

# Ad hoc Interdepartmental Working Group on development of Grangegorman site



## Report March 2002

### Background

1. In December 1999, the Government approved the purchase by the Department of Education and Science for the Dublin Institute of Technology (DIT) of 65 acres of the Eastern Regional Health Authority (ERHA<sup>1</sup>) lands at Grangegorman, Dublin 7 (St. Brendan's Psychiatric Hospitals and grounds) at a valuation of £17 million (€21.59 million). It was envisaged that some of DIT's faculties and its central administrative functions<sup>2</sup> - with the exception of the three premises at Bolton St., Kevin St. and Aungier St. - would be relocated to Grangegorman at a capital cost of some £150 million (€190.5 million). The remainder of the site would remain with the Health authorities for the development of a range of non-acute health facilities. The site is some 70 acres in total.
2. The valuation of £17 million (€21.59 million) was given in September 1998. After the Government decision in December 1999, the ERHA sought an updated valuation in view of the length of time that had elapsed and the change in market conditions that had occurred in the meantime. The Valuation Office valued the site at £150 million (€190.46 million) in May 2000, with the land to be sold to the DIT estimated at £120 million (€152.37). The ERHA is under a legislative obligation to secure fair value for any lands it disposes of. Sale of land is a function reserved to the Board. The original valuation clearly bore no relationship to then market values by the time the matter came before Government.

### Establishment of Ad hoc Working Group

3. This Working Group was established in May 2001 and met on eight occasions. The following are represented on the Group: Departments of Education and Science; Environment and Local Government; Finance; Health and Children; Public Enterprise; Taoiseach, Dublin City Council, Dublin Institute of

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<sup>1</sup> Hereafter in this report ERHA is to be read as including the Northern Area Health Board as appropriate

<sup>2</sup> For ease of reference, the faculties and the central administrative functions envisaged for relocation to Grangegorman when the matter was submitted to Government in 1999 are referred to in this report as DIT's 'core' facilities.

Technology, Eastern Regional Health Authority, Northern Area Health Board.  
The Group's membership is given in Appendix 1.

### **Terms of Reference**

4. The Group was given the following terms of reference:
  - To examine how the Grangegorman site can best be developed to achieve Government policy priorities in meeting education and social service needs and in tackling construction industry capacity constraints. This to be done in a way which takes into account the overall development of Dublin and leverages the strategic location and commercial potential of the site to attract private involvement on a PPP basis, having particular regard to the following: -
    - Access by DIT at the earliest possible date to facilities needed for apprenticeship training, with site occupation as from the academic year 2001/2002
    - Provision, on a staged basis over the longer-term, of modern campus facilities needed by DIT in the context of Government policy for 3rd level education as a whole
    - Provision in the short-term, as part of the package, of non-acute units needed by the ERHA (on part of the campus, but also on other sites in the region) taking account of the investment in kind by the Authority
    - Arrangements to afford the local community access to playing field facilities on the campus
    - Integration of the proposed campus development with Luas and other relevant public transport provision
    - An approach to financing that includes leverage of the site's strategic location and commercial potential to lessen the burden on the Exchequer and avoids circular transfer of funds between Votes.
5. The Group engaged consultants (Farrell Grant Sparks in association with A&L Goodbody) to carry out a review of the macro issues associated with the development of the site and make recommendations on the appropriate development mechanism and strategy in the light of their conclusions. A copy of their report is available separately. In the course of their examination of the issues and consultations with the various stakeholders, the Consultants also took market soundings from a number of key property and financial specialists.
6. The site is currently zoned for recreational, institutional and community use. It should be noted that the development envisaged in 1999 and the recommendations in this report may require a review of existing zonings.

### **Working Group's conclusions and recommendations**

7. In the light of the Consultant's report and our own discussions, the Working Group identified the following key issues which need to be resolved so as to allow the proposed DIT and ERHA developments to proceed and unlock the full potential of this site to meet the needs identified and contribute to the development of Dublin as a whole:
- Need for an up-to-date and definitive valuation of the site
  - The capacity of the site for sustainable development. This includes the issue of transport access: the site is effectively 'landlocked' and transport access needs to be opened up to sustain significant development
  - Up-to-date estimates of the cost of the proposed DIT and ERHA facilities to be obtained
  - A full value-for-money audit of the question of relocating the balance of DIT's facilities to Grangegorman to be carried out – the original Government decision was in the context of a proposal that envisaged part only of DIT to be relocated to Grangegorman
  - The ERHA's requirement, having regard to the legal position with regard to ownership of the site and the statutory obligations of the Authority to secure fair value for any assets being disposed of, that funding to the value of the land being transferred to DIT be made available to it for investment in health facilities
  - The need to develop the site in an integrated and sensitive manner, having regard to its strategic location and importance to the city. **An Integrated Urban Design and Land Use Framework Plan** therefore needs to be prepared
  - The relationship between Grangegorman and Broadstone is important. If a Metro station is constructed at Broadstone, the enhanced transport access will unlock the full potential of Grangegorman. It will also raise the need to examine the question of integrated development of these contiguous sites, both of which are in public ownership.

#### **Strategic location**

8. Grangegorman is a unique site and is of strategic importance in the context of Dublin as a whole. Its development needs to be approached therefore with great care. At the outset, a visionary **Integrated Urban Design and Land Use Framework Plan** should be prepared, with a particular focus on the provision of adequate public transport access. The plan – which will be a necessary condition of seeking planning permission – should incorporate community use and access and be informed by a high quality urban design perspective. The Plan should set the development of the site in the context of the city as a whole and should complement nearby and adjacent urban renewal initiatives (e.g. HARP). It needs to be prepared in close consultation with Dublin City Council from an early stage. It must also reflect the needs of the local community.

**Transport access**

9. Lack of transport access to the site is a critical issue to be resolved. Road access is constrained. While traffic needs arising from a Phase I development could be met with an augmented bus service, the provision of LUAS and a Metro service at Broadstone, would unlock the site's full potential.

### **Broadstone**

10. CIE's holding at Broadstone adjoins Grangegorman East. Provision of a Luas/Metro station at Broadstone would fundamentally change the potential for developing Grangegorman. It also raises the question of the most appropriate further use of Broadstone and whether development of the two sites should be managed in an integrated fashion. It would, on the face of it, make strategic and economic sense to integrate any planned development of the Broadstone site (30 acres) with the Grangegorman site. The arrival of a Luas/Metro service would increase property values in the vicinity. This raises the issue of whether continued use of this site primarily as a bus depot and maintenance facility is the most economically advantageous use of this State asset. Plans have been developed already to locate, at Harristown, overflow expansion of the Dublin Bus garages.
11. Joint development of the two sites could:
  - Provide greater flexibility in development of the entire c. 110 acre site, in location of individual facilities and create potential for commercial development of part of the site to offset the Exchequer costs in construction of the health and education facilities
  - Provide a mechanism for Government to recoup some of its investment in public transport infrastructure, through capturing some of the increase in land values which that investment will trigger in Broadstone
  - Considerably improve ease of access to the Grangegorman site from the east.

### **Valuation of site and related DIT properties**

12. We arranged for a new valuation of the Grangegorman site. The valuation was carried out by Richard Ellis Gunne, working in association with the Valuation Office. The current valuation of the site is in the range of some €64 to €70 million. We have taken that the 65 acres to be disposed of to DIT are deemed to be valued at €63.5 million.

### **Education and healthcare requirements**

13. The Consultants have advised us that all the healthcare and educational requirements of the key stakeholders could be located, on a phased basis, on the Grangegorman site. This is a pivotal conclusion. In the Working Group's assessment, achievement of this outcome will – as stated by the Consultants - be crucially dependent on overcoming the transport access problems and submission of a visionary and integrated plan for the whole site that meets with the Planning Authority's approval. Resolving the transport access issue is a vital element in that.
14. DIT has proposed an extension of what was envisaged in 1999 and relocating all their facilities to Grangegorman. The Consultants have advised there is potentially real value for money to be gained from a relocation of **all** of DIT's facilities to Grangegorman, especially if the public transport issues can be

resolved, and that the site could sustain this. The value for money equation needs to be further investigated and the Working Group recommend that an examination of the case to be made by DIT be undertaken urgently by the Departments of Education & Science and Finance.

15. The Consultants have further advised that other stakeholder requests – such as provision of social housing – cannot be accommodated on the site. In any event, it should be noted there is significant social housing in the vicinity. Provision of additional social housing units on site would be contrary to the emphasis in current policy on fostering balanced and mixed development. None of the site is zoned for housing, so Part V of the Planning and Development Act 2000 does not apply.

#### **Health requirements**

16. The ERHA has outlined requirements for 32 units/facilities on and off site at a capital cost of €176.4 million. While the total cost of the facilities exceeds the value of the portion of the Grangegorman site to be transferred to DIT (€63.5 million), the first priority is to provide accommodation and required services both on and off site for the existing patient population and it will be a matter for the ERHA to scale its requirements to the funding available. The Working Group would expect that the bulk of the capital funding involved would be expended in 2003 - 2005. Some of these facilities will be provided on site and some on other ERHA lands – with a quicker construction start being possible in the latter.

#### **DIT requirements**

17. The DIT requirements are as follows:-

- **Phase I:** 70,000 sq m. The net capital cost of these facilities is estimated at €198.5 million which includes €25.4 million for infrastructure. This takes account of the value of properties in DIT ownership to be disposed of in this phase of €58 million. The gross cost is estimated at €256.5 million. In addition, 64,000 sq m of self-financing buildings (i.e., student accommodation, incubator units, student concessions) would be provided in this phase at no cost to the Exchequer.

The incubator units have the potential to create 2,000 – 3,000 jobs. The concept is supported by Enterprise Ireland, as linking academic institutions and enterprise in this way has been shown as an effective mechanism in fostering innovation, research and commercial application of research concepts. The Consultants conclude that the site has the potential to support a substantial expansion of current plans in this regard from 25,000 sq m. to 50,000 sq m.

- **Phase II:** 70,000 sq m. The net capital cost of these facilities including infrastructure costs of €25.4 million is estimated at €121.5 million. The gross cost – before taking account of the value of DIT properties to be disposed of in this phase (€135 million) – is €256.5 million. If not being vacated, the existing DIT facilities in question will need substantial expenditure in coming years on remedial works. The proposed value for

money audit will address this and the other cost benefit issues.

18. Provision of these requirements in a new Grangegorman campus will require the transfer to DIT of some 65 acres, as envisaged by the December 1999 Government decision.

**Apprenticeship training**

19. An important short-term objective when the Working Group commenced was access by DIT as the earliest possible date to facilities on site needed for apprenticeship training as from the academic year 2001/2002. Increasing the output of apprentices in building trades was an important objective in the context of the construction capacity constraints that then applied. The situation has eased since and the need for urgent short-term action has diminished. In any event, it did not prove possible to identify any existing premises on site which was unoccupied and suitable for this purpose. Construction of new buildings or renovation of derelict buildings on site would require planning permission and did not present a short-term solution.
20. However, the relocation of DIT to Grangegorman will provide in the medium term enhanced facilities for apprenticeship training.

**Total cost to Exchequer**

21. Assuming an allocation of €63.5 million to the ERHA in consideration of the transfer of lands to DIT, the net cost of Phase I (ERHA requirements and DIT phase I) would be of the order of €262 million. The net cost of the entire health and education development (phase I and phase II) is estimated at €383.5 million in constant 2001 prices. Construction would commence in 2004/5 and be completed in 2010.
22. A breakdown of the various elements of this estimated costing is set out in the following table:

	<b>Gross (million)</b>	<b>Value of property to be disposed of (million)</b>	<b>Net (million)</b>
<b>ERHA capital</b>	€63.5	-	€63.5
<b>DIT Phase I</b>	€256.5	€58	€198.5
<b>DIT Phase II</b>	€256.5	€135	€121.5
<b>Totals</b>	€576.5	€193	€383.5

(The detailed costings and possible phasing were reviewed by Departments after the Consultants completed their work: therefore these figures do not correspond with those quoted in the Consultants' report.)

23. The exact cost to the Exchequer cannot be determined with any degree of certainty until an Integrated Urban Design and Land Use Framework Plan is produced by the proposed Development Company, an operational Masterplan is drawn up by a Developer taking account of the detailed output specifications provided by the stakeholders and a detailed procurement strategy is devised. The net Exchequer cost would fall substantially if commercial development on an expanded Broadstone/Grangegorman site is added to the equation.

#### **Phased development**

24. Given also the transport access issues and the potential role of Broadstone, it makes sense to approach the development in two separate phases. Phase I should consist of the 'core' DIT facilities envisaged for relocation in the Government decision of December 1999 and the ERHA facilities required. The costs estimated for the DIT facilities in question are within the financial envelope envisaged when the matter was put to Government in 1999. Phase II should consist of the remainder of the DIT facilities. A decision on this phase should be taken following a full value for money audit.

#### **Management of integrated development**

25. This will be a medium-term and complex property development project, involving two significant state agencies and a number of interested Government Departments. The site is of great importance to the city. Its development requires a strategic vision and the various elements will need to be undertaken in a sensitive and integrated way, working closely with Dublin City Council and consulting with local community interests.
26. Development of the entire site in an integrated fashion will also maximise the value for money to the Exchequer in that it makes the development more attractive – because it offers more possibilities and flexibility – to potential PPP partners. This would, of course, be magnified by inclusion of Broadstone also in the equation.
27. The Working Group considers that the management of the overall development will require dedicated resources and professional expertise in the property development area. We agree with the assessment of the Consultants that a dedicated Development Agency be created. The Agency is to be responsible for procuring the health and education facilities (once they have been formally agreed through the appropriate channels), including relevant health facilities off site. The procurement to be to specifications determined by the lead agency. In the procurement of facilities, the Development Agency will act as agent of ERHA and DIT as appropriate. The legislation for the Agency should provide for the vesting of the site with it, as well as DIT properties to be vacated and any other ERHA properties that are identified by agreement at the detailed planning stage as suitable for inclusion in a PPP option.
28. The Agency could initially be set up jointly by the Department of Education and Science<sup>3</sup> and ERHA as a company limited by guarantee, with Board representation drawn from the two state organisations and representatives from

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<sup>3</sup> Unlike the ERHA, the legislation governing DIT does not allow it to set up subsidiary companies

the parent Departments. A high calibre CEO with experience of complex development projects should be appointed. It should be given a statutory basis as soon as possible.

29. The Digital Hub Development Agency or the Dublin Docklands Development Authority legislation have been suggested as models for possible legislation here. The Department Education and Science in consultation with the Departments of the Taoiseach and Health and Children should undertake preparation of necessary legislation with a view to its enactment in the first half of 2002. If Broadstone is included in its remit, membership of the Board will need to be suitably extended.
30. The Agency should initially be tasked with the Phase I development. If the outcome of the VFM examination of Phase II proves favourable, the question should be submitted to Government for decision and, if Government approves, the Agency then given responsibility for progressing Phase II also.
31. A value for money study of the optimum use of the Broadstone site should be carried out which will maximise the development potential of the site in the context of the development of the Grangegorman site and the public transport requirements of the Greater Dublin Area. In the event that the value for money study indicates that it makes economic sense to develop the Broadstone site for purposes other than public transport, the development should form part of an integrated plan for the combined site. This will include maximising the development potential of the extended Broadstone/ Grangegorman site to defray Exchequer costs associated with the health and education facilities provided and provide further resources for investment in public transport infrastructure in the Greater Dublin Area. It can also include provision of other priority public facilities. Any plans for the development of the extended site should be submitted for approval by Government. On a practical note, if the Broadstone site is developed to form part of a Luas/Metro project, protocols will need to be agreed for construction access and use of the Broadstone site during the Metro construction phase; aboveground development could not get underway until after that phase is complete. Temporary use of part of Grangegorman for storage may also be an issue.
32. However, work on a Grangegorman Integrated Urban Design and Land Use Framework Plan should commence immediately, to save time and to plan for provision of DIT's and the ERHA's immediate requirements.

#### **Procurement options**

33. The individual facilities could be procured in a variety of ways, ranging from traditional public sector procurement to a PPP approach. A number of different variations on PPP can be considered, including DBO and DBOF, and including also transfer of properties in existing DIT ownership. Some commercial facilities (e.g. restaurant and campus related shop facilities) could be provided by a private developer without Exchequer assistance. As recommended by the Consultants, some of DIT's requirements could attract private sector sponsorship.

34. The decision on the appropriate procurement strategy for each individual element of the overall campus development will fall to be taken by the Development Agency in agreement with the two agencies and the two parent Departments (Education & Science and Health & Children) involved and with the Department of Finance. The overriding criterion in guiding such individual decisions will be value for money to the Exchequer.

**Timescale**

35. Given the current limitations of the site, the Working Group regard the following as a realistic timescale:

2002, Q 1	Government decision
2002, Q2	Grangegorman Development Agency set up
2002, Q 2	Enactment of legislation
2002, Q 3	Integrated Urban Design and Land Use Framework Plan agreed
2002, Q 4	Final decision on Metro
2003, Q 1	Appointment of developer(s)
2003, Q3	Masterplan prepared and planning submission made, to include possible zoning adjustments
2003, Q 4	Planning scheme approved
2004/2005	Construction of Phase I development commences
2006 onwards	LUAS operational
2006	ERHA facilities relocated within Grangegorman
2007	Construction of Metro commences
2007	DIT moves into Phase I development; vacated DIT properties sold; and DIT Phase II begins
2007	Metro operational
2010	DIT relocation to Grangegorman completed

### **Recommendations**

36. The Working Group recommends as follows:

- A **Grangegorman Development Agency** be established to commence work on an **Integrated Urban Design and Land Use Framework Plan** and to manage the development of the site as agent for the ERHA, DIT and the Departments involved.
- The Agency should initially be set up jointly by ERHA and the Department of Education and Science as a company limited by guarantee and given a statutory basis as soon as possible. The Board will need to be suitably augmented if Broadstone is included in its remit.
- Approval in principle be confirmed for the DIT Phase I development, at an estimated net cost (in 2001 prices) of €198.5 million – which is in line with estimated costs when the Government approved the proposal in December 1999. Actual expenditure to be subject to approval of a detailed proposal, which will include agreement on detailed output specifications.
- As indicated in page 3 above, the ERHA can only agree to dispose of land to the Department of Education and Science for DIT on the basis that the funding for the Company – to be provided via the relevant Departmental Votes – will include an allocation of €63.5 million earmarked for health facilities, which is equivalent to the value of the portion of the Grangegorman site being transferred from ERHA to DIT. This funding will be required in the period 2003 – 2005. It is recognised, however, that the final decision on funding allocations must take account of the prevailing overall fiscal position.
- An urgent examination of the value for money of relocating all of DIT (i.e. Phase II) to Grangegorman should be undertaken by the Departments of Education & Science and Finance on the basis of the case to be put forward by DIT.
- A value for money study should be carried out by the Departments of Finance, Public Enterprise, Taoiseach and CIE in consultation with relevant Social Partners and other interested parties to identify the optimum future use of the Broadstone site taking account also of the need to provide integrated public transport services in the Greater Dublin Area and the impact in terms of cost and dislocation of relocating the existing Bus Éireann and Dublin Bus facilities to another or other location(s) in the city and the opportunities it offers for CIE.
- The Agency to be responsible, in co-operation with the stakeholders, for assessing the most appropriate procurement strategy for facilities on a case-by-case basis. Value for money to the Exchequer to be the overriding criterion for decision on the option in any individual case.

- It will be noted that, if the above recommendations are accepted and if all of DIT's facilities are relocated following a supportive outcome to the VFM study, the development of the combined site would span the period 2003 to 2010, with the Metro completion expected in 2007. DIT's 'core' facilities only would – assuming a 2005 construction start date – be completed in 2007 and Phase II commence at that time, with completion in 2010.
  - At the end of the construction phase, ownership of lands and premises being occupied by ERHA and DIT should be vested in the respective organisation.
37. There are also a number of detailed planning and preparatory issues which the ERHA and DIT need to progress. These are detailed in the Consultants' report and include preparation of detailed output specifications for the facilities involved, ensuring title is in order, communicating with staff interests. Further consideration needs to be given to whether any of the DIT properties to be vacated would be suitable for provision of other public services. The question of incorporating existing roadways within the overall site as part of an approach to improving access is also raised and will need to be pursued by the Company in due course.
38. A wider communications strategy aimed at the local community and other interests should be co-ordinated by the relevant Departments, following the Government decision.

**Grangegorman Working Group**  
**Members**

<b>Name</b>	<b>Department/ Agency</b>
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