



**Inter-Departmental and Agency Group
Consideration of Report of Working Group to Examine Defects in Housing**

Meeting of November 8, 2022

Discussion Paper on Deployment Options

1. The Working Group estimated the number of purpose-built apartments/duplexes constructed between 1991 and 2013 that may be affected by fire safety-, structural safety- or water ingress defects ranges between 62,500 and 100,000, that the average cost of undertaking the remediation of defects is likely to be approximately €25,000 per apartment/duplex. Therefore the estimated overall cost of addressing these defects ranges between €1.56 billion and €2.5 billion, approximately.
2. The Working Group estimated that up to 12% of apartments/duplexes (all tenures) may already be remediated (between 7,500 and 12,000 units) which equates to between approx. €187.5 million and €300 million. It is also estimated that remedial work may be in progress for up to 34% of apartments/duplexes (between 21,250 and 34,000 units – all tenures) which equates to between approx. €531 million and €850 million..
3. Therefore, €1.15 billion represents the upper limit of estimated approximate expenditure in relation to remediation completed or in progress and as a consequence the cost of addressing new remediation work would have an estimated upper limit of €1.35 billion.
4. Considerations of supports for retrospection and new remediation are fundamentally different.

DEPLOYMENT OPTIONS - NEW REMEDIATION

5. The Working Group identified three deployment options for new remediation works - low-cost loans to OMCs, State-funded grant to OMCs and direct State intervention.



6. Key considerations

- OMCs
 - Supports directly to OMCs or indirectly via Apartment Owners (supports to repay levies)?
 - OMC's capacity to carry out works – access to full finance, access to building area, payment of levies, completion of works to enable certification etc.,
 - OMC eligibility criteria
 - Is the level of support to OMCs linked to the proportion of eligible owners? Consider mixed tenure - Owner Occupier, Landlord (Individual, companies, Institutional Investors (REIT, IREF)), Local Authority, Approved Housing Bodies.

- Extent of eligibility for supports?
 - Owner Occupier,
 - Landlord (Individual, companies, Institutional Investors (REIT, IREF))
 - Local Authority
 - Approved Housing Bodies.
 - Issues in relation to owners of multiple apartments, multi-use buildings or non-residential parts of the building including carparks, retail etc.

- Central agency
 - Organisational capacity
 - to deliver any state intervention
 - to administer support
 - to provide governance and oversight

- What works would be covered?
 - Risk based approach – prioritisation of work
 - Degree of State involvement
 - Provision of framework procurement panels of professionals and contractors
 - Contracting authority for works – OMCs, State



- Emergency works / interim measures
 - Definition of Interim works e.g. fire warden, additional alarms etc.
 - What proportion of the interim works would be eligible for grant funding?
 - Cost of interim measures?
 - Administration process relating to interim measures
 - Degree of state involvement in interim works?

- Funding of remainder of remediation work –
 - by OMC ?
 - via loans or additional grant funding?

- Learnings from Pyrite Remediation Scheme and Defective Concrete Blocks Scheme

RETROSPECTION

7. Within the context of their report, the Working Group have stated that retrospection means the provision of financial support where
 - a remediation project has been initiated but not completed or
 - a remediation project has been completed.

It considered the potential of a moral hazard arising, should necessary safety works be delayed or deferred to ensure the ability to avail of any potential remediation support scheme that might come into effect.

8. The report indicates that such a scenario might give rise to unnecessary risk to health and safety arising from the deferral of important works or where necessary works have only been partially completed within a development.
The Working Group considered that the inclusion of a relief for retrospective expenditure on remedying defects could mitigate the risk of such a moral hazard materialising.

9. The report indicates that the number of apartments / duplexes where remediation works may already be completed, or where remediation works are currently underway ranges between 28,750 and 46,000 apartments / duplexes, broken down as follows:



Description	Estimated Range	
	Lower Limit	Upper Limit
Estimated number of apartments/duplexes that may already be remediated	7,500	12,000
Estimated number of apartments/duplexes where remedial work may be in progress	21,250	34,000
	28,750	46,000

Using the information included in the report, the estimated value of remediation works either completed or currently underway ranges between €718,750,000 and €1,150,000,000. This estimated range has been broken down by tenure type in the following table:

Estimated Combined Value of Remedial Works Completed or in Progress by Tenure Type			
Description	% of Tenure type	Estimated Range	
		Lower Limit	Upper Limit
Rented (private/corporate landlord)	56%	€ 402,500,000	€ 644,000,000
Owner-occupied	25%	€ 179,687,500	€ 287,500,000
Rented from Local Authority	11%	€ 79,062,500	€ 126,500,000
Rented from voluntary bodies	4.7%	€ 33,781,250	€ 54,050,000
Ownership not stated	2.3%	€ 16,531,250	€ 26,450,000
Free of Rent	1%	€ 7,187,500	€ 11,500,000
All Tenure Types	100%	€ 718,750,000	€ 1,150,000,000



10. It is understood that some apartment owners have fully paid the levy they were charged for remediation works carried out, while others continue to pay their levy for remediation works completed and/or ongoing.

From the responses to the online survey undertaken by the Working Group:

- 60% of the owners of apartments / duplexes where there was an awareness of fire safety-, structural safety-, or water ingress defects had been asked to pay a levy to remediate the defects.
- It was indicated that 80% of levies charged to repair the defects were less than €20,000
- 54% of Landlords, and 40% of Homeowners indicated that they had paid the levy in full
- 15% of Landlords, and 33% of Homeowners indicated that they hadn't paid any of the levy
- 31% of Landlords, and 27% of Homeowners indicated that they had partially paid the levy.
- just under 50% of both combined categories indicated that they had paid less than 25% of the levy due.
- in almost 60% of cases Stage payments of the levies were being facilitated by the OMC.

11. There is a perceived inequality of tax treatment across tenure types.

12. Considerations

- Deployment options – tax credits, grants, low-cost loans, or a combination.
- Tax credits for levies imposed on owner-occupiers to fund the cost of remediation work already incurred or being incurred, including consideration of the “look back” period.
- Administrative and operational challenges of implementation
- Precedence.