

# DÁIL ÉIREANN

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## AN COMHCHOISTE UM THITHÍOCHT, PLEANÁIL, POBAL AGUS RIALTAS ÁITIÚIL

## JOINT COMMITTEE ON HOUSING, PLANNING, COMMUNITY AND LOCAL GOVERNMENT

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*Déardaoin, 9 Márta 2017*

*Thursday, 9 March 2017*

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The Joint Committee met at 2 p.m.

### MEMBERS PRESENT:

Deputy Pat Casey,	Senator Victor Boyhan,
Deputy Eoin Ó Broin,	Senator Paudie Coffey,
Deputy Fergus O'Dowd,	Senator Jennifer Murnane O'Connor,
	Senator Grace O'Sullivan.

In attendance: Deputy Dessie Ellis and Deputy Kate O'Connell

DEPUTY MARIA BAILEY IN THE CHAIR

## **Business of Joint Committee**

**Chairman:** No attendance apologies have been received. I propose that we go into private session to deal with any housekeeping matters. Is that agreed? Agreed.

*The joint committee went into private session at 2.05 p.m. and resumed in public session at 3.20 p.m.*

### **Quarterly Progress Report Strategy for Rented Sector: Department of Housing, Planning, Community and Local Government**

**Chairman:** I welcome the following officials from the Department of Housing, Planning, Community and Local Government: Mr. John McCarthy, Secretary General, Ms Mary Hurley, Ms Bairbre Nic Aongusa, Mr. Niall Cussen, Ms Nina Murray and Mr. Barry Quinlan.

Today's meeting will involve engagement with the witnesses on the second quarterly progress report on the action plan for housing and homelessness. As agreed, the format for today's meeting will involve the allocation of a timeframe for each pillar. We will take questions under each pillar if time permits. Members may ask further questions. We will take Pillars 5 and 4 today and we will finish out Pillars 1, 2 and 3 at our next meeting.

**Senator Victor Boyhan:** Are we dealing with Pillars 4 and 5 together?

**Chairman:** We will take Pillar 5 and then Pillar 4. There will be natural crossover anyway.

I draw the attention of witnesses 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 to this committee. However, if they are directed by the committee to cease giving evidence on 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. The opening statement has been submitted to the committee and will be published on the committee website after this meeting. We will take the statement from Mr. John McCarthy, Secretary General of the Department of Housing, Planning, Community and Local Government, as read. 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 House or an official either by name or in such a way as to make him or her identifiable.

**Deputy Eoin Ó Broin:** I have three questions relating to Pillar 5. Could Mr. McCarthy give us an update on the timeline for the publication of the vacant homes plan? Is there any time left for those of us who might like to make submissions or is the Department close to completion and publication? When the Housing Agency appeared before us a few weeks ago, one of the issues that arose was progressing the purchasing of the vacant bank properties with funding of €70 million to the Housing Agency. We understand that between AIB, Bank of Ireland and Permanent TSB, there is somewhere in the region of 1,100 properties available for purchase. We know contracts have been or are about to be signed for about 217 properties. How many of the 1,100 properties are not suitable due to location or size and how many are under active

consideration? Is there any concern that the way in which this financing is structured whereby it rolls over after the tranche is bought and sold on could result in the loss of any of those properties? Mr. McCarthy might not be able to answer my next question. I have had a look through the three schemes that are up and running under this heading and, on the basis of the information we got from the County and City Management Association and others previously, have tried to calculate what the total amount of units on the basis on what has been announced to date would deliver over six years. I have come up with a figure of about 6,400 or 6,500 units between the €70 million and the other figures. Does the Department have a target or will there be a target of the total number of units in the plan when it is published?

**Senator Victor Boyhan:** I am conscious that this will be dealt with in the Seanad on Tuesday week. We have been notified of that today so I will contain my comments. I welcome it. In terms of the reuse of houses, clearly, local authorities have housing stock that is not being used. I have had a report from my own local authority today. Can Mr. McCarthy tell us how that is going in terms of nailing down the 31 local authorities and the way housing stock or buildings that are suitable for conversion from commercial to housing stock are being dealt with in each of the 31 local authorities?

**Deputy Pat Casey:** We spoke at length at the last meeting about vacant properties. The potential conversion of vacant properties is probably the fastest solution to the housing crisis. I spoke at length on the last occasion about my views on building regulations - not just those relating to vacant properties but building regulations in general. I still firmly believe that it is time to consider moving signing off on all certification to local authorities for matters like fire and disability compliance. I do not think the current system is working and I do not think it has given us security that things are being done correctly. I believe that there is still too much self-regulation. I would be equally concerned about whether we even know how many construction drawings are being submitted before builders go to site. Planning permission drawings are frequently converted into construction drawings almost overnight. We know there are complications with vacant properties. Some are old while there are heritage or compliance issues with others. That is my major concern in respect of vacant properties. I would like to put more resources behind vacant properties because getting them back into stock can be done far more quickly and cheaply than building new houses and can help revitalise our town centres.

**Senator Jennifer Murnane O'Connor:** I know this matter will be debated in the Seanad on Tuesday. I will have lots of questions then so there is no point in repeating them here. I have a massive issue about trying to find out who owns a particular property. If we could work at getting this sorted more quickly, it would be good because one faces problems when one goes to one's local authority to find out about a vacant property or when one goes to a bank to find out whether the property is in NAMA. There are significant issues with trying to find out who owns a property. If the property is left derelict, it can lead to antisocial behaviour so it is very important to have quick turnaround. The biggest issue is actually getting information. If we could solve that, it would be a massive help.

**Deputy Kate O'Connell:** I thank the Chairman for allowing me to ask a few questions. We can all point to vacant homes and apartments that have the potential to be used for social housing. What are we doing about this? I have read Rebuilding Ireland. Are we tapping into the potential in this area? Could Mr. McCarthy outline the key measures being put in place to support overall housing supply and activity? What is his sense regarding the extent to which we are winning here? Are we getting results? My questions concern vacant properties and whether Mr. McCarthy can see progress at this point in time.

**Mr. John McCarthy:** I will try to take the questions in order. The vacant homes strategy is at a very advanced stage and is being led by the working group led by the Housing Agency. Even though it is at an advanced stage, if Deputy Ó Broin wishes to make a submission over the next week or ten days, we would be more than happy to receive it. We can arrange for the relevant contact point to be passed to the Deputy. In respect of timing, we would hope to have it finalised around Easter. There is one slight imponderable. There is a more detailed report from the CSO on the housing piece arising from Census 2016. That will come to us in the first half of April so we just want to proof the final version of the strategy against that. Broadly speaking, we are talking about the second half of April.

There are two elements to the Housing Agency acquisitions. In overall terms, there is a €70 million fund available but it is designed to be a revolving fund. After the units are initially purchased by the Housing Agency, they are sold onwards to approved housing bodies. The most up-to-date picture from the Housing Agency is that it has signed contracts on 238 units. Sales on 82 of those units are closed. Bids have been submitted on a further 98 units. The Housing Agency is looking at further properties all of the time. The important thing is that as well as moving ahead with those purchases, the Housing Agency is moving ahead with the onwards sales to approved housing bodies. At this point in time, it has earmarked 151 of the units for which it has signed contracts for onward transfer to two approved housing bodies so it has already identified the onward purchasers for nearly half of what it has got in the system. The critical part is that it gets money back into the system, which will allow the Housing Agency to get on with further purchases. The Housing Agency is moving ahead on both tracks in parallel.

**Deputy Eoin Ó Broin:** What about the 1,100 properties that have been identified between AIB, Bank of Ireland and Permanent TSB?

**Mr. John McCarthy:** In terms of what is not suitable?

**Deputy Eoin Ó Broin:** Yes.

**Mr. John McCarthy:** I do not have information on that but we can certainly get the Deputy some information on that because there will certainly be some properties that are either unsuitable by virtue of the house type or the location. We can certainly come back to the Deputy on that issue. In respect of the other schemes that are in play, as the Deputy rightly mentioned, apart from the acquisitions, which have an overall target of 1,600 units, we have the mainstream housing acquisition programme. One of my colleagues might correct me, but that figure will be approximately 10,000 over the lifetime of Rebuilding Ireland. For the repair and leasing scheme, there is a target of 3,500 units in that time. Ten days ago the Minister announced that we would be accelerating early delivery to a minimum of 800 units this year. The other significant scheme is the buy and renew scheme. Our initial aim is to handle 400 to 500 units this year and next. Extrapolating forward leaves one with something in the order of 1,500 to 2,000 units over the lifetime of the programme. In the pilot exercise that has been under way in counties Waterford and Carlow it has been found that some property owners are interested in making their units available for housing but not under the repair and leasing scheme. They would prefer to avail of the buy and renew scheme. We are trying to intertwine the two.

**Deputy Eoin Ó Broin:** Representatives of the County and City Management Association, CCMA, attended one of our previous meetings. The housing manager for County Louth stated his local authority's experience of the pilot scheme was that the actual cost of turning around units was significantly higher than anticipated. He indicated that it could have been as high as €100,000 rather than the €40,000 or so that had been earmarked for the pilot scheme. Is the

Department factoring this into the figure of 1,500? What is the expected average cost per unit?

**Mr. John McCarthy:** The figure of €40,000 was our expected cost of repairs under the repair and leasing scheme. In the buy and renew scheme the mix is the other way. Often, the property is more run down and can be bought for cheaper, but that requires more to be invested in-----

**Deputy Eoin Ó Broin:** The €100,000 figure is probably more-----

**Mr. John McCarthy:** We do not have enough data at this stage to give a reliable estimate, but it is fair to say that, by virtue of the way in which the scheme has been tailored, the cost would be considerably higher than the potential €40,000 maximum for the repair and leasing scheme.

Senator Victor Boyhan referred to local authority housing stock. In the past three years we have invested a significant amount of funds in dealing with voids across the country. This will probably be the last year of a significant voids programme, given that we have broken the back of the issue. I spoke to a local authority director of housing recently who indicated that the authority had between 40 and 50 vacant units out of a stock of more than 6,000. In many cases, the vacancy rate is below 1%. As part of the normal reletting process, when old tenancies end and new ones start, this would not be out of line with international experience. In the past three years we have invested approximately €84 million in a voids programme. This relates to Deputy Pat Casey's point on early wins, in that capital constrained local authorities were not in a position to bring units back into use early. The figure €84 million has delivered approximately 7,000 units. It was a critical early target and area of activity for us.

Deputy Pat Casey raised two issues about building regulations. If it helps him, we will be happy to brief him on the Building Control (Amendment) Regulations, BCAR, and the new building control management system, BCMS, under which there is a well developed online system for the registering and lodging of documents the whole way through the process. Instead of delaying the meeting, we could have a separate chat about that issue.

The Deputy's second point is one on which we are working, namely, older buildings and the extent to which we can match their deeper retrofit requirements with the modern regulatory system of fire and building controls. For the next few months we will be working with Dublin City Council as part of the living city initiative in an attempt to use some Georgian properties as a test bed to determine the challenges that arise and whether we can marry the regulatory requirements with the specific requirements of older buildings. This work will cover the regulatory system, not just building controls but also planning, and allow us to determine the factors involved. If a product emerges from this process that suggests changes to the regulatory system are required, the Minister has stated he is opening to considering them.

On the question of who owns vacant properties, the repair and leasing pilot scheme has shown us that making information on the availability of the schemes public can be useful. It attracts people to the scheme, as well as the buy and renew scheme. Obviously, one could tap into the property register or other mechanisms to identify ownership, but, as we accelerate the roll-out of the repair and leasing scheme, we are looking for local authorities to invite expressions of interest. Some have already done this ahead of the national roll-out. For example, a number of Dublin local authorities have been putting out feelers out. The ownership question will not present a problem in reaching the figure of 800 units this year, but we will consider the matter in the light of the feedback under the vacant housing reuse strategy.

Deputy Kate O'Connell mentioned the overall housing supply problem. We try to look as far back into the pipeline as we can by examining a number of indicators. Furthest back in the pipeline is the number of planning permissions. We publish a number of statistics in a monthly report. We will publish the statistics for February in the coming days, but the statistics for January show that the number of units for which planning permission was granted in the 12 months to the end of September last year was an increase of approximately 45% on the figure for the previous 12 months. That is a strong signal. Through the BCMS, we monitor commencement notices which need to be filed on the electronic system as developments commence. Up to the end of December, the number of units covered by commencement notices had increased by 51% year on year. That is a significant increase in activity commencing. We use ESB connections as a proxy for completions. The figure for the calendar year 2016 was just below 15,000, a significant increase on the figure for the previous year of 12,666.

In overall terms, our objective under Rebuilding Ireland is to reach the point where we will have a housing supply of approximately 25,000 units per annum. We started in 2015, when the number of completions was 12,666. As such, Rebuilding Ireland will require us to double housing output. The completions figure for 2016 was a significant first step along that road. Given the extent to which there are commencements and planning permission is applied for and granted, there is a pipeline. How the housing market will evolve in the coming period is subject to many factors, but there are positive signs in the level of activity as measured by these indices.

**Deputy Eoin Ó Broin:** What I have to say is more of an observation rather than a question. Unless something changes dramatically in the plan that is to be announced in April, what we are looking at is 6,000 units being delivered over six years under the three programmes. That is 3% of the total vacant stock that exists, according to the census, 198,000 properties. It is a really small target. We hear of bigger targets such as 25,000 overall builds and 47,000 social builds of various kinds but this is the low-hanging fruit. Notwithstanding the difficulties in identifying properties and dealing with issues concerning owners, probate and other issues, even if it is 10% or 15% of the 198,000 properties there is a significant number of units to be got, but it is also significantly cheaper. The upfront payment for repair and lease properties, on average, is €40,000 and that is recouped from rent. It costs up to €100,000 for the buy and renew scheme. While we do not have the figures for purchases, one would presume, in particular if one was block buying, that one would get some discount. Hopefully, one would be purchasing properties at below €200,000 if they are in that kind of ballpark. Therefore, I question the target of 6,600, or 3%. A 10% or 15% target out of 198,000 is modest. Is that it? Will there be any attempt in the strategy to go beyond the target?

We support rapid builds. We understand the logic of them. We have done a lot of work on the ground in the constituencies to make sure people understand what they are for but, again, according to the press release from the Minister, they are €245,000 a unit. On the basis of the ones in Clondalkin the total amount of money and the total number of units, the unit price breaks down at €245,000. Is the Department going to revise the plan? Do the witnesses know if the Minister intends to revise the plan because they are good schemes? I am a strong supporter of the three schemes but if they are underfunded to the current extent we will not get the return we could get, and a much more quick and cost-effective return than through other aspects of the plan.

**Chairman:** Are there any other questions on Pillar 5 before I go back to Mr. McCarthy.

**Mr. John McCarthy:** The Minister has said fairly consistently that Rebuilding Ireland is a plan for the period up to 2021, and one of the things I have said consistently is about the need

to be agile. One cannot know exactly as one starts out on a six-year plan how the world will evolve over that period. It is a plan at a point in time. The Minister has said clearly that we need to be agile and we need to keep our experience and activity under review. The repair and leasing and the buy and renew schemes are in the early stages and we will certainly look at the progress we make under them. If there is greater potential there, that is something we will look at. When the vacant housing re-use strategy is finalised and submitted, the Minister has said we will consider what it says to us and see what steps may be needed on the strength of it.

When it comes to looking at vacant housing generally, the few things I have been talking about here are primarily schemes designed to bring vacant housing units into use for social housing purposes. One would expect, according as the economy improves, that another element of the vacant housing stock would also come back into use. For example, since 2012 we have been tracking the unfinished housing developments across the country. We have done that on an annual basis and what we have seen over time is that there has been a very significant reduction in that, which is something we would expect to continue. We will publish the most recent survey in the coming weeks.

**Mr. Niall Cussen:** The reduction has been 85%. There are 460 left.

**Mr. John McCarthy:** Yes 85%. This is not the full picture. It is our picture as it stands right now, subject to review, as far as social housing is concerned, but one would expect that as the economy continues to improve it will have its own dynamic in terms of how vacant housing more generally may come back into play.

**Deputy Eoin Ó Broin:** I will take that as a “maybe” so.

**Chairman:** We will move on to discussion of Pillar 4, improving the rental sector.

**Deputy Eoin Ó Broin:** The previous day we spoke about this I raised the issue of going below the local electoral area, LEA, level to the electoral divisions, ED, or small area level and I seek an update on that.

**Chairman:** We do not use abbreviations if that is okay.

**Deputy Eoin Ó Broin:** Absolutely, I fully support you on that ruling, Chairman.

**Chairman:** Just in case anybody is watching. I think Deputy Ó Broin mentioned that before.

**Deputy Eoin Ó Broin:** I did, yes. Death to acronyms. Thank you for pointing that out, Chair. That comes from my days on the social inclusion community activation programme, the local community development programme and the public participation network among others.

**Chairman:** We all do it. I do it myself.

**Deputy Eoin Ó Broin:** I spoke previously about whether we could go below the local electoral area to the electoral divisions and the small areas for the purposes of trying to establish whether smaller areas, in particular for example parts of Waterford city could be included in the rent pressure zones. I wonder if Mr. McCarthy has any update on that. I will add the strapline that while I am not a fan of the scheme, I would still prefer it to be able to go down to those lower levels if possible.

My second question is whether there is any meaningful update on the affordable rental

model we have all been talking about but nobody is really sure if it is going to happen and where it is going to happen. As O'Devaney Gardens is probably going to be the first location where we will have something like this, could we get an update on that? I am specifically interested in three things: if and when it is going to happen; who is going to be responsible for the units - because I have a very strong view, which I will come back to depending on the answer I get; but also what is the financing of this. Will affordability be determined by a percentage of market rent for example, or will it be determined by the cost of paying down the loans and some management and maintenance of the unit that is being rented because they are two very different models of cost rental that would have a very different impact on the amount of money that a family would have to pay?

**Senator Victor Boyhan:** I have three issues I wish to raise. I will refer to them as 4.6, 4.12 and 4.13 of the report. In 4.6 there is reference to the introduction of a new affordable rental scheme to enhance the capacity of the private rental sector to provide for quality and affordable accommodation for a household which is currently paying a disproportionate amount of disposable income in rent. There is reference in the report to local authorities identifying a number of sites in the first quarter of 2017 with the potential for up to 1,000 units of accommodation. How is all of that progressing?

As to 4.12 it is said an assessment will be carried out on the scope and provisions of additional student accommodation on local authority and other publicly-owned lands. There is also reference to the development of a database for the publicly-owned lands. Could Mr. McCarthy confirm how that is developing and describe the scope of it? It was also said that the database would be developed with the relevant stakeholders. How is that progressing?

My final point relates to 4.13. It was stated that student accommodation projects of 100 units and more would be enabled to go straight to An Bord Pleanála. We know the process so we do not need to go through it here. Have there been applications for the projects? The measure was introduced at the end of December and I accept it is early days yet but we are in the last month of the first quarter. Could Mr. McCarthy indicate how things are progressing, in particular in relation to student accommodation, or for that matter, any application through this process?

**Mr. John McCarthy:** I will respond to the questions in reverse order. There are not any applications under the new legislative arrangements yet, as regulations need to be made and notice given in that regard. That scheme will come under the new fast-track arrangements which apply not just to student accommodation over 100 units but to housing generally. The scheme will be introduced in the next few weeks once the regulatory pieces are finalised. We will keep a very close eye on how it pans out in its first couple of months of operation.

Senator Boyhan mentioned three actions, namely, 4.6, 4.12 and----

**Senator Victor Boyhan:** It was 4.6, 4.12 and 4.13. Mr. McCarthy dealt with one there.

**Mr. John McCarthy:** Yes, 4.13. In terms of 4.6, which covers the second point Deputy Ó Broin raised as well, in the rental strategy published before Christmas what was signalled was that the affordable rental scheme, as initially conceived, would now be taken forward on a land basis or site-specific basis in rent pressure zone areas. We are working intensively with Dublin City Council and the Ireland Strategic Investment Fund to try to work through the modelling arrangements by which a value is extracted from the land and turned into a subsidy for a proportion of the rental units. We are trying to use O'Devaney as a test bed or a model to learn lessons



and then roll it out more generally.

In respect of 4.12, there are different elements of work on publicly owned lands. By the end of this month, we hope to have a web-based system in place that will show in overall terms the lands nationally that are zoned for residential use, all the lands owned by local authorities and the land aggregation scheme sites that are available for housing. We will also have the first outputs from work we are doing with the broader State agency family in respect of lands it has that are potentially suitable for housing. We hope to have that by the end of the month. We will then bring further land activities on stream in the following months, one of which is the potential to use some for student housing. We will also map our social housing pipeline of 504 projects as published to create a land for housing web-based system. It will be possible to add layers to show zoning, social housing projects and, starting with the greater Dublin area, we want to see the active private housing sites of ten units or more. That will give an overall sense of a range of housing activities, what is going on and where the land is to support it.

In answer to Deputy Ó Broin's first point about the local electoral areas, I do not have an update on that. When there was a discussion here last month with some of my colleagues, the Residential Tenancies Board, RTB, and the Housing Agency, the point was made that the smaller the area the more tricky it is because it runs the risk that a small sample can skew things. The RTB is examining it but I do not have an update on it.

**Senator Victor Boyhan:** In respect of 4.13, Mr. McCarthy says regulations are required for the fast tracking. We are now three months into this scheme, which is very important. Can Mr. McCarthy give us a timeframe for putting these regulations through? That is not to take from the good work the Department is doing and I am highly impressed by the layering. This should have been in place years ago. I know from a local authority I am familiar with that several maps were lodged for the various zonings. I have seen them but now the Department is putting them on a central database.

**Mr. John McCarthy:** We have done a lot of work on *myplan.ie* where a significant amount of information is available. We want to take elements of that and add certain other elements to it that give a more centralised land and housing activity map-based system for public and private housing. I take the Senator's point about the fast track process. The approval of fees that needed to be put in place has just been decided by An Bord Pleanála in the past day or two. There is eight weeks' notice from publication and the public notice will go in tomorrow.

**Senator Victor Boyhan:** In those regulations, is there any special exemption from fees for local authority members? We have had a lot of debate about this point.

**Mr. John McCarthy:** I will have to come back to the Senator on that question.

**Senator Victor Boyhan:** We were told all the detail is in the regulations. We are three months on and the scheme is well in place.

**Mr. John McCarthy:** We will look into that and come back to the Senator.

**Senator Victor Boyhan:** I appreciate that.

**Deputy Eoin Ó Broin:** I do not want to be mean but Mr. McCarthy's reply on the small areas is the same as the one he gave last time. I completely understand in certain small areas or electoral divisions there will be too few rental properties to use as a base. In Waterford city, however, there will be electoral divisions that have a high concentration of rental properties

where I guess it should be possible to get a representative sample. Is the RTB actively looking at that kind of location because Waterford city is an example of a place where, if one sticks to the local electoral area model, nobody will benefit despite the fact that significant numbers of people need to benefit.

On the affordable rental model, I would be very worried if the conversations about this are about the value extracted from the land because my understanding from the conversation with Dublin City Council was that it had more to do with the private units in the development overall. There is a separate conversation to be had about the rent the affordable renter pays. Nobody seems to be clear whether it is a percentage of market rent or if it will be to cover the cost of pay down of the loans. That is an important distinction. Mr. McCarthy may not have the answer but is he considering both models or are there other models?

I am concerned about value extracted for the land because the Housing Agency is doing a study of the all-in cost of building, presumably to make policy recommendations to the Government on how to reduce the cost of producing private sector units. In advance of that report, if it is the intention of the Department and Dublin City Council management to, for example, offset the cost of the purchase price of the land to reduce the affordability of the private sector units, that is a very big subsidy by the taxpayer towards private for purchase units. I am not necessarily arguing against using public money for that purpose but given that there are so many families in emergency accommodation and there is such a low level of investment in the vacant properties, is that really the best use of that public good now? Would it not be better to wait until the Housing Agency report is ready because it might have better suggestions on how to reduce the cost of the private sector units?

To lay my cards on the table, if the Department comes to the South Dublin County Council area with that particular proposal for The Grange, it will meet huge resistance from me and people in the council. Even if it is a good model for O'Devaney, which I do not think it is, it is definitely not a good model in Fingal where the council would need the purchase price of the land to buy other land. The same is true in Clondalkin.

If I understood Mr. McCarthy correctly, if he is suggesting the use of public lands for private investment student accommodation, how does the Department guarantee affordability? There is on-campus student accommodation in several universities which is close to market rent. I strongly supported the change in the legislation for the Housing Finance Agency loans to universities but it is one thing to have the land and the capital to invest but how can the Department ensure that is affordable, particularly for students from a lower income background?

**Mr. John McCarthy:** The Housing Agency work will have been completed before the modelling for affordable rental, using O'Devaney Gardens, and before it gets to procurement stage. The modelling needs to be done even before it gets to procurement. The Housing Agency work will have been completed at that stage. While the Housing Agency work is being done, we are trying to progress the modelling to a point that we have something to work with and we can take into account the findings of the Housing Agency study at that stage. I do not think one prejudices the other.

In terms of the use of a public asset, this depends to some extent on the size of a site. In many cases we have public lands and we will engage with the local authority about doing an exclusively social housing development with 40, 50, 60 or, in certain circumstances, even slightly more. On a site such as O'Devaney Gardens, which may accommodate 600 units, we need a more mixed-tenure model. It is not that it is either one or the other. There will be a social

housing piece and a private housing piece within that. We will try to work in the new approach to affordable rental and try to get a return for the public good with lower rents. At this point I do not know how those lower rents will be determined because it will be influenced by the outcome of the modelling we will be undertaking with Dublin City Council and possibly with the Ireland Strategic Investment Fund as well. Our overall objective on any of these sites is to try to ensure that we get the best outcome for the public good, purely through social housing in some circumstances and, in others, through larger but more mixed-tenure sustainable developments that try to encompass an affordable rental element as well.

There is considerable private development of student accommodation, but there is also a significant amount of activity either going on or planned by the higher education institutes. The next step on public lands that may have potential for student accommodation would be engagement with the higher education institutes and the Department of Education and Skills on their role. It is not necessary that it would automatically go into the private space. Rebuilding Ireland makes a commitment for the Department of Education and Skills to complete an overall student strategy in the second quarter of this year. We will try to dovetail both of those pieces of work together.

**Chairman:** Are there any further questions in Pillar 4? We did Pillar 5 and I know Senator Grace O’Sullivan came in at the end of that. Does she want to ask any questions before we conclude?

**Senator Grace O’Sullivan:** I just want to make a comment. I was at the McVerry conference and I would like to share two points of interest. There was a suggestion of a project over the next decade to centralise property-ownership data because it is quite dispersed as matters stand. In order to have evidence-based decision-making in the future, we should consider having a data-analytics centre, again centralising data rather than having it dispersed, as at present, in order to assist decision making on vacant properties.

**Mr. John McCarthy:** Obviously, one of the roles of the Property Registration Authority is to fulfil that central land and property ownership responsibility and to be able to provide an improved flow of information and an improved evidence base for us and other Departments that would be interested in what it does. The Minister has said that any of the discussions at today’s conference, as I said to Senator Ó Broin - I mean Deputy Ó Broin-----

**Deputy Eoin Ó Broin:** It is-----

**Mr. John McCarthy:** I will get the Deputy-Senator thing sorted-----

**Deputy Eoin Ó Broin:** Before the day is out.

**Mr. John McCarthy:** Apologies, I am getting my Chambers very confused.

**Deputy Eoin Ó Broin:** Apparently they have a better standard of debate in the Senate so I will never make it in.

**Senator Victor Boyhan:** He is on the way there.

**Mr. John McCarthy:** We will obviously consider any of the suggestions to secure better use of vacant housing for public or private housing purposes. We will certainly reflect on the proceedings of the conference. The Housing Agency’s national housing reuse strategy reflects the outcome of its engagement with a range of stakeholders, including the Peter McVerry Trust.

**Deputy Eoin Ó Broin:** I presume we will continue until 4.30 p.m. as scheduled.

**Chairman:** Whenever the Deputy has finished questioning, we will be finished.

**Deputy Eoin Ó Broin:** The Chairman should not give me that kind invitation or otherwise we will be here all night.

**Chairman:** We will continue with the Deputy's questions on Pillars 4 and 5. We will go until 4.15 p.m. or 4.30 p.m.

**Deputy Eoin Ó Broin:** I have some questions on other areas, but I know other members will want to discuss those. May I ask questions on those now?

**Chairman:** I would like to stick to Pillars 4 and 5. They are not here. A lot of time was absorbed with the voting.

**Deputy Eoin Ó Broin:** I am not suggesting we go on to other areas.

**Chairman:** With respect to Pillars 4 and 5-----

**Deputy Eoin Ó Broin:** I am going to be cheeky and break my own proposal because I have two questions on financing that are somewhat time bound. Is that okay?

**Chairman:** The Deputy should work away.

**Deputy Eoin Ó Broin:** I have a question on public private partnerships, PPPs. I would very happily see the 100 units in the Grange in Clondalkin as part of the scheme. Is it a section 85 agreement that is currently going to the four different local authorities? What is it called when one local authority is the lead?

**Mr. John McCarthy:** And is performing a service on behalf of the others.

**Deputy Eoin Ó Broin:** Yes. Am I correct that it is section 85?

**Mr. John McCarthy:** I cannot remember the section because it has changed over the years, but I know the one the Deputy is talking about.

**Deputy Eoin Ó Broin:** I understand that a value-for-money exercise is required as part of that. That value-for-money exercise must determine that the prices that come in for delivery of those units are better value for money than the traditional means of undertaking the same piece of work. I believe that is how it is worded. Unusually, this PPP is not just for design and build but also for the management and maintenance of the stock for 25 years which, I understand, has never been done previously in social housing delivery.

Has the value-for-money exercise been concluded? Does the Department know what it would cost to design, build, manage and maintain for 25 years relative to the traditional delivery of social housing? I presume if the Department has it concluded and has an answer to that question, Mr. McCarthy will not reveal it to us because the information is commercially sensitive. How will elected members in local authorities be able to determine whether this is a good use of taxpayers' money? I would have thought that the 25-year management and maintenance element of the cost, which the value-for-money exercise has to compare with the tender, will form a very big part of it.

What stage has the Department reached with that? How will it be able to share that informa-

tion with elected members of local authorities in order to allow them to scrutinise the process properly? Why did the Department decide to include a 25-year management-and-maintenance element rather than just a PPP for design and build? I would have thought the Department would get good value for money with a PPP for design and build for 500 units. It could come well below the current €180,000 per unit for standard infill projects based on the Department's figures. I have a concern on that.

On a related topic, I said earlier that I was very surprised by the Minister's press release a couple of weeks ago on the two rapid-build projects being proposed for south Dublin County Council, both of which, I am pleased to say, have the Part 8 approval. However, on the basis of the figures in the Minister's press release, they will cost €245,000 per unit. A couple of months ago I got an answer from the Department indicating that the average cost over the past two years of providing a standard local authority new build is on average €180,000. Why will these rapid-build units cost €245,000 if that figure is correct? Unless something is built into the overall costs that I am not seeing, that is substantially higher than the €210,000 or so that we are told the Poppintree units cost. None of this is an argument against rapid-build housing. I am absolutely in favour of speedy delivery of good-quality units. I am concerned about the value-for-money element of the PPPs and I am very concerned about the cost of the rapid-build housing units. I seek clarity on both of those.

**Mr. John McCarthy:** The procurement process on the rapid-build housing has not been completed yet. I think the figures to which the Deputy is referring were indicative cost figures ahead of the actual tendering process. While I have not seen the outcome of the tendering process yet, I did hear it described as a very competitive and good outcome. We have yet to finalise it. I think we would need to wait and see what the figures actually turn out to be.

**Deputy Eoin Ó Broin:** That makes sense to me. Is it wise for the Minister---- sorry, the Secretary General is not going to answer if I phrase it that way. Is it wise as a general operational principle to announce the approved budget for a specific scheme in advance of tendering? Does that not give the applicants commercially sensitive information which it would be better they did not have, or is that standard practice?

**Mr. John McCarthy:** One can look at it in a number of ways. It was intended to be a broadly indicative figure, against the background of an understanding that this was going to be a fairly competitive process. I do not think suppliers would have entered into the process thinking it was a monetary territory in which they could take refuge. They would have known it would be a fairly competitive process. In general, we would tend to be cautious about what we put into the public domain in terms of very specific costs.

The Deputy asked why we have chosen the availability-based model of public-private partnership, PPP. This model requires the private partner to design, build, finance and operate for a period of time. One factor in this decision was the extent to which this model has the capacity to be off-balance sheet, expanding the ability to deliver without impacting the fiscal space - that awful term. It is also a model that the National Development Finance Agency has used with some success in other areas of public infrastructure. It has been tried and tested.

**Deputy Eoin Ó Broin:** Sure. However, we can do that with design and build only, in the same way we can do it with design, build and operate.

**Mr. John McCarthy:** We can, but what I am saying to the Deputy is that the design, build, finance and operate model has been used in other areas of public infrastructure such as schools,

courthouses and such, and has been proved to be successful.

Ultimately, in determining whether this is going to be a successful model in this space, there is a process that has to be undertaken under the PPP guidelines put in place by the Department of Public Expenditure and Reform. It requires the preparation of what is called a public sector benchmark. One prepares a public sector benchmark, goes through the procurement process and then does a comparison between the two at the end. It either stacks up or it does not. Ultimately, the proof of the pudding will be in that exercise. There is a very rigorous in-built process to ensure that it does deliver value for money by comparison with the public sector benchmark.

**Deputy Eoin Ó Broin:** Elected members of Dublin City Council were being asked on Monday of this week to approve in principle the section 85, which just starts the process rolling. However, they are completely blind in terms of the financing of this. The bit of the question which the Secretary General did not answer is whether elected members, in local authorities or here, will be able to know what that benchmark is. If the Secretary General were to come to me and say that it is €300,000 per unit, for example, to pluck a figure out of thin air, I would feel that it did not make a lot of sense and would not be so sure it would be an appropriate benchmark. The benchmark that is set will determine the value-for-money comparison outcome.

There is a difference between this and, for example, a design build operate in water treatment services, although I am not a big fan of those either. Local authorities have capacity and much experience and, if these units go ahead as the Secretary General is outlining, local authority estate management and anti-social behaviour teams will still be involved. Whoever lives in these units will be tenants of the local authority and the differential rent will be paid to the local authority. I would like to be able to know if it is value for money to have a private contractor provide the management and maintenance. It might well be. We might get economies of scale in the day-to-day maintenance of properties, which could be a really good thing. Will elected members get to know what that benchmark is before they are asked to fully sign up to this process?

**Mr. John McCarthy:** The public sector benchmark is obviously kept confidential from a procurement point of view, in order to provide the comparative benchmark against which bids will ultimately be assessed. In overall terms, within the guidance and structures that apply to PPP projects, there are various checks and balances in place. These include the appointment of process auditors and other players within the system to provide assurance accordingly while the project is progressing. The National Development Finance Agency is acting as the procuring agency on behalf of ourselves and the local authorities for this process. It has a wealth of experience in undertaking PPP projects of different kinds. We have as good a capacity as is possible within the public system to ensure we are embarking on something in a way that provides the necessary assurances that we will actually get value for money. The public sector benchmark is not just for construction, but also maintenance and management, etc., over a 25-year period, compared with what the private sector bidders submit as part of the procurement process.

I will come back to the Deputy on how much information subsequently becomes available once the procurement process is actually complete. Clearly it cannot while the process is going on because it would prejudice it. I will come back to the Deputy with a note concerning how it can pan out afterwards.

**Deputy Eoin Ó Broin:** Essentially, elected members in local authorities will be asked to sign up to this process although they will be completely blind to the extent of the potential fi-

nancial liability, say, per unit delivered. With social housing, we know roughly - the managers will tell us - that, for example, in a big urban area the benchmark is usually around €200,000 per unit. Elected members are being asked to sign up to a completely new model for delivering social housing but will not, as I understand it, know what that cost is.

Again I go back to the question I asked about the rapid build units. I know they are different processes. The Minister announces a benchmark, a funding allocation for the delivery of 59 rapid units in Clondalkin before planning permission has even been approved. That gives everybody entering the tendering process a sense of the very upper limit. The Secretary General is right that a smart tenderer is not going to go for that. There is a fair amount of distance between the €245,000 per unit that the Minister announced, essentially, and the cost of delivering a standard social unit. That information is available although I presume it is more for publicity purposes for the Minister. We are talking about large numbers of units. In Clondalkin, the area I am particularly concerned about, it is 100 units, while across Dublin it is 500, and then this could roll out on a still larger scale. Surely there has to be some mechanism, whether in the context of the area committees or a strategic policy committee, SPC, for elected members to know what we are talking about, at least roughly, without compromising the tendering or procurement process.

**Mr. John McCarthy:** Ultimately, when a procurement process of this kind is concluded, it will be financed in annual payment obligations over the 25 years. The Department will be funding the local authorities in order to meet those payments. It is the Exchequer that is actually ultimately going to be taking in the hit on the ongoing payment. In terms of ensuring that we actually get value for money----

**Deputy Eoin Ó Broin:** While I understand that, part of the role of elected members, whether in a local authority or here, is to say, “If I am being asked to sign up to something, if I am going to approve a Part 8 planning process and sign up to this section 85 and allow this project to go ahead, am I satisfied that it is a good use of taxpayers’ money?” That is in no way to suggest that the people involved in the tendering or procurement process do not have great professional expertise. That is all private, behind closed doors and not in the public arena. Is Mr. McCarthy seriously suggesting that Deputies and their council colleagues will have to make a decision on signing up to this completely new model of delivering social housing - with potentially higher levels of cost per unit than the traditional model - without knowing the ballpark of what we are speaking about? Essentially, Mr. McCarthy is stating that this is the case.

**Mr. John McCarthy:** No, what I am saying is this is the ultimate test if we get to a point where the outcome of the exercise shows the public sector benchmark would not be met. Nobody is being asked to sign up to something that might have the potential outcome of costing more than the public sector benchmark, because that serves the purpose-----

**Deputy Eoin Ó Broin:** My problem is how this benchmark is established. I apologise to the Chairman, but the only reason I am pressing this is because local authorities must vote on it in the coming weeks. The information is time-sensitive. I go back to what is unique about the proposal. It is a 25 year management and maintenance agreement, as I understand it, so somebody somewhere will calculate what he or she thinks it would ordinarily cost a local authority to maintain a unit over 25 years. My issue is with regard to elected member engagement in setting the benchmark because this is not a new operation. I will not press it any further. If the Department is looking for the support of elected members of local authorities - and I am not, as Mr. McCarthy well knows, seeking to delay any social housing delivery - it will need to find a mechanism, whether through the housing managers, the strategic policy committees or private

briefings, to satisfy members that the way in which the public sector benchmark is calculated is acceptable to them. I say this with no disrespect to the officials of the National Development Finance Agency or the Department who will recommend it. I urge Mr. McCarthy to look at this.

**Mr. John McCarthy:** We will certainly look at it.

**Deputy Eoin Ó Broin:** I thank the Chairman for her indulgence.

**Chairman:** I thank all of the witnesses for attending. I apologise for the inconvenience of the vote which absorbed much of our time. I thank Ms Nina Murray, Ms Mary Hurley, Mr. John McCarthy, the Secretary General, Ms Bairbre Nic Aongusa, Mr. Barry Quinlan and Mr. Niall Cussen for attending. As previously outlined, we will meet the Department again to discuss pillars 1 to 3 and we will let committee members know when this will happen. We are aiming for the week after next.

The joint committee adjourned at 4.20 p.m. until 2 p.m. on Thursday, 30 March 2017.