ecutive, DNG; John Moran, former secretary general, Department
Jones, Business Correspondent, The Sunday Business Post

Hubert Fitzpatrick, director of housing, Construction Industry Federation (CIF), with Alex Brett, director, Maplewood Group.

the housing crisis

The fourth Annual Residential Property Summit
All Pictures: Maura Hickey

The top recurring topics

1. Timing and planning process reform
Planning applications and permissions have increased over the last 12 months, but the process is still taking far too long from start to finish, with no statutory time limits on compliances. In many cases, particularly where applications are appealed, decisions can take up to 57 weeks. There are also a third fewer staff in planning departments from peak, with increased building regulations, long drawn-out pre-planning meetings and limited resources leaving the planning system outdated and unfit for purpose.

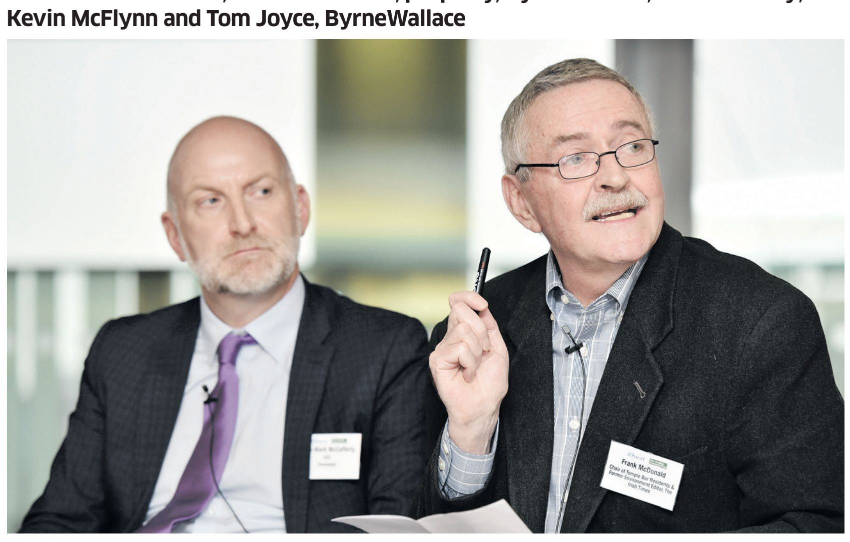
2. Development funding
There are no new funding models available for building, in particular for smaller developments and developments outside main urban areas. More details are needed in terms of the government's €750 million Home Building Finance Initiative. Funding models are restrictive and expensive and the cost of finance has to be more transparent and affordable for smaller developers.

3. Infrastructure
Historic planning decisions to create motorised urban centres have led to mass congestion and an "obese" 100 kilometre commuter belt sprawl around our capital. We need to increase our urban centres in terms of density, offering larger apartments for families and smaller units for single or couple-based occupancy on rail transport lines within short commuting distances from places of work

4. Tax
Less than 50 per cent of the cost of constructing homes and apartments is attributed to construction costs. The remainder is made up of site purchase costs, local authority contributions, margin/risk factors, Vat on sales, finance and professional fees. There is no Vat charged on building new homes in Britain compared to Ireland's 13.5 per cent Vat. Ireland also has higher development levies. We must introduce a similar scheme here, even temporarily, to create more construction viability and stimulus.

5. Land costs and zoning
The cost of securing sites for development, particularly in major urban centres, remains prohibitive. The high price of development land and the structure of land ownership and development finance are impacting on the delivery of housing. There was a repeated call for well considered master planning with sites properly zoned and brought to market for sale already serviced in terms of water, sewage, public transport, schools and amenities.

From left: Neil Dunne, senior associate, property, ByrneWallace; Claire O'Reilly; Kevin McFlynn and Tom Joyce, ByrneWallace



John McCafferty, chief executive, Threshold, with Frank McDonald,chair of Temple Bar Residents and former environment editor, the Irish Times

the buyer takes out a 75 or 55 per cent mortgage for the balance from a high street bank. When the property is sold, the government gets its stake returned plus a percentage of the upside.

Dan McLoughlin, head of South Dublin County Council, captured the audience's attention when he said: "Local authorities need to own substantially more land to deal with the cyclical problems we've been dealing with. We had identical conversations to the ones we've been holding today between 1998 and 2002. We haven't learned anything. There are still policy lags and infrastructure lags."

He went on to describe the council's latest initiative to deliver 8,000 new homes at Clonburris via a strategic development zone delivering the site with a master plan for development and infrastructure and services, effectively a ready-to-go site for residential development.

The master plan vehicle would mean the first homes would be deliverable in 12 months to create communities living in public transport, infrastructure, schools, community facilities, parks and retail outlets.

When asked by an audience member if the council should provide the land for free, McLoughlin's refreshingly candid reply caught the audience's attention: "I'm not giving land away for free. That would make me a one-trick pony."

Niall Cussen, the Department of Housing's chief planning adviser, said: "I think we would all agree that a very large element of the housing issue comes back to land and land management. This does not equate to 'zoning everything under the sun' so to speak and hoping that a rampant oversupply, like some commentators argue for, will dampen prices. What rampant oversupply of zoned land does is create chaotic place-making and infrastructure coordination (and funding) issues that the public sector will struggle with. Planning consents are running well ahead of the actual output of the sector," said Cussen. "So, we have to ask ourselves, why are more of those permissions not converting into actioned developments?

"A scattergun approach to zoning makes the coordinated delivery of this type of place (that people really want) very difficult. The big picture is, I think, not so much about planning reform, but actually delivery of what we generally understand as good planning policy. We have tonnes of it, we just need to implement it more."

According to Hubert Fitzpatrick, CIF's director of housing, we need funding models to purchase development land, which requires planning. We also need a model to fund higher levels of working capital when a project is backed by signed contracts to purchase and greater flexibility for funding under licence agreements. In tandem with Dan McLoughlin, Fitzpatrick said all lands that are zoned for development need to be serviced so that they can be developed in the lifetime of the Development Plan. "We have no shortage of zoned lands, but we have a shortage of zoned serviced land," he said.

According to Fitzpatrick, critical bottlenecks include infrastructure, funding costs and vacuums.

"Funding is not available for speculative land development, and is still expensive for development finance and equity/mezzanine finance, and it is only available for larger developments."

Housing from a legal perspective

Any changes in policy must be accompanied by considered measures, write **Michael Walsh** and **Neil Dunne** of law firm ByrneWallace

The crisis narrative

While our policy-makers must move with urgency, there is concern that measures not fully thought through can produce over-correction, knee-jerk reactions and unintended consequences. With long lead-in periods in planning permission terms alone, starting a development is not like turning on a tap.

Taking the number of electrical connections as a barometer, the market is responding well to the demand, with year-on-year connections up more than 20 per cent. But as social needs are not being met, clearly it is not enough.

Action plan for housing and homelessness

The Action Plan for Housing and Homelessness was launched in July 2016 with 84 actions set out across five pillars, with a commitment to quarterly update reporting. In May 2017, it was announced that the Housing Land Map had been compiled mapping over 700 local authority and Housing Agency owned sides as well as 30 sites owned by the State or semi state bodies with potential for housing developments, especially in urban areas, which amounted to almost 2,000 hectares. At year end 2016, there were some 5,600 acres under Nama's control. There is plenty of land – more of it needs to be released for development.

Local authorities

A number of managed schemes are in the process of being launched by local authorities, as they look to partner with developers to develop properties to a specific design and use criteria. South Dublin County Council is piloting a project of this nature in Clondalkin and it plans to roll another project out next year all going well. If individual suitable housing plots were simply sold by local authorities, arguably the building phase would start earlier but would this lead to the best outcome long term?

Tax and stamp duty

While the stamp duty rate of 1 per cent is progressive, in Budget 2018 the rate was increased to 6 per cent for land, including development land for residential purposes. A stamp duty refund scheme for land developed for residential purposes was announced in the budget, but details have not yet been included in the Finance Bill. With tight development margins, the additional stamp duty cost on the land may cause some developers to step back from bidding on land until they know what the qualifying conditions of the rebate are.

Bringing land into use

At last year's SBP summit, the core concern expressed by developers in attendance was lack of land supply. Since January of this year, under the Urban Regeneration and Housing Act 2015, each local authority became obliged to establish a register of lands in its area that are "suitable for housing" but are not coming forward for development. This is called the 'vacant sites register'.

A levy applies from 2018 for vacant sites based at a rate of up to 3 per cent of the market value, payable yearly in arrears. Budget 2018 announced the rate will increase to 7 per cent for the second and subsequent years. While at a policy level this is welcome insofar as it penalised so-called 'land hoarding', care will need be taken to ensure that the site is suitable for residential development.

Living city initiative

This scheme, similar to the 'living over the shop' scheme from some years ago, was expanded recently to include RIPs, [residential investment properties]. It offers capital allowances for expenditure in refurbishing qualifying properties. It only applies to buildings built prior to 1915 in 'special regeneration areas' in major urban cities and centres, subject to ministerial order.

Why not bring back the vast number of empty built spaces over shops into use to breathe life back into cities and towns across the country?

Rent restrictions

The Planning and Development (Housing) and Residential Tenancies Act 2016 introduced rent pressure zones where rent increases are capped at 4 per cent per annum for a period of three years from December 2016. While generally welcome, some gaps in the legislation should be addressed, including trapping landlords who were charging at well below market rent, typically for a connected person (eg family member), to charging that same beneficial rent to a third party in a subsequent letting.

Part V – social and affordable housing

When we look at new homes supply, we may forget that developers are supporting the social and affordable sector, in addition to paying 13.5 pet cent Vat, in that 10 per cent of each residential development must be dedicated by the developer towards social and affordable housing. The relevant provisions are known as 'Part V'. This figure was 20 per cent, so the change under the Urban Regeneration and Housing Act 2015 to 10 per cent is seen as progressive in terms of driving new homes supply as it has made more schemes financially viable.

Infrastructure funding – local infrastructure and housing aviation fund

The government's Action Plan for Housing and Homelessness – Rebuilding Ireland established the LIHAF to fund 'off-site' infrastructure normally provided by local authorities, to deal with the fact that the land without services cannot be brought forward for development. The fund was increased to €226 million to fund 34 projects across 15 local authorities to open up 'high impact' residential sites for 23,000 homes by 2021.

Planning

The Planning and Development (Housing) and Residential Tenancies Act 2016 was enacted in December 2016 and the fast-track planning was brought into effect in July 2017. The act creates a category of development called Strategic Housing Developments (SHD) and provides a direct route for determination of planning consent through a new division of An Bord Pleanála. This is ground-breaking legislation aimed to move the planning process for new homes on from an average of 84 weeks to 25 weeks. However, while almost 40 preliminary applications have been made, not a single application has been made to the board itself so far.

The only way is up

The Dublin City Development Plan 2016-2022 says that Dublin City is a low-rise city, as though that is a policy objective. Is our architectural heritage unique in all the world that we cannot find numerous locations across and around the city which is suitable for high-rise? Or could we go so far as to do as cities like Berlin do: complement the old with the new?

In 2016, 230,000 people commuted at least an hour a day each way, a 30 per cent increase in long commutes in just five years. We need greater diversity in our policy towards an ideal that promotes all types of living: city centre, suburban and beyond, including living which can be less car-dependent. The Taoiseach's words at the CIF conference last month are welcome: "To change how we build, the government intends to lift the numerical height caps in our city cores and along major public transport corridors."

In parallel with this policy shift, we'll also need substantial investment in public transport infrastructure. As we build up, this may bring into focus 'right to light'.

Even if planning allows a high building, that will not affect private rights so developers will need to take care to ensure that any development respects those rights, such as they may be.