CONSTRUCTION 2020

HOUSING SUPPLY COORDINATION TASK FORCE FOR DUBLIN

First Report - June 2014

Comhshaol, Pobal agus Rialtas Áitiúil
Environment, Community and Local Government

Dublin City Council
Comhairle Cathrach Bhaile Átha Cliath

dlr
Comhairle Contae County Council

Fingal County Council
Comhairle Contae Fhine Gall

Comhairle Contae Átha Cliath Theas
South Dublin County Council

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Introduction and Background

In May, 2014 the Government published **Construction 2020 –** A Strategy for a Renewed Construction Sector. This Strategy sets out Government policy to increase the capacity of the Sector to create and sustain jobs and to grow the sector to a sustainable level consistent with the demands of a modern economy.

Action 2 of the Strategy commits to the establishment of a *Housing Supply Coordination Taskforce for Dublin with an immediate focus on addressing supply-related issues. It will work closely with industry and other parties, including those responsible for key infrastructure such as schools, to identity and address any obstacles to viable and appropriate development.*

The Task Force was convened by the Department of the Environment, Community and Local Government. The immediate focus of the Task Force is to monitor trends in the supply of viable and market-ready approved developments. In doing so it was asked to work closely with "other parties including those responsible for key infrastructure, to identify any obstacles to viable and appropriate development". It was also asked to look at Action 18 which commits the Dublin Local Authorities to supporting a "*Kick Start"* Initiative for prime development areas where extensive infrastructure investment has taken place.

This is the first report of the Task Force in the context of the aforementioned terms of reference.

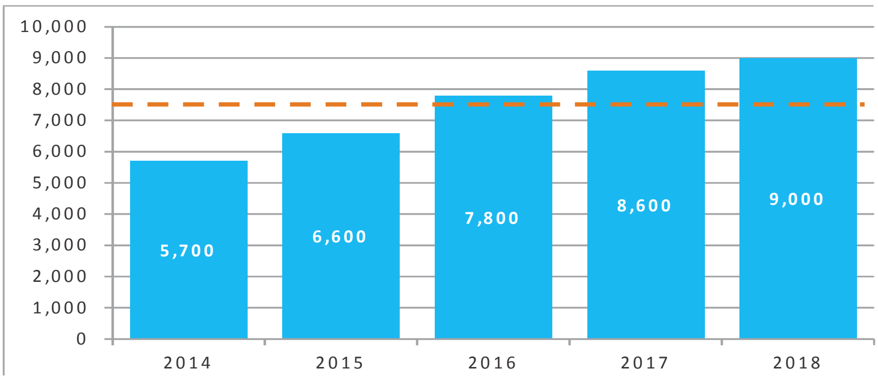
Dublin Housing Demand

Overview

The Housing Agency report on Future Housing Requirements projects that a minimum of 37,700 dwellings are required in Dublin over the next 5 years. This is an average equivalent of approximately 7,500 units per annum.

It is estimated that there is an immediate supply requirement of 5,663 units in 2014 in the Dublin Region, which rises to a per annum requirement of 8,970 units in 2018. Notably, requirements are not confined to the defined Dublin City and Suburbs area. There is a marked requirement for units in areas such as Swords (1,500 units between 2014-2018) and Balbriggan (900 units between 2014-2018).

Table 1



Urban Settlements (<1,000People) in the Dublin Region

(Annual) Housing Supply Requirement
Average Housing Supply Requirement 2014-2018

A second important feature of these projections is the implications of projected changes in household composition. The research projects the potential household composition of future requirements. It shows that well over half (57%) of all households in the Dublin Region will be for one and two person households, while three person households account for a further 18%. Therefore, three quarters of all households over this period will be for three people or less.

The national breakdown by household composition is provided below:

Percentage of Total Dwellings Required 2014-2018	
1 person	25%
2 person	31%
3 person	18%
4 person	15%
5+ person	11%

Key Housing Statistics for Dublin – 2011 Census

1,273,069	• Population of the Dublin Region in 2011
1,318,204	• Projected population for 2018 (*Housing Agency*)
466,461	• Total number of households within the Dublin region
289,094	○ Owner Occupied
121,670	○ Private Rented Households *(incl. occupied free of rent)*
42,534	○ Rented from a Local Authority
5,018	○ Rented from a Voluntary Body
8,145	○ Not Stated
2.73	• Average Household Size

Table 2

Local Authority	Population 2011	Households 2011	Private Rented Households	Avg. Household Size	% of Total Households
Dublin City	527,612	207,847	69,032	2.53	33.2%
Dún Laoghaire-Rathdown	206,261	75,786	16,149	2.72	21.3%
Fingal	273,991	92,951	20,754	2.94	22.3%
South Dublin	265,205	89,877	15,735	2.95	17.5%
Totals	**1,273,069**	**466,461**	**121,670**	**2.73**	**100%**

Rental Housing

Households in private rental accommodation accounts for 26% of the total in Dublin When rented housing from local authorities, approved housing bodies and others is added this increased to 37% of all households in Dublin.

In areas of high concentration of apartments, the concentration of private rented households is highest. For example, the Docklands and inner city areas of Dublin City have concentrations of private rented households exceeding 70%.

HOUSING SUPPLY

In the context of measuring short term viable supply the four Dublin local authorities and NAMA reviewed all planning applications for 20 units or more and categorised them as follows:

Tier 1:

This relates to sites where planning permission has been granted and the permission can be implemented immediately.

In the case of suburban locations an assumption has been made that for the most part previously permitted apartment schemes are not viable. In such cases projections have been adjusted, i.e., reduced and included in Tier 2(b) where no policy or physical constraint exists but a new permission will be required.

Tier 1 sites include some developments that have commenced.

Tier 2 (a)

Sites where a planning application has been lodged with a planning authority are recorded as Tier 2(a) sites.

Tier 2 (b)

This relates to lands which are zoned and where there is an appropriate planning policy in place or being put in place, and that there is no insurmountable infrastructure constraint which cannot be resolved. It is considered that planning permissions in this category are possible in 2015.

However, it should be noted that Tier 2(b) sites do not infer any presumption as to the likelihood or otherwise of a grant of permission for any particular development.

The results of the survey are as set out in the Table 3 below.

Table 3

	Tier 1		Tier 2(a)		Tier 2(b)	
	Houses	Apts.	Houses	Apts.	Units	Totals
FCC	7,260	2,063	965	-	11,000	21,288
DCC	542	1,630	143	457	6,741	9,513
SDCC	1,166	962	526	59	6,446	9,159
DLRCC	1,957	2,464	226	290	1,320	6,257
	10,925	7,119	1,860	806	25,507	46,217

Note

The NAMA commitment in Action 47 of Construction 2020 to fund the delivery of 4,500 housing units to serve the Dublin area by the end of 2016 in included in these figures.

In summary across the four Dublin authorities there is immediately available for development 12,785 houses and 7,925 apartments. This equates to circa. 3 years supply. A further 25,507 units are deemed permissible in the immediate to short term. In the context of the potential demand patterns outlined earlier of c.7,500 units per annum supply opportunities exist for approximately 6 years. A further study of zoned lands with infrastructural constraints looking beyond this time horizon is necessary and will be undertaken by this group.

A map showing the Tier 1 sites contained in this report is included for illustrative purposes in Appendix 2 and is available to view online here: http://arcg.is/1BI0iRE

The mapping of sites for the Dublin Housing Taskforce will be updated an on-going basis.

Consideration other than planning permissions

In the context of the immediate availability of sufficient viable planning permissions consideration of other prevailing influences is required. Notwithstanding suggestions of supply pressures the construction sector is not reacting to this perceived market opportunity. This is further evidenced by the low level of new planning applications for multi-unit developments as set out in Table 4 below. Based on working knowledge and anecdotal evidence the group feels that careful consideration needs to be given to the following factors

- It is clear that the spike in demand is not homogeneous across the Dublin region
- While it is acknowledged that finance is available the level of equity required together with the substantial costs of remobilisation, where developers have scaled down considerably or been inactive, is a substantial hurdle to overcome.
- For some who stayed in business the cost of land is the determining factor as to when they re - enter the market. Where land was purchased at peak the cost of new build is still significantly higher than prevailing second hand prices for comparable product or new product where land is held for some time.
- For others it may simply be that they hold the view that prices will increase and they (or their lenders) are not anxious to return to the market until prices increase further.
- The pattern of significant land purchases by investment companies may lead to a delay in those lands being released if return on investment is the primary motivation.

While a detailed examination of economic viability is beyond the remit of this group these are matters which do require further examination.

HOUSING APPLICATION TRENDS

Table 4 below shows the pattern of planning applications annually since 2006 on a cumulative basis for the four Dublin Local Authorities. In all cases it includes for applications for multi unit developments exceeding twenty. It is clear that despite positive signs in the construction sector the number of applications remains relatively flat in recent times with a particular emphasis on applications for extension of duration for existing permissions. At face value this may be interpreted in a number of ways. It is most likely that those interested in pursuing new construction already have permissions. Factors mentioned above in the context of price motivation should also be considered. It is however important to state that the capacity of the sector will have to be increased to generate sufficient viable permissions beyond the 3 and 6 year time horizons mentioned above.

Extension of duration (EOD) applications, where permissions could not be put into effect due to economic or commercial circumstances associated with the economic downturn, only started to emerge from 2010 onwards on foot of a decision to allow such applications.

Table 4

Dublin LA's - Applications & EOD Granted 2006-2014				
	Apps	Units	EOD	Units
2014	11	664	26	424
2013	26	2175	83	3185
2012	11	806	79	5796
2011	19	3402	47	3201
2010	21	3351	16	2104
2009	36	2704		571
2008	49	6410		331
2007	72	12055		273
2006	80	8650		0
Totals	**325**	**40217**	**251**	**15885**

LOCAL AUTHORITY LANDS

While not within the immediate brief of the Task Force, it was decided to examine in summary fashion the extent to which local authority lands are available to augment housing supply as part of any future housing initiatives. In this context possible joint ventures or Affordable Housing initiatives along the lines of those developed in the recent past might be considered. In summary in excess of 30 hectares with short term potential to release up to 2000 units were identified across the four Dublin local authorities. Sites are variable in size and capacity depending on location. In the medium term with infrastructural investment this would increase significantly.

THE "KICK START" INITIATIVE

In May 2013, the National Transport Authority and the Department of Environment, Community and Local Government published a research report titled the *"Planning and Development of Large Scale Residential Areas in Dublin"*. The four Dublin Councils collaborated with the NTA and the DECLG in the preparation of this report.

The purpose of the Report was to assess the future delivery of rail-based large and medium scale residential development areas in Dublin, given the current economic and funding conditions prevailing in Ireland, and the current lack of new residential development delivery of any scale. The Report considered how best, given current economic circumstances, to deliver residential development in rail-based large and medium scale residential development areas without compromising the longer term population densities that are necessary to sustain viable rail based public transport provision.

A significant recommendation of the Report was the "Kick-start" Incremental Development Approach which can be adapted for application to a range of strategic residentially zoned lands. It essentially comprises a plan-led approach to the development of the Strategic Residential Development Areas in a manner that addresses the prevailing economic climate by:

- Allowing for initial development at a lower density;
- Leveraging the use of existing infrastructure;
- Providing for investment in necessary early infrastructure while seeking to
- Minimise early infrastructure costs;
- Promoting the enhancement of the environs of each phase; and
- Achieving the overall target density in a phased manner.

This approach was supported by the DECLG in a letter dated the 10th July 2013 to the four Dublin Councils.

The four Councils have been actively implementing the "Kick-start" approach, where appropriate, in the consideration of planning applications, Local Area Plans and Strategic Development Zones. Examples include:-

FCC	Portmarnock & Baldoyle Local Area Plans
SDCC	Adamstown Square 3 & Ballycullen Local Area Plan
DCC	Clongriffin North Fringe and Pelletstown Local Area Plans
DLRCC	Cherrywood, Stepaside

LOCAL AUTHORITY DEVELOPMENT LEVIES

The task force is conscious of commentary relating to the potential to reduce development levies across the Dublin local authorities. The current position is as follows:

The four Dublin Councils reduced their development levy rates by 26% from 2013 in recognition of the changed economic climate and to support Government efforts to promote business and renewed economic activity. Indeed, the Councils had already commenced reviews of their Schemes in advance of the Draft Development Contribution Scheme Guidelines published by the Department on the 27th June 2012, requiring that such reviews be undertaken nationally.

The contributions rates were further reduced by all the Dublin Authorities in January 2014 to take cognisance of the advent of Irish Water being the responsible authority for water and wastewater infrastructure delivery.

No further reductions are possible at this time. The income generated by the levies is essential to ensure that new communities can develop in a sustainable way by providing the essential public, community and recreational infrastructure.

The infrastructure to be provided by the levies (roads for example) is also needed to enable development to take place. This facilitates the recovery of the construction sector, and just as important, will maintain the momentum of that recovery into the future. During the preparation of the 2010-2017 Development Contribution Schemes, it was estimated that €632million was required from levies to fund new infrastructure in the Dublin area (excluding Irish Water projects). While the period over which these projects are required to be delivered may have changed, the need for these projects is just as relevant today.

In so far as Irish water is concerned as part of its establishment as a new national water utility, the responsibility for developing a new connection charging policy and recovering connection charges will transfer to Irish Water.

In the interim, the CER has decided that the current charging arrangements will remain in place for both domestic and non-domestic customers. Irish Water applies the current schedule of connection fees on a business as usual basis, as set by each respective Local Authority to facilitate a new connection for the area in which the development takes place

The Councils are conscious that a flexible approach to the phasing of levy payments may be helpful in assisting economic recovery and can confirm that they are open to any reasonable proposals in relation to this issue. It is standard practice that phasing arrangements are entered in to which allows for this flexibility. The introduction of the building control management system will facilitate greater visibility around potential phasing of levies particularly in the context of completion notices. It is also understood that the new planning bill will enable retrospection in the application of current levies to extant permissions.

PART V OF THE PLANNING & DEVELOPMENT ACT 2000

While Part V is a relevant consideration in terms of Housing supply the Group is conscious that this matter is currently being considered by Government. In this context it is not appropriate to comment further on the issue at this stage.

NEXT STEPS

The task force will continue to meet and report as required. Subject to specific request which may be made of it for support it is planned to progress the following matters in the short term

- Agree a methodology for the preparation of a joint housing strategy by the four Dublin local authorities
- Each local authority will be tasked with the collection and collation of data related to construction activity which can be shared with wider sectoral interests
- Proactively engage with the review of Part V as indicated in action 9 including its retrospective application where provided for.
- All of the Dublin local authorities commence the review of their development plans later this year. This provides a further opportunity to examine all aspects of housing supply including standards, densities, etc as required in the context of proper planning and economic viability.
- As envisaged by action 26 an assessment will be carried out of short to medium infrastructural capacity constraints across the four Dublin local authority areas which will be the subject of the group's next report.
- Explore with the DECLG potential collaborative arrangements for the use of local authority lands to accelerate public and private housing supply.
- In the context of action 15 work with the Department of Finance on the potential release of exchequer and development contribution funding for infrastructure when the financial circumstances allow.
- NAMA as a member of the group will actively pursue its commitment under actions 46 & 47

CONCLUSIONS

In summary the principle conclusions that can be drawn from this, the first Report of the Housing Supply Task Force are as follows:

- In the context of projected demand of 7,500 per annum there is planning visibility for the next 3 years in terms of permitted, viable developments.
- Likewise there is potential visibility for years 3 to 6 if permissions are applied for in that there are sufficient lands appropriately zoned with no insurmountable infrastructural constraints. It is clear however that there will have to be an increase in the current level of planning applications for this to materialise.
- There are considerations outside of planning related to economic viability and rate of return which the group feels are material to the housing supply debate.
- Further examination is required of the medium term horizon beyond year 6 involving lands that are zoned but have infrastructural constraints.
- There is little or no opportunity to further reduce development levies without undermining the requirement to provide significant infrastructure. This infrastructure is fundamental to the development of housing supply in the first instance and likewise provides an impetus to the construction sector generally.
- The review of Part V is being dealt with separately by government as is the retrospective application of development levies under planned legislation.
- Should construction activity not accelerate sufficiently in the short term consideration might also be given to the use of local authority lands to stimulate supply.

Appendix 1

Housing Supply Coordination Task Force Membership

Daniel McLoughlin , South Dublin County Council (Chairman)

Niall Cussen, Department of Environment, Community and Local Government

Gilbert Power, Fingal County Council

Jim Keogan, Dublin City Council

Eddie Taaffe, South Dublin County Council

David Irvine, Dún Laoghaire-Rathdown County Council

Ronan Heavy, Department of Finance

John O’Connor, Housing Agency

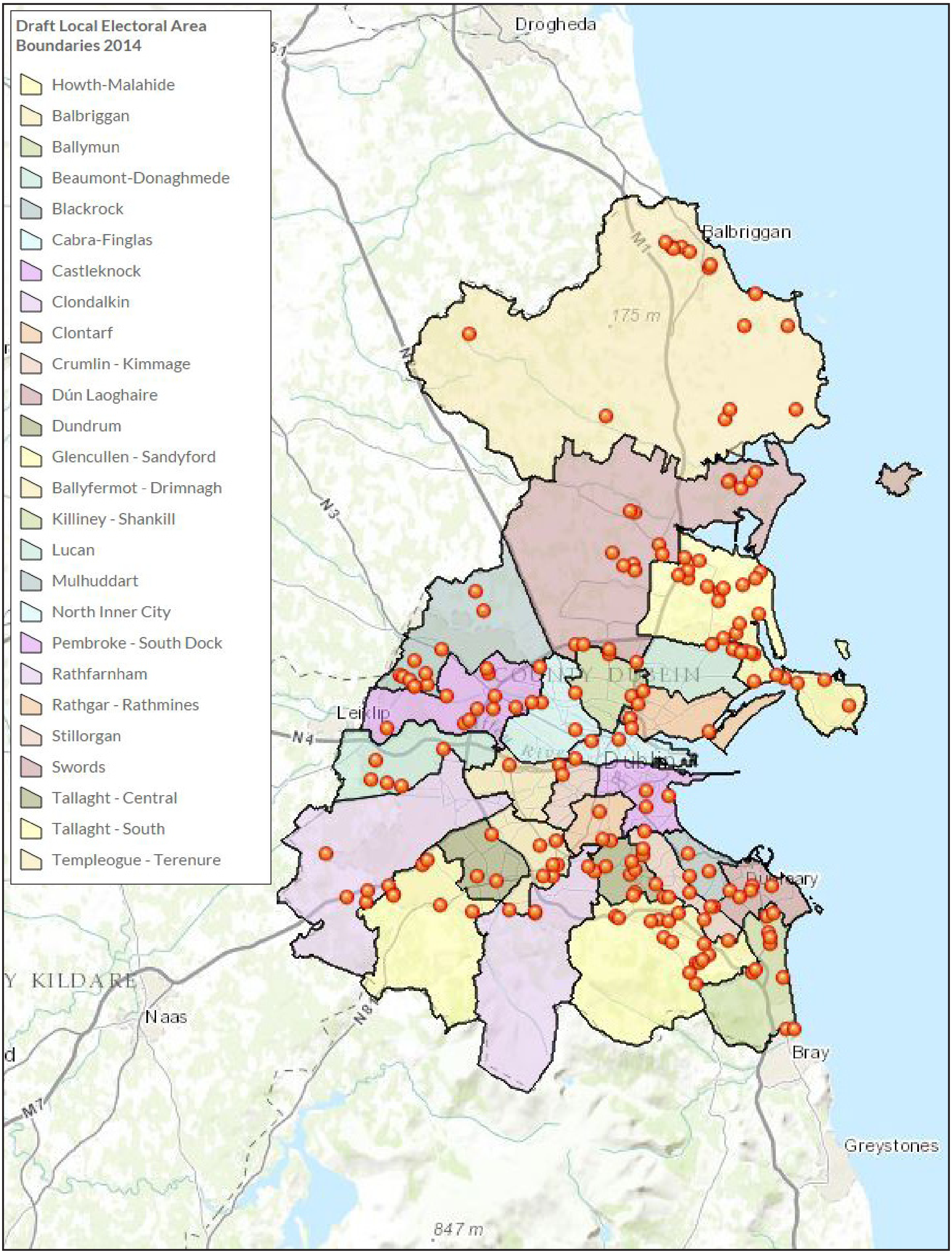
Gerry Galvin, Irish Water

Hugh Creegan, National Transport Authority

Mary Birmingham/Deirdre O’Connor, NAMA

Appendix 2

A map showing the Tier 1 sites contained in this report is included below for illustrative purposes and is available to view online here: http://arcg.is/1BI0iRE



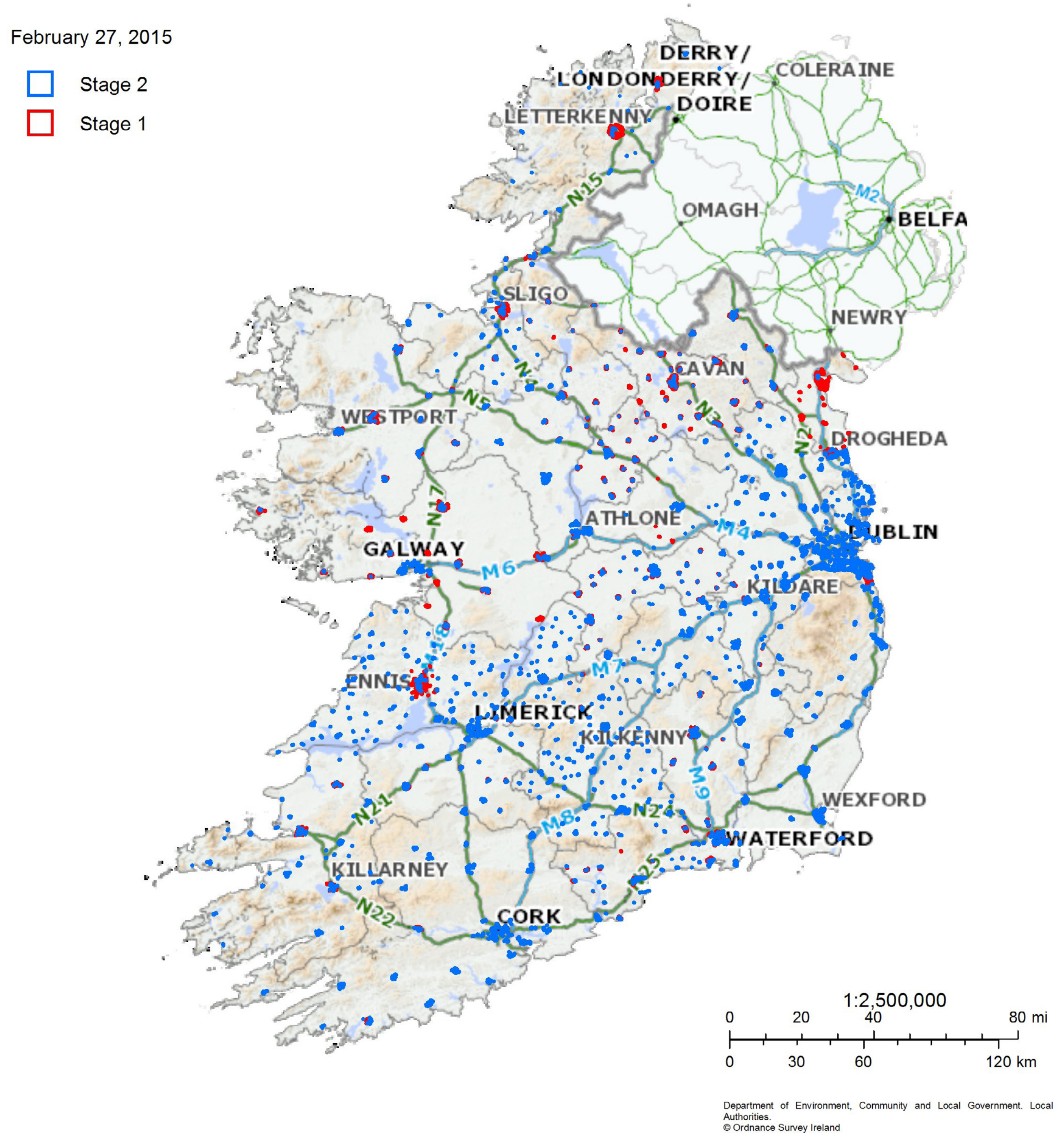
Appendix 3

Residential Land Availability Survey 2014 and Myplan.ie

Subsequent to the finalisation of the *Housing Supply Coordination Task Force For Dublin First Report - June 2014,* the *Residential Land Availability Survey 2014 Summary Report* was published on the Department's website. The Department, in conjunction with Local Authority Planning Departments, carried out a national survey of all lands across Ireland to determine the location and quantity of lands that may be regarded as being undeveloped and available for residential development purposes.

The report and accompanying map may be viewed at: www.environ.ie/en/residentiallandavailabilitysurvey/ and an overview map has been included below for illustrative purposes.

Further information on statutory development plans can be found at www.myplan.ie



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