, for affordable housing for modest income families, it is a public sector-led model, whatever about who is involved, that will really deliver housing for working families within that income bracket?

**Ms Cathy Bryce:** There is quite a number of questions there. I will try to cover as many as possible. The Deputies have made very fair comments about the PPPs and timelines. I would say that, because applying PPPs to social housing was new, the local authorities, the Department of Housing, Planning and Local Government and ourselves had to spend a lot of time trying to really specify what we were looking for the private sector to do. That collaboration has been very positive but it was time consuming.

I believe that some efficiencies can be obtained in bundle 3. I will not pretend that bundle 3 will be a quick process because a lot of time is required for the design, planning and procurement and there is not much one can do to shorten those timelines. Bundles 1 and 2 have been longer because, in both cases, we were working with different local authorities. Bundle 2 is being managed by Cork County Council and bundle 1 by Dublin City Council so it was new for all of those local authorities.

The collaboration has been very helpful and one of the benefits that PPP provides is that it encourages the parties from the service element and construction element to get together upfront to try to work at designing good schemes. That is perhaps something that does not happen with the slightly more disjointed building upfront and then servicing in some of the other channels.

There is a very rigid and detailed process that we go through in relation to the public sector benchmark and these are all following the guidelines as laid down by the Department of Public Expenditure and Reform. First of all, there is an independent cost assessor who costs out the full construction cost and service element of the scheme. Those costs are reviewed in conjunction with the National Development Finance Agency, the Department of Housing, Planning and Local Government and members of each of the local authorities were involved in assessing those costs. They are done upfront, so they are not done in retrospect after bids are received. One of the most important things is that there is competition in the bidding and that is essential and there was good competitive tension between three very well thought-out bids in social housing 1 and four now happening in social housing 2.

The winning bid is compared with the public sector benchmark and I am, unfortunately, not able to give a cost per unit because we are in a live procurement. I am not able to give you the public sector benchmark now, but it will be published. I am able to confirm that the preferred tender did come in below the public sector benchmark.

The NDFA would like to speak to the experience of PPPs in this country across education, transport, justice and health cohorts more recently. First of all, procuring any infrastructure has challenges. There is nothing easy in trying to do large-scale infrastructure and I think we would see, both across traditional procurement and PPPs, issues arise, for example in relation to Carillion and the default there. The construction sector is a risky one, it is fair to say. In terms of

the overall experience as to whether risk has been transferred, we have pretty good experience of risk being successfully transferred and that really gives us confidence to believe it will work for the social housing schemes.

There is no one channel that is perfect. Every channel of delivery, as I see it, has its pros and cons. The land initiatives have pros and cons. PPPs have pros and cons and issues can emerge even for the local authorities doing these projects by themselves.

To address Deputy Boyd Barrett's questions about risk and sharing, there is only one risk and the question is who bears it. With PPPs, we work hard to try to make the private sector take as much of the risk as possible. There is no demand risk in PPP schemes for social housing so that is taken out of the picture. These are all social houses on social land to stay within the remit of the State and for the State to have full control over who goes into those homes. That is understood upfront. There is no demand risk being transferred or shared and no pricing for that. The risk that is borne by the private sector is the risk of construction and construction cost overruns. In today's market that is quite significant, in particular with rising inflation in the construction sector. The private sector also takes the risk of being able to maintain the houses over the 25 years, manage them appropriately, and to hand them back in a suitable condition. They cost that risk and they bid on it and that is what we assess against the public sector benchmark. I hope I have answered some of the questions.

**Ms Áine Myler:** I want to address the question about direct provision. We are not here as proponents of any scheme today. We want to see the delivery of housing for people who need it. What I do not hear in the direct provision model at the moment is an awareness of the capacity that is in the industry at present to deliver all of the projects that are out there, both commercial and residential. As somebody who lived in social housing for most of my early years, up to the time I got married, I accept the point about the lack of repair and management of those schemes, probably due to lack of finance. That is something that might be proposed by the Government in a direct provision model for social housing in the future. It would have to be addressed to ensure the longevity of the stock. I think that is perhaps addressed in the public private partnership, PPP, model, although there are concerns about the management of that, but at least there is a plan for the management of it, which is important.

We must recognise that we are in competition with the market for resources that are relatively scarce. The market by its very nature will go to the most remunerative, expedient project in order to make a profit. That is natural in the sense that that is how the marketplace operates. We have not fully resourced the sector again. We are missing people from all types of skills areas and social housing and public housing are in direct competition with that capacity resourcing issue at this point so that is a major factor to consider.

**Mr. Michael Cleary:** Deputy Boyd Barrett referred to Shanganagh. I have no knowledge of that site that, however I am involved with some of the locations. On the smaller scale sites where there is not a significant number of housing units or apartments to be delivered, local authorities use the Part 8 process to allow them to deliver planning permission and in some cases then enter into direct contracts.

I am a planning and development surveyor, on the planning side. We spoke earlier about not just the immediate issues, but the long-term issue is that it is preferable to have a mix of tenures insofar as one can, on as much land as one can. Ideally, there would be a mixture of tenures, not just social or affordable but private as well. In those scenarios one needs the private sector potentially to take some market risk, not construction risk, and hopefully that would offset the

cost of delivery of the social and affordable housing. I accept there are examples of where that has not worked but it does work and we must try to strike a balance.

**Mr. Paul O'Neill:** I will answer Deputy Boyd Barrett's question. We are involved with Dún Laoghaire-Rathdown County Council. We have been assisting it with the analysis of the site. I stress that the site is not being considered for PPP. I am mindful of the requirements of the councillors in terms of a 60:40 split. We have been modelling some scenarios for the council in that regard. We are working with them in that context to see how that could work. As part of that we have looked at cost rental, for example, as an alternative for the site also, but within State ownership. We are not looking to push PPPs and we are mindful of what councillors and local authorities are looking for.

**Deputy Richard Boyd Barrett:** Is it the case not just in Shanganagh, although that is an example, that we have a requirement to look at all the different models? I do not see the logic, especially when Ms Bryce has more or less admitted that the PPP has a much longer timeline and that is because it is a more complicated process. I do not see the advantage of it and even less so given the point made about competition between the public and private sectors. There is limited capacity to build at the moment and I would have thought that the State must grab as much of that capacity as it possibly can, to produce affordable housing. The obvious danger with the private providers seeking the highest possible return is that like lemmings they will all go running after the highest return and after a certain point, because they are all looking for the same highest return, there is an oversupply in one part of the market and a chronic undersupply in another part of the market. There is some evidence that that is happening already. Some builders are building homes that nobody could ever afford to buy, or very soon the limited market that could afford houses for €800,000 or €900,000 will run out and we will have houses that cost that amount sitting empty when that building capacity should have been used to build houses that cost €200,000 or €300,000 and social housing. I know the NTMA witnesses cannot comment on the ideological debate but on a purely practical level, given the limited capacity they are talking about, I do not see why they would go for a more cumbersome complex process and want to include a sector that is taking risks, because given the urgency we cannot afford to take risks with limited capacity.

I have one last question which I did not ask in my initial contribution, on which I invite the NTMA witnesses to comment. Do they have any role in Part 5?

**Ms Cathy Bryce:** No.

**Deputy Richard Boyd Barrett:** None at all.

**Ms Cathy Bryce:** No.

**Deputy Eoin Ó Broin:** I apologise but I have to be in the Chamber at 10.30 a.m., so if there is not time to get all of the answers I will read them in the Official Report.

Ms Bryce said there might be some efficiencies by the time we get to bundle 3. Does she have any idea what those efficiencies are? I presume by efficiencies she means a reduction in timeline.

I do not think it is fair to say that there is nothing the NTMA can do about planning or procurement. For example, Part 8 planning permissions are now the shortest planning permissions one will get following the legislative changes made when the Tánaiste, Deputy Coveney, was Minister for Housing, Planning and Local Government. Many Deputies and councillors work

very hard to ensure Part 8s get through. That is the case for even the very controversial Part 8s, such as the PPPs, which Deputy Ellis and I dealt with in our constituencies. Even though we did not like the funding model, we still did everything we could to make sure they got through because we wanted to make sure the units were brought into stock. Planning is not the problem here.

In terms of procurement, there is nothing to stop the Government allowing local authorities having regional framework agreements for build in the same way as they have for maintenance. One might have to stagger those and have one framework agreement for builds below 20 units or below 50 units, for example, but that would significantly speed up the delivery of individual projects. There would be a big tendering process at the start, every three years, but then one would not have to go out to tender for every single project. If it makes sense to do that, as I think it does for maintenance contractors, it has to be within the remit of the local authorities and the NTMA to do that. I think we could do an awful lot of speeding up in terms of procurement.

It concerns me what was said about good schemes. In fact, all of the schemes I am looking at currently, irrespective of the delivery mechanism are of exceptionally high quality. We have social housing developments that have been delivered through the more standard model that are exceptionally high so I do not understand how one can say that by involving people in the way a PPP does, that it delivers better quality schemes. In fact, our experience from the collapse of previous PPPs suggests otherwise.

On benchmarking, my question is whether we are comparing a fictional cost of the full cost recovery of a local authority to deliver the units and maintain them over 25 years with the private sector bids or are we comparing the real world actual money a local authority gets for that, because they are two very different things. Ms Myler's point is very well made. I would like to believe Ms Bryce but I will have to wait to see the figures. Even if she were my sister I would be saying the same thing. I want to see the figures. I cannot understand the approach, given the additional cost factors of the private sector, and that private developers will want full cost recovery plus a premium, and that the State does not get full cost recovery at all, let alone a premium. The National Development Finance Agency, NDFA, says it comes in below the benchmark but I suspect the benchmark does not reflect the reality of what local authorities get for building and maintenance over a 25-year period. Any reassurance on that would be wonderful. I am delighted the public sector benchmark is to be published. It would be great if Ms Bryce could tell us when it will be published. Our problem is that we are scrutinising the cost after the fact. What we have seen in the Comptroller and Auditor General's report and in a similar report on the use of public private partnerships for major infrastructural projects across the European Union, which was published earlier this year, is that when we finally get to scrutinise the cost after the fact, there are many additional costs which show that the PPP was not, in fact, more cost-effective. With regard to the point on competition and bidding, that happens with every social housing project. Given that every social housing project goes out to a competitive tendering process, I do not see how that works any differently.

A house is not a school. This is one of the big things shown by the British experience. People live in houses and them far more, which means depreciation, damage, repair and maintenance have a greater effect than they would on a school or water treatment plant. Therefore, the possibility of maintenance costs fluctuating over the 25 years is far greater. We also know that we have other problems with which we have to deal in some of our housing estates. It is not that the experience of PPPs in other sectors is not relevant; of course it is. I would hope,

however, that Ms Bryce will accept that the nature of housing and the purposes for which it is used results in greater cost variations and risk factors which make a straight comparison with a school or water treatment plant difficult.

**Chairman:** I hope the Deputy's sister is not watching because she might be very disappointed.

**Deputy Eoin Ó Broin:** She is upstairs. I will get a kick in the shins later.

**Chairman:** The door might be locked when the Deputy goes back up.

**Ms Cathy Bryce:** I very much take the Deputy's point that a house is not a school, although we have learned a great deal from delays with schools and the impact they have on local communities. Perhaps the Deputy's point is that effect could be multiplied in the case of social housing. I take that point. Much thought has gone into developing the community aspect of these schemes. There are detailed requirements in the project agreement on helping tenants with energy management and setting up schemes with good community services, play environments and so on. Much of that work is also done by the local authorities.

The collaboration between contractors and housing associations I spoke about mainly relates to long-term maintenance and building properties so that they will still be in good condition at the end of the 25 years and can continue to be used. I take the Deputy's point that local authorities may not have been given sufficient money over the years to allow properties to be maintained on an ongoing basis. That is not to say that those costs have not arisen. The fact that the money is not spent potentially leads to greater issues down the line. Perhaps the Society of Chartered Surveyors Ireland could comment further on this. If something is left too long without maintenance, it requires significantly more money to refurbish it. The Deputy spoke about the issues that arise in refurbishing houses. The PPP model focuses the mind on the longer-term asset because it is a State asset at all times. It is a State home on State land and the focus has been on trying to ensure these homes are still in good condition at the end of the contract period.

There are costs and risks. Deputy Boyd Barrett spoke of taking on risks. Once the State decides to build and maintain houses, schools or hospitals, risks arise. It is not that anyone is taking on additional risks, it is just that risks are inherent in the projects. The issue is to try to find the best ways of managing those risks. We think it makes sense to ask the private sector to help manage some of those risks. It helps to focus minds in the private sector on the longer-term assets rather than on just building things that will look fine for a number of years but which may not stand the test of time. The PPP model attempts to do that and in that sense, I believe it has merit.

The Deputy spoke about panels and efficiencies. On the efficiencies we see arising, once we have identified the sites some schemes may operate across different local authorities. Work with the local authorities on how the management of oversight of such schemes would work is now well advanced. We see some efficiencies arising there. On the Deputy's point on procurement, having recently joined the agency I am looking at the issue with my colleagues to see if we can squeeze those timelines further. The aim of everybody in the NDFA, the local authorities and the Department is to provide these units as fast as we can, but also as safely as we can. We want to make this process quicker.

On the timelines, we know that housing will be an issue for the next five to ten years. We need short-term measures, and various agencies are looking at them, but the homes delivered

next year and in subsequent years are a very valuable part of the overall solution. To put it in context, PPPs make up a relatively small part of the proposed solution. We talk about them as if they were providing 50% of output or something like that. It is nowhere near that figure. PPPs account for a relatively small proportion of the solution.

**Deputy Eoin Ó Broin:** What is the timeline for the publication of the public sector benchmark?

**Ms Cathy Bryce:** It is slightly complicated because we are in a programme.

**Deputy Eoin Ó Broin:** Ms Bryce is saying it will be published after the third bundle.

**Ms Cathy Bryce:** That is potentially the case. It will either be after the second or third bundle. The reason is not that we do not want to be transparent with Deputies or local authorities. It is that we want to avoid giving the private sector more information in respect of the bidding process than we would like it to have.

**Deputy Eoin Ó Broin:** Ms Bryce could tell us in secret. We would not tell the private sector.

**Mr. Michael Cleary:** The Society of Chartered Surveyors Ireland encompasses not only planning and development surveyors and quantity surveyors, but also general practice surveyors. Some within that group do significant research on housing stock. On the point in respect of delivery, views vary not only on the amount we will need in the future, but also on the obsolescence rate. For example, buildings that are now 30 years old may need to be replaced. Even the numbers the NDFA referred to in terms of its delivery will not meet that level of demand. I made a note of three recent assessments of the obsolescence rate, as opposed to the immediate demand rate. They vary from a figure of 6,000 to a figure of 16,000. Some members of the SCSi would say it is closer to 6,000 and some would say it is closer to 16,000. If one picks any number within that range, one would still need a variety of mechanisms to deliver on the demand. From the society's point of view and from discussing the issue with our members, the NDFA's role in that delivery is essential because a mechanism is needed. We started from a standing start in that, as I said earlier, the market was in disarray, it took a long while to get going, and NAMA had to deal with the commercial elements first to inject life back into the industry. Approved housing bodies and other also play a role.

To respond to the Deputy's points, we see that the private and public sectors coming together, not only through the PPP process, can offer some real solutions. Going back to the query which was raised on costs and whether public procurement alone is a more efficient way to deliver an affordable cost rental model, the reality is that all processes should be tested. The private sector should be involved in delivery because it will deliver efficiencies and the public sector should also be involved. We are not discounting either.

**Deputy Eoin Ó Broin:** My question was whether, on the basis of the SCSi's research and the two subsequent reports, a private sector-led development can produce quality homes or apartments for people on gross incomes of €75,000 or less. It would seem from the evidence of the four reports - two from the SCSi and two other reports - that the answer is "No". Am I wrong in that?

**Ms Áine Myler:** If I can address that point, if one focuses on housing, the private sector could do that. However, apartments are, frankly, a whole different ball of wax. There are no two ways about it. We have talked a lot about housing units today but frankly, according to

CSO statistics, we already have as much housing as we need in this country, from a family unit perspective. I know that is probably difficult to hear but based on household size and other CSO data, we already have too many houses in the country. In fact, we already have too many houses in Dublin, which is staggering, given the critical shortages people are facing at this point in time. We really need to focus on the delivery of apartments now.

The question was asked as to why it costs so much more and it is because we are not very experienced at such building. Apartments have been a very small part of our market to date. Apartments are viewed as being for short-term leasing rather than long-term housing. I am originally from Ballymun and the apartment scheme there was supposed to lead out on what apartment living would be like. They were really good units but were poorly managed over time and we all know what happened to that particular scheme in the end. That is a mistake that we would not want to repeat it but by the same token, in the context of our cities and economy, we need to be building apartments. At this point in time, based on current building regulations, size and location, the private market could not deliver public apartments or apartments affordable to those on average incomes, which is borne out by the report we produced last year. This is of massive concern to us.

**Deputy Eoin Ó Broin:** I apologise but I must leave now.

**Chairman:** That is fine. I have a number of questions before I call on Senator Murnane O'Connor.

Following the establishment of the framework, how much time will be saved in the overall process, if planning and procurement are being streamlined as much as possible? Can we presume that inflation is still included in any tender document? I get very nervous when I hear witnesses saying that something came in below benchmark because I am not in favour of lowest-price tendering. I ask the witnesses to elaborate on that issue. Sometimes necessary elements are taken out of tenders in order to win a contract. What is the minimum number of units required before the NDFA gets involved? Are all sites earmarked now or are there more in the pipeline for the future? In terms of local authority staff, somewhere between 700 and 900 additional posts have been approved, predominantly in Dublin, Cork and Galway. It obviously takes time for the public appointments process to work itself out and by the time posts are finalised, some candidates have been snapped up by the private sector. Ms Myler referred to the opportunity for local authorities to enhance their project knowledge by taking on the developer-promoter role. How long will that take?

Deputy Boyd Barrett made reference to the site in Shanganagh and while I disagree with him on the breakdown of the housing mix, we both want to see homes built on that site. A proposal was made by three local authority members, namely, Councillor John Bailey who is my father, Councillor Michael Merrigan and Councillor Shane O'Brien of Sinn Féin more than two years ago. It took about nine months to put together their very detailed proposal and we are all exceptionally frustrated at how long it is taking to get any responses to that proposal. Rent-to-buy was part of the proposal but I understand that the local authority is opting for the cost-rental model. I do not understand why a portion of the cost-rental homes could not be rent-to-buy. A rent-to-buy scheme was piloted in 2006 or 2007 in Stepside and was very successful. After a number of years of renting, people were given the opportunity to purchase properties at an affordable rate. I hope that model will be considered again in the context of the Shanganagh site. That scheme also contains housing options for older people. This committee has prepared an extensive report on options for older people to downsize in both the public and private sectors. If one looks at the population in Dún Laoghaire-Rathdown one sees that the demand for one-

bedroom units is significant and increasing.

On the skills shortage issue, I know how proactive the SCSI is in this area. It is constantly engaging with its membership and actively encouraging those who emigrated to return home. In order to get the professionals to come home to fill the gaps, they will need to see continuity and certainty in the construction sector. Does the Project Ireland 2040 plan provide some of that? I am also aware that housing projects are competing with large-scale infrastructure projects. We had a meeting yesterday on the impact of Brexit on housing. We had a very interesting discussion with representatives from the ESRI and the Nevin Economic Research Institute who spoke about the building materials that we import from the UK, which can range from 30% to 50%. They also referred to inflationary costs that could come down the line once Britain leaves the EU. I ask the witnesses to give their views on that issue.

Mr. Cleary said that we need to look beyond the immediate and that is what we are doing with the Land Development Agency. The interim CEO of the agency, Mr. John Coleman, appeared before this committee recently. He talked about derisking sites and how that will take place in practice. It was a very informative and encouraging meeting. I presume that the SCSI has met or intends to meet representatives of the Land Development Agency and that engagement is ongoing. On the issue of risk and the removal of same, while we must consider pre-development risks we cannot forget the risks when workers are on site. That aspect is often underestimated. People seem to think that builders are just there to make money and that there is no risk involved in actual building. Whether one is talking about a single house or 500 units, there is always a risk when builders are on site. There are numerous risks involved in construction of which people are not really aware. I ask the witnesses to talk through that.

Do the witnesses believe it would be possible for local authorities to deliver the same quantity of housing without land initiatives or PPPs? Land initiatives rely on private developers to deliver units but is this the best use of public land? The Land Development Agency is a good initiative. At yesterday's meeting witnesses said that we cannot do everything in one year. Given that very little construction happened for a number of years, it has taken time to get back up and running again. It will take some more time before the sector is capable of delivering 30,000 units per year.

I now invite Senator Murnane O'Connor to pose questions.

**Senator Jennifer Murnane O'Connor:** The Chairman has covered a lot of the areas about which I am concerned. A culture change is needed in the Department. Having read through the information provided on PPPs and AHBs, it is quite clear that the Government is not encouraging direct building by the local authorities but is relying heavily on the HAP scheme to house those on local authority waiting lists. However, there are not enough houses to rent. I can categorically say that in my own area there is not enough housing. We do not have enough units. We are not building the right types of housing either. There are very few two-bedroom units being built or units designed for people with disabilities. Our criteria and outlook are all wrong.

I spoke to a woman recently about co-housing models in Denmark, involving communal housing for elderly people, younger people and so on. We are not looking at the bigger picture when it comes to housing. We are not delivering the right housing stock. Local authorities have moved away from the concept of direct build local authority housing. We built local authority houses 100 years ago and there was nothing wrong with them. Now the focus is on Part V developments, many of which are happening in my own area as well as PPPs and approved housing body houses. A culture change is happening whereby people will never be able to buy

the house in which they are living. This is normal in many other European countries, whereby people do not buy their homes but enter into long leases, for 99 years and so on. Many of the new agencies involved in providing housing now do not give tenants the option to buy. That is very unfair on people who are working and who want the option to buy. The Government must encourage the local authorities to use their land banks to build public housing and to give people the option to buy.

We also need to reconsider the HAP scheme, given the amount of money that is being spent on private rental accommodation. The figures are extraordinary. The average cost of renting a house in Carlow is apparently €758 per month. I wish it was €758.

**Chairman:** Where is the Senator getting the figures from?

**Senator Jennifer Murnane O'Connor:** I got these figures myself. We were looking at the housing strategy recently and these are tables I got in the past few days after I requested them.

**Chairman:** Okay. We are not talking about the housing assistance payment now.

**Senator Jennifer Murnane O'Connor:** I know that but the problem is although we are talking about housing, we cannot deliver that housing when so much money is being put into an area of rent. It is the biggest issue. The purpose is being defeated. To rent a house in my area the average is now €1,200 because of all the increases. We will not be able to build if we do not set aside money for construction or for use in the likes of approved housing bodies. It is my biggest concern. We are not looking forward to put proper housing in place. Apartments are okay for cities but I always think rural areas are forgotten. I come to the meeting of this housing committee every week and the first figures we see are for apartments in Dublin but we must look after rural Ireland. Apartments are not suitable for rural Ireland so technically what we build is not suitable.

Through public-private partnerships we are looking at building three-bedroom houses all the time. We are looking at a specific type of house rather than other areas, and that is where we are falling down as well. It is not working. Much more power, money and funding is required. We should be encouraging local authorities to buy land and build local authority houses. It is not happening now and our culture is changing. That is not right. More people are coming to me about the housing they have been given through approved housing bodies like Clúid, Respond! and these different agencies. They do not have an option so we are encouraging something that is not right. If there is a culture change, can we come to some agreement with all these different agencies so that people can purchase housing in the long term? We must look at where the funding is going. It is a finance agency and people must be accountable for the money spent. None of this will be sorted out unless we stop paying millions of euro through HAP on rented accommodation. We are paying more for long-term rent than we would in building houses. We cannot win such a battle.

**Chairman:** Sisk Living delivered a site at George's Place in Dún Laoghaire. The project, consisting of two-bedroom houses, has won awards and they are beautiful houses. They came in at approximately €180,000. There is another phase to go on the site. The site is surrounded by apartment blocks of four or five storeys so it seems the State did not maximise the potential of the site. The front had to be sensitive to what is already there - there are two-storey houses opposite the site - but in the back we could absolutely have scaled that up. I have a full understanding of the cost of apartments and I appreciate the witnesses reiterating it as people do not really understand the detail involved. There is a second phase and a public-private partnership

would probably be best for it. We could deliver the project in Dún Laoghaire at €180,000, and this would reach people with €75,000 income if they were designated as affordable units. There were 12 designated for social housing, which was brilliant, but we could replicate the model.

**Ms Cathy Bryce:** Senator Murnane O'Connor spoke about public-private partnership schemes for social housing. All of those houses will be fully controlled by local authorities with regard to which tenants use them over 25 years.

**Senator Jennifer Murnane O'Connor:** The new housing schemes for people to buy their own homes are non-existent; nobody is able to buy a house because there must be 50% income and somebody must be working. If I won money in the morning and applied to the local authority to buy out my house, I could not do so. Every barrier has been put in the way of local authorities. This must be examined. We are changing our culture and it is so unfair. I know a couple who sought to buy their house recently but they could not do so. They have been in a local authority house all their lives. I have never seen anything like it. There is no option and it is very rare for it to happen.

**Ms Cathy Bryce:** With regard to bundle one of the public-private partnership social housing, 20% will be one-bedroom houses. That is specifically at the request of the various local authorities to accommodate older people who may wish to move to smaller or more suitable ground floor accommodation. I assure the Senator there is some forward planning by the local authorities in that regard. HAP is not the remit of the NDFA.

**Senator Jennifer Murnane O'Connor:** I know it is not.

**Ms Cathy Bryce:** Everybody would probably say there is too much reliance on the rental sector social housing and that we should try to move to more ownership and control by the State. The Chairman asked about the best use of public land. With the PPP schemes the land remains within the State and if it is felt that it is not the best use over time, a change of direction could come about. Some of the land initiatives will provide private and affordable housing. It is really a matter for the Department as to how best to utilise that resource. No matter what, it will go towards providing housing in the broader concept, so it is going some way to helping to resolve the matter and ease house price inflation.

There was a question on whether this quantity could be supplied in the same way if everything was done through direct building. I may have answered the question already. Given the very significant demands in terms of quantities to be provided, we should use every channel and, as I stated, keep them up and running rather than stepping them down only to step them up again at some point in the future. That makes sense as much hard work goes into trying to set both PPP, land initiative and enhanced leasing schemes. There is much devil in the detail for both local authorities to be happy that these are good schemes that they can operate and for the Department to be happy with them. The private sector must first be able to understand them and then be able to bid on them and try to get some efficiencies in the replication. It appears we are at a juncture. Demands are so high that we should try to use all channels for delivery.

The question on the number of units relates to the third bundle of social housing. It is envisaged this would be approximately 500 units. We do not have any visibility of any more sites currently. It is a decision for the Department. We are keen to try to keep the channel open but there are many other considerations relating to sustainability and macroeconomic factors. As members are aware, the PPP schemes are 100% social housing and localities must be considered for suitability with regard to mix in an area. There are many considerations in that regard.

There was a point about the lowest price tenders and we are acutely aware and conscious of that. We are afraid, I suppose, of the private sector making too much profit from schemes but also of underbidding, as has happened in some cases, before contractors get into trouble. In the end, this causes a problem for the State if it has to step in to resolve the matter. With regard to PPP bidding criteria, 60% of marks go towards design, quality and management of the scheme, with 40% going towards the financial aspects. That helps achieve balance in the tender. Our sense is that the bid is very competitive across each of those criteria, which is important.

**Ms Áine Myler:** I am happy to address the issues of staffing and skill shortages. We have undertaken two significant studies in the past five years to identify what the motivation and constraint factors were. We have probably been a little too successful in promoting the idea of technology as a panacea for employment. Technology is clearly of great interest to young people. We try to sell a vision of our industry, but it has been difficult given the boom-bust cycles we have had for many years. Moreover, the industry, which was relatively fragmented, became even more fragmented as a result of the collapse in the economy and has not come back together again. We are also defaulting to traditional forms of delivery because we have not had investment in research and development or innovation. We have been calling for the establishment of a centre for innovation in construction for some years. It would involve a lot of off-site construction and would help to reduce costs and enable more efficient and effective delivery. Indeed, it could become a whole area of employment in and of itself and might provide an exporting opportunity for this country because we are good at this sort of thing.

We need to develop a sense that the construction and property sectors are technology sectors. That will only happen if a forward-facing and well-resourced strategy is put in place. I suggest the Government will have to get some skin in the game. A significant study undertaken in the UK a few years ago, entitled the Farmer review, which I am sure everyone has read, pointed out the issues the UK faces. They are very similar to the issues we face, but are bigger because the UK is a bigger marketplace. We are trying to sell a future to a 15 year old, but all he or she is seeing is shortages, boom-bust cycles, negativity and what looks like traditional block-on-block type activity. We have to generate a whole new vision for the sector.

Thankfully, some off-site innovation is taking place. Building information modelling, BIM, as a platform has been discussed. The Office of Government Procurement, OGP, is looking very closely at how it can make public procurement more agile, while staying within the constraints of EU directives and state aid in that sector. I have a 19 year old at home and there is not a chance that I could have induced him to enter this industry or profession in the past ten years. We are challenged in that respect, and we are constantly trying to knit those things together to make the sector attractive.

Ms Bryce referenced the need for pipeline provision and the need to demonstrate that there will be work available. There was a discussion as to whether the national development plan, NDP, is a reason for people to come back home. The construction project tracker, developed by the Department of Public Expenditure and Reform, is a really interesting tool. As it expands the information available on it and breaks down the stages of construction into various milestones, it will provide an interesting way of showing people a pipeline of projects is still in place. We need the capacity and so there will be a place for those who want to get involved. The recruitment being undertaken by the local authorities, which is in competition with a marketplace that is also looking for those resources, is providing a challenge. Our focus is ensuring that delivery of projects in the sector, not just the perception of it, changes. Some of that will require investment by public and private entities.

**Mr. Michael Cleary:** The Chair referenced the Land Development Agency and the need to ensure the best use of public lands and deliver the correct type of units. Wearing the planning hat, as a planning and development surveyor, it is important to make sure that we have all the relevant information. In an earlier answer, I referred to obsolescence and the work required to quantify the number of obsolescent housing units and understand the actual number of units that need to be replaced, discounting the surges in demand that occur. That work could be given to an entity such as the Land Development Agency or at least made part of someone's work stream.

The types of housing units to be delivered are also a consideration. There are regional residential units and also residential units in the larger urban areas. There has to be an assessment of what the need is now and going forward in terms of housing for older people. We also hope that some of the employment opportunities in the IT sector will move to the regions rather than just Dublin. Within that there should be an assessment of the types of housing these workers require. We are involved in a number of development schemes for high-tech entities that are expanding here. It is interesting that they bring people from their place of origin to advise them on the types of units they require and also the short-term nature of some of the units required. Perhaps this is an urban phenomenon, but we have to figure out a way of delivering that, while addressing the high cost issues to which Ms Myler has referred.

The influence of technology in the sector and long-term requirements for energy efficiency are other issues to be addressed. We are attempting to get the suggestions in this area across the line by 2040. The ideal scenario, from a planning and development perspective, is that someone will take the 2040 plan - perhaps the Land Development Agency or its equivalent - and employs a variety of work streams which would allow it to generate robust and important statistical information and apply the findings to assist in implementing the plan where information has to be provided. Various sites also have to be targeted. From the planning and development perspective, I have been in front of many local authorities to discuss their role in the planning process, which involves zoning and managing the process. Sometimes when we approach the local authorities with specific sites we are told they never anticipated that the site would be used for development. This is particularly the case in terms of the ownership of public utilities, ports, hospitals and other areas. We tell them there is a way to make such sites useable and set out how it could be done. The Land Development Agency will become much more important in this area because brownfield site delivery, once we get over the current issues, will be the next challenge. There is only a certain level of building we can do. We cannot keep going beyond the existing boundary lines of our properties. The cost of delivery in the Netherlands and other places was mentioned earlier. It is easier to make something of a site if it is close to public transport nodes. That issue ties back in so that there is a joined up approach covering planning and development. That issue must be prioritised and must not be lost in the immediate discussion of the physical delivery of units.

**Ms Áine Myler:** Shanganagh was mentioned. I am not aware of any decision that has been taken on tenure mix. Cost-rental was one of the options that we looked at, but only in the context of retaining them in State ownership. We did not look at it from the point of view of a private sector-led initiative.

**Senator Jennifer Murnane O'Connor:** I thank the witnesses for their report. One third of 50,000 social homes to be provided under Rebuilding Ireland are to be delivered by 2021. My main concern is the lack of joined up thinking among all the agencies concerned with housing. The agencies are falling down in that area. Saying that housing assistance payments, HAP, do

not fall within the remit of one or other of the agencies does not work. All the agencies are involved in Rebuilding Ireland, and they should remember that there is a reason that 10,000 people, including children, are homeless. The reality is that we do not have enough houses. Everyone, including local authorities and the different Departments, must sit down and have a conversation but this is not happening. It frightens me to think that people are passing the buck. People are happy to say that something is not part of their remit and that they have nothing to do with it. Unless we sit down and have this conversation, we will be back here in 2021 and will be no further along. We have a housing crisis. Hearing witnesses say there are houses out there concerns me because homeless people come to my clinic and I cannot find anywhere for them to live. I am begging people for help.

All the local authorities and relevant agencies have to come together to fix this problem. We have to follow through with Rebuilding Ireland. One of the witnesses mentioned her son, and I can understand his position. People are disillusioned and disheartened, and it is hard to listen to people declare at this committee that they will make the plan work. I hope we do but we have to be realistic and say that we will make it work in the long-term. I get so disheartened by all this. Every few weeks, witnesses appear and tell us that a particular issue is not something within the remit of their Department. If all the Departments with responsibilities in the area of housing do not work together, and cannot see what has been happening and what has been spent on housing, they are not doing taxpayers any favours. It is not fair on the witnesses or on members who are trying to represent people in their areas. Unless we all start working together, including every sector of the Department of Housing, Planning and Local Government, it is not going to work.

**Chairman:** The witnesses are not from the Department so they do not need to answer questions on its behalf. The report the Senator referred to was one from yesterday indicating we have enough family homes and that smaller units are required.

**Ms Áine Myler:** I will make one further point before we leave the topic of models of delivery. Part V has its critics, and rightly so in certain aspects. However, one of its main objectives was social integration. We should not look past that as a continuous model that aims to integrate everybody into society. While the delivery of large-scale social housing projects is laudable and necessary, we should not look past the opportunity to deliver the vision we have of social integration for everybody living in housing.

**Senator Jennifer Murnane O'Connor:** I have no problem with Part V. I am just giving my opinion.

**Ms Áine Myler:** From our perspective, that is a call to action for policymakers. We see that as one of the laudable objectives of Part V. It has its critics, and rightly so, as I said. It is a counter-cyclical provision in any event, which probably does not work in supply terms. However, social integration should still be an objective of our housing vision for the country.

**Deputy Richard Boyd Barrett:** I wish to comment briefly on that point.

**Chairman:** I will allow Deputy Boyd Barrett to speak for 30 seconds.

**Deputy Richard Boyd Barrett:** I asked earlier if any of the witnesses were involved in Part V housing and I was told they were not.

**Chairman:** Deputy Boyd Barrett asked Ms Bryce if the National Development Finance Agency was looking at any Part V projects.

**Deputy Richard Boyd Barrett:** Is the Society of Chartered Surveyors Ireland involved in Part V projects?

**Ms Áine Myler:** As a professional membership body, we are not involved in it. We spoke about it when Deputy Boyd Barrett was out of the room.

**Senator Jennifer Murnane O'Connor:** We are dealing with Part V locally.

**Deputy Richard Boyd Barrett:** The reason I ask is a concern prompted partly by the experience of Cherrywood and partly by recent comments by Mel Reynolds. Mr. Reynolds fears that the developers on many big private sites are in no hurry to build or may not have any interest in building. Therefore, we should take the Part V component as land upfront and build on it ourselves, which I would have thought would bring in the organisations represented here. Mr. Reynolds argument was that this would be cheaper and the State would also control the timeline. That seems to be a very good suggestion in light of the number of sites on which we are hoping to secure Part V builds but the matter is completely in the hands of a private developer. In the case of Cherrywood, the developer has already flipped some of the land. We do not know what is going to happen there. If the State took its 10% upfront - I would like that percentage to increase to 20% or more - and started to build on it, that would move things forward. I do not know if the witnesses have any comment on that, but it seems to be a very sensible suggestion.

**Chairman:** I will make a comment on that. The State has land in that area and I agree in part with what Deputy Boyd Barrett is saying. We need to move on the land that we have right now, which we are not doing in many cases. Rather than moving further down the road, we need to work with what we have now and keep adding to it. Those sites will come on-stream soon enough. We should focus on building on the sites we have that are ready to go, rather than going to more complex sites. I probably differ with Deputy Boyd Barrett on this.

**Deputy Richard Boyd Barrett:** In fairness, I am asking the witnesses.

**Chairman:** I am asking the same question from a different point of view.

**Deputy Richard Boyd Barrett:** Right.

**Chairman:** As Chair, I am also a committee member and I am entitled to ask the same questions as the Deputy. On both sides of the coin we all want the homes as an end result. My view is slightly different. Do the witnesses have a view on that matter?

**Mr. Michael Cleary:** The Part V process worked insofar as it was allowed to work in the boom years. It delivered as developments occurred. The issues around delivery are probably not that different in the private sector and the public sector. There are issues with some of those sites. I am familiar with them by name but I am not involved with them directly. There were probably infrastructure or historical title issues on some of those sites that needed to be addressed. It is now likely that the funding is being put in place, as has happened for many of these sites in the past 24 months.

I am presuming that these sites have planning permission, which has a lifespan of five years or thereabouts. It is not in the landowners' interests not to start moving because the planning permission will expire. Under planning law, if a certain percentage of the scheme is not under way within the duration of the permission the capacity to deliver on that permission becomes null and void. That is how the planning process addresses those issues and forces the landowner to focus. I am not familiar with the specific site in question beyond the high-level information

I read in the newspapers, so I cannot comment further.

On the suggestion to take out 10% of the site area and develop it separately, that would be a difficult task to undertake. The process would probably be along the lines of that followed by the National Development Finance Agency because it would be delivered by public procurement. Many of those designs do not lend themselves to this. What 10% of the site would be chosen? Would it be the 10% closest to the infrastructure? Would ransom strips be created because access to infrastructure such as roads, foul sewers, etc., would be needed? These are just observations. If I was advising a client undertaking this, these are the risks I would say they should consider.

**Deputy Richard Boyd Barrett:** We should take the 10% closest to the site entrance.

**Chairman:** On behalf of the committee, I thank all our witnesses for attending and for the information they continue to supply. Some are repeat attendees. If there is any further information they want us to have, we would appreciate if they would send it on to us. I know we have delayed our witnesses this morning and gone well over time. It is a crucial part of this committee's work, so we appreciate their attendance.

*Sitting suspended 11.05 a.m. and resumed at 11.15 a.m.*

**Chairman:** On behalf of the joint committee, I welcome from the Irish Council for Social Housing, ICSH, Dr. Donal McManus and Mr. Sean O'Connor. I also welcome Dr. Rory Hearne from NUI Maynooth.

By virtue by virtue of section 17(2)(l) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of their evidence given to the committee. However, if they are directed by it to cease giving evidence on a particular matter and continue to do so, they are entitled thereafter only to qualified privilege in respect of their evidence. They are directed that only evidence connected with the subject matter of these proceedings is to be given and asked to respect the parliamentary practice to the effect that, where possible, they should not criticise or make charges against any person or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice to the effect that they should not comment on, criticise or make charges against a person outside the Houses or an official, either by name or in such a way as to make him or her identifiable.

I call on Dr. McManus to make his opening statement.

**Dr. Donal McManus:** I thank the joint committee for the invitation to address it. I am CEO of the ICSH, the national federation of housing associations. My colleague Mr. O'Connor is CEO of the Túath Housing Association, one of our active tier 3 member bodies providing housing throughout the country. The ICSH has more than 250 members. Collectively, the sector manages more than 35,000 homes at affordable rents for families, older people, people with disabilities, the homeless and single people. The committee is probably familiar with our members as being more single purpose organisations dedicated to the management of homes and the building of sustainable communities. Housing associations work in partnership with local authorities and play their part collectively in meeting the housing needs of people assessed as being in need of housing by local authorities.

Approved housing bodies are to provide one third of the 50,000 homes to be supplied under

Rebuilding Ireland until 2021, which equates to approximately 15,000 homes per year, with local authorities providing the bulk. In 2017 Approved housing bodies in the housing association sector delivered 2,330 long-term permanent social rented homes, that was the highest annual level the sector had ever recorded and accounted for around one third of the overall delivery of permanent social housing, with local authorities providing the remainder. As part of the increased delivery by approved housing bodies, a number of larger tier 3 bodies provided a significant number of homes and have ongoing development programmes for the coming years. Of the 2,330 homes delivered by the sector in 2017, 1,078 were delivered through new construction, 760 through acquisitions and 492 through long-term leasing.

In July the Department of Housing, Planning and Local Government, through the Housing Agency, issued a second call for proposals under the enhanced leasing scheme as part of its delivery under Rebuilding Ireland. Enhanced leasing appears to be targeted at developers and new builds, vacant properties and new homes to the market, with properties to be delivered at scale and at a minimum of 20 homes. Enhanced leasing is intended to complement the existing long-term measures available from local authorities. As structured, the scheme provides a long-term leasing arrangement, whereby property owners provide maintenance services and local authorities lease the units and take on landlord responsibilities. The property owner is paid rent of up to 95% of the market rent and the local authority collects differential rent from the tenants. Homes are provided by the properties' owners and the other stakeholders - the local authorities.

It has been suggested approved housing bodies could have a role under the scheme. To date, they have not been involved in its design. The enhanced leasing scheme could work in some cases where an approved housing body is contracted by the local authority under a service level agreement to provide landlord or tenant services as an agent. In our analysis, however, this scenario could present issues for the approved housing body. For example, it could only resolve issues on the ground such as rent arrears and the performance of the lessor in providing repairs and maintenance services through the local authority. In this scenario the role of the approved housing body is limited and where problems arise, the intervention of the local authority is key, as it is the contractual partner to the lessor.

Another possible arrangement that has been mooted but is not part of the scheme could see an approved housing body act as landlord, with the tenant signed up to the body's own tenancy agreement. The body would have the flexibility to take action as and when required.

The sector is open to different options for making the scheme work, but there are probably value for money issues with enhanced leasing and it does not provide permanent social housing. In our limited contact with stakeholders in the private sector they have indicated to us that there are issues with how properties would be managed. In a sense, how social housing is managed is not private developers' primary focus.

An investor-led lease that attracted pension and ethical funds and was provided by professional non-profit housing management could be delivered by approved housing bodies over the period of the lease and beyond. It can be off balance sheet and typical of models in other EU member states, with both approved housing bodies and local authorities participating at scale.

Land initiatives are linked with local authorities in terms of the supply of land. For housing associations to increase the delivery of new social housing homes, access to sites is critical. To date, this has occurred on an *ad hoc* basis. A continuous supply of residential land and sites is central to having a development pipeline in the housing association sector being able to meet its social housing targets.

Up to 2010, approved housing bodies had access to land in local communities, which included land donated with covenants by charitable bodies, as well as land accessed below market value. In addition, one of the most successful schemes for approved housing bodies was the local authority low cost sites scheme, under which local authorities transferred sites to housing associations to allow them to provide housing and supports for people on local authority waiting lists. These options are now severely limited. Together with the sector having virtually no landbank of its own, this has meant that it has had in recent years to organise other routes to gain access to building sites. Some of them have necessitated housing associations working with the private sector through various turnkey and joint ventures to deliver housing. This has been important in being able to stimulate employment for local construction firms, as well as providing new homes. However, there are still several local authority sites being developed by approved housing bodies. Examples include Respond in Blackpool in Cork, Túath Housing in Crumlin in Dublin and Clúid in Kinsale, County Cork. In addition, a number of local authority regeneration projects are being developed by approved housing bodies in partnership with the local authority. They include Clúid at St. Mary's Mansions in Dublin and Fold at Dolphins Park in Dublin.

Recently, there has been a call by the Housing Agency for expressions of interest to approved housing bodies for 37 sites they have available for social and other forms of housing. The sites include those assembled through the land aggregation scheme. This is welcome as it provides another option for approved housing bodies.

In our view, the new Land Development Agency can play a crucial role in enabling activation of suitable State-owned sites for both social and affordable rental housing in a strategic manner, as well as enabling delivery with landowners in the private sector. It is important that there be a strong focus on ensuring all suitable State land is made available for housing purposes. The onus should be on the public or State body to explain why the land should not be available to be prioritised for housing.

Public private partnerships have a limited role in this process. A small number of approved housing bodies have worked with PPPs in several ways through the social housing delivery programme as one of the partners. However, here is a long lead-in time in this process. The role tends to be more as a management agent. The social housing PPP bundles are based on the provision of services in developments over a 25-year period following construction that will include the maintenance and upkeep of housing, with the return of the asset after 25 years to the owner.

In contributing to the housing system the examples given are part of the menu of responses to compliment mainstream delivery by housing associations and local authorities. Land initiatives potentially can have the most significant and positive long-term impact on the housing and land markets. Nothing has been done since the Kenny report and the report of the all-party Oireachtas committee in 2003. This will assist in the provision of housing, both social housing and other tenures, where affordability is a key concern.

**Chairman:** I call on Dr. Hearne to make his opening statement.

**Dr. Rory Hearne:** My presentation is based on 20 years of academic research and community practitioner experience in the areas of social housing and economic policy. I hope it will provide some useful insights into how we can solve the continually worsening housing emergency. There is a real requirement to think deeply about our policies and critically about why we are in this crisis. Some of what I might say might be quite strong, but I ask the joint

committee to reflect on it in the spirit in which it is contributed in this debate.

The new enhanced social housing leasing scheme and social housing PPPs are, in fact, handing social housing delivery over to the private market. It forms part of the approach taken in the new LDA and the Government's wider housing plan, Rebuilding Ireland. It involves the outsourcing and privatisation of social housing and is a key reason we are in this crisis. Rather than the State guaranteeing the supply of new social and affordable housing by funding sufficiently and overseeing the building of housing via local authorities, co-operatives and housing associations, it is turning to the private market. This is despite the private market's repeated failure to deliver social and affordable housing, as well as value for money. The only conclusion one can draw is that the Government, through the Housing Agency, has an ideological aversion to the State actually building social housing and being the developer but believes in the primacy and efficiency of the market.

PPPs and leasing are inherently risky approaches. They are marketised forms of delivery which tend to suffer from major delays or fail completely because they are dependent on whether the private sector decides to build, finance or become involved at all. It is down to the profitability and commercial viability assessments of private developers, investors and private finance. My research shows that they tend to be geared towards this, rather than maximising social housing provision, as well as providing value for money for the people.

We are entering a highly risky period in trying to access private finance in a deeply uncertain time with Brexit, President Trump, etc. What happens two or three years down the road with a PPP when a private developer decides it is no longer viable and pulls out? In such an approach one is handing over all control to a highly risky private market. We saw this with the latest PPP housing projects. Although they were announced three years ago, they are still not even at contract award stage. It is the same with the Dublin PPP lands initiative sites. They started over three years ago, but there is still no building. As a result, we have public lands lying idle in the midst of a crisis, while the State engages in a form of market speculation. If it built on the land four years ago, today it would have tens of thousands of extra social housing units. When the land is sold and transferred, it is gone.

The value for money aspect of the PPP and leasing projects is extremely dubious. The method of value for money analysis used by the public sector is not released, as it is deemed to be commercially sensitive. Accordingly, there is no evidence to show that the projects actually are value for money. The cost of providing social housing via the new leasing scheme is at 95% of market rent. In Dublin the average rent is €2,000 per month. With rising rents, over 25 years it will cost €600,000 per unit to price a house in this way. This is €420,000 per unit more expensive than building directly through a local authority or housing association. If one adds in the fact that the State has the asset at the end and conservatively values it at, say, €150,000, the total cost of delivering social housing via leasing is €750,000 per unit, which is four times more expensive. For every leased housing unit paid for over 25 years, one could build four local authority homes. For the cost of the 10,000 leased social housing units over the lifetime of Rebuilding Ireland, we could be building 40,000 permanent social housing units. The approach also locks the State into paying expensive rents in perpetuity. Entering lease agreements at a point of high rents is not good value for money. As rents fall, which they inevitably will at some point, the State will be left paying inflated rents.

The LDA is operating under the same failed principle. It is about incentivising and making it financially viable for the private sector to become involved using State land and subsidies to deliver social housing. It is a massive transfer of wealth from the State and the people of

this country to the private sector. We must ask what is the most efficient use of our national resources to meet people's social needs and rights. The current approaches do not use our land and finance in an effective way. They are, in fact, a form of corporate welfare whereby the State is providing billions of euro in hand-outs to the private commercial sector and wealthy real estate investment trusts. There is a deep contradiction in State housing policy which aims towards affordability and social housing provision but works towards incentivising, subsidising and rebooting the private property industry using PPPs and leasing within its corporate welfare approach. The current housing functions quite well for some, such as landlords, banks and investors, but it is badly failing the many locked out in "generation rent" and homelessness.

The social housing leasing scheme adds to the crisis and the lack of genuinely affordable supply. Leasing, like the housing assistance payment scheme, takes supply away from the housing system which could otherwise be used for rental or home purchase. Through these schemes, the State is taking from supply rather than adding to it. Why does the Government not build through the State and not-for-profit housing associations and co-operatives whereby one does not pay the additional cost of developer profit and expensive private finance and does not have the risk of the entire project being delayed and collapsing? My research on PPPs in 2008 evidenced that PPPs are 25-year projects which require significant legal contracts to manage. For example, in the case of schools some principals were consulting lengthy contracts to decide if the grass had been cut long enough or whose responsibility it was to fix a window. Who will be responsible for the maintenance of PPP and leasing schemes? With whom will the tenant be able to raise issues? Will the local authority penalise a private provider which is not doing what it ought? Of course, local authorities do not penalise such providers because of the relationship and contract which are in place. Another issue is that PPPs and private leasing require a significant institutional effort on the part of local authorities and the Department of Housing, Planning and Local Government. That effort would be better put into building public housing.

There is an alternative approach which offers better value for money and has a guaranteed approach of delivery, namely, true public housing built by local authorities, housing associations and co-operatives. We are in the midst of a major crisis. We need to radically shift to building 20,000 public affordable homes using those various forms. We have the land, finance and fiscal space to do so. Why are we pursuing models that do not work and have not proved value for money?

**Senator Jennifer Murnane O'Connor:** I thank Dr. Hearne. He has hit the nail on the head. The lack of building by local authorities is the biggest issue with which we must deal. All local authorities have landbanks. They built houses 100 years ago and never experienced problems such as those we face today. We are relying on the private market. I note that Dr. Hearne mentioned leasing three or four times in his address. Leasing is the housing assistance payment, HAP. We have gone down the route of private leasing and because there is no joined-up thinking. The system is very unfair. The problem is that if we pump money into leasing and renting houses, it takes away from building. Local authorities are more affected by that than any other body. Of all the issues I have heard on housing, I congratulate Dr. Hearne on what he said. It was 100% right.

As I mentioned to our previous speakers, there is co-operative communal housing in Denmark in which people might share eating areas or laundry rooms. Is Dr. Hearne aware of that scheme? In the long term we need to change our perception of housing because people are living longer. People are in four-bedroom family homes but may need only one of the bedrooms. I refer to older people and people with disabilities.

In the long term, local authorities are key. They can build houses more cheaply because they have the land on which to do so. Why are local authorities not building on their land? We are told that finance is available, so what is the problem? What is the plan regarding elderly people and people with disabilities downsizing from four-bedroom houses to two or one bedrooms? We are told that the relevant figures are available. However, there has not been sufficient progress in my area, which is the only area on which I can focus. We need to deal with the housing issue on a national basis and come up with solutions for the thousands of people who are homeless. I ask Dr. Hearne to address some of the issues I have raised.

**Deputy Eoin Ó Broin:** I thank the witnesses for their presentations. It is almost as though we have three tiers in terms of funding for social housing delivery. There are various funding mechanisms for private sector-led developments such as PPPs or enhanced leasing whereby the developer gets full cost recovery plus additional premium and risk. They get the highest level of payment for what they do. Approved housing bodies get a lower level of deal. They get full build cost over the lifetime of the availability agreement, an element of cost recovery for maintenance, although I am sure there is a tough hagggle between the bodies and the Department in that regard, and a small administration fee. Local authorities get build costs but do not get an availability agreement and, therefore, do not get full cost recovery and must rely on differential rents. It is not a level playing field for the three sectors. Do Mr. McManus and Mr. O'Connor consider that a fair characterisation in terms of their projects and the engagement of some of their members in PPPs, etc.? What is their view on the unfair advantage which many of us consider the private sector is getting over their sector through enhanced leasing and PPPs? For example, it is not possible for them to apply for enhanced leasing because one would need 100% capital upfront and it is unlikely that a bank would lend 100% capital to most tier 3 approved housing bodies, which is why we have Government grants, etc.

My other concern regards public private partnerships. There is a PPP scheme in my constituency which will be managed by an approved housing body. Do Mr. McManus and Mr. O'Connor and their members consider that a space which the approved housing body sector wants to be in? Is it sensible for the approved housing body sector to be in that space rather than the direct delivery and management of its own stock?

If an AHB gets a plot of land from a local authority, it usually develops that land in accordance with local housing need following discussions with the local authority. However, under the Land Development Agency, LDA, it appears that there is a prescribed designation of 10% social and 30% affordable. We have been told that there is some flexibility in that regard but have seen not evidence of it. Its approach seems to be solely based on what the market can bear in terms of the financing of the development. Is that a fair statement? Do the witnesses have any concerns in that regard. They highlighted that it could be very beneficial in terms of accessing land for the LDA to works with their sector. Do they have a concern regarding large tracts of land only having allocations of 10% social housing and 30% affordable housing?

As Dr. Hearne knows, we share the perspective he outlined in his submission. The National Development Finance Agency, NDFA, representatives of which appeared before the committee earlier, cannot release many of the hard data which we think would allow us to evidence our claims that it is not cost effective. Has Dr. Hearne uncovered any hard data or comparative costings in his research to evidence the claims that private sector-led projects through leasing and public private partnerships offer better value for money? The NDFA, the Minister, Deputy Eoghan Murphy, and the Department state that such schemes promote risk sharing by off-loading some of the risk onto the private sector. I am not asking for Dr. Hearne's opinion but, rather,

for him to present the committee with hard evidence from his or other research to demonstrate that the claim of risk sharing with the private sector is not all it is cracked up to be. How much of that risk ends up rebounding onto the State?

I acknowledge what was stated by the representatives of the approved housing bodies regarding land availability and finance issues. Obviously, they have a significant set of targets to reach under Rebuilding Ireland in the coming years. My question is a slight aside from our conversation but, at the same time, connected. Given the lands in the pipeline and the availability of finance coming down the tracks, particularly in the light of the on-balance sheet status of the sector, how confident are the delegates that their organisations will be able to meet the targets? Do they have concerns of which they would like to make us aware?

**Deputy Mick Barry:** The statistics for quarters 1 and 2 for local authority house building in 2018 have been published. The total number of new local authority builds completed by the end of June was 350. The figure for Cork city was zero. The figure for County Cork was one. Twelve of the 31 local authorities had completed zero new local authority builds by the end of June, yet we are in the middle of the greatest housing crisis in the history of the State. Clearly, the current policy is not working. Hearing alternative proposals, some of which have been outlined at this meeting, is important and useful for the committee.

Dr. Hearne has given us an interesting figure. Of the 134,000 new social housing units to be delivered under Rebuilding Ireland by the end of 2021, 85% will be private sector solutions, with the remainder to be local authority and AHB new builds, or public provision in reality. Clearly, that policy is not working. I like the fact that the speakers have identified alternative models and given examples from other European countries of different ways in which to approach the issue. Austria and Denmark were cited as examples where public housing provision was between 35% and 40% of overall stock, as opposed to a mere 10% in this country. It is interesting to consider how that came to pass. Social housing provision in Austria jumped ahead in leaps and bounds in the inter-war period. It was a society that was far less wealthy than Irish society is today. In Vienna 250,000 public apartments were built for the city's working population. The maximum rent at the time was 4% of a worker's income. If a person was sick or unemployed, he or she would not pay rent. The communities in which the apartments were provided had GP services, crèche services, communal laundries and food provisions. If a left-wing council in Vienna could do that in the poverty of the inter-war years, why can a society in one of the wealthiest countries in Europe - ours - not organise even a fraction of that public housing provision? It is a question of whether there is a will at Government level. There is not and that needs to change.

I agree that the way forward is public housing on public land. My question relates to the price of building public housing on public land and the price at which public housing can be offered to workers on average wages, including young people who have been locked out of the housing market. The Ó Cualann Cohousing Alliance project in Poppintree has given us a glimpse of what might be possible. My understanding is three-bedroom homes were delivered at approximately the €170,000 mark each. As we do not want to draw conclusions from just one example, let us take a more overarching view. Some years ago, the Society of Chartered Surveyors Ireland, SCSi, produced statistics which indicated that close to 50% of the cost of a house was tied up in one of four elements: the cost of land, the developer's profit, the banker's profit and State taxes. If we were to adopt a policy of providing public housing on public land, we could fight on four fronts. The land could be provided for free by the State as a contribution to tackling the housing emergency. State taxes could be waived; that is not impossible.

Bankers' profits would be significantly less because, if the State was to borrow at a rate of 1% or thereabouts, it would be far cheaper than a developer borrowing at a rate of 6%, which is probably the going rate. To factor in the risk of a private company going belly up, a bank will charge more. If there was a State construction company or, in the large cities, councils had direct labour units, there would be no need for developers' profits. If such initiatives were not in place, the State could hire builders. A profit would have to be factored in, but it would be significantly less than developers' profits.

The SCSi's figures indicate that, if a house cannot be built for half the current market price, it can be built for damn close to it. If committee members think about that-----

**Chairman:** Will the Deputy, please, move on to his question?

**Deputy Mick Barry:** Sure. I will finish on this point. It seems possible that something that is on the market for €350,000 could be offered for less than €200,000 instead. Will the delegates who are supporters of providing public housing on public land comment on whether these are realistic figures?

**Deputy Richard Boyd Barrett:** We are all on the same hymn sheet. I agree strongly with Dr. Hearne's narrative about the inefficiency, cost and viability of PPPs, or privatised forms of social housing delivery, being crazy from the point of view of trying to resolve the housing crisis. Instead, we need to move urgently towards the direct provision of public housing on public land.

I am curious to know the delegates' opinions on what is happening in the private sector and its capacity to deliver. We have gone over how relying on the private sector to deliver public housing will cost us a fortune. On the leasing component, Dr. Hearne added to the facts we already knew. It is a stark figure, in that we could get four directly built council houses for the cost of leasing one for 25 years. He produced the staggering figure of in excess of €20 billion for the overall cost of the HAP scheme over a period of 35 years. That is a folly about which we have all talked a great deal and which we have contrasted with direct provision by council housing which is cheaper, faster, more efficient and better at every level. What we have not talked about enough - it is the matter on which I would like to get the delegates' opinion - is the question of where the private market is going. Aside from the cost issue, is the private market capable of delivering the housing the Government hopes it will? Mr. Mel Reynolds has made a convincing argument that, whatever we may think about the private market's capacity to deliver social housing - we do not think much of it - it may not be able to deliver any housing at all on the scale the Government imagines it will. This is because the costs for the private sector are now so high that it is becoming increasingly tenuous as to whether it is viable at all for the private sector to deliver. At some point, it will become very clear that is just not viable for the private sector, which is an even bigger reason to shift over to public sector provision. I am curious as to the thoughts of the witnesses on that, given it has already been said that an incredible 85% of the Rebuilding Ireland plan is dependent on private sector output, which is terrifying. Where we are heading is terrifying. Would the witnesses agree that we really have to start ringing the alarm bells on that front?

**Dr. Donal McManus:** Mr. O'Connor will cover finance and I will cover some of the other issues.

**Mr. Sean O'Connor:** I am a surveyor by trade so I have been in housing and construction for 35 years. It is clear that the solution to the housing crisis is to build more affordable and

social housing because too many people are being housed in the private sector and it is having an inflationary effect on rents. There is an increasing trend where developers are building to sell to institutional investors to rent and we compete with those institutional investors to buy blocks of flats for social housing, and we get a lot of flak for it, but our intention is to buy them and rent them as social housing.

There is a capacity issue in the construction sector in Ireland. After the big crash, a number of big firms are not there anymore. Some have been reincarnated as smaller operators but banking finance is still a problem for a lot of firms. There is definitely a skills and labour shortage that is feeding through to prices. I do not know what we do about that. Developers are usually focused on the short term. They build and they go. It is becoming even more short term because there are not necessarily a lot of sites being built for owner-occupiers to buy into. They are selling to investors, hundreds of units at a time. They are targeting one buyer and they go. They are not focused on the long term. They are not building to place make and to stay. As a housing association or local authority, that is what they do.

One quite radical solution that probably needs to be looked at is that local authorities go back to direct building so they are not relying on the private sector, not contracting out and have their own direct labour organisations build the houses, not to maintain the houses. There is not enough work being done on training and apprenticeships in Ireland. That needs to happen. A key thing would be to combine that with off-site manufacturing, where homes are built in controlled conditions in factories and are transported to houses. We have three sites at the moment with Modern Homes Ireland, an organisation based in Cavan, and 80% of the homes are made in the factory and transported to the site. Our biggest site is in Ardee and has 102 homes. They are going up in half the time of a traditional build. They are not as labour intensive. The only pressure we have is the factory is now exporting to England. They are not just catering for the home market.

Taxes were mentioned. As an association, we pay VAT and, as part of our funding, the Exchequer provides VAT. It gives with one hand. It is madness, and adds to the inflationary effect.

There is a reliance on the private sector. I would like to see more done by local authorities and our sector. A worrying trend concerns the enhanced leasing scheme in that developers have no track record of building to stay or manage housing, not even private housing, and yet the State seems to be looking at that sector to deliver through enhanced leasing and to manage social housing. There is nothing wrong with profit, but profiteering is happening now. It can be seen with some of the companies who are buying up housing at scale.

I would like to see a more mature debate about funding because I think pension funds are a big solution to Ireland's problem - not vulture funds, but pension funds, where they are matching pension liabilities. We are talking to a number of pension funds, some Irish, some not, and some union funds which want to invest in social housing. They want ethical investment. There is no vehicle there. There is a private lease for small landlords. There is now an enhanced lease for developer-led landlords. There needs to be an investor lease, where they just put the money in and retreat and look to councils or associations to look after the property. The pension funds do not even have an interest in the property. Many of them do not want the property, so the points Dr. Hearne was making about the value for money are very valid.

We currently source money from the Housing Finance Agency, HFA, and pillar banks in Ireland and we have shown that we can bring in very substantial pension funds, the biggest of which is a \$1 trillion American pension fund that has been established for more than 100 years.

It is cheaper than us taking 25 year fixed money from the Housing Finance Agency. On a scheme of 100 units, it would probably save the State more than €5 million over a 25 year term. No State equity is required. It just pays the yield as a percentage of the capital is deployed, typically in a range of 3% to 5% a year. These funds are not interested in rent inflation. The only indexing they want is European harmonised inflation, typically around 1% a year. Critically, they do not want the property at the end. For a number of them, it is part of the ethical arrangement that it has to continue as social housing in perpetuity. Our problem has been-----

**Deputy Eoin Ó Broin:** I am sorry to cut across Mr O'Connor. Does that mean they are lifetime leases?

**Mr. Sean O'Connor:** They are leased for 25 years, at the end of which time, the asset transfers to us, or the local authority, or possibly a tenant management organisation.

**Deputy Eoin Ó Broin:** They just get their yield over the 25 years?

**Mr. Sean O'Connor:** Yes. Over the 25 years, they get whatever the agreed percentage is, say 3%, and then inflation is added to that every year, but not rent inflation. They do not want rent inflation.

The State's focus is too much about the balance sheet. PPPs are off the balance sheet. Enhanced leasing is theoretically off the balance sheet. This model, where the asset transfers to a local authority or to us would be classed as on balance sheet. There are ways around it. Deloitte is our auditor and its advice was there are ways around it. It is operating successfully elsewhere in Europe. My understanding and personal experience is that there are walls of money queuing to come into Ireland, not dubious money but ethical investment which is used to this type of investment in the United States and Europe, and we have not yet got a mechanism to deal with it. That is the main thing I would like to see. The State just has to pay the revenue bill and it does not score as public expenditure, so there is no pressure on the Exchequer from that point of view.

**Chairman:** We are pressed for time. I will bring in Dr. McManus and Dr. Hearne, and if we have time for quick-fire questions, we will do that, but we have to be out of the room by 12.10 p.m.

**Dr. Donal McManus:** A few brief issues were raised there about the European context. Our social housing sector is half the size of the European average, which is about 17% and we are at less than 8% or 9%. It was mentioned that the waiting lists could be opened up and a wider number of people could access public social housing. That is one access. What has happened in Ireland is people tend to go for schemes, like affordable schemes or cost rental schemes, which are trying to create mixed tenure. They are the two options can be looked at: opening up the eligibility for waiting lists to higher income people, or new tenders. It is not that complicated. In our sector, we would be keen to house more people from medium and higher income households to give mixed tenures.

Deputy Ó Broin made comments about our capacity to meet the targets by 2021. They are substantial, even though they are only a third of the overall targets. We have land pressures. We are talking to local authorities because we do not have a huge supply of land. We believed that the land initiative could bring forward a supply of land, even the minimal requirement for social and affordable housing. Everything is hodgepodge in terms of land assembly. There is a bit here and a bit there. It would be useful if there was one body that could co-ordinate land

assembly for both local authorities and for our sector as well. On finance, we have a couple of sources we did not have a couple of years ago. The Housing Finance Agency is the dominant player for social housing and finance. We also have other growing players in the market. A lot of this is about learning. As Mr. O'Connor has said, ethical investors are looking at our sector and are just looking for a return, not any complicated agendas about ownership, and so forth. We have to reach out to that. It is not any wider agenda. If we can widen the spread of finance options by one or two that would be helpful to our supply. Our pipeline at the moment is quite good for the next year or so. After that, if there is no land, it will tail off. We have relied a lot on turnkeys and on joint ventures. That will continue, but both local authorities and our sector have an issue with land assembly and this debate is only happening in the last year or two, not three or four years.

On the private sector side, we are relying on nearly 5,000 homes coming through the private rental sector, the landlord sector. We do not know what all their motivations are. The one thing we like about social housing for local authorities in the housing associations is that the supply can be controlled because one has the non-profit motivation. In the private landlord sector one cannot control that supply. That is why we need to reverse here and get to that point of 17% or 18% of social housing as an objective. Everything will fall from that. In the next couple of years we are going to be pressurised with land supply and delivery. We have a reasonable pipeline at the moment. We can see last year as one single year; I will ask Dr. Hearne to come in here.

**Dr. Rory Hearne:** Responding to some of the questions, the issue of Denmark and co-operative housing, this refers to core housing-----

**Senator Jennifer Murnane O'Connor:** Yes, core housing.

**Dr. Rory Hearne:** -----where there are different living arrangements. The broader point the Deputy is making is correct which is that we do need to consider how we are housing people.

The housing crisis is not one that has emerged out of nowhere and is not just the fault of this Government. It is as a result of 30 years of not thinking about housing and how we treat it and what role it has in the economy and essentially handing it over to the market. We need to understand again what role housing plays. Across the board there are so many groups affected. On the value for money issue and hard data, the Department of Public Expenditure and Reform did its own analysis of the housing assistance payment, HAP, and showed that in areas of high rental pressure that HAP is not good value for money in contrast to direct build. Leasing is not going to be very different from that, as I showed in the costings there.

It would be interesting to ask the Comptroller and Auditor General to come in and analyse these schemes because they did such analysis on schools and found that the schools were 8% to 13% more expensive. This office could look at the public sector benchmark while retaining the commercial sensibility on it. That is how they provide it.

I did analysis of the original 2006-08 public private partnership social housing regeneration projects. My analysis was that the State was giving developers essentially public land worth €545 million. In return the State was getting social housing and community facilities worth about €250 million. The developers in the private sector were capturing that value. The issue is that the State does not put a value on the land it has. The Department looks at social housing delivered through these various schemes as being Exchequer-neutral, not a cost, but that is not putting a proper value on the land, in my view.

The other issue on risk-sharing of all PPPs globally is that when risks and problems materialise in PPP projects, it is always the State that has to pay for that risk, because it is the State that is responsible to deliver whatever the service is. The private sector is aware of this and that is why they like these projects. They are guaranteed income, no matter what happens. It is important to see that the risk-sharing idea is a nonsense because in reality when risk materialises the State has to pay.

On a broader level on how we are responding, the question on the private market is a really good one. We have to see that our housing system, I would argue, has gone through this shock and is fundamentally changed. We now have a fifth of households in the private rental sector. I asked a class of 80 students last week how many of them thought they would own their own home. Approximately ten of them put up their hands. We have a generation who are going to be in the private rented sector. What we need to do is to change utterly how we see social housing. We need to re-imagine social housing and to change it to this idea of public affordable housing that is available, as in Denmark and Austria, to anybody on any income. If we separate the social and affordable housing issue we have this constant problem of all these different issues. I agree with Mr. Mc Manus, we need to see that it is not about tinkering around the edges. We need in Ireland to move to providing a third of housing coming from the non-market, not-for-profit sector to some form of social or public affordable housing, housing associations or co-operatives. Currently it is only 10%. The reality, to address Deputy Boyd Barrett's point, is that the private sector will build. It may build 30,000 units next year. We know it will get nowhere near that but it will not build affordable housing. That is the problem we have had over the past 30 years.

That is the change we need to make and it is a big change. That is the scale of the change that is required if we are going to address the crisis.

**Chairman:** Will we do one minute of quick-fire questions?

**Deputy Richard Boyd Barrett:** We have to leave, unfortunately.

**Chairman:** We have run completely over and I am sorry for that. On behalf of the committee I thank the witnesses for their ongoing attendance at the committee and if there is further information that is considered relevant to our research and ongoing policy-making, please send it on. This meeting is now adjourned and the next meeting of the joint committee will be held next Tuesday, 20 November at 11 a.m. on the impact of Brexit on Ireland's housing market, which will be our second such meeting. I thank the members and witnesses for their attendance.

The joint committee adjourned at 12.07 p.m. until 11 a.m. on Tuesday, 20 November 2018.