



An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil
Department of Housing, Planning,
Community and Local Government



To: Chief Executives, City and County Councils

CC: Directors of Planning Services, City and County Councils,
Senior Planners, City and County Councils,
Regional Assemblies,
An Bord Pleanála,
Housing Finance Agency

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Local Infrastructure Housing Activation Fund (LIHAF) - Call for Proposals

A Chairde,

This circular is a call for proposals from local authorities under the Local Infrastructure Housing Activation Fund (LIHAF) and outlines the general approach to the operation of LIHAF, including a broad template for funding proposals and assessment framework.

The ***Action Plan for Housing and Homelessness – Rebuilding Ireland***, published by the Government on 19 July 2016 and which addresses a range of key and pressing issues in the housing policy and supply area, indicates that targeted investment in enabling infrastructure to activate large housing development areas is one of the ways in which the Government considers that additional supply of social and private housing for sale or rent can be brought forward.

In this regard, the Action Plan established a €200m Local Infrastructure Housing Activation Fund (LIHAF) to be used within the context of a competitive call for proposals from local authorities, in conjunction with housing providers, for investment in infrastructure sufficient to enable early activation of suitably located and scaled housing sites that are currently zoned, along with a commitment from those housing providers to produce housing quickly, at scale and at affordable prices.

The Department anticipates that the LIHAF mechanism has the potential to release the delivery of at least 15,000 to 20,000 new homes, which would otherwise not be delivered because:

(a) development cannot commence because of local enabling infrastructural blockages, the funding of which is not currently available from other sources; and/or

(b) funding of such infrastructure by housing providers on top of normal on-site development costs would render the resultant housing to be uneconomic, having regard to affordability parameters for the majority of home purchasers or renters.

LIHAF will be funded through €150m in Exchequer funding, matched by €50m in local authority funding, and will operate over the period 2017-2019.

In relation to the matching funding element, local authorities have access to loan finance options through the Housing Finance Agency at attractive rates of interest and sanction for such borrowing will be given due consideration by the Department. This will include an examination of the ability of the local authority to service the new debt without impacting on the provision of other services the authority is bound to provide. As part of this process the Department will consider liquidity levels and the extent of the authority's existing loan book as a % of total revenue.

Local authorities, working in conjunction with housing providers, including private developers and home builders and/or Approved Housing Bodies, are invited to **submit proposals under the LIHAF by 5pm on Friday, 14th October 2016**, in accordance with the overall approach outlined in this circular.

Sustainable Integrated Communities

In considering the preparation of bids for LIHAF funding, it is important to take the delivery of sustainable integrated communities into account.

A key objective under ***Rebuilding Ireland*** is to achieve more sustainable integrated communities with good tenure mix, where households are not unfairly distinguished by their income or how their property is funded.

Consequently, the Department is determined that the €200m Infrastructure Fund will, in addition to stimulating supply in an overall sense, also encourage a strong mix of private, rental and social housing delivery at appropriate locations and create attractive places to live at affordable prices and rents.

Delivery of a mix of tenure types will require local authorities to take a lead role and develop effective working partnerships with a range of housing providers across the private and social housing spectrum, encouraging key sites to be activated across a range of development platforms such as build to rent, build to own (whether by large developers or a number of house builders), Part V housing provision, direct acquisition by a local authority for social housing purposes, Approved Housing

Bodies as well as other initiatives by the Government under the Action Plan, such as the new affordable rental model¹ etc. In addition, local authorities should endeavour to maximise the opportunities for local employment from within existing communities, where feasible, in the locality of any successful LIHAF proposal.

Qualifying Expenditure

LIHAF funding is aimed at (but not restricted to) the following categories of enabling off-site infrastructure:

- access (e.g. distributor roads, bridges, pedestrian/cyclist facilities);
- environmental improvements (e.g. site remediation, surface water management, utility diversion); and
- community and amenity facilities (e.g. parks, sports/recreational facilities).

For the purposes of LIHAF, off-site infrastructure is defined as infrastructure that would normally fall to the local authority to provide in its infrastructure delivery role or which would straddle a number of individual development sites, requiring a cross-developer/land owner funding solution.

On the other hand, on-site infrastructure (which is not eligible for this funding) will normally consist of internal access roads, open spaces, underground services, storm water management systems associated with individual development parcels etc.

LIHAF funding for off-site infrastructure is also intended to be complemented by additional on-site or other infrastructure development funding solutions (e.g. ISIF funding initiatives viz. Activate Capital) in respect of infrastructure provided as an integral part of the relevant development site planning permissions.

While the LIHAF project types do not include the provision of water and wastewater enabling infrastructure, Irish Water's Water Services Strategic Plan 2015, together with its emerging 25-year Investment Plan, aims to support national, regional and local economic and spatial planning policy and to facilitate growth in line with spatial planning policy through capacity and compliance upgrades, making provision for future development requirements.

In addition, the Department has been working with local authorities and Irish Water to develop a prioritisation methodology for Irish Water-led investment in network extensions of water services for key strategic sites. Subject to necessary consents and regulatory approval, Irish Water will therefore be putting in place a programme of works, appropriately co-ordinated with successful LIHAF proposals.

¹ An Affordable Rental Scheme will be introduced by Q3 2016. It will support at least 2,000 households on low or moderate income to rent by 2018.

General Content of Bids

LIHAF Bids must contain:

- i. clear identification of the relevant infrastructural impediment which, if resolved, will definitely release the production of a substantial level of affordably priced housing;
- ii. confirmation that the cost of providing that infrastructure from other publically funded sources is unavailable and/or, where funded through the housing project(s) concerned, would make the provision of housing uneconomic, unaffordable or restricted in number and phasing of delivery; and
- iii. demonstration of a collaborative approach with housing providers to increase housing output on the site(s), which may include price promises as a result of cost reductions, provision of sites for multi-housing provider residential delivery, i.e. private, rental and social housing, agreement with AHB's or local authorities to purchase/develop social housing on site as part of the social housing programme, as well as local authority Part V housing provision.
- iv. provision of a specific time frame for the completion of the infrastructural works and the delivery of the houses by housing providers.

Call for Proposals

Proposals must demonstrate very strong prospects for substantial housing delivery from early 2017 onwards on strategically located sites, in accordance with the hierarchy of planning policy from national to regional and local levels, such as Strategic Development Zones (SDZs) and other similar priority locations, where all the relevant preparatory planning policy and urban development framework-type work has been completed.

The LIHAF will provide capital funding only; therefore, any future current or operational costs related to proposals must be met from existing or realistically projected local resources and/or revenues.

A number of bids under LIHAF may be made by any individual local authority or alternatively by a number of local authorities, say in the case of large metropolitan areas, working together in bringing forward a collaborative bid. However, all bids must demonstrate the following:

- Capacity to quickly deliver housing development at scale (viz. developments of 500+ housing units in Dublin, or 200+ housing units in appropriate locations outside of the four Dublin Authorities) and with high levels of affordability (minimum 40% of homes delivered to be available at prices at least 10% below the average cost of market housing including under €300,000 in Dublin and comparative affordability outside of Dublin) as evidenced by an agreed "form of undertaking" by the relevant housing provider(s) that housing

construction will follow within specified timeframes, including performance contracts where feasible (with a proportionate penalty system);

- High standards and innovation in urban design, architectural quality and place making;
- Evidence of, and commitment to, complementary funding for wider public and private investment from relevant organisations;
- A “certificate of planning need” from the relevant local authority Chief Executive, demonstrating a high degree of fit with national, regional and local policies (viz. NSS, RPGs, SDZs, development plans - in particular the core strategies - and LAPs), including local authority assessments of infrastructural deficits, viz. Dublin Housing Supply and Co-ordination Task Force, Cork Area Strategic Plan etc;
- Evidence of project “readiness”, such as through existing design proposals, existing permissions, Part 8 approvals, An Bord Pleanála consents etc; and
- Compliance with the Department of Public Expenditure and Reform (DPER) Public Spending Code² (which replaces the previous Capital Appraisal Guidelines) which sets out the guidelines on how programmes and projects should be appraised before approval is received.

With regard to the last point above, recognising that there may be different scales of infrastructure projects from €0.5m and under, to in excess of €20m projects, involving major access/bridge crossings, your authority’s bid may distinguish between the different thresholds under the Public Spending Code and submit documentation for projects meeting the assessment, detailed appraisal and multi-criteria analysis thresholds (€0.5m, €5m and €20m).

For any projects requiring a Multi Criteria Analysis (MCA) or particularly a full Cost Benefit Analysis (CBA), it will be sufficient to register a potential project in that category, inclusive of indicative costings by the October deadline above and to follow the bid with a more detailed proposal in respect of any such element by 31st December 2016 or earlier, where feasible.

² Appraisal of proposals/projects, etc. for funding where the value is:

- less than €0.5 million, a **simple assessment** is sufficient;
- between €0.5 million and €5 million, an **appraisal incorporating elements of a preliminary and detailed appraisal** is required;
- between €5 million and €20 million, a **multi criteria analysis (MCA)** is required; and
- greater than €20 million, the appraisal should include **Cost-Benefit Analysis (CBA) or Cost Effectiveness Analysis (CEA)**. In addition, the CBA should be sent to DPER for review prior to the Department giving approval in principle.

Matching Funding

As noted under criterion No. 4 of the LIHAF Assessment Framework in Appendix 1, the provision of matching local authority funding for the relevant project(s) of at least 25% of the cost of LIHAF bid is a qualifying pre-requisite for all proposals.

In addition, the more funding provided for complementary infrastructure from other public sector organisations, such as Irish Water, Transport Infrastructure Ireland, National Transport Authority, Department of Education and Skills as well as housing providers, that the LIHAF funding will leverage, the higher the scores under assessment criteria under relevant headings.

Thereafter, draw-down of funding under LIHAF will be conditional on delivery of housing, in line with the form of undertaking supplied by housing providers as mentioned above.

Funding will be drawn down at particular milestones as set out in each proposed funding bid.

It should be noted that, where housing delivery is not forthcoming or matching the anticipated profile of delivery at appropriate scale or pace, bids must indicate the mechanisms which will claw-back funding enabling the Department to transfer it to alternative sites to maximise the housing return from the available funds.

Furthermore, the expectation is that there will be a strong synergy between sites registered under the Vacant Site Levy and the sites potentially benefiting under LIHAF.

Evaluation and Assessment

Evaluation of proposals and allocation of funding will be carried out by an Advisory Group, following the approach set out in this circular and the five criteria as set out in detail at Appendix 1.

It is appreciated that, while some local authorities may not have full consents or approval in place when submitting LIHAF proposals (e.g. Council approval to matching funding), the Department will require subsequent confirmation in acceptance of any successful local authority proposals.

The Department anticipates that provisional allocations under LIHAF will be announced by mid-December at the latest to enable commencement of relevant projects in early 2017. For projects requiring an MCA or full CBA, a subsequent round(s) of evaluation and assessment will be undertaken for completion by end-March 2017 at the latest.

Management Committee

Subsequent to approval of projects, a LIHAF Management Committee will be established with representatives from the Departments of Housing, Planning, Community and Local Government (DHPCLG) and Public Expenditure and Reform (DPER) and the CCMA to oversee the operation of the LIHAF (with other relevant Departments and Agencies to be consulted, as necessary). The LIHAF Management Committee will report and make recommendations on projects to be funded to the Minister.

A funding condition for local authorities will be the appointment of a senior project manager to:

- take responsibility for delivery of LIHAF-funded projects and associated housing;
- drive implementation at local authority level, including the leadership of any necessary implementation team; and
- act as the Department's contact point for project monitoring and reporting arrangements in the context of wider implementation arrangements under the Action Plan.

Monitoring

Progress reports will be required to be submitted every four months to the LIHAF Management Committee by the Project Manager on behalf of the local authority project team. A reporting template will be drawn up by the Management Committee to assist the reporting process.

Payments from the LIHAF will be linked to the achievement of key project milestones and on the basis of expenditure already incurred.

The monitoring and review procedures set out under the Public Spending Code will also have to be taken into account.

Any enquiries in relation to this circular can be emailed to: LIHAF@housing.gov.ie

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Patrick O'Sullivan

Principal

Planning, Land Management and Housing Market Policy Division

Appendix 1: LIHAF Proposal Template and Assessment Framework

<p>Marking Criteria</p> <p><i>*Minimum of 50% score under all headings is a qualifying requirement in respect of all criteria 1-5 below.</i></p>	<p>Marks (Out of 500)</p> <p><i>Within criteria 1 & 4, i-iv x 20, criterion 2, i-iv x 25, and criterion 4 & 5, i-iv x 30</i></p>
<p>1. Project Proposal and Link to Housing Delivery:</p> <ul style="list-style-type: none"> (i) Summary of the LIHAF proposal (critical infrastructural constraint and housing potential) and costs. (ii) Detailed project description (including infrastructural prioritisation/timeframe), deliverability and detailed cost (housing delivery proportional to infrastructural investment, including apportionment of non-LIHAF infrastructural costings i.e. other funding and revenue streams). (iii) Demonstration of housing delivery in conjunction with housing providers with proven track record and capacity to deliver, including provision of social and affordable mix. (iv) Extent and source of associated or complementary local authority housing delivery funding in respect of those housing sites unlocked on public development land sites (e.g. HFA Lending Vehicle, NTMA/ISIF Special Purpose Vehicle etc.). 	<p>80</p>
<p>2. Innovation and Collaboration:</p> <ul style="list-style-type: none"> (i) The degree to which the LIHAF will stimulate additional, more significantly scaled and more affordable housing supply. (ii) Details of any principal partners in delivering the LIHAF proposal, e.g. establish new partnerships between public agencies and the private sector. (iii) Information on the mechanisms used to secure agreement in developing and delivering the LIHAF proposal in conjunction with housing delivery as evidenced by an agreed “form of undertaking” by the relevant housing provider(s) that housing construction will follow within specified timeframes including performance contracts where feasible (with a proportionate penalty system). (iv) Description of the wider institutional arrangements in place to secure strategic planning and co-ordination of local authority housing development. 	<p>100</p>
<p>3. Strategic Fit:</p> <ul style="list-style-type: none"> (i) LA Chief Executive Certificate of Planning need demonstrating fit with the NSS/RPGs/SDZ/DP in particular the core strategy/LAP objectives and other national policies. (ii) Degree of fit with local authority own assessments of infrastructural deficits (whether individually or jointly) viz. Dublin Housing Supply and Co-ordination Task Force, Cork Area Strategic Plan, etc. (iii) Evidence of existing or emerging development consents on development sites being unlocked supporting the timely delivery of housing at scale. (iv) High standards and innovation in urban design, architectural quality and place making. 	<p>80</p>

<p>4. Financial Package and Prudence:</p> <ul style="list-style-type: none"> (i) Extent and source of matching funding including commitment to subsequent consents or approvals confirmation by the local authority (Note: 25% minimum is an absolute requirement). (ii) Affordable homes to be delivered and price levels (with a minimum of 40% of homes delivered to be available at prices 10% below the average cost of market housing including under €300,000 in Dublin and comparative affordability outside of Dublin). (iii) Extent and source of any complementary infrastructure funds (e.g. synergy between LIHAF project and wider Government including Semi-State e.g. Irish Water, or private sector investment). (iv) Details of appraisal required under Department of Public Expenditure and Reform Public Spending Code. 	<p>120</p>
<p>5. Delivery:</p> <ul style="list-style-type: none"> (i) Details of overall project management arrangements (i.e. steering group representing key stakeholders) and nominated project manager. (ii) Timeframe for delivery together with phasing schedules including detailed project management mechanism/arrangements together with proposed project milestones, targets and outcomes. (iii) Risk analysis of the proposal including potential project pitfalls, delays or other impediments to delivery of the proposal within the stated budget and timescale including proposed claw-back arrangements in the event of non-delivery of housing. (iv) Statement of contract / commitment by the local authority, including any of its partners, regarding critical infrastructure that will be unlocked/housing delivery to be achieved upon the completion of the LIHAF proposal including arrangements for recovery or claw-back of LIHAF investment proportional to any non-delivery. 	<p>120</p>