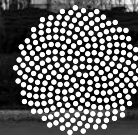




**Better Lives,
Better Business**

An Ibec campaign

Better housing: improving affordability and supply



**Property
Industry Ireland**
Ibec



Better Lives, Better Business

An Ibec campaign

A four-part Ibec campaign to make Ireland a better place to live and work.

- 01 Housing
- 02 Infrastructure
- 03 Planning
- 04 Sustainability

ibec.ie/betterlives

Foreword

Danny McCoy,
Ibec CEO



Ireland's economy is currently at an historic high watermark. The pace of the turnaround from recession to recovery and into our new growth phase has been remarkable. Rising disposable incomes are spreading through Irish society.

Whilst there is greater private affluence emerging, it is developing against the backdrop of wholly inadequate public infrastructure. Significant problems are emerging across a range of areas from talent shortages to housing and transport congestion.

In the workplace, these issues are manifesting themselves in the forms of higher wage demands, rising commercial rents and pressure on maintaining productivity. If left unchecked, Ireland is trending towards significant competitiveness erosion that will be exposed once the economic cycle turns.

Ibec's vision is for a better and improved Ireland, where effective policymaking helps to solve these and other problems. Ibec's new campaign, *Better Lives, Better Business* champions a range of policies across four key pillars – housing, infrastructure, planning and sustainability.

At the heart of our campaign is the need to invest in people and their needs for the betterment of the economy and society. For prosperity and quality of life to go hand in hand we need to build an Ireland that manages economic growth and demographic change effectively.

From now to 2050, the population of Ireland is set to rise significantly, exacerbating current problems unless we find solutions to our infrastructural deficits.

Higher living standards and high quality of life are not always synonymous – that is our campaign challenge.

Through *Better Lives, Better Business*, Ibec looks forward to shaping and influencing the serious conversation and policy decisions required to transform Ireland as a 21st century economy and society.

In conjunction with Property Industry Ireland, we take the first step in our campaign, with the publication of the report, *Better housing: improving affordability and supply*. We hope you will join us in the important conversation that lies ahead.

Foreword

Tom Phillips, Chairman Property Industry Ireland



We need to look at how the property sector can facilitate the changing ways in which we live. An ageing population will require not only an increase in the provision of some health services, but also new models of living and support within communities. We will also need a more efficient use of city space to prevent urban sprawl. A demand for greater urban densities will require the option to build higher. A stable and developed rental sector will meet the needs of a mobile workforce. The prioritisation of key road infrastructure will ensure connectivity between all our cities is not only maintained to meet demand but upgraded to ensure the growth of key cities outside Dublin.

While the various government initiatives are welcome, the property sector now needs a period of policy certainty. Changing policy can delay investment decisions, slowing down building activity. The market needs housing supply to increase to meet current demand levels.

The crash resulted in the property sector shrinking substantially. Even now the sector remains smaller than it was. Thus, as activity across the residential and commercial grows the sector faces the challenge of attracting resources and skills. This is one of the key priorities that must be addressed so that the industry has the capacity to deliver what the economy requires.

This joint report by Property Industry Ireland (PII) and Ibec is an initiative to bring together the perspective of the broader business community and business operating within the property sector.

Our recommendations are aimed at unlocking the barriers to supply as well as ensuring a stable and smoothly functioning property market.



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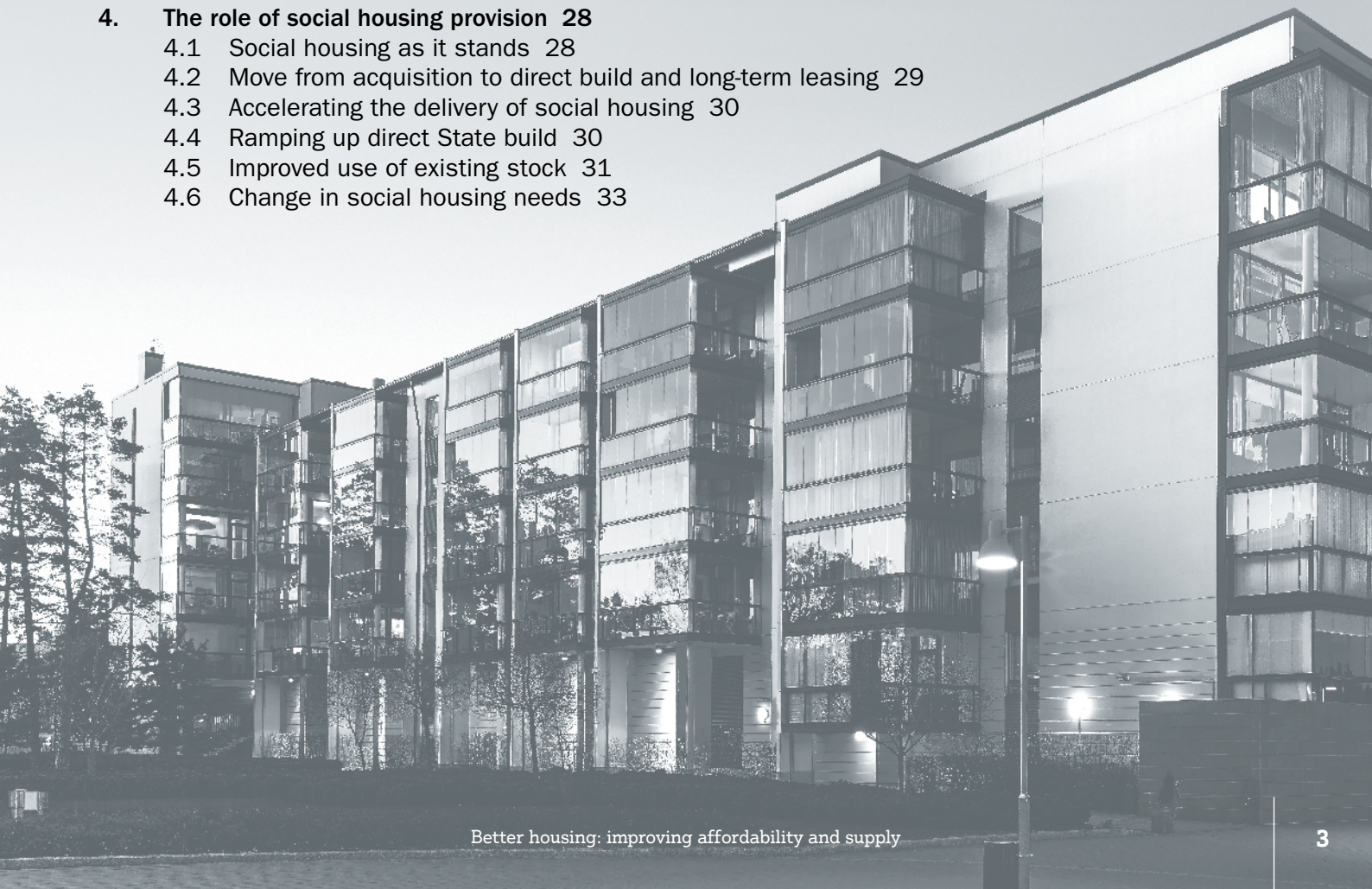
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Executive summary

Attraction and retention of talent is now the single biggest challenge facing Irish business. It is concerning business leaders in most regions and sectors of the economy and is particularly acute in our main cities. Inadequate supply of affordable and quality housing is one of the main factors impacting on talent availability. Ireland's housing problems have now clearly moved beyond being the social issue of our time and have also become a major risk to our future economic prosperity.

A properly functioning housing market is needed in order to underpin national competitiveness, improve quality of life, and to address the plight of people experiencing homelessness. Business wants to work with Government to achieve a rapid improvement in these conditions. This report, prepared jointly by Ibec and Property Industry Ireland (PII) and in conjunction with Ibec's *Better Lives, Better Business* campaign, sets out a range of detailed recommendations which the business community believes will address the root causes of the housing crisis.

Ireland's housing market has not functioned 'normally' for over two decades. Price and supply volatility has had negative implications for home buyers, renters and the property development sector. Despite a number of years of strong economic growth, the recovery in supply has been anaemic. Business recognises the progress which has been achieved through the *Rebuilding Ireland* plan but further policy actions are now needed if we are to have a properly functioning housing market which delivers the quality, affordable homes which families and workers desperately need.

Key findings

The research for this report, undertaken in conjunction with a wide range of industry experts, shows that:

- Housing market dysfunctionality is impacting on the quality of life of large sections of society. This is best illustrated by the fact that for the first time since the foundation of the State, average household size increased in the last census. Many thousands of people can no longer choose their desired living arrangements and must remain living with family for longer than planned or in many cases have no home at all.
- Future housing demand will be greater than that forecast by Government. We estimate that annual average housing demand will be 36,000 units in the period to 2046 and due to substantial pent-up demand, it will peak at 50,000 units. New CSO data shows only 53,000 new units were completed between 2011 and 2017. This is well below the previous estimates of 85,000 that used ESB connections as the measure. Build in 2017 was only 14,446 – less than half of the 36,000 needed to satisfy market demands.

- The mix of housing demand is changing dramatically. A much greater share of output will need to cater for one or two-person households and targeted policy interventions will be needed to meet the particular housing needs of an ageing population.
- Housing affordability pressures are predominantly due to the high cost of development land. Construction costs in Ireland are currently about the EU average and do not explain our high and rapidly rising house prices. However, we see significant cost pressures emerging in the industry and are concerned about the trajectory of construction costs. Land and development costs account for 55% of house prices and both are high in international terms.
- The construction sector is facing an unprecedented labour and skills shortage. An additional 80,000 workers, at a minimum, will be required by 2020 to meet future demand. Skills shortages are already challenging the capacity and competitiveness of the sector.
- Ireland has some of the lowest density cities in the developed world and such a planning approach is constraining housing delivery. Population density in Dublin is one-fifth of that in London, while Barcelona's is seven times greater.

Recommendations

Our research paints a challenging outlook for the housing sector and we accept that it will take a number of years for the market to reach some form of equilibrium. This report contains dozens of recommendations which will help achieve a market normalisation. Our key recommendations are summarised as follows:

Government must do more to reduce the cost of development land: Home affordability cannot be improved without measures to reduce the cost of development land. These should include increasing the amount of zoned and serviceable land; improved targeting of infrastructure funds to enhance site accessibility; and more efficient use of publicly owned landbanks.

Fiscal policy changes are needed to support housing supply and affordability: Ireland has a long history of 'quick fix' housing tax policy measures which have in many cases added to market instability. The future tax and fiscal policy for the sector should be underpinned by stability and certainty and involve the introduction of a site value tax to replace the existing commercial rates and the vacant sites levy; reform of development contributions; and a permanent reduction in VAT for large scale build-to-rent developments in order to provide a level playing field with competing commercial developments.

The State must be more ambitious in its approach to direct building: The State continues to spend heavily on Housing Assistance Payments (HAP) and other housing supports which are an inefficient use of resources. Increased direct building and greater use of long-term leasing arrangements would deliver much better value-for-money. Public procurement and design template innovations can help speed up the delivery of social housing. We also believe that a new social housing delivery agency is required, similar to the structure in Northern Ireland.

Planning reforms are needed to improve housing supply and support speed of delivery:

Ireland's planning system is not functioning effectively and is a major frustration to business. Unless urgent reform is delivered, we risk long-term damage to our hard-earned reputation as a great country in which to invest and do business. The new Strategic Housing Development (SHD) process is a welcome development but needs some refinement. In particular, it should be amended to facilitate points of clarification or requests for further information during the process which would help to reduce decision-making timelines. We need a radical rethink of our planning approach to height and density in order to bring our cities into line with international norms. Finally, the new Office for Planning Regulation must play a greater than envisaged role in the standardisation of planning practices across local authorities and support effective delivery of the National Planning Framework.

Reform is needed to ensure a sustainable rental market for landlords and tenants:

Business urgently needs to see a better functioning rental market in the main urban centres. We must balance improved protection for tenants with the need to ensure an adequate supply of rental properties. The proposed deposit protection scheme should be implemented as quickly as possible and long-term leases should be supported through removal of stamp duty on rental agreements. Tax and regulatory changes are also needed in order to improve investment viability for landlords. These should include allowing property taxes as a business expense and the re-introduction of full interest deductibility. Finally, we support planning and other reforms needed to develop the build-to-rent sector.

Urgent action is needed to address the pending skills crisis facing the construction

sector: a comprehensive policy response is needed to ensure the supply of the minimum of 80,000 workers which the construction sector needs over the coming years. The Expert Group on Future Skills Needs should undertake a comprehensive review of the entire skills base of the sector. More resources are needed to promote and develop apprenticeship opportunities and the work permit system will need to facilitate increased migration of skilled construction workers from outside the EU.

We need a new approach to housing policy implementation:

There are too many separate departments, government bodies and agencies impacting on Ireland's ability to deliver more homes. We must better connect housing policy to delivery. Extending the remit of the Labour Employer Economic Forum to include housing policy coordination, will deliver a whole-of-government prioritisation of housing. The adoption of the delivery model approach through the National Regeneration and Development Agency can be a gamechanger providing it is equipped to take a comprehensive strategic development approach to housing delivery.

1. Introduction

Key findings

- Given the length of our dislocation from a functioning housing market, it is likely to take time to implement policies which will change that reality.
 - As households rent for longer and buy later the types of houses and apartments we need as well as the type of rental arrangements demanded may change dramatically.
 - Remarkably, household size increased marginally in 2016, with the average number of persons per household at 2.75, compared to 2.73 in 2011. This represents the first growth in average household size since the foundation of the State.
 - The homeownership rate in Ireland is now at its lowest level since 1971. This is likely to continue into the future as more households rent for longer.
 - Firms are increasingly choosing to locate close to talent, rather than the other way round.
-

1.1 The crisis in housing

Ireland's housing market is clearly not functioning at present. This has knock-on implications for households, employers and the economy. Ireland needs a smoothly functioning property market and policy intervention is needed to ensure this. However, against the backdrop of other competing demands for resources, policy initiatives need to be prioritised. It is important for the economy to have a sustainable property industry that is creative, responsive, competitive and well-integrated in meeting the needs of a growing population. Taking a long-term view of the factors impacting on the property sector enables the sector, and the broader economy to plan for the supply of affordable residential property that meets current and future needs. This publication outlines the views of Ibec and Property Industry Ireland (PII) on how we can improve the functioning of the housing market over the long-run.

Housing is a critical part of a country's physical infrastructure. Continued shortages of affordable housing in Ireland threatens to undermine the achievement of many of our economic policy goals – including the attraction of overseas investment into Ireland, the promotion of third-level education, the reduction of emissions and the improvement of household incomes and wellbeing. In addition, the lack of housing is a key driver of an acute social crisis. There is a clear link between housing availability, affordability and our economic competitiveness.

An imbalance between supply and demand

The rise in house prices and rents experienced across all parts of Ireland has been a consequence of a significant imbalance between supply and demand following the crash. This has also resulted in a lack of affordable housing in urban areas where the need is greatest. The story of the decline in house building in recent years is well-known, but the impact of this shortage of new building activity is now clearly a crisis that is making its impact felt, as the economy grows strongly, and our population continues to rise.

When it comes to the affordability of accommodation and a good quality of life there are obvious social reasons why these are desirable. There are also economic reasons. The traditional industrial model of the 20th century typically saw capital locate close to raw materials and transport routes. Workers and businesses serving them were then attracted to these towns and cities. That model is no longer dominant in the 21st century. The move toward a digitised intangible economy means companies are now more reliant on intellectual rather than physical capital. In addition, both Irish and non-Irish workers are much more mobile than in the past. The cost of accommodation is a key factor in the decision of workers to locate in Ireland¹. The highest value firms are often choosing to locate where talented workers (and in some cases superstar workers) want to live rather than the other way around. As such quality of life, household mobility and value for money in housing is a growing determinant of our ability to compete internationally.

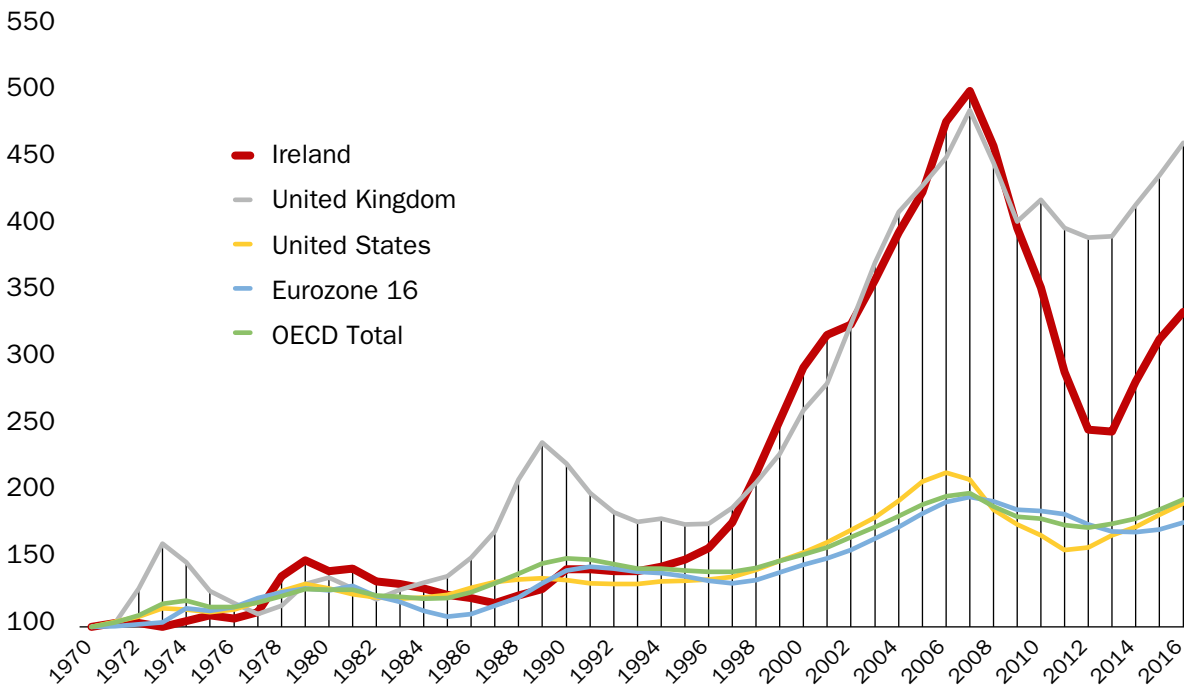
Government failure to reduce housing costs will have a knock-on impact on business, both directly and indirectly by increasing congestion, reducing productivity and limiting the availability of key skills. A Department of Transport, Tourism and Sport report (2017), suggested that the annual cost of congestion in the Dublin area alone was €358 million in 2012, increasing to €2.1 billion (in 2011 prices) over the next 15 years. A significant part of this cost will be borne by business through lower productivity and higher wage demands but it will also be felt more directly. The cost of congestion to goods vehicles was €121 million in 2012 and is expected to have reached over €1 billion (in 2011 prices) by 2033. A functioning housing market could allow more workers to live in urban areas and thus mitigate these types of competitiveness challenges.

1.2 The next steps

At the outset, it is worth noting that it has been two decades since Ireland had something that resembled a 'normal' housing market by any international standard. Figure 1 shows the increase in house prices adjusted for inflation since 1970. Ireland's housing market operated in line with European and developed country norms from 1970 until the mid-1990s, but since then, for a variety of reasons, it has suffered from incredibly strong cyclical fluctuations. Ireland is not alone in this, with the UK, Spain, New Zealand and Australia, as well as regional housing markets in the US and elsewhere, suffering the same fate. Given the length of our dislocation from a functioning housing market, it is likely to take time to implement policies which will change that reality.

1. Duffy et al (2005)

Figure 1: Real house price index in Ireland and other OECD countries (1970 = 100)



Note: Nominal house prices adjusted by the deflator for personal consumption
 Source: OECD

It is clear in our analysis which follows that Ireland will have a fast-growing population over the coming decades. Given our position as the youngest population in Europe, with just over 47% aged under 35 years old, demand for housing is likely to remain elevated for a considerable period. The housing need driven by these population dynamics has been exacerbated by the fact that Ireland has experienced a boom and subsequent collapse of its homebuilding sector over the past two decades.

Future trends in tenure mix

Over the longer-term, homeownership is likely to remain the most common tenure choice, even if it is a falling share overall. It is likely the tenure mix and the type of housing we need will change as demographics shift. Even though it is not ideal, access to homeownership for the majority of working households is likely to remain an important part of our planning for later life. In addition to this, the lifecycle of homeownership may change. Household formation is happening later than in previous decades, so more people are likely to rent for longer. The age at which a majority of people owned their own home in 2016 was 35. This compares to 26 years of age in 1991 and 32 years of age as recently as 2011. As households rent for longer and buy later, the types of houses and apartments we need as well as the type of rental arrangements demanded may change dramatically.

Finally, the volatility of Ireland's housing market over the past 20 years was not inevitable. It was a result of policy and regulatory choices. In future, we will need to be more careful about demand side incentives through Government policy and avoid the temptation for quick fixes. This can be done whilst actively supporting a functioning market. In the following sections, we outline steps that can be taken to continue to rebalance our taxation regime away from pro-cyclical taxes and increase fiscal sustainability, make our planning system more efficient whilst increasing certainty and reducing the cost of land, and finally take steps to reduce risk to household finances and, by extension, their employers' cost base.

2. Changing demographics and the housing market

Key findings

- Ireland's housing market will need more homes than predicted in the National Planning Framework Ireland 2040.
- New household formation will average over 36,000 per annum between 2018 and 2046 and each of these households will need a home.
- We will require a larger proportion of smaller homes to meet changes to density requirements, an ageing population and falling household size.

2.1 The 30 year demand for homes

In this section, we look at the demographic change facing the housing market based on Census data and population projections. The population projection is based on the CSO projection M1F2 which we see as the most likely demographic scenario². The growth rates in this projection have been applied to the population from Census 2016. On this basis, the population will likely exceed 5 million by 2021, 6.2 million by 2041 and 6.5 million by 2046³. This suggests that the population could be higher than forecast for the National Planning Framework (NPF), which is based on the population increasing to 5.7 million by 2040.

The projections also show that the Irish population will age, so that by 2046 close to 23% of the population will be aged over 65 - nearly 1.5 million people, up from just over 12% today. Over 7% of the population will be aged 85 years and older. The projections suggest that the Irish age structure moves to become similar to other Western European economies. This changing population structure has significant implications for our future housing needs.

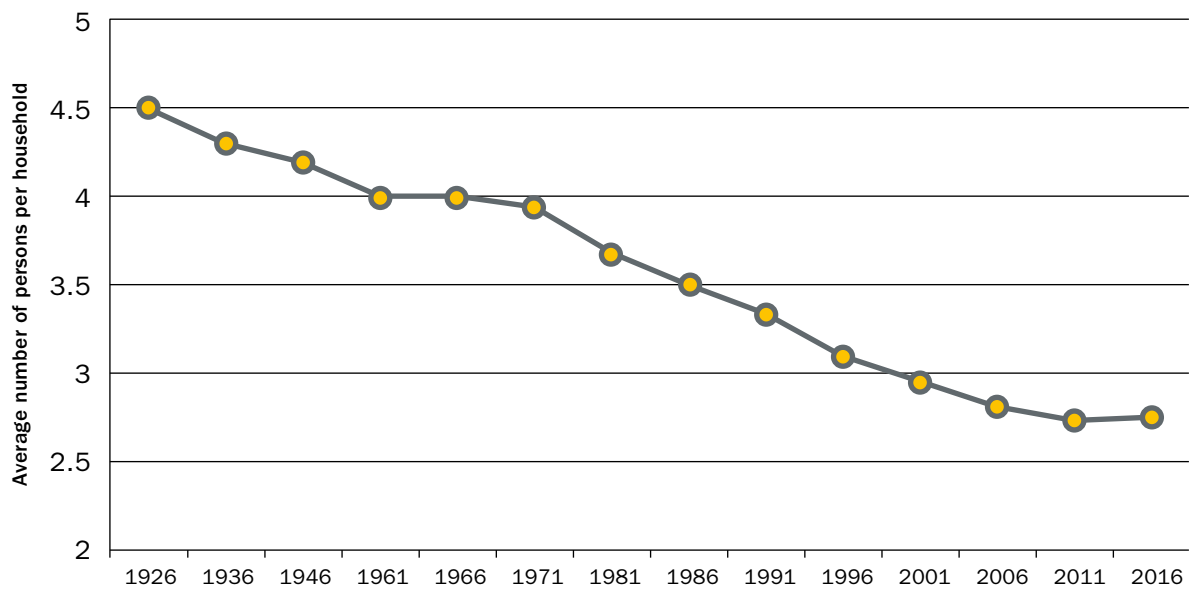
2. This scenario is based on a return to strong net migration flows.

3. Census data show that approximately 98% of the population live in the private households (i.e. not in communal dwellings). This proportion is applied to the population projection to get an estimate of the projected population living in private households.

Changes in household size and formation

The demand for homes is also driven by changes in the average household size. Figure 2 shows that there has been a steady decline in average household size in Ireland. The most recent Census results show, remarkably, that this stabilised in 2016, with the average number of persons per household at 2.75, compared to 2.73 in 2011. This represents the first growth in average household size since the foundation of the State. It likely represents, for the most part changes imposed on individuals' living arrangements due to the housing crisis rather than any change in peoples' preferences.

Figure 2: Average Household Size in Ireland 1926 to 2016



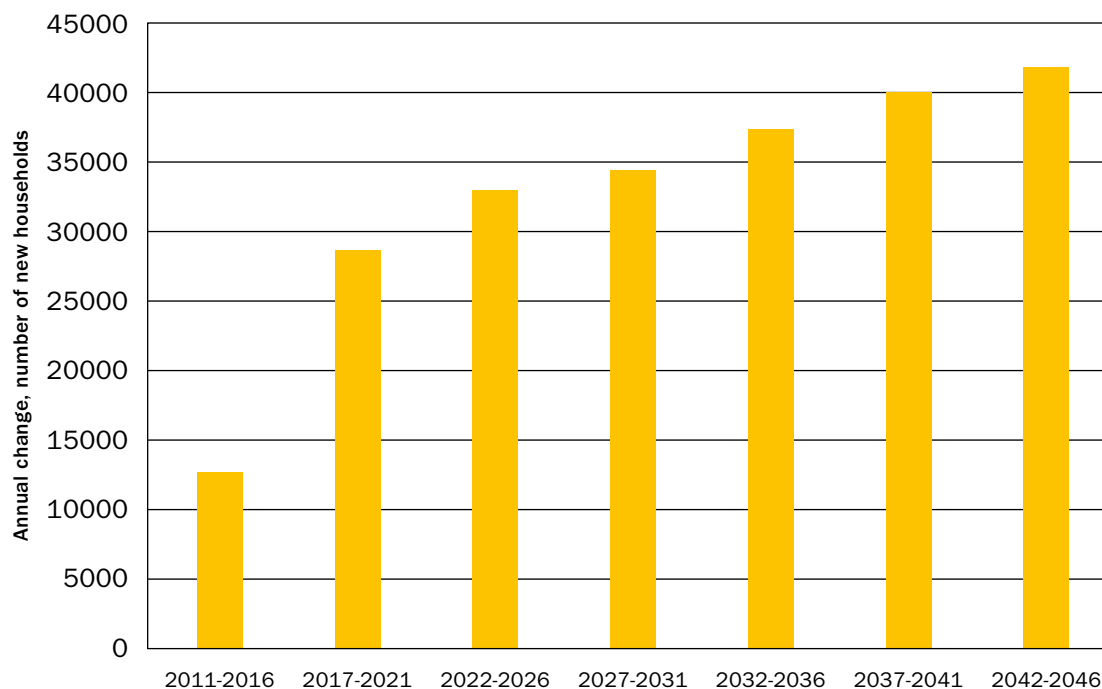
Source: CSO

Comparisons show that this average is higher than many other EU countries. In our analysis, we assume that average household size converges to the current average level in the EU 28 over time. On this basis, household size would decline to an average of 2.3 persons per household by 2046.

Ireland will see a steady increase in the number of new households being formed, reflecting the growth in population coupled with a decline in average household size. Based on these forecasts, we estimate that new household formation will average over 36,000 per annum between 2018 and 2046. Each of these households will need a home. In the short-term, when account is taken of pent-up demand the need is higher, possibly in the order of 50,000 units. Based on these assumptions we could expect the number of private households would increase by over 1 million, to over 2.7 million.

2. Changing demographics and the housing market / continued

Figure 3: New household formation, annual average



Source: Ibec calculations

2.2 A changing housing and tenure mix

Census 2016 provides data on the number of households classified by the number of persons per household. Compared with other EU countries Ireland has a higher proportion of larger sized households and a lower proportion of smaller households. For example, 52% of the Irish population live in households of two persons or less. In contrast, the proportion for Germany and Denmark, respectively, is close to 76%. A move in the household distribution toward the EU average by 2046 would also result in substantial change. In this scenario, the number of one-person households would increase by 495,000, with two-person households increasing by over 383,000. There would also be an increase in three-person households, up by 158,000. In contrast, the number of households with four or more persons would increase by just 43,000. Census data also shows that there has been an increase in the proportion of private households living in purpose-built flats or apartments over recent years. In addition, rented accommodation has continued its upward trend with 497,111 households renting in 2016, an increase of 4.7% on 2011. This meant that renting was the tenure status for almost 30 percent of all occupied dwellings in the last census. The number of owner-occupied households, on the other hand, fell between 2011 and 2016 (from 1,149,924 to 1,147,552) which, allied to continued growth in rented accommodation, has caused the overall homeownership rate to drop from 69.7% to 67.6%. This means that the homeownership rate is now at its lowest level since 1971. This is likely to continue into the future as more households rent for longer.

If household size in Ireland declines towards the EU average of 2.3 persons per household then different types of accommodation will be required from our existing housing stock and tenure mix. Given the need to improve densities and recognising population ageing and smaller household sizes, consideration should be given to the provision of more apartments relative to houses into the future along with a greater share of rental accommodation.

Recommendations

- Government and the wider policy system must support an industry capable of delivering 36,000 homes annually.
- Ensure suitability of housing, community requirements and amenities for older-age cohorts are met.
- Government guidance to local authorities on planning requirements should highlight the need for an increased number of smaller housing units as part of the overall proportion of new housing development.
- The delivery of service to sites capable of providing units for smaller households should be prioritised by local authorities.

3. Affordability and viability of homebuilding

Key findings

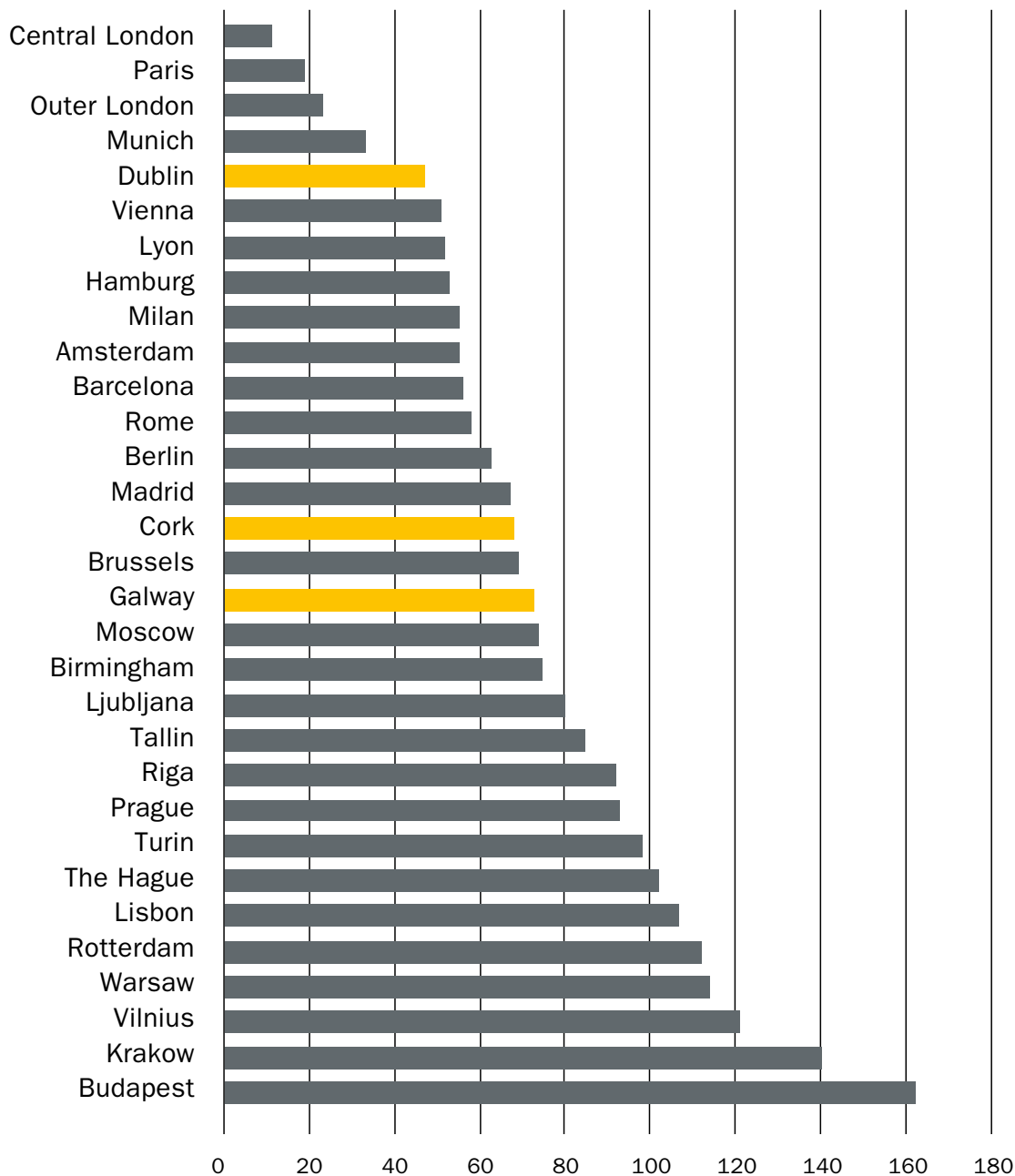
- The size of affordable homes in Irish cities is significantly less than in other European cities.
 - The lack of an adequate measure for residential new building activity is a serious constraint on capacity planning for companies in areas such as telecoms, retail, hardware and building materials.
 - Eurostat data show that Irish “hard” construction costs in recent years have been below the European average.
 - For both apartments and houses the costs of construction amount to approximately 45% of the delivery costs of a new dwelling. The balance of the cost of housing delivery consists of development and land costs. It is these costs that should be tackled to improve viability.
 - Irish development margins are relatively low when compared to European norms.
 - Land prices are a key driver of house prices.
 - Improvements in productivity can help establish Ireland as a world-leader in construction innovation.
-

3.1 The challenge of affordability

Housing affordability will continue to be a major challenge in Ireland over the coming years. Housing increasingly is an issue faced by employers in the recruitment and retention of staff. It is recognised that our cities and many towns now face a severe shortage of accommodation and as a result, both prices and rents have risen sharply. The impact of these housing costs is not equally distributed across the population. It is particularly damaging to younger people, with 66% of household heads in the private rented sector aged under 40 years and facing rising rents. Furthermore, if they wish to move into home-ownership, the required deposit is increasing as house prices rise.

Figure 4 shows the average size of a new dwelling for €200,000 (about four times average household disposable income for working-age families) in Dublin, Cork and Galway versus other European cities. The data is taken from Deloitte Property Index, 2016 and would represent a reasonable comparison of what is available in our urban areas in terms of affordable housing.

Figure 4: Average size of a new dwelling (sqm) for €200,000



Source: Deloitte, Property Index, Overview of European Residential Markets, 2016

3. Affordability and viability of homebuilding / continued

What the data above show is that in Irish cities the average space available to persons with the average household income for working-age households (at just under a 3.5x multiple of average gross household income) is significantly less than in other European urban areas. Dublin is amongst the most expensive of the cities above with the equivalent of a 1-bed apartment being the space available.

It is clear from these figures that the State needs to play a significant role in the provision of housing for those who cannot afford private rents and have little chance of buying in the future. This is particularly the case for families living in urban areas. Failure to provide adequate social housing into the future will lead to a build-up of social and economic problems including competitiveness pressures and urban sprawl.

3.2 The viability of homebuilding and current levels of supply

While the affordability of accommodation is a challenge the viability of building new homes is also an issue in the market at present, particularly given the interplay between high land prices and the macro-prudential constraints. Analysis by the Department of Housing, for example, has shown that the viability of an apartment building in an urban location for sale or build-to-rent, and a housing scheme in a suburban location to be particularly challenging. The cost of capital and land also remain an issue. Based on UK data, Leishman (2015) proposes that, given differences between house building firms, their decisions as to what type of housing they build and how many units to build depends in part on their land holdings and borrowing costs. In the Irish market, for example, the source of funding and/or the time-period when the development site was purchased play an important role in the calculation of the housing provision cost and thus the decision to build houses.

Understanding the factors that influence housing supply is important. As economic and housing market activity has picked up in recent years a key concern has been the level of housing supply and the responsiveness of this supply to rising prices. It had been hoped that the growth in prices since the second half of 2013 would result in higher levels of supply than had been seen during the recession. As set out in chapter 2, annual long-run housing demand is estimated at approximately 36,000 units⁴.

Determining the current levels of supply

Traditionally the level of new dwellings completed has been measured by connections to the ESB grid. Based on this data, housing output recovered to over to 19,000 units in 2017. The adequacy of electricity connections as a measure of housing output has been called into question. Connection to the ESB grid includes many existing buildings that were connected to the grid because, as a result of being vacant for more than two years, they required a new meter. This results in double-counting: the re-connected house was counted when it was first completed and is now being counted again, despite being the same property. The impact of this has likely been exacerbated in recent years by the reconnection of ghost estates and the impact of policies such as

4. This is in line with estimates from the ESRI. See Bergin, A., E. Morgenroth and K. McQuinn, eds. (2016) Ireland's Economic Outlook: Perspectives and Policy Challenges, December.

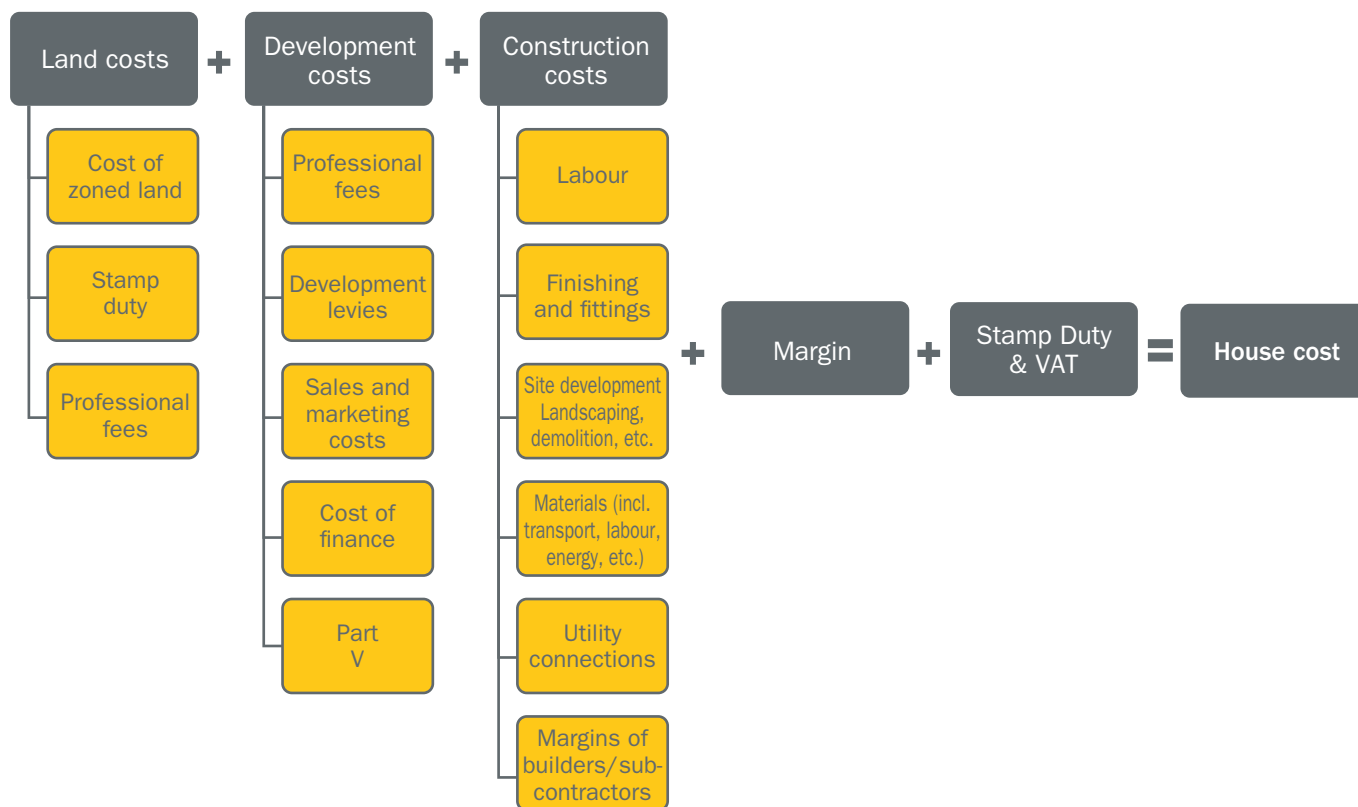
the fair deal scheme on vacancy rates. Of major concern, from an industry point of view, is that housing completions, as measured by ESB connections, underpin much analysis of the housing market for companies supplying to the market as well as those in the development and construction industry. This is of concern to both PII and Ibec members and is a serious constraint on capacity planning for companies in areas such as telecoms, retail, hardware and building materials.

The alternative indicators which are available point to a much greater difference between housing demand and supply. This has been borne out by the exceptional work underway of the CSO's housing pathfinder project which uses additional sources to cross-check the ESB connection data and provide us with a more accurate figure on housing completions. Ibec and PII fully support the work of the CSO in this project and would encourage the Government to ensure resources are available to continue to improve the sources of housing data through better use of administrative data, and using Eircode to track from early and throughout the housing lifecycle.

3.3 Factors impacting on the cost of housing provision

In the following sections, we outline the structure of new build costs with reference to work completed by the Society of Chartered Surveyors of Ireland (SCSI). We add to this work by examining several of the major cost items with reference to internationally consistent benchmarks.

Figure 5: Cost items in new build housing

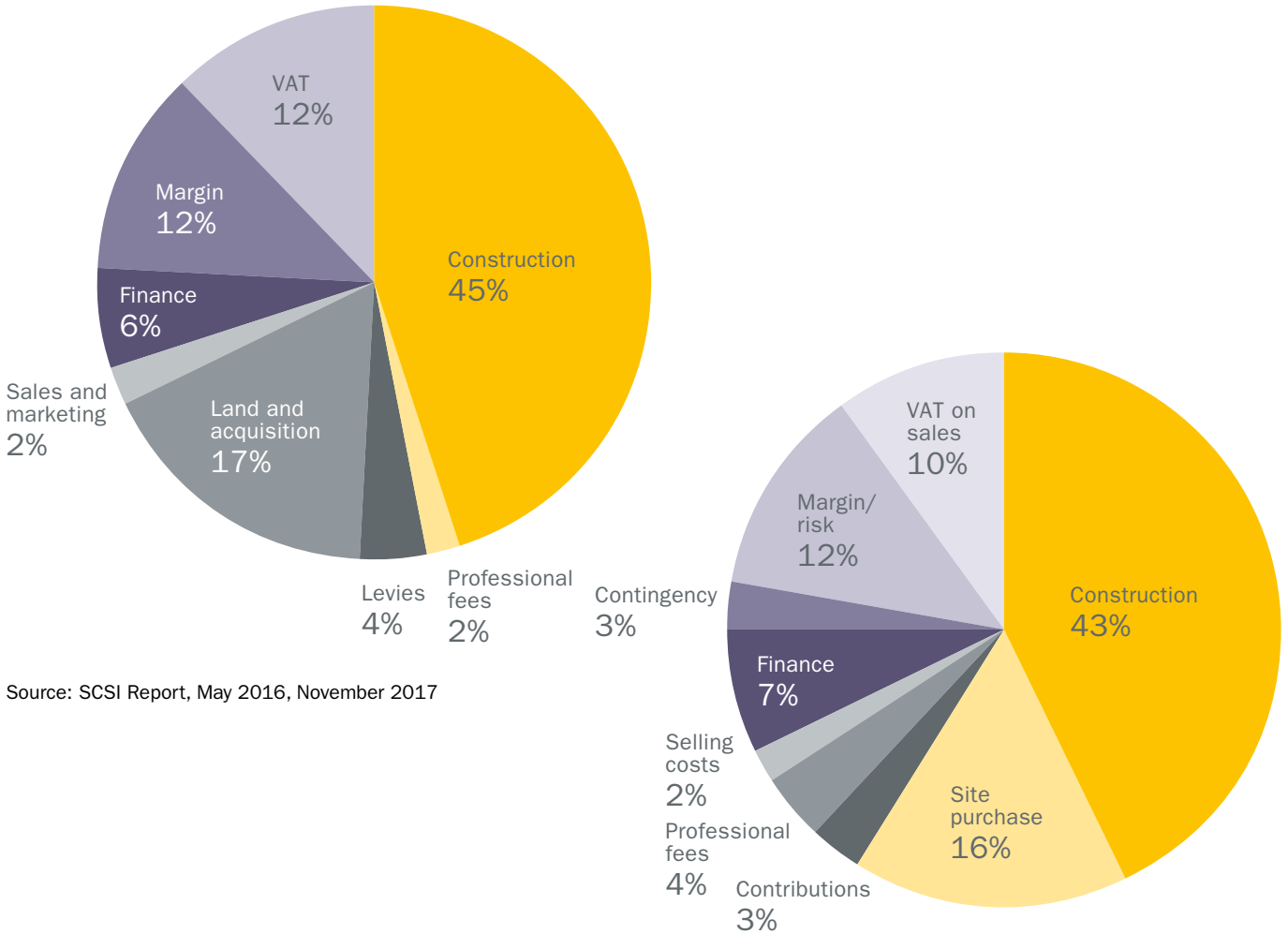


Source: Ibec, Adapted from SCSI, 2016

3.4 Construction costs

Two separate reports from the SCSi show the contribution of various cost inputs to the cost of delivering a 3-bed semi-detached house⁵ and a 2-bed apartment⁶. In both cases, “hard” construction costs (the bricks-and-mortar) account for approximately 45% of the total delivery cost (See Figure 6).

Figure 6: Cost of delivery, 3-bed semi-detached House & 2 Bed Apartment

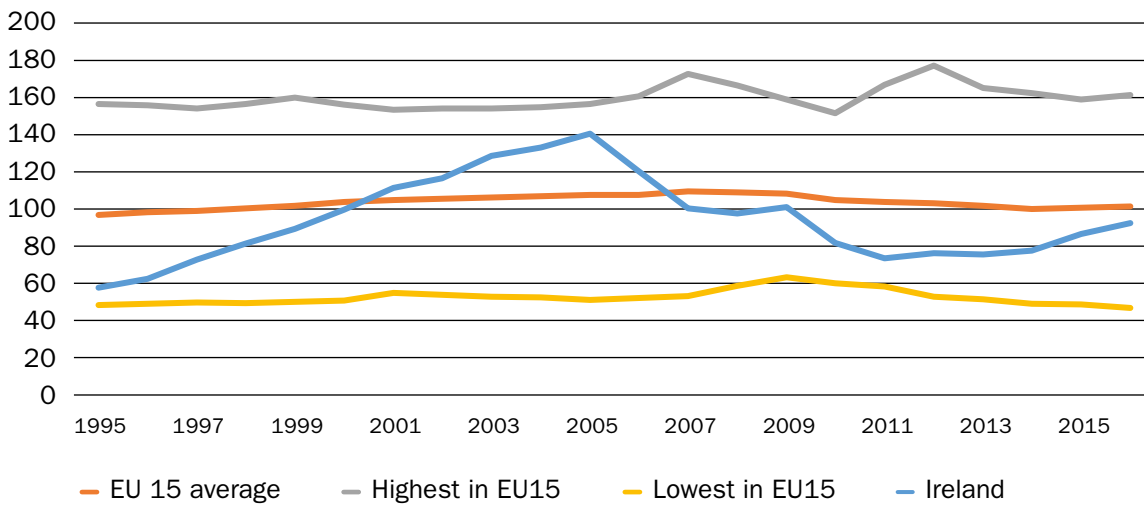


Source: SCSi Report, May 2016, November 2017

Eurostat produces price level indices measuring the cost of construction for comparable new residential buildings across the EU. This is split into four factors: labour, materials, transport, equipment and energy costs. The measure is based on looking at these costs by comparison to other EU countries.

5. Society of Chartered Surveyors Ireland *The Real Cost of New House Delivery. Analysis of Real Market Data to Evaluate Viability & Affordability of New Housing Development* (May 2016). Society of Chartered Surveyors Ireland, *The Real Cost of New Apartment Delivery. Analysis of Affordability and Viability* (October 2017).
 6. The example used is for a 2-bed apartment, Category 2, lower range from the SCSi report of November 2017. These are suburban medium rise type of apartment scheme, generally 3 to 6 storeys in height.

Figure 7: Irish construction costs for residential buildings (EU avg = 100)



Source: Eurostat

The indices show that Irish construction costs in recent years have been below the European average. This supports the finding of the Housing Agency report (2018) which found that comparing residential construction costs in Ireland to other European countries since 2010 the growth was below that in the other countries examined (UK, Germany, Netherlands and France). One caveat must be borne in mind; these construction costs are highly pro-cyclical in Ireland and driven by the construction cycle. Along with the labour sub-index, this means that rising materials costs have the potential to drive further house building cost inflation even if they do not explain current house price levels.

3.5 Development Costs

The analysis carried out by the SCSi shows that for both apartments and houses the costs of construction amount to approximately 45% of the delivery costs of a new dwelling. Development and land costs are the final part of the mix in house building costs. These include the cost of various taxes, levies and regulations, finance, risk, marketing and sales and the developers' margin. The general levels of building costs excluding many of the development and land costs can best be shown by the example of the Ó Cualann Co-Housing Alliance, which has managed to build 4 bed-homes for less than €200,000 in Dublin when Dublin City Council (DCC) sold land at under 5% of its market rate, waived development levies and the group waived its margins (bar a 5% margin needed by the bank to lend).

In the private sector, however, these costs are material and add significantly to the cost of a house. They have even larger significance due to the inherent risk in housing development. Residential housing development is cashflow negative for an extended period and profits are highly responsive to house prices, which are difficult to forecast in advance. Developers build with an intended price in mind years in advance when purchasing land and throughout the building process. In the UK, which suffers from similar house price volatility to Ireland, the Barker Review showed that a 1% shift in house prices could alter profits from a development by as much as 8%. For a house with a margin of 12% in Ireland today a 1% miscalculation in prices versus outcome in a development would have a similar impact.

3. Affordability and viability of homebuilding / continued

Regulated and non-regulated development costs

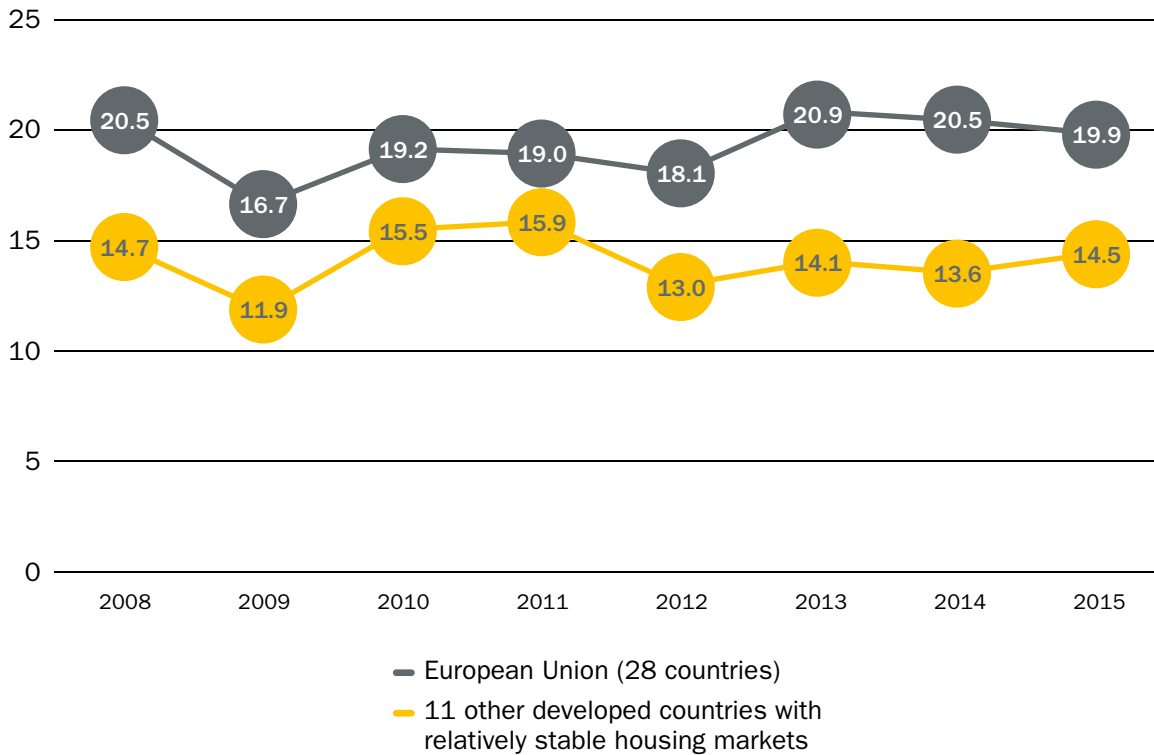
Regulated costs and finance add to the cost of development during the early cashflow negative stages. It is well documented that Irish lending rates to business are significantly (over one percentage point) above European averages. These add to the cost of finance during multiple stages of the construction process. There has been some progress on this in recent years, however, with a more diversified funding mix (private and public equity,) and greater state funding through ISIF, for example. However, the cost, and in the case of smaller developers the availability, of funding remains an issue.

On top of this, there are other regulated and non-regulated costs such as taxation and development levies. Taxation of construction in Ireland is broadly in line with the EU (barring the UK which has much lower taxes on new-build construction). However, it appears that other regulated costs are relatively high. Lyons (2015)⁷ argues that the impact of this regulation is likely to have had a significant and material impact on the divergence between other construction input costs and house prices in Ireland over time.

Finally, the level of developer's margin can impact on affordability, and in some instances, viability. Feedback from our members suggests that the margins currently being achieved in private development in Ireland are around 10% in areas outside Dublin and in the region of 6% or 7% in the city. These are necessary to receive bank financing, mitigate risk in either costs or house prices and to leave the developer with sufficient capital to reinvest. Figures (below) from Eurostat on gross operating rates (that is profit as a % of turnover ex VAT) across Europe suggests this level of gross margin is below the average across Europe in the years (2008 - 2015) for which we have data available. There are implications here for developers who operate across borders in terms of their optimal allocation of capital. In 2015, the median gross operating rate across the EU15 countries including the UK was exactly 15.3%. Excluding the UK (which has ultra-high margins) along with Sweden and Ireland (where margins were negative due to housing market conditions) the median gross operating rates was 15.6%. This fell as low as 7% in France and rose as high as 20% in Germany. The EU28 over the past 8 years had had an average gross operating rate for developers of 19.4%. The figures for Ireland (0% in 2015) while weighted to the lower end by loss-making developers and legacy issues would seem to point toward Irish development margins being relatively low when compared to European norms.

7. <http://www.ronanlyons.com/wp-content/uploads/2015/08/Ronan-Lyons-Barrington-lecture-2015.pdf>

Figure 8: Gross operating rate of property developers in Europe, %



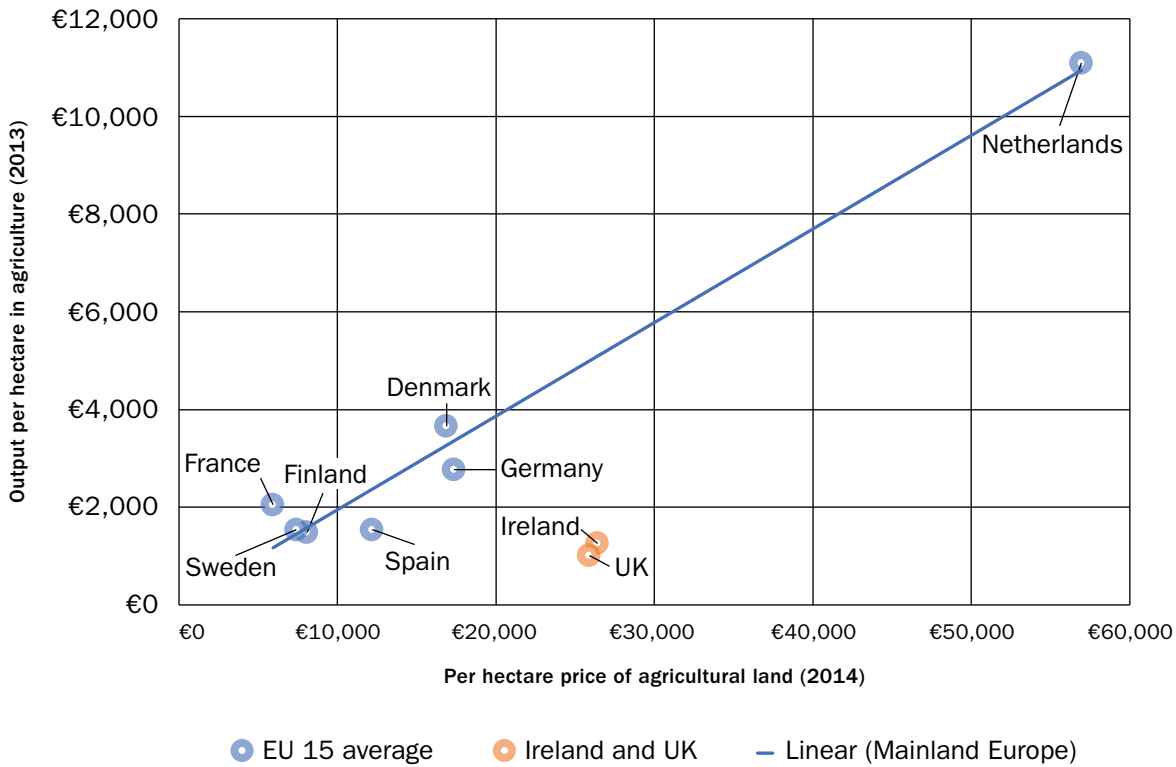
Note: 11 other countries include Germany, France, Netherlands, Belgium, Austria, Finland, Portugal, Italy, Norway, Denmark and Luxembourg
 Source: Eurostat

3.6 Land costs

Land costs are a significant part of any housing development. Various estimates put the current price escalation in Irish land prices at between 10% to 15% per annum. Although the Irish state collects no information on the value of zoned land, the impact of a growing distance between the supply of land and demand is evident in data for agricultural land. Between 1995 and 2015 the value of agricultural land in Ireland grew by 161% per acre. Over the same period total output in the primary agricultural sector grew by only 22.6% and total profits (before the cost of land rental and interest payments) grew by only 5% in nominal terms. This was driven by farmers having to compete with housing developers for land with development potential. In fact, in a European context, both Ireland and the UK (which suffers from similar housing policy problems) are outliers in the mismatch between agricultural productivity and the cost of agricultural land.

3. Affordability and viability of homebuilding / continued

Figure 9: Agricultural productivity and land prices in Europe

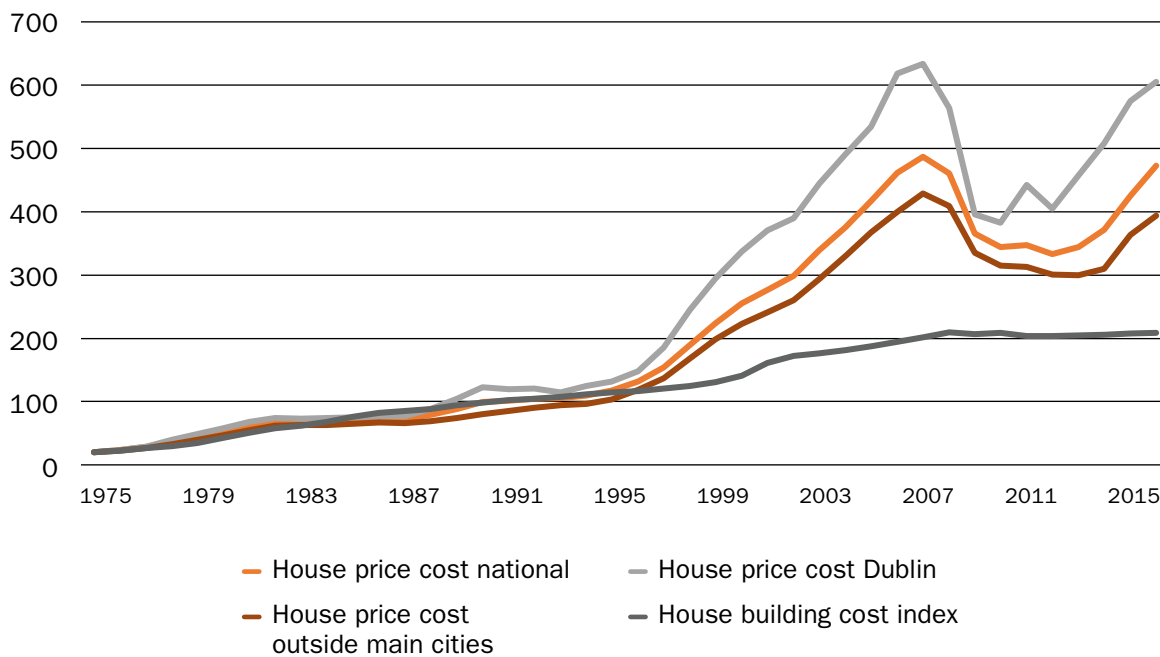


Source: Ibec calculations, European Commission and Eurostat

While no series of data exists on Irish zoned land prices in the long term it is possible to understand some of the impact of land prices on house prices by looking at house price spreads across the country. Ireland being a small country with a very centralised Government structure means that homebuilders generally borrow from the same banks, experience the same tax rates and face a similar regulatory burden no matter where they build in the country. Ireland also has a relatively homogenous labour market with relatively small overall differences in wages between the regions and within sectors. As such the significant divergence between house prices and the cost of construction in different parts of the country should reflect in part or whole the difference in the underlying price of land.

The fact that the price of housing has outstripped but is closer to the marginal cost of construction inputs in areas outside the main cities, suggests that a large part of the growth in house prices is driven by a consistent undersupply of land in major areas relative to demand for new housing. House prices have grown by 6 times more than the cost of construction nationally in Dublin since 1975, by 4.7 times the cost of construction nationally in other major cities and by only 3.9 times the cost of construction in the areas outside the major cities. Although it is likely that divergence in regulation and wages has played some role, it is unlikely to be significant enough to have driven the substantial differences observed between Dublin and other areas of the country nor the timing of the divergence or the agricultural land cost escalations which occurred over the same period.

Figure 10: Cost of new build homes and construction costs



Note: The House Building Cost Index monitors labour costs in the construction industry and the cost of building materials. It does not include items such as overheads, profit, interest charges or land development. The labour costs include insurance cover and the building material costs include V.A.T
 Source: CSO and Dept of Housing, Planning and Local Government

This is not just an issue that is common to Ireland. Glaeser & Gyourko (2002) show that the similar divergence between house prices and construction costs in some areas of the US is down to the impact of zoning and other land use controls and that this plays a dominant role in making housing expensive. Similarly, Hilber (2015) shows that the overwhelming empirical research in England suggests that tight regulatory constraints have added significantly to the price of land, doubling the price of housing in real terms between 1970 and 2008. He also shows that if the very tightly regulated development policies of the South East of England were changed to the moderately regulated North East of England policies then housing prices could be as much as 30% lower in 2015. From our analysis above, it appears similar issues may be at play in Ireland.

How much land is available in reality?

Figures are often quoted of land zoned in Ireland for more than 400,000 housing units and over 116,000 units in Dublin . The reality, however, is that not all this land is in easily developed brownfield or greenfield sites, serviced by critical infrastructure, water and public transport or likely to receive planning permission. Various estimates from Construction 2020 and the Dublin Housing Supply Taskforce put the actual figures at closer to 30,000 to 50,000 units worth of zoned and serviced land in Dublin. Even within this, a limited amount of that land will be available on the open market where prices are set.

3. Affordability and viability of homebuilding / continued

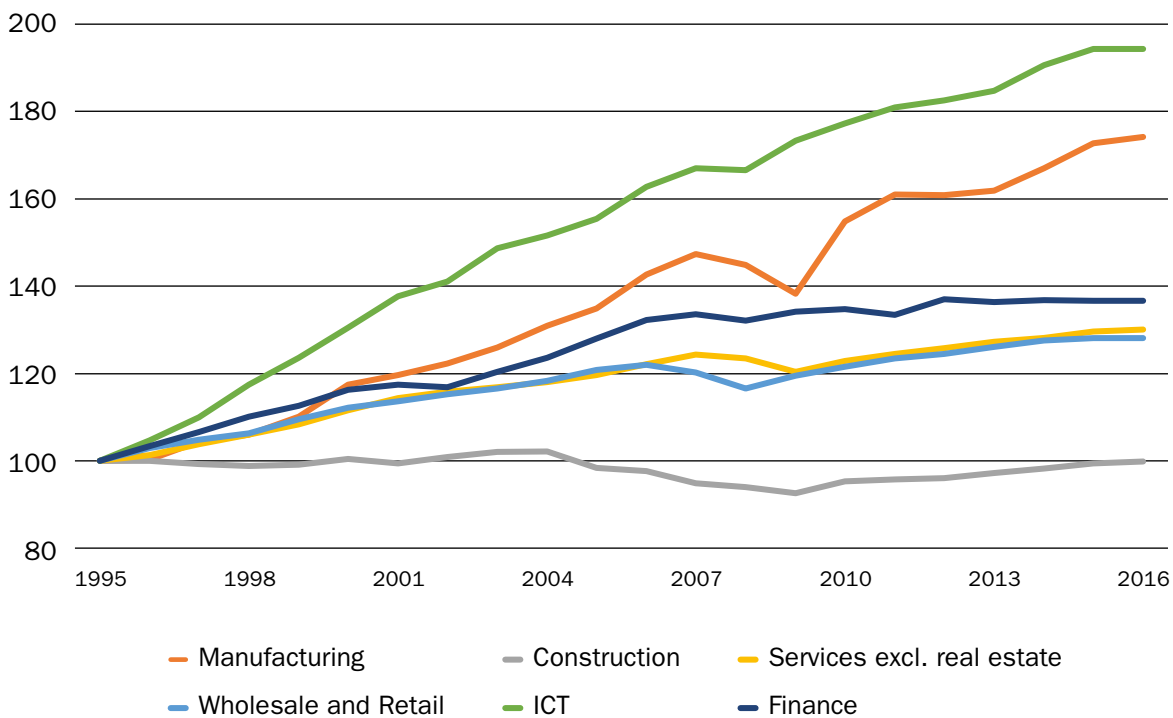
The amount of residentially zoned and infrastructure-serviced land coming into the market needs to increase substantially to limit price increases driven by scarcity alone. There are a number of measures that can be used to achieve this including increasing the amount of zoned land available over the longer-term, improved targeting of infrastructure funds aimed at accessing sites and discouraging inefficient use of sites through a site value tax.

Considerable landbanks are also owned by non-housebuilders, both private and public sector. More efficient use of these landbanks for affordable housing could provide a large number of properties and may reduce urban sprawl. In this context, resourcing and fast-tracking the work of the new National Regeneration and Development Agency (NRDA) will be crucial.

3.7 Innovation and the future of the industry

A strong construction industry is a vital input to the success of most other areas of the business economy. It is clear, however, that there have been difficulties improving productivity globally in the sector. For example, US construction productivity has not increased since 1945 and not in the EU since at least 1995. Recent CSO data has shown that, excluding the anomaly of the crash years, total factor productivity in the Irish construction sector since 2000 has grown by an anaemic 0.4% annually on average. Given the confluence of sectors with specialist skills in both construction and synergistic areas of manufacturing and technology in Ireland, we have an opportunity to be a world leader if we can improve productivity in the sector.

Figure 11: Productivity in the EU28 business economy



Source: Eurostat

The McKinsey Global Institute (MGI's) *'Reinventing construction: A route to higher productivity'* report showed that stringent regulations, a dependence on public-sector demand, informality and fragmentation in the industry along with difficulties managing the risk profile of capital-intensive projects with tight margins made project management a key barrier. These struggles increased project risk and had a knock-on impact in terms of underinvestment in skills development, R&D, and innovation. Solutions can come from the public sector by increasing regulatory transparency and certainty and finding better ways to manage financial risk. They must, however, also come from within the industry by improving procurement, supply-chain management, on-site execution and finally improving take-up of new technologies in BIM, analytics and automation. All the above will need industry and Government to work together to ensure re-skilling is taking place and adequate funding is available for educational programmes in the sector.

Recommendations

- The delivery of affordable zoned and serviced land for housing development should be a key priority for Government given its importance in the viability of home construction at affordable levels.
- Make sure adequate funding is available for work to develop a system of individual dwelling registration to track the planning, commencement, completion and demolition of each dwelling in the State.
- Conduct a review of the cost-benefit of regulation in the construction sector to ensure an effective but cost-efficient method of construction regulation.
- Enable Ireland to become a world innovation leader in construction by encouraging take-up of skills, knowledge and technology.

4. The role of social housing provision

Key findings

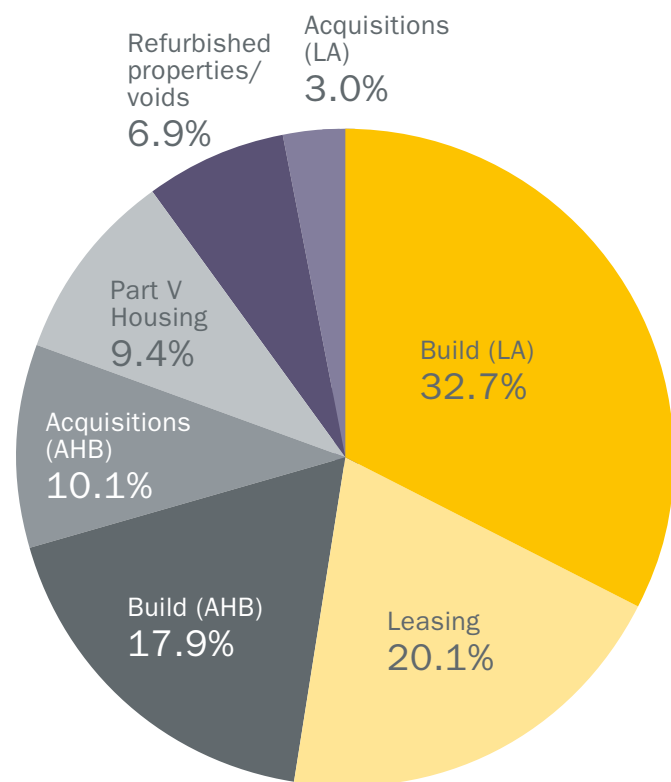
- Social housing provision is too reliant on housing acquisition and the Housing Assistance Payment rather than direct build.
 - Local authorities will need support in responding to the pressure of the aging social housing stock, which will require an increasing funding to maintain, regenerate or ultimately replace.
 - The future development of our cities will require well-designed social housing units to be built as flats/apartments.
-

4.1 Social housing as it stands

Rebuilding Ireland: an Action Plan for Housing and Homelessness is a start in delivering a social housing sector which was decimated by the more general capital expenditure cutbacks during the crisis. Of the 50,000 units to be delivered under the Plan around 25,000 will be direct new build financed by the State. Of this, at least 35% is expected to be delivered by approved housing bodies (AHBs) with the remaining 65% to be delivered through new build local authority housing.

The remainder of the 50,000 units will be delivered through either housing acquisition (13%), leasing arrangements (20%) from the private or AHB sector, refurbishment of existing stock (7%) or through an implicit levy on first-time buyers through the Part V system. In addition to these numbers, a further 87,000 direct temporary rental supports will be delivered through Housing Assistance Payment (HAP) and the Rental Accommodation Scheme (RAS) over the years between 2016 and 2021.

Figure 12: Delivery of Rebuilding Ireland social housing units by source



Source: Ibec calculations

4.2 Move from acquisition to direct build and long-term leasing

While the scale of the programme is ambitious, its reliance on acquisitions does raise some questions. There is little to be gained from the State competing with private tenants and buyers and the net effect is to raise both prices and rental floors throughout the market with no additional housing stock. In addition, the size of the AHB sector will make it difficult for the State to deliver through those bodies alone. Build and leasing arrangements, on the other hand, have the potential to work very well if properly structured.

The new Enhanced Long-Term Leasing Scheme, for example, is a positive example of tapping the large amounts of private institutional finance available to provide long-term secure social housing at reasonable yields. The Scheme should add to the stock of available housing in a manner which is off-balance sheet and does not fluctuate significantly with fiscal cycles. Leasing from existing stock, on the other hand, increases competition with other sectors of homeowners and is likely to have significant deadweight costs for the State over the long-term. Schemes such as the Enhanced Long-Term Leasing Scheme also have advantages over relying on Part V for delivery of affordable housing from the private sector as the costs of the scheme are unlikely to be passed on to first-time buyers as is currently the case.

4.3 Accelerating the delivery of social housing

The need to address the inefficiencies in social housing delivery has never been greater. The current slow delivery process due to government procedures are an unnecessary non-construction cost. Public procurement is frequently highlighted as the barrier to timely delivery. Yet, other EU countries can deliver social housing in a timely manner, under the same public procurement rules. The government should examine and rectify problems in the procurement process to shorten delivery timeframes.

Some improvements to the procurement process are being initiated by the Department of Housing, Planning and Local Government. This includes a new four-stage approval process, down from nine, and is consistent with the Capital Works Management Framework. However, the target timeframe for this expedited process remains too long, at 59 weeks. This does not include the actual construction and ultimate delivery of homes. Also, this expedited process does not apply to social housing delivered by AHBs on behalf of a local authority.

Recent efforts to streamline and expedite the process must be redoubled. Existing procurement practices should be reviewed and if necessary, framework contracts for key services (e.g. architectural, quantity surveyors etc) put in place. Construction frameworks could be put in place at local or regional levels depending on the specific requirements. The approval process for direct and third-party build should be reviewed in terms of the interaction and sequencing between stages such as changes to design should not automatically revert to the first stage.

Government should commission a series of exemplar and template designs that would further expedite the approval process. These would comprise a stock of different pre-approved social housing designs that could be selected to meet the requirements of different tenants or specific site constraints. The Department of Education and Skills have adopted such a practice for school building.

4.4 Ramping up direct State build

The State will need to play a more direct role than that envisaged under Rebuilding Ireland over the long run through direct build social housing. The alternative is to rely on the Housing Assistance Payment (HAP) in a manner that is damaging to the overall housing market. The Scheme has resulted in an increased reliance on the private housing market to provide social housing. While the Scheme should contribute as part of a wider solution to social housing needs in the future, it should only be targeted at those with a short-term housing need. In periods of low-supply the scheme sets a high price floor for the private rental market and has removed rental properties out of a private market already under pressure. This has led to further price increases and demand for social housing.

The structure of direct social housing provision must change in order to achieve sustainable levels of State build without the constant cyclical fluctuation we have witnessed over the past decade. The current local authority lead system is excessively reliant on cyclical flows of central government funding and fractured in scale. In the absence of significant new revenue and debt raising powers being devolved to local government Ibec and PII believe it is time to look at an unitary delivery body for social housing. This could be based on Northern Ireland's Housing Executive (NIHE), which over the long-term has been a success in this area both building on its own but also supporting a healthy voluntary sector. Local authorities could play a role in identifying the need within this system with delivery being the role of this new scaled body.

A centralised social housing body would be guided, on housing needs, by local authorities but operationally independent. This would require an approach of transferring existing social housing stock out of local authorities and into a central provider of social housing which can work with housing associations and leverage external finance and expertise. This body could help build scale that would be attractive to institutional investors and/or a government-backed body to help guide funding to them. In the long-term, if operated on a commercial basis, it could take funding of social housing off the government's balance sheet completely. In recent years, funding provisions came from the proceeds from cyclical upturns in revenues. These funding streams will be limited in the future with the consequent need to structure social housing provision in a manner which can access sources of external finance in a counter-cyclical manner.

4.5 Improved use of existing stock

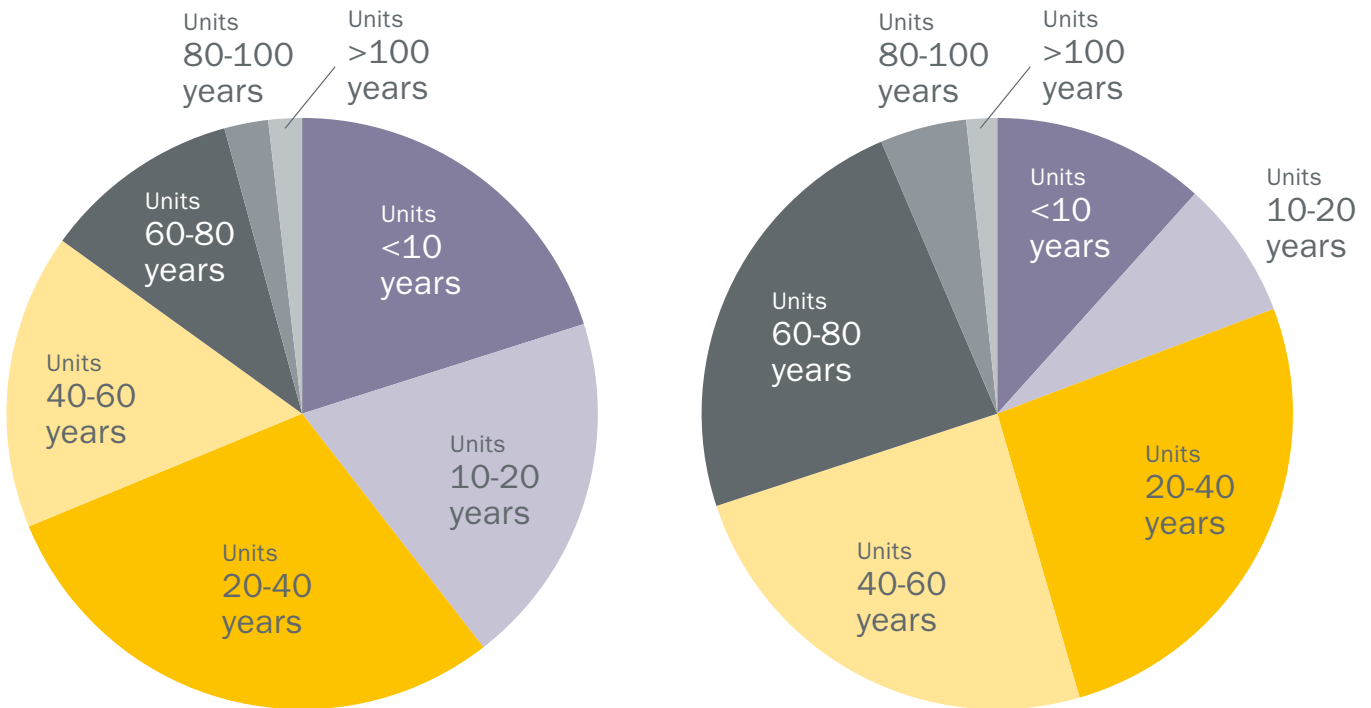
The local government sector has undergone a considerable period of change over the past decade. Staff numbers decreased by a quarter between 2008 and 2014. This has impacted all service areas, not least housing and building services. Increased demand for social housing has only compounded the pressures experienced by local authorities. Better utilisation of existing stock is proving difficult, with the average re-letting time (33 weeks) and average costs of re-letting (€15,900) council-owned units rising.¹⁰ Cork City took twice as long as Galway City (46 weeks) and over five times as long as Dublin City Council (20 weeks) to re-let a housing unit.¹¹ This is indicative of the challenge facing our urban local authorities, which account for 57% of our social housing stock.

10. National Oversight and Audit Commission, Performance Indicators in Local Authorities 2016 (January 2018) p.10

11. National Oversight and Audit Commission, Performance Indicators in Local Authorities 2016 (January 2018) p.11

4. The role of social housing provision / continued

Figure 13: Local authority housing by age, %



Source: NOAC Report No. 12 – May 2017

Over the coming years, maintenance and refurbishment will come to the fore. Our social housing stock is ageing in key urban areas. Approximately, 65% of local authority housing across the country was built during the past four decades.¹² It is the opposite case, however, in terms of the social housing stock across Dublin’s four local authority areas with 65% or 24,000 units over 40 years old and a quarter of its total housing stock between 60 and 80 years old.¹³ Over 100 flat complexes are on the Record of Protected Structures (RPS) and would require a bloc delisting in order to allow substantial regeneration to occur. Maintenance, refurbishment and potential replacement will become an increasing focus of local authorities in metropolitan areas.

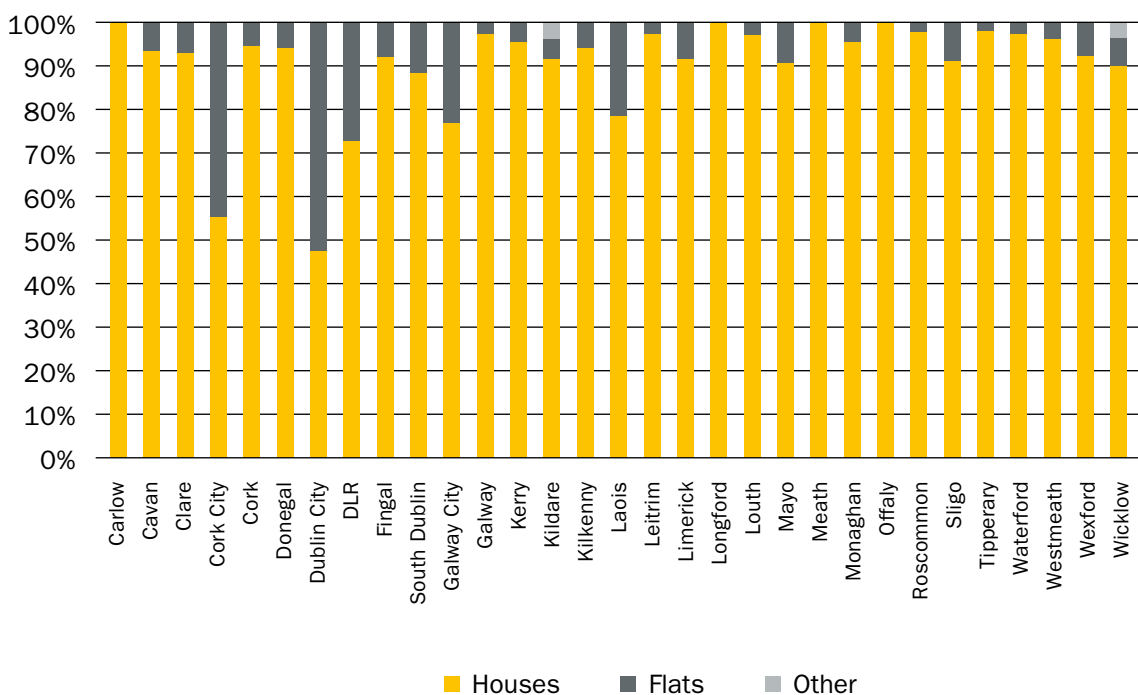
A new distinction will be necessary to achieve an effective allocation of focus and resources between new and existing social housing. Local authorities will need support in responding to the pressure of the ageing housing stock. Taking housing out of the system adds to the demand for additional housing. Local authorities should focus on this area either independently for the larger council areas or jointly through a shared service approach, including using the full public procurement process to support effective housing maintenance and refurbishment. A new approach is required to effectively deliver and manage social housing in the longer term.

12. National Oversight and Audit Commission, A Review of the Management and Maintenance of Local Authority Housing (May 2017) pp 53-55
 13. National Oversight and Audit Commission, A Review of the Management and Maintenance of Local Authority Housing (May 2017) pp 53-55

4.6 Change in social housing needs

The National Planning Framework (NPF) has prioritised five metropolitan city regions (Cork, Dublin, Galway, Limerick and Waterford) to deliver half of the projected population growth by 2040. These cities are to grow in a compact manner, with a strong focus on urban infill (see chapter 8). This will require an appropriate mix of houses and apartments and must apply to social as well as private housing. Dublin City Council is the only local authority that has a higher share of flats than houses as part of its housing stock. Nationally, only 18% of social housing units are flat or apartments. The future development of our cities will require well-designed social housing units to be built as flats/apartments.

Figure 15: Local authority social housing stock mix, %



Source: NOAC Report No. 12 – May 2017

Recommendations

- Establish a single social housing authority to accelerate delivery, achieve better economies of scale and to attract off-balance sheet investment.
- Enhanced Long-Term Leasing should be a major mechanism for social housing delivery into the future.
- Government should commission a series of exemplar and template designs for social housing that would further expediate the approval process.
- Increase the share of apartments/flats within the total social housing stock in urban areas.

5. The taxation of property

Key findings

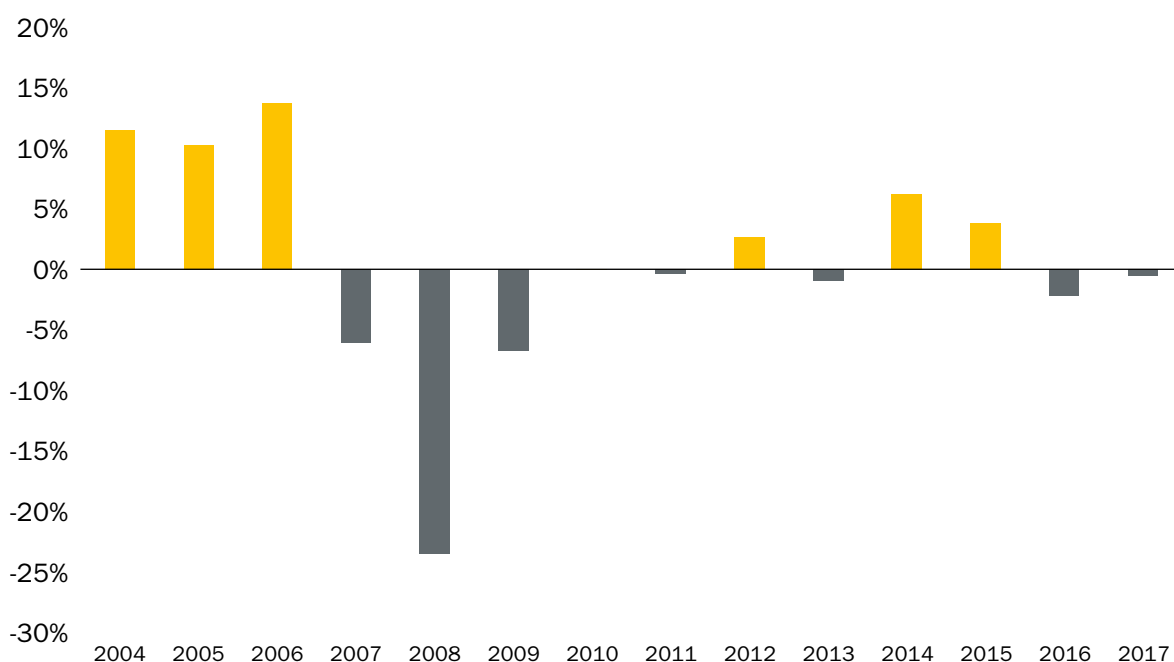
- Ireland's property taxation revenue has traditionally been determined by cyclical factors.
 - There will be some increase in property tax receipts as residential construction increases.
 - Housing policy and demand-side tax incentives must be appropriately used to avoid repeating past mistakes.
 - Development contributions schemes lack transparency and generally incentivise rural over urban development.
 - There is a mismatch between the responsiveness of commercial property and residential property to demand.
 - Taxation of property should avoid being driven by cyclical fluctuations or encouraging speculative investment.
 - Taxation of investment should be neutral between asset classes (i.e. residential & commercial).
 - The taxation of land should encourage the efficient use of land whilst also removing barriers to development
-

5.1 A strong property tax and moving away from cyclical revenues

When it comes to the taxation of housing, Ireland has made some progress over recent years in following the recommendations of the Commission on Taxation to move away from a reliance on stamp duty and the introduction of the local property tax (LPT). The three property reliant tax heads of VAT, Stamp Duty and Capital Gains Tax grew to almost 45% of total tax receipts at their peak. This was up from an average between 1984 and 2000 of under 30%. They have now returned to that pre-boom long-term level of 30% and efforts should be made to ensure they remain at those levels over time.

In addition to this, further strengthening the status of the LPT and other taxes with low levels of cyclical performance should ease the fluctuations in receipts witnessed in the mid-2000s. It is imperative that the tax system continues to move in this direction, however, by retaining a strong local property tax and avoiding rebuilding reliance on receipts from construction transactions. This means keeping stamp duty on construction at its current low level or abolishing it completely and moving more of our taxation of property to recurrent taxation across the lifetime of an asset based on land, commercial and residential values. Political opposition must not be allowed to undermine the operation of a sustainable local property tax with limited exemptions and based on current house values.

Figure 16: % over/underperformance in Stamp Duty, CGT and VAT relative to projected annual profile



Source: Department of Finance

It is likely that given the tax-rich nature of housing construction that there will be some increase in receipts as residential construction increases. Care must be taken not to build these receipts into the current expenditure base as we did during the crisis. Our view is that cyclical upturns in construction revenues should be used to either invest in infrastructure that opens more land for residential development or retain the proceeds for investment in direct build social housing as needs may arise in cyclical downturns.

5. The taxation of property / continued

5.2 A site value tax

There have been several measures introduced in recent years aimed at improving the use of land in private ownership and speeding up the process of bringing zoned land to market. Some of these, including the reduction to 4 years on holding periods of development land for CGT (previously firms who had bought development land between 2012 and 2014 had been required to retain the land for seven years if they wished to avoid a CGT charge), are likely to increase the supply of development land to the market. Others such as the vacant site levy, are struggling to be established due to slow progress by local authorities identifying sites at local authority level. Our view is that incentives/disincentives to encourage a more productive use of land are welcome if applied in a sensible fashion. This means that while taxes on underutilised land should be welcomed, owners of sites should not be punished if development is being delayed by factors outside their control such as a lack of public infrastructure, utilities or planning disputes and delays.

Over the longer term, the taxation of land needs a consistent, predictable system. This will enable developers to plan their land use a number of years in advance and bring more sites to market in a timely fashion. We have previously supported a streamlining of the current commercial rates system. Our view is that the commercial rates system and vacant sites levy should be ultimately replaced by a simple and transparent Site Value Tax. This is consistent with the calls from the National Competitiveness Council for a “tax on the unimproved value of commercial property and land which is zoned and serviced for development”. This tax should allow local authorities to vary its rate by asset class (finished buildings vs development land) or holding period but avoid overcomplicating it by having varying rates by sector.

5.3 A temporary reduction on VAT on new build housing

Targeted and time-bound tax measures could play an important role in reducing the cost of housing development and encouraging greater supply. The relative imbalance between the strong supply of commercial property and ongoing weakness in the residential sector is also evidence that margins in the housing sector are insufficient to support a market equilibrium. A VAT reduction in the residential sector would help bring the return on capital to a more competitive rate. A reduction in VAT, if delivered as part of a suite of measures, would deliver a supply response.

There are two arguments commonly used as to why a reduction in VAT should not be undertaken as a policy solution. Firstly, the ESRI has provided some theoretical work showing that under conditions where supply was limited by some exogenous force (very strict land-use planning for example) then supply could not increase in response to a reduction in VAT and supernormal profits would, therefore, be captured by the developer without an increase in output. This, however, only holds where supply is constrained exogenously and where profits are ‘normal’. There is strong evidence margins in the Irish industry are not yet ‘normal’. In this scenario, allied to policy measures ensuring a market where supply can respond in a timely fashion, the reduction in VAT would function as the State introducing a time-limited subsidy to de-risk residential development until margins recover naturally.

In the same vein, in the Department of Housing, Planning and Local Government *'Review of Delivery Costs and Viability for Affordable Residential Developments'* it has been argued that a reduction in VAT could flow through to higher land prices. This only holds, however, when there is significant competition to build new developments in the sector. Competition to build is evidently not present in the Irish market now and other measures suggested in earlier sections would ensure land was not constrained. That report identifies the EU VAT Directive as an impediment to such a measure. As far as we are aware this is not the case. The EU VAT Directives would allow for a reduction of VAT on construction to 9% but not below that level.

Finally, the ESRI argue that the absence of a tax break may force the industry to improve productivity and introduce more innovation in response to barriers to building. Given the difficulties improving productivity globally in the sector, this remains an unlikely avenue to deliver the necessary supply response in the short-run.

A time-limited reduction in VAT, dependent on market activity, could be part of a suite of measures to improve the viability of homebuilding, introduced at the same time as other measures aimed at delivering land to the market. This may contribute to higher profits for some sites that are currently viable. It would also make some additional sites viable. Our view is that, if credibly time-bound and carefully designed, a VAT reduction would deliver a supply response from the sector.

5.4 Reform development contributions to support affordable housing

Implementation of the NPF at a local level through the development plan process offers an opportunity to examine development contributions and their effects on housing availability and affordability. Development contribution schemes¹⁴ are set for each local authority in respect of public infrastructure and facilities provided by, or on behalf of the local authority that benefit development in the area.

There is a lack of consistency over the 31 schemes operating across the country and often between neighbouring local authorities. For example, Dublin City Council charges €86.40 per m² of residential development but it is on a per-residential unit basis (€8580) in Dún Laoghaire-Rathdown. Meath County Council charges €11,000 per residential unit.

14. Under Section 48, Planning and Development Act, 2000, as amended.

5. The taxation of property / continued

Table 1: Sample of development levies across metropolitan city regions

Local Authority	Residential Development Levy
Cork City Council	€52.70 per m ²
Cork County Council	€24.49 per m ²
Waterford City & County Council	€9,000.00 per unit
Dublin City	€86.40 per m ²
Fingal	€80.85 per m ²
South Dublin County Council	€85.06 per m ²
Dún Laoghaire-Rathdown	€8580 per unit
Galway City	Up to €10,831.00 per unit
Limerick City & County Council	Up to €20 per m ²
Waterford City & County Council	€9,000.00 per unit

Source: Local Authority Development Contribution Schemes (various)

There is also a general discrepancy between levies on urban and rural residential development. Current schemes tend to favour out-of-town development, where rates can be as much as 50% cheaper. Yet, dispersed development is generally much costlier where the provision of infrastructure is concerned. On the other hand, Limerick City and County Council has designed its development contribution scheme to facilitate urban regeneration and infill of brownfield sites. A special rate (€7 per m²) applies to encourage residential development in key urban cores, which is 65% lower than the county-wide charge.

The need for increased transparency over development contributions

Development contribution schemes lack transparency and accountability in terms of their design and initiation through to charging and payment. Increasing density within our urban centres does not necessarily require the provision of new or substantially upgraded infrastructure. There is the perception that one-off development charges are a local wind-fall tax or a form of double-taxation. A balance between development levies and recurring local property taxes (i.e. local property tax and commercial rates) needs to be struck.

Development charges are designed and apportioned across pre-designated classes of public infrastructural development. Transparency is lacking over the development contributions levied and their actual contribution to the capital expenditure of the respective local authority. They are not tracked through their financial reporting process nor have they undergone scrutiny by the National Oversight & Audit Commission. Government does not have oversight of the total collected and spent on local infrastructure annually. Local authorities should be required to publish an annual statement on infrastructure funding.

Rationale for reforming development contributions

Government should conduct a review of development contributions to ensure such charges underpin the desired consistency between the NPF and local development plans. The review should not be limited to a simple examination of development levies and should be completed by 2019. It should be broad in scope with a view to reforming the system to support economic and social development. A recent government study on housing affordability called for a review of development contributions to achieve “affordable apartment delivery, with particular consideration given to brownfield/infill type urban development sites (reflecting the fact that infrastructure and services are already provided) and a capped contribution charge at a certain height or above a certain site density”.¹⁵

The outcome of the review should be reform of the system to increase the affordability of housing. It should also account for the projected spike in housing output nationally. Replacing the current system with a development levy set nationally (e.g. infrastructure levy) could improve consistency, particularly when local infrastructure provision is co-funded through central government grants. Alternative mechanisms to supporting public infrastructure investment should be examined, such as borrowing against future property tax liabilities generated from the resulting development.

5.5 Demand side supports

We have estimated that new household formation will average 36,000 households annually. While not all of these households will look to owner-occupy it is important that we have a functioning mortgage market to allow appropriate levels of credit into the housing market. In addition, certain demand-side measures, if carefully designed and evaluated, may help to provide certainty for homebuilders and stimulate supply in the short-term.

The Help-to-Buy scheme announced in Budget 2017 is a good example of a scheme which has positively impacted on the first-time buyer (FTB) market for new homes, stimulating supply by providing homebuilders and funders with some certainty of demand. It is also unlikely to have added in any material way to overall price inflation given new home purchases by first-time buyers accounted for only 5.5% of the total market in 2017. However, the viability of homebuilding remains an issue in many locations and so the ability of FTBs to avail of the scheme has been limited. While the scheme is set to finish at the end of 2019 consideration should be given to extending the scheme to allow the viability of homebuilding outside the urban centres improve, and FTBs avail of the scheme as new supply comes on stream

On the other hand, we must be careful not to repeat the mistakes of the past in terms of using housing policy and demand-side tax incentives in an inappropriate fashion. From a regional point of view, there must be no repeat of area-based ‘renewal’ schemes which gave generous tax breaks for building in areas where additional impetus was not needed. In addition, demand-side incentives aimed ostensibly at improving affordability in the market must be avoided until such a time as supply corrects to meet the

15. Review of Delivery Costs and Viability for Affordable Residential Developments (2018) p.7

5. The taxation of property / continued

demographic and economic demand for housing. Any other policy will result in further growth in house prices and make a future price correction more likely. For example, there is no solid basis for re-introducing rental tax credits or mortgage interest relief in the future as all evidence suggests both tend to become capitalised in higher housing costs.

5.6 Neutrality between residential and commercial investment

Currently, investment in build-to-rent (BTR) residential property is subject to a different taxation regime than that relating to commercial property, given VAT is reclaimable in the commercial sector. This is leading to a mismatch between the responsiveness of commercial and residential property to demand. Investment in rental housing should not be treated less favourably from a tax viewpoint than investment in commercial property, especially at a time of severe shortage of rental residential property when Government should be encouraging investment into housing.

VAT adds 13.5% to the cost of new residential development and impedes new supply as it is an unrecoverable cost. This puts development and the ownership of rental apartments at a disadvantage when compared to the ownership of retail or offices for professional investors as it lowers their return on capital significantly.

A permanent reduction in VAT for large-scale build-to-rent developments where the stock is kept in the rental market for 10 years or more, with a clawback if sold in the interim, would help equalise the treatment of the two sectors.

Recommendations

- Cyclical upturns in construction revenues should be used to either invest in infrastructure that opens more land for residential development or retain the proceeds for investment in direct build social housing as needs may arise in cyclical downturns.
- Reconvene the Commission on Taxation to consider the lifecycle taxation of housing.
- Move property taxation away from cyclical revenues.
- Replace recurring commercial property taxation (e.g. commercial rates, vacant site levy etc) with a land value tax.
- Review the funding of local authorities to ensure that the need for development levies as a source of income does not undermine the viability of affordable housing development.
- Implement tax neutrality between investment in residential and commercial property.
- Avoid poorly targeted incentives in the property market.

6. The future of the private rental sector

Key findings

- The future rental market needs to provide greater certainty, greater quality and cater for households for a longer period.
 - Evidence shows that long-term rent control increases the price of renting because of the reduced supply, protecting an ever decreasing group of in-situ tenants.
 - The build-to-rent model is relatively new to Ireland but take-up is increasing.
-

6.1 Recognising the value of a stable rental sector

The challenge of affordability has pushed many who would prefer to own their own home into the rental market either temporarily as they save their deposit or as owning a home at their income level has become impossible. While some will require support to either pay their rent or a more permanent solution in social housing, rental has also become a tenure choice for many. It remains important that the benefit of providing housing in this tenure form is recognised.

A clear knock-on effect of the dysfunctionality of the Irish housing market is its impact on rental prices and the cost of living for younger workers in key urban areas. As we outlined earlier in this document the traditional industrial model that dominated the 20th century is now changing rapidly as the economy becomes more service orientated.

The move toward a digitised intangible economy means companies are now more reliant on intellectual rather than physical capital. In addition, both Irish and non-Irish workers are much more mobile than in the past. Both together mean that the highest value firms are often choosing to locate where talented workers (and in some cases superstar workers) want to live rather than the other way around. As such quality of life, household mobility and value for money will be more important than in the past. This does not just apply to foreign workers, but to Irish workers too.

6. The future of the private rental sector / continued

This has several implications. It, along with the delayed age of household purchase, means that the rental market in future will need to provide greater certainty, greater quality and cater for households for a longer period and until later in the typical household cycle. This requires policy change in other areas. For example, the interaction between pensions and the affordability of accommodation post-retirement.

In Ireland, the early attempt at a solution to this has been in the form of rent controls. These have had a dubious impact on the market thus far and are unlikely to work in the longer run. Almost all available evidence shows that in the short-run while rent controls lower price increases for existing tenants, in the long-run they reduce stock, increase prices for new tenants and are detrimental to the quality of the rental stock available. Evidence from several studies shows that over the long-run rent control actually increases the price of renting because of the reduced supply, protecting an ever-decreasing group of in-situ tenants. In this sense, they represent a transfer from future tenants to current tenants. While rent pressure zones are part of the current political reality they should be phased out as the private market normalises and direct social housing provision increases.

6.2 Measures to support landlords

Ireland's rental sector will need to professionalise with a greater share of institutional landlords. As such, measures to increase the attractiveness of build-to-let development will need to be encouraged. At the same time, there will still be a significant role for the traditional buy-to-let landlord. This is particularly true outside the main cities where the labour market is thinner, and scale is not attractive for institutional investors.

There has been some drop-off in the number of landlords in Ireland over the past five years. If we are to ask the sector to professionalise, then the sector should be treated comparably to other businesses in the tax system. To this end we support:

- Encouraging investment in long-term rental stock by introducing a permanent reduction in VAT for large-scale developments where the stock is kept in the rental market for 10 years or more, with a clawback if sold previously
- Allowing the LPT as a taxable expense
- Accelerating plans to re-introduce full interest deductibility for landlords
- Reducing prohibitive regulatory costs for the change of use on vacant dwellings

6.3 Providing greater certainty for tenants

To the same end, greater certainty will be needed into the future as households will tend to rent longer. This will mean accommodating household types that traditionally have not been part of the rental mix in Ireland. These tenants will need longer leases, greater security and rental accommodation suited to family life. To this end, the State should:

- Implement the proposed deposit protection scheme and ensure adequate funding for the residential Tenancies Board for dispute resolution.
- Encourage longer leases through the tax system by expanding the range of capital expenditure deductible against tax for landlords engaging in long-term leases.
- Abolish Stamp Duty on rental agreements on all residential leases.
- Introduce transparency in pricing to the sector through a public register of tenancies.

6.4 Developing a sustainable Build-to-Rent sector

Build-to-Rent (BTR) is a relatively new concept in Ireland, but this segment has grown in the recent years. Government has acknowledged the importance of the sector in its Strategy for the Rental Sector published in December 2016. The current lack of specific measures aimed at encouraging a Build-to-Rent sector in Ireland is disappointing and needs to be urgently addressed. Successful Build-to-Rent schemes would result in purpose-built rental accommodation with greater security of tenure and more transparent rental increases. The creation of a Build-to-Rent sector depends on attracting private investment from institutional investors to provide long-term finance for rental developments. The action within the Strategy that local authorities specifically plan for the provision of rental accommodation is welcome. Local authorities should also specifically designate areas as Build-to-Rent zones. Specifications should recognise the distinct characteristics of the Build-to-Rent sector incorporating new apartment design standards such as a reduction in car-parking and open space provisions and increased heights.

Recommendations

- Ireland's rental sector will need to professionalise with a greater share of institutional landlords.
- Continue to support the development of the build-to-rent model.
- Introduce a permanent reduction in VAT for large scale long term rental sector developments.
- Allow Local Property Tax as a taxable expense.
- Advance plans to introduce full interest deductibility.
- Reduce prohibitive regulatory costs for the change of use of vacant dwellings.

7. Skills needs of the industry

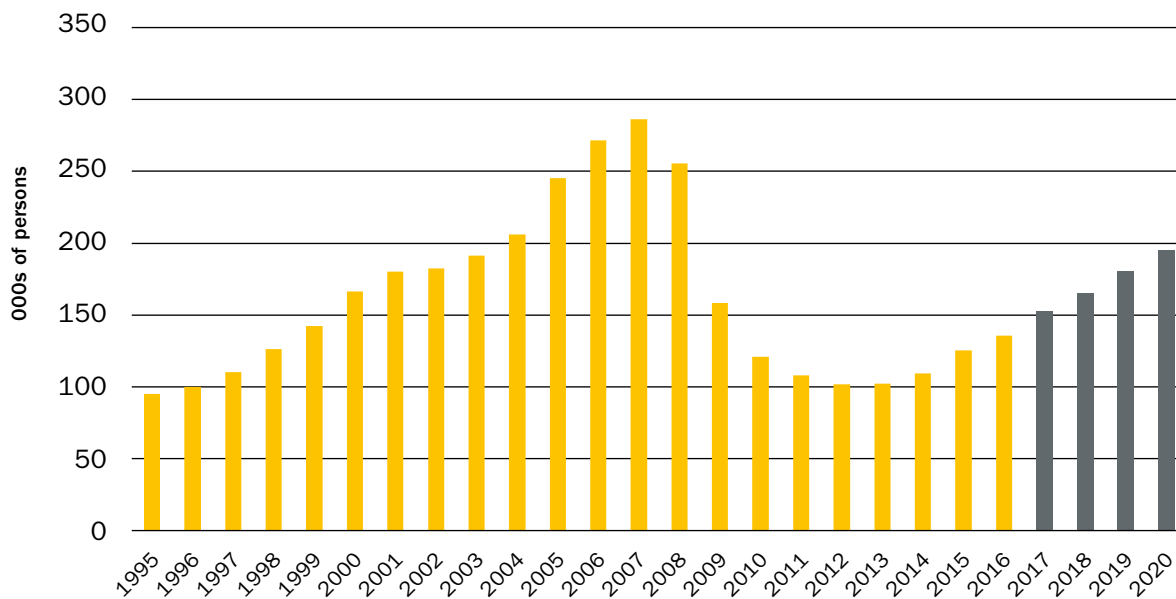
Key findings

- Employment in construction will need to increase by 80,000 people across the sector to meet current demand and by 110,000 to reach an output of 36,000 housing units annually.
 - Shortages ranging from specialist skills to general operatives are emerging, threatening the delivery of housing targets.
 - Brexit could make Ireland an attractive place to work in construction but generally the high level of central and eastern European labour is unlikely to reoccur.
 - The construction sector will be dependent on developing new skills, returning emigrants and using the work permit regime to attract workers from non-EU countries.
 - Public bodies and agencies will be competing with the private sector for key skills in terms of delivering the National Development Plan, including social housing.
-

7.1 The skills needs of the sector

One of the major questions facing the economy over the coming years will be its ability to meet the housing needs of a growing population without escalating the cost of labour in construction significantly. Over the past 15 years, the number of workers in the construction sector per €1 million spent on construction-related capital formation has remained relatively steady at around nine. This is consistent with previous UK estimates of labour supply need of about 1.5 Full-Time Equivalents (FTEs) per housing unit delivered. Based on Ibec's current forecasts for other areas of construction and the estimated housing need, it is likely that construction employment (including on and off-site staff) will need to grow by around 80,000 between now and 2020 to meet demand. To reach an output of 40,000 housing units per year this figure would need to increase to close to 110,000. This would leave construction employment at almost 9% of the workforce (levels similar to 1998-99) and without sources of inward migration the industry would quickly see not just skills, but general labour shortages and wage pressures becoming more pronounced.

Figure 17: Ibec estimate of construction employment growth to 2020 under Ireland 2040 & other private demand

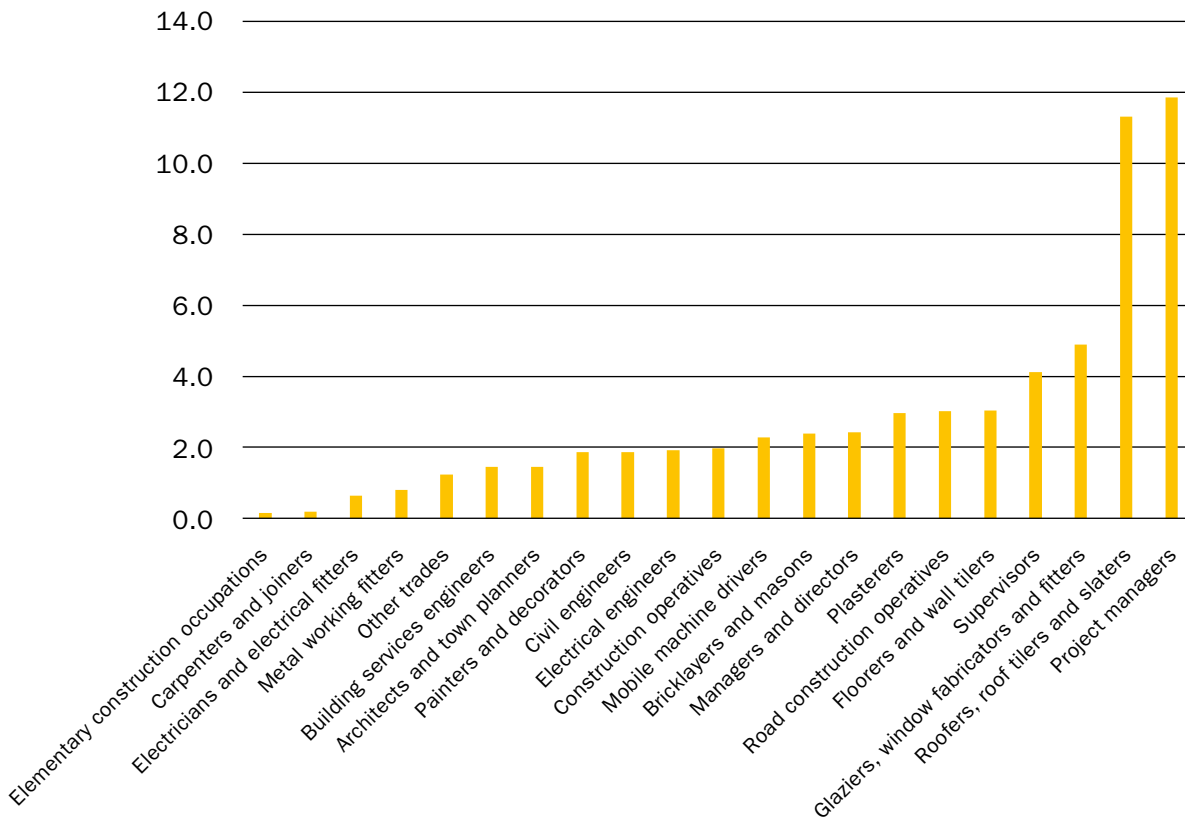


Source: Ibec calculations

In the construction sector, the best source of data on when and where these labour shortages may emerge is found in the Census. In 2006 there were 227,000 people describing their primary industry as the construction sector, of this only 5.4 % were unemployed. This rose to 43.2% of 154,000 workers in 2011. The nascent recovery in the sector means that this fell to 18% in 2016, albeit off a smaller base of 124,000 workers. To look at where shortages may be most acute we look at the ratio of unemployed workers who identified as belonging to the sector in 2016 to the growth in the number employed in their occupation category in the previous five years. It seems the most at risk areas are in general operatives, skilled trades (carpentry and electricians), along with architects and building services engineers.

7. Skills needs of the industry / continued

Figure 18: Ratio of unemployed workers in 2016 to growth in the number employed 2011 to 2016



Source: Ibec calculations using Census data

7.2 Bridging the skills gap

Our labour market needs to adapt to the skills required to deliver on growing demand for housing and infrastructure. A twin-track approach is critical. Skills will have to be developed and at the same time attracted to the country. We must shape, as well as respond to, the demand for skills over the coming years. This will be increasingly the case given that previous sources of labour for growth in Irish construction are unlikely to be as readily available as during the boom period. Domestically, Central Bank research (2018) has found no evidence of a large number of unemployed former construction workers, or a large number of previously employed construction workers outside the labour force. The findings suggest that many of those who lost their jobs emigrated.

Undertake a construction skills need assessment

Skills gaps exist right across the board, not just in direct construction activities. They span the entire spectrum from general operatives to skilled specialists to the myriad of ancillary functions, including professional services. The key factor is that they are interlinked and increasingly interdependent. Gaps in one or more areas impact the entire sector. More fundamentally it is a direct challenge to the delivery of new homes.

Given the urgency of the situation, the Expert Group on Future Skills Needs should conduct a comprehensive review of the entire skills base of the construction sector. The review's recommendations will ensure that the labour market needs for the sector will be prioritised by policymakers. At the same time, promotion of construction-related apprenticeships should be improved. Also, new apprenticeship schemes for specialist areas not currently offered should be rolled-out.

The construction sector needs access to a global talent pool

The immediate pressure on the construction sector to deliver new homes and commitments under the National Development Plan means the domestic labour market cannot meet this demand alone. The ability to attract back to Ireland construction workers who had left the country or attract new workers to the country is likely to be an important source of construction labour supply. We need an active strategy to unlock access to the widest possible labour pool.

In addition, between 2005 and 2009 more than 200,000 people moved to Ireland from Central and Eastern Europe as the accession countries joined the EU. This relieved some of the pressures on the labour market as the economy approached full employment, particularly in the construction sector. During the crisis, net migration from Eastern Europe was negative, as workers returned home. Now that the economy has recovered, one could expect that inward migration would pick up again, but this has not been the case. Last year, net migration from Central and Eastern Europe was only 2,500. While there might be some increase post-Brexit (as people who would have moved to the UK may decide to come to Ireland instead), it is likely that these migration flows may not return to previous levels. This is mainly because economic conditions in Central and Eastern Europe have improved considerably in recent years.

Increasingly, we will need to look to third-country (non-EU) nationals to bridge the skills gap. As part of the ongoing review of the work permit system, the Department of Business, Enterprise and Innovation should take into account the specific requirements of strategically important sectors such as construction. It should be in consultation with the Department of Public Expenditure and Reform and the Department of Housing, Planning and Local Government, as well as industry. Our work permit regime should be tailored not just for skilled workers but also for general operatives in the construction industry. Separately, Government should undertake an international promotional campaign for the National Development Plan to highlight construction opportunities in Ireland over the next decade. This would attract investment, skills and expertise to the country. It could also highlight the ambitious housing delivery objectives under the NPF.

7.3 Capacity within the system needs to be examined

Planning capabilities at local authority level have been reduced over recent years. Yet, local authorities are generally the first point of call on planning matters. Staffing levels across the local authority sector have been reduced by 25% nationally between 2008 and 2014. However, certain local authority functions have been hit disproportionately. The numbers of planners employed in local authorities decreased by a third in the decade to 2014.¹⁷ Dublin's four local authorities saw a reduction of almost 40% in terms of planners employed. While recruitment for key skills has resumed, it is estimated that there has only been an 8% increase in planners employed by local authorities.¹⁸

Local authorities will be competing with the private sector and other public bodies for key skills, which are presently in short supply. These include specialist skills such as engineers and architects in addition to planners. A specific approach to addressing skills requirements of the public sector is clearly needed. It is not a uniform approach and must be clearly targeted at the constituent parts of the public planning and delivery system. For example, Chapter 5 sets out a new approach for delivery and maintenance of social housing. Dublin City Council's housing maintenance team was reduced by 24% between 2008 and 2014. More generally a whole-of-government audit of the skills on hand must be carried out and matched to the skills required to deliver strategic objectives over the coming years.

The need for pooled resources

Implementation of the NPF on regional, metropolitan and local levels is expected to exert further pressures on public planners. A tightening and competitive labour market due to the National Development Plan commitments and private sector investment will compound the demand for planners and other key skills further. So too could the establishment of the National Regeneration and Development Agency (NRDA) and the Office of the Planning Regulator (OPR). The regional assemblies must be given all the necessary support and technical assistance in preparing Regional Economic and Spatial Strategies, including Metropolitan Area Strategic Plans (MASP). Seconding forward planners from the local authorities will help in preparing the statutory plans and will also achieve a high degree of complementarity with future local development plans.

Sharing of planners and other specialist skills between local authorities must be encouraged. Pooling of talent within the local authority sector will ensure professional and timely planning operations can be maintained. It would allow an individual local authority scale to meet short-term or immediate pressures because planning applications can vary in size, complexity and timeframe. Separately, a programme to upskill existing local authority staff is needed to provide more active role in performing the planning including forward planning, regulatory policy, development management and enforcement. Suitable candidates should be identified from the pool of non-planners employed within planning departments or those in other service areas. Specialist training for professional and technical skills could be developed and contracted specifically for the local authority sector or certain individuals could be enrolled on accredited training programmes.

17. Irish Planning Institute Survey of the Planning Profession 2014/2015 (April 2015)

18. Irish Planning Institute Opening Statement to the Joint Committee on Housing, Planning, Community and Local Government in relation to A Review of Building Regulation, Building Controls and Consumer Protection (13 April 2017)

Recommendations

- The Expert Group on Future Skills Needs should conduct a comprehensive review of the entire skills base of the construction sector.
- Better marketing of construction-related apprenticeships and development of new programmes where gaps exist is needed.
- The labour market needs of the construction sector should be part of the review of the work permit system by the Department of Business, Enterprise and Innovation.
- A greater pooling and sharing specialist skills between public bodies, including local authorities, involved in planning and construction must occur.

8. Housing and compact urban growth

Key findings

- Time to rethink our approach to height across Irish cities with average building height of 7.2m in Dublin lower than other European cities.
 - Historic city-centre districts can be enhanced through planned increases in height, density and urban regeneration more generally. Planned density can improve the overall attractiveness and liveability of our cities.
 - Density in Irish cities are substantially lower than their UK counterparts and Dublin's population density is 30% lower than the OECD average for functional urban areas.
 - Increased density is crucial to a metropolitan region's economic future because it can enrich character, place and identity, which boosts attractiveness and overall competitiveness.
 - There is a mismatch between housing availability and need of students, young professionals, families, and an older population.
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8.1 Irish planning policy looks down not up

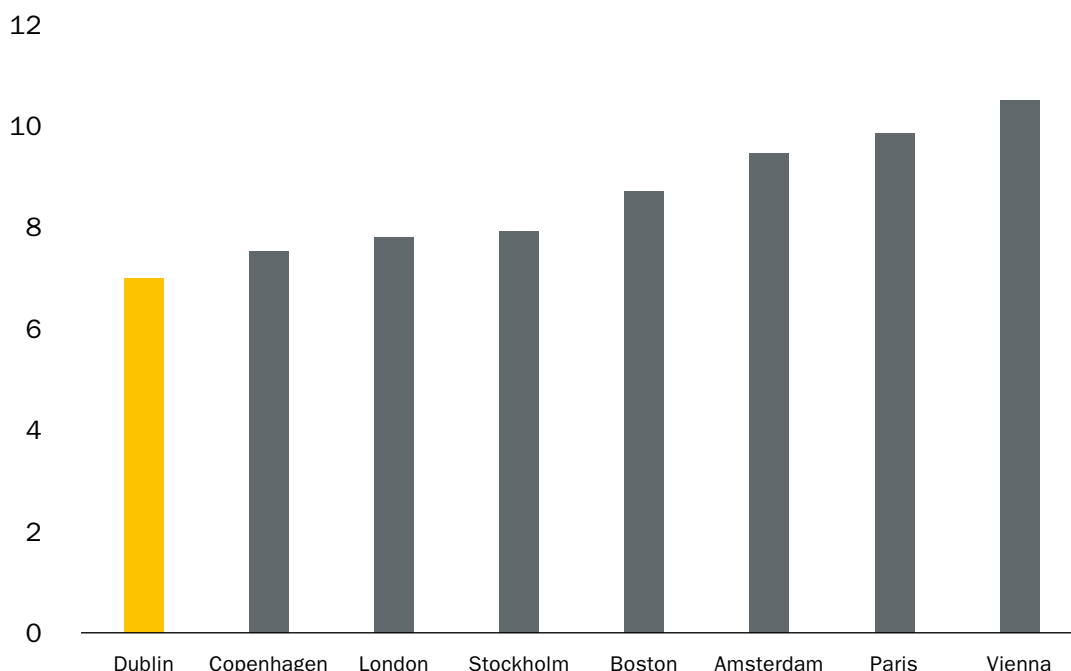
A sensible approach to urban building height limits will play a significant role in housing Ireland's rapidly expanding population. Our cities are well positioned to attract a new wave of investment and jobs, especially in the post-Brexit era. A focus on height will allow us to address the problems of urban sprawl, housing and commercial space shortages and improved densification.

Ireland has long needed an effective approach to tall buildings. We need to look at increasing the height within our metropolitan areas (Cork, Dublin, Limerick, Waterford and Galway) in a manageable and sensible way. A Tall Buildings Strategy should be developed for each of our five metropolitan cities. These strategies are detailed urban design studies to inform the process of identifying locations where tall buildings would and would not be appropriate. They are planning tools used effectively in the UK and the Netherlands to balance expectations of height, density, visual impact, heritage impact, regeneration and public realm improvements.

In developing policy on the height of buildings, attention should be paid to international best practice in urban design and regeneration and acknowledge that clusters of well-designed taller buildings can provide housing and a beneficial contribution to their surrounding streetscape and skyline. The focus should be on actively promoting good design within the context of place-making, shaping and contributing to the evolving character of our urban landscape.

A common argument against tall buildings in the capital is that Dublin is a low-rise city. This lacks a common definition of 'low rise'. What is low rise in Dublin is far lower than in other cities that local authority planners and opponents of increased height put forward to justify their position. Average building heights in Dublin are lower than other cities across Europe, including comparably sized cities such as Amsterdam, Copenhagen, and Stockholm.

Figure 19: Average building heights (metres)



Source: Calculations based on Copernicus Urban Atlas (Gleeson, 2018)

Public discourse too often points to past failures when it comes to high density, most notably tall developments such as the Ballymun flats. This is misused as justification for not pursuing new projects that can accommodate a growing population affordably, safely and sustainably. Instead, society requires us to put the lessons learnt to constructive use. Evidence from cities across the world should be used to inform stakeholders on height in the context of good planning policy. Besides the issue of design quality and height, factors such as questioning the suitability of taller buildings for an “Irish climate-wet, windy and relatively high latitude.”¹⁹ Blanket restrictions on height have resulted in sites within areas in need of redevelopment and regeneration being underutilised, sterilised or inadvertently making a proposed development financially unviable.

19. A Review of the Discussion Document Maximising the City’s Potential: A Strategy for Intensification and Height & Recommendations for Way Forward – Dublin City Council (September 2008) p.4

8. Housing and compact urban growth / continued

Georgian proportions have defined the Dublin skyline for the last 250 years. Standards established then should not be the sole determinant in limiting the ambition or natural evolution of the city for the next 250 years. It is simply not practical to maintain this position arbitrarily. It must be recognised that this position had contributed to urban sprawl; prioritising character of a few areas over developing the green belt within and outside the city.

Dublin is not unique internationally in its dominance of Georgian house proportions or character. Comparative Georgian cities, such as London or Boston, have higher average building heights than Dublin. They have contrasted and complimented taller buildings with conservation areas to varying degrees through a strategic approach to them and their surrounding character setting.

We must not ignore the changing dynamics within our inner-city areas, including the Georgian quarters. Not too long ago these Georgian areas were favoured for office-use, but demand for these traditional types of premises has shifted, leaving such buildings either vacant or partially unused. New regulations regarding the conversion of vacant commercial premises for residential use can be used to provide additional housing supply and help to breathe new life into inner-core urban areas. In fact, Limerick's Georgian Quarter has been earmarked for higher density. A renewed focus on our Georgian quarters can help rejuvenate key areas within our cities. The new regulations regarding conversion of vacant commercial premises for residential use also help to make our urban centres safer. This measure, which supports a diversity of uses within a public space, is highly effective at promoting the concept of passive or natural surveillance and is a key component of crime prevention through environmental design.

Time to rethink our approach to height

It is timely given the NPF, the new regional guidelines and the forthcoming MASPs that local authorities across our city regions rethink their approaches to height. This should occur within the context of achieving compact, urban growth through relieving pressure on the current, persistent and unsustainable development pattern of low density, urban sprawl. This must be underpinned in their respective local development plans.

Well-designed tall buildings residential, commercial or mixed use, in the right context or proportion, can make a positive contribution to their setting and the city. Landmark buildings of high design merit can be a key catalyst for regeneration and investment in its surrounding area, not to the detriment of the city's character. This is enhanced through proactive support from the local planning authority with the proposed developer. For example, pre-application meetings between planners and developers should be used as a mechanism for deciding what height is suitable at any given location.

Current application of Georgian proportions across Dublin city, and across the suburbs is inappropriate and unsustainable. A broad-brush application of these standards, including areas that have little or no Georgian character, have effectively sterilised large parts of our capital city. According to Census 2016 the Dublin city council area has 18 households per hectare but this drops to five households per hectare when the three other Dublin local authorities are included. Instead, a Tall Buildings Strategy could identify pockets of land where increased height and density could be established in areas where the receiving landscape and built environment can withstand the increased height.

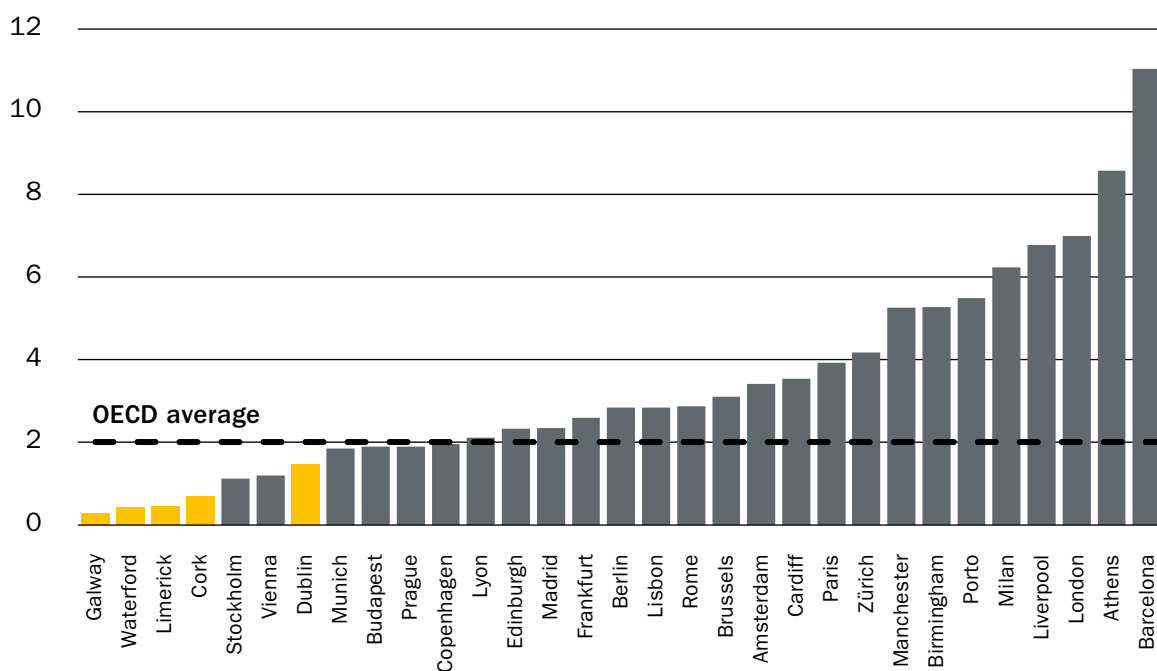
The Council on Tall Buildings and Urban Habitat considers ‘a building of 14 or more storeys – or more than 50 metres (165 feet) in height – could typically be used as a threshold for a “tall building”’. In a Dublin context, this is double the permissible height for residential developments within the Inner City. This demonstrates both a lack of ambition and an unwillingness to deal with density issues in Dublin City. Of the 14 specific areas identified for midrise (up to 50m) and taller (above 50m) buildings, we already have examples of failed planning applications in these areas despite their designation in policy. Increasing building height will not increase density on its own, but it remains a key component.

8.2 The need for a higher density strategy

Transport infrastructure, the cost of living, sustainability, and the built environment are all affected by how well space is utilised and they play a role in determining the quality of life. Globally, the past 50 years has been a period favouring suburbanisation and urban sprawl. More recently the trend has been reversed. There is a return to focusing on the city core as the focal point for growth.

Irish cities not only lag behind international competitors in terms of building height, they also have lower population densities. Paris has double the population density per square kilometre than Dublin and it’s five times greater in London. Why is density important? Cities concentrate productivity, innovation and creativity. Higher density cities are more successful across these areas. Therefore, increased density is crucial to a metropolitan region’s economic future. It can enrich character, place and identity, which boosts attractiveness and overall competitiveness.

Figure 20: Population density in European cities, people per km²



Source: OECD

8. Housing and compact urban growth / continued

Achieving compact urban growth means increasing density

It is simply not a case of an incremental increase in overall density nationally. Our five metropolitan cities recognised in the NPF will require significant increases in density. This will require a new pragmatic approach by their constituent local authorities, supported by appropriate national guidance to ensure well-designed higher density development can be delivered in specific locations. Higher density development can encourage more affordable housing by spreading construction costs across more housing units within a development and also increases viability of site development and works.

Table 2: Density measures across Irish cities

	Households per km ²	Households per ha
Dublin City and suburbs	1468	15
Cork City and suburbs	495	5
Limerick City and suburbs	677	7
Galway City and suburbs	633	6
Waterford City and suburbs	508	5
Total City and suburbs	998	10

Source: Ibec calculations using Census data

We must balance the requirements of commercial and housing developments within our cities. This requires local authorities not to implement policies that, intended or not, prioritise one over the other. The Dublin City Development Plan 2016-2022 reduced the maximum height for inner city residential developments to 24m, but commercial buildings would continue to be four metres taller. This policy undermines the viability of apartment building. Land use is in effect being directed in favour of commercial office space. This is not consistent with the objectives of compact urban growth set out as a key national strategic outcome under NPF.²⁰

Fully utilise the space available

The NPF states that at least 50% of all new homes will be built in the five cities and their suburbs 'within their existing built-up footprints'. Subject to local assessments of environmental impact and flood risk, it may be feasible to achieve well designed and higher density developments within some metropolitan areas without loss of high-amenity green spaces. Ireland's active land management strategy ranging from national through to local implementation must fully support the objectives of compact, smart growth through urban infill.

20. "Carefully managing the sustainable growth of compact cities, towns and villages will add value and create more attractive places in which people can live and work. All our urban settlements contain many potential development areas, centrally located and frequently publicly owned, that are suitable and capable of re-use to provide housing, jobs, amenities and services, but which need a streamlined and co-ordinated approach to their development, with investment in enabling infrastructure and supporting amenities, to realise their potential. Activating these strategic areas and achieving effective density and consolidation, rather than more sprawl of urban development, is a top priority."
– Project Ireland 2040, National Planning Framework, p.14

We must promote the long-term viability of our city/town centres within our metropolitan areas. They should be enabled to grow and evolve, allowing for a balance of mixed developments. Our cities have the potential to blend and balance commercial activities with neighbourhood centres. We have to plan and deliver for both, together.

Increasing density can be planned to coexist with, and even improve the character of our cities. Design and quality are important, but so too is a willingness to implement policies that can add density in novel and appropriate ways. Encouraging people to 'live above the shop' is an example of this. For example, future iterations of local development plans for our urban areas should follow London and Manchester's lead in encouraging the building of a new generation of town houses.²¹ The English councils have made it easier to build upwards (e.g. 2 storeys) on existing apartment blocks, houses or commercial premises, but only if it was in keeping with the roofline of other buildings in the area. These will provide much needed accommodation and increased density within the confines of the existing local built environment and greenspaces.

Planned density can improve quality of life

Higher density needs to be planned to improve quality of life within our cities. This will allow Ireland to become more competitive, resilient, and inclusive. Talent is mobile. It is not just businesses that invest in an area, people do too. Our cities must improve their liveability proposition. However, this is an area of underperformance in recent years. In 2010, for example, Dublin was ranked as the 26th most liveable city in the world. Today, Dublin is 34th. This represents a failure of spatial planning and guidelines to better connect quality of life and place. This must change. Our cities should strive to be amongst the most liveable in the world. Prioritising higher density within our approach to urban placemaking in the NPF is a welcome development.

8.3 Make living easier

Cities are not just places where people work. We must recognise that urban planning necessitates building communities, not just housing. We need the right mix of housing in the right areas, in accordance with suitable and sustainable development practices. A change in culture in relation to housing preference must be championed to reflect changing demands in accommodation type and density. It is important that our housing policy adequately accounts for the expected demographic changes that will impact the housing stock and mix required over the coming years. There is currently a mismatch between what housing is suitable and what is available. This affects affordability of housing and ultimately a city's ability to attract or retain people.

Focusing on the right housing mix

A holistic view of housing is required, allowing for an appropriate mix of location, type, tenure and accommodation. Our housing strategy must deliver appropriate and affordable stock across a broad range of urban living solutions that meet the needs of everyone. Students, young professionals, families, and an older population all have

21. <https://www.gov.uk/government/news/government-ushers-in-a-new-generation-of-town-houses>

8. Housing and compact urban growth / continued

different housing needs. The Irish housing market is not currently orientated to respond in either the rental or housing markets. Strategies to address social housing and student provision can make a significant contribution to resolving the current housing undersupply problem by their removal from the private rented sector. However, Dublin City Council recently placed new restrictions on purpose-built student accommodation. This restriction equips the planning authority with an additional basis to oppose the building of student accommodation if there is already purpose-built student accommodation within a three-square kilometre radius of the planned new development.

Ireland is facing a shortfall of approximately 24,000 accommodation places for its student population of 80,000. Student numbers are increasing, and by 2030 they are expected to be approximately 30% higher than current numbers. It is important that we facilitate, not restrict, student access to quality and affordable housing within the city. Not everyone can commute to college from home. Instead, students are left to compete for an ever-shrinking supply of student residence placement, or for the sparse availability in the private rental sector. Increasing the supply of specialist student accommodation will have a positive impact on the housing market across our cities and large urban areas. For example, housing four students in purpose-built accommodation would free up one additional housing unit, alleviating some of the burden in the over-crowded rental market. The impact of an additional 21,000 student accommodation bed spaces nationally, in addition to a further additional 1,500 digs spaces would free up at least an additional 5,000 rental units for the wider residential sector.²²

An effective housing supply is constantly moving

Housing supply is far more complex than building new homes. It requires people moving between certain housing categories from renting to starter or first-time homes to family homes etc. The level of mobility between categories thus impacts availability. Increasing density will result in more apartment living. The NPF states that ‘apartments will need to become a more prevalent form of housing, particularly in Ireland’s cities’.²³ Those wishing to live in a house rather than an apartment (e.g. to raise a family) will be increasingly reliant on new developments within our suburbs or the housing market for existing built properties. The latter may require a drive towards downsizing.

According to ESRI research, there is ‘scope to achieve greater availability of housing through incentivising mobility of older people’, suggesting this will contribute to ‘freeing up supply of larger houses and in urban areas’.²⁴ Encouraging people to trade down requires availability of suitable housing within our urban areas, particularly within their local community. This could be in the form of new built apartments, smaller existing properties or adapted housing developments for older people. Specific policies may also be required to incentivise mobility. These could be fiscal (e.g. stamp duty exemptions, LPT exemptions etc) or based on zoning (e.g. affordable trade-down units). Local authorities will commence reviewing their local development plans in the context of the NPF. Ahead of this occurring, Government should provide ongoing and detailed guidance on addressing different types of housing need. This should include advice on how such needs are to be identified. This would allow for the right property mix to be prioritised in their respective development plans and down to local area plans.

22. National Student Accommodation Strategy – Department of Education & Skills (July 2017) p.9

23. Project Ireland 2040, National Planning Framework p.93

24. Barrett, A. and E. Kelly (2016). ‘Housing and Ireland’s Older Population’, ESRI QEC Special Article pp 18-19

Recommendations

- Tall Buildings Strategies should be developed for each of Ireland's metropolitan regions, which fully adopt the compact city policy aim of NPF.
- Land use in urban areas must be balanced between commercial and residential demand.
- Higher density needs to be planned to improve quality of life within our cities
- Allow an evolving density strategy within our urban areas through active land management to ensure the right mix of quality housing is available in the right areas, in accordance with suitable and sustainable development practices.
- Ongoing guidance should be provided by Government to local authorities on ensuring local development plans address different types of housing need within each locality.

9. Ensuring effective implementation

Key findings

- Successful implementation of the NPF is crucial to sustaining Ireland's economic and social progress and meeting new challenges, including the delivery of new homes.
 - Improving the viability of new housing delivery while maintaining good quality standards will be an important part of tackling Ireland's housing crisis.
 - Cooperation and collaboration between local authorities has been insufficient, leading to unsustainable development patterns and urban sprawl.
 - There has been limited use of state-run property development agencies in Ireland, although a number of commercial semi-state and state agencies have considerable property portfolios.
 - The adoption of presumption in favour of residential development has been used internationally as a tool for addressing acute housing shortages.
 - The fast-track planning application system for large-scale housing development is not functioning as efficiently as it could be.
 - There is a lack of consistency across planning authorities, which undermines confidence and certainty in the Irish planning system.
 - There are too many separate departments, government bodies and agencies impacting on Ireland's ability to deliver more homes.
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9.1 Getting the implementation of the National Planning Framework right

Putting the NPF on a statutory footing moves Ireland's planning system to a plan-based, rather than market-led, approach. It is vital that due attention is given to the mechanisms to ensure that the strategy is adopted, rolled-out and capable of evolving and not being undermined over its timeframe. Successful implementation is crucial to sustaining our economic and social progress as the country faces new up to new

challenges, including the provision of new homes. This requires a coherent and joined-up vision between the different levels of planning, implementation and monitoring.

Promoting growth across our metropolitan cities

A lack of cooperation and collaboration between local authorities in many areas, has led to unsustainable development patterns and urban sprawl. Metropolitan Area Strategic Plans (MASPs) will be developed for Cork, Dublin, Galway, Limerick and Waterford as part of the RSES (Regional Spatial and Economic Strategies) process. This MASP approach overcomes a significant barrier that these city regions have faced. They have been organised around administrative not economic boundaries. Institutionalising collaboration between local authorities on economic and spatial development is to be welcomed.

MASPs allow us to further streamline and harmonise spatial planning within our cities. It is envisaged that they will guide development plan formation at a local authority level once adopted. They should force local authorities to fully adopt the compact city policy aim, by requiring local authorities to align their height, density, indicative plot ratios and coverage policies with the emerging transport strategies. Some local authorities lack policies in relation to these areas in their entirety, while others have a clearly defined and well-developed strategy.

The right policy context underpins project viability

Policy context is important, as often this will assist developers in assessing the viability of a project. How these policies are applied in the development plan, combined with apartment guidelines, site layout planning for daylight and sunlight and other best practice guidance might also guide a developer as to what yield can be expected from a site. Ultimately, if the policy framework does not support the viability of the site, many sites will not be developed. At a time of acute housing supply shortage, presumption in favour of residential development needs to be considered.

Most development plans decide their height/density policy based on national guidance from government. Some of these documents include:

- Managing Intensification and Change: A Strategy for Dublin Building Height (2000)
- Development Management Guidelines (2007)
- Development Plan Guidelines (2007)
- Best Practice Urban Design Manual (2009)
- Sustainable Residential Development in Urban Areas- Guidelines for Planning Authorities (2009)
- Local Area Plan Guidelines for Local Authorities (2013)
- Sustainable Rural Housing Guidelines Circular (2017)

There have also been several amendments to the Planning and Development Act (2010) and numerous circulars that would have an impact on how local authorities decide these policies.

9. Ensuring effective implementation / continued

Local development plan reviews must not slow the pace of housing delivery

Government has signalled its intention to achieve greater alignment between local authority development plans and the NPF process. All local development plans are to be reviewed for 'consistency' with the NPF by 2020. This will put pressure on resources at local level as almost 60% of our local authorities were not due to publish new development plans until 2021 at the earliest.

Alignment and interaction between these plans must result in an adequate supply of commercial and residential property, attractive areas to live, availability of skills and higher density, underpinned by required infrastructure. This process will also need to be carefully managed by central government. The mandatory review process must not have adverse consequences on the delivery of housing during 2019 and 2020. Government should ensure that the review process does not slow the delivery of new housing supply. Without this, development may be postponed until after the local development plan review, which could better deliver higher density and compact development.

The planning regulator must foster quality planning practices

An independent Office of the Planning Regulation (OPR) is to be established under the Planning and Development (Amendment) Act 2016. The new planning regulator will be given specific responsibility for monitoring consistency of the local and regional development plans with the NPF. Legislative delays have drastically shortened the OPR's consultative role during the development of the three RSEs, but it will exercise oversight over the RSEs when published. The OPR will also have an oversight function over local development plans, in addition to the Regional Assembly functions. The OPR is to report to the Minister for Housing, Planning and Local Government highlighting areas (if any) of inconsistency between local development plans and the NPF. In such cases, the OPR has the power to make recommendations and suggested draft text to improve consistency in line with proper planning and sustainable development principles.

The OPR's mission will be to provide enhanced oversight of the planning system and help ensure the highest possible standards in planning practice. This should not be limited to specific responsibility for monitoring implementation of the NPF, including zoning decisions. Its remit should be extended to ensuring the planning system functions properly, in a timely manner and is consistent across all local authorities. The OPR should be adequately resourced to carry out its statutory functions. Any evaluation or monitoring of the NPF conducted by Government or the OPR itself must inform its future functioning.

9.2 Delivering quality housing to underpin sustainable urban living

Ensuring the viability of new housing delivery while maintaining good quality standards is an important part of tackling Ireland's housing crisis. Minimum design standards seek to promote sustainable housing development. However, too rigid an approach results in a one-size-fits-all strategy that prevents satisfying the requirements for an appropriate housing mix by different type and size. The result is ineffective housing stock incapable of meeting the demand for well-located, quality and affordable housing across all types and tenure.

We need a user-led as much as a plan-led approach to housing policy. Design standards should be structured around the type of occupant(s) and maintain the local character of the area. Shifting focus onto the needs of a specific end-user rather than the present generic approach supports quality and accessible housing within the overall housing stock. Design is equally a creative and a technical process.²⁵ Design standards should be crafted to support the different housing mix Ireland requires now and into the future. Doing this would ensure our housing policy can sustainably respond to demographic, affordability and wider economic trends. This active approach would provide a platform for better placemaking within an overall sustainable urban context.

There must be a balance between regulations and affordability

Some planning and building regulations can have unintended consequences in terms of reducing affordability of homes. Such regulations are regressive as they directly impact the affordability of all new homes, regardless of location, size or price. The costs of regulation aren't limited to meeting compliance obligations as design standards add to the final cost of a new house or apartment. This raises the question of whether the regulatory environment surrounding home building is fit for purpose. This should not be confused with a general lifting of regulations and standards. It is instead a stated ambition for better and smarter regulation across the housing sector.

The Department of Housing, Planning and Local Government must embrace the better regulation agenda by formally reviewing regulations and bureaucracy governing new homebuilding. The Department is making some progress, such as the new *Design Standards for New Apartments - Guidelines for Planning Authorities* but can do more to make it systematic. Actively engaging stakeholders should become the norm, particularly encouraging regular feedback on current planning and building regulations.

Enforcement and compliance procedures must be adequately resourced by the State to achieve certainty in construction timelines for the delivery of quality housing. For example, planning legislation must be amended to introduce time-restrictions for the provision of responses by local authorities to pre-commencement-of-development compliance submissions. This is on foot of planning permission already granted. At present, planning authorities are not obliged to acknowledge, let alone respond to such submissions. Compliance matters tend to be on points of detail, yet this is an area subject to considerable delays. This causes unnecessary risk to the construction of

25. Improving the design of new housing, What role for standards? Commission for Architecture and the Built Environment (2010) P3

9. Ensuring effective implementation / continued

new developments. Given the urgency to deliver new housing, a mandatory response period of four weeks should be introduced.

A better approach to regulation to deliver quality housing

An effective regulatory regime must be firmly rooted in the outcome desired. In our view this outcome is the delivery of quality and affordable homes across tenure types nationwide. It is not just about regulating development, it is also about promoting the right type and nature of development in the right place. This necessitates a shift in the mind-set of policymakers and planners. In fact, a concerted commitment to the better regulation agenda can encourage better placemaking and is consistent with good design and compliance.

The starting point is to make a clear distinction between planning (e.g. design standard) and building regulations (e.g. health and safety, fire regulations etc). Those that are non-negotiable should be easily identifiable and set aside. This would focus attention on specific state-imposed costs, whether they're beneficial or unnecessary. It's a simple but effective methodology: a short evidence gathering phase; identification of the main issues; evaluate improvement options; take corrective action. Tackling burdensome regulations would lead to more affordable homes being delivered.

Separately, a Regulatory Impact Analysis (RIA) should be undertaken when drafting any new legislation or new regulations impacting the design and construction of housing. These RIAs must include careful analysis of the rationale for the regulation and its likely consequences on the delivery of housing. The Department of Housing, Planning and Local Government must also monitor and address any tendency for gold-plating or local overreach of national regulations by an individual local authority.

Above all, we need a culture of ongoing evaluation of all regulations in force. Regulations must always be effective, achieving the desired objectives. As such, their performance must be routinely monitored and corrective measures taken when required. This could include streamlining regulations, replacement or simply removing them altogether. If they don't work, they just add unnecessary to the cost of housing in Ireland or can make much-needed developments ultimately unviable to deliver.

9.3 Implementing the delivery authority approach

Government recognises the potential to use State lands for strategic purposes and the National Regeneration and Development Agency (NRDA) is to be established to support this objective. The new agency should prioritise a focus on freeing up land and asset holdings held by local authorities, Government bodies and agencies to be put into more productive use. These assets should be earmarked to build homes that maximise density or where more appropriate, part of mixed-use development sites. The public sector should adopt the approach of the commercial semi-states in strategic land management, which use the proceeds of development to reinvest in their core activities.

Establishing the National Regeneration and Development Agency

The NRDA is to work across central, local government and other public bodies to 'co-ordinate and secure the best use of public lands, investment required within the capital envelopes provided in the National Development Plan and to drive the renewal of strategic areas not being utilised to their full potential'.²⁶ To accelerate site delivery, it is envisaged that the NRDA will be given compulsory purchase powers to bundle or assemble suitable sites to better facilitate urban regeneration.

However, this initiative merely builds on the work of the Housing Delivery Unit within the Department of Housing, Planning and Local Government. Cross-government coordination is often better when limited to ensuring its policies and procedures support not hinder delivery of housing. In delivery terms, a whole-of-government approach can be too slow and subject to sectoral or political interference, leading to uncertain outcomes. No single entity can therefore be held accountable for delays. The NDRA must take a comprehensive approach to housing delivery.

Ensuring the resources are in place

Successfully activating state-owned lands requires an 'experienced development management team, with the required broad market expertise' to strategic timely delivery of an 'appropriate mixed-tenure yield from these sites'.²⁷ This goes beyond identification and bundling of sites; expediting the process by putting the necessary supporting infrastructure in place; matching the right development model to site suitability; and market advancement by putting the procurement process in place.²⁸ It is clear that new models for housing delivery need to be identified. The NRDA could play a role in setting the overall strategic housing delivery policy, including identifying and developing the various models that could be used.

The delivery authority model would allow specific sites to benefit from a dedicated, expert and resourced project management team. These delivery authorities centred around a project management board would be established for a fixed term and to achieve set goals. For example, the Olympic Delivery Authority was established to deliver the venues, infrastructure and legacy of London 2012. Membership and oversight would be drawn from the requisite state bodies and agencies. There have been limited use of development agencies in Ireland. The Grangegorman Development Agency Membership was established in 2006 to deliver a complex, multi-phased development delivering a new city quarter with a diverse mix of uses within an existing community.

State-led land development must be strategic

Irish commercial semi-state companies have a considerable track record in strategic land management and use the proceeds of development to reinvest in their core activities. These entities are amongst the largest landowners in the state, some with considerable landholdings within our cities. They have spearheaded recent developments across Irish cities, either through sale or long-term leases. The pressure for development must not undermine the future development and provision of infrastructure by these companies.

26. National Policy Objective 12, Project Ireland 2040, National Planning Framework p.67

27. Review of Delivery Costs and Viability for Affordable Residential Developments (2018) p.20

28. Review of Delivery Costs and Viability for Affordable Residential Developments (2018) pp 19-20

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Commercial semi-state companies should continue to use their autonomy and flexibility in self-assessing land holdings that are strategic and those identified by them for redevelopment. They should be both encouraged and supported to develop their property management and development skills. Similar entities internationally, such as Transport for London, have been important in supporting regeneration and affordable housing delivery internationally. Government, through the NRDA and other bodies, should support these companies in developing their property development portfolio through various mechanisms ranging from partnerships with developers, direct development, site specific initiatives and disposal of smaller sites.

9.4 Presumption in favour of residential development

There must be presumption in favour of residential development within existing cities, towns and villages. This should be expanded in the regional, metropolitan and local development plans to support the requirements of compact, urban growth. The UK Government, faced with a period of acute housing shortage, adopted as national policy a measure to accelerate the delivery of sustainable housing development.

The Strategic Housing Land Availability Assessment (SHLAA) is a technical tool, introduced in 2007, to inform planning policy development and implementation at a local level. Sites are submitted by owners for consideration as a part of a local SHLAA review. It is not the purpose of the SHLAA to allocate land for development; this is undertaken through the preparation of a local plan. If a shortage of housing is identified within a local authority's jurisdiction, presumption is given in favour of development of a SHLAA-designated site.

Identifying strategic land reserves for housing

Ireland should develop a hybrid approach to strategic land assessment. The SHLAA model takes place in a policy context that is usually lacking in formal zoning designations in local area plans. We should combine this with our current approach to zoning, developing a comprehensive approach to strategic land reserve zoning. This would set out the deliverable supply of housing land within a local development plan.

To inform the forthcoming review of local development plans, all local authorities should be required to undertake such assessments. It would promote sustainable residential development objectives, bringing an additional layer of coherence to strategic planning. Three separate lists of zoned land should be categorised and prioritised in their local development plans:

1. Lands which are located in close proximity to nearby, and accessible to, adequate services to permit housing development within a three-year timeframe.
2. Lands which require services and infrastructure installation on separate lands in order to make development possible within three to seven years.
3. Lands which require significant infrastructure and services installation on separate lands in order to make development possible beyond seven years.

The assessment process will highlight the availability of suitable land, including potential shortages, available for residential development in the short-term. The NRDA should take an active role in advancing the serviceability of zoned land in the second and third categories to increase the land supply in areas with a strong demand for housing. The Department of Housing, Planning and Local Government should monitor the level of land available for residential development available. In tandem, it should also undertake a new residential land availability survey to understand the current strategic land supply, along the lines outlined above.

9.5 Focus on housing as strategic infrastructure

Given the importance of housing for the economy and society, Government introduced reforms to accelerate the delivery of new homes. Planning applications for large-scale housing developments of 100 units or more, and large-scale student accommodation projects, can be made directly to An Bord Pleanála. In effect, housing was recognised in law as strategic infrastructure.

The objective was to fast-track planning applications for large-scale housing development. It removed the initial process of first applying to a local authority, which ultimately might be appealed to An Bord Pleanála regardless. It sets timelines for consideration of housing projects. Taking no longer than six months, the new process is expected to be a full year shorter than the time taken under the slower process. The validity of the decision taken by An Bord Pleanála may only be then challenged by making an application for judicial review.

Accelerating housing delivery

The new system requires refinement to maintain the effectiveness desired. It must incorporate a mechanism for seeking clarifications or requests for further information. The current system only provides for a 'one shot' opportunity, which increases the risk of applications either being withdrawn or refused. To prevent permission being refused, the only option is to re-start the entire process, which adds eight to nine months to the timeframe for delivery. This undermines the objective of the Strategic Housing Development (SHD) process.

Legislation needs to be amended to allow queries to be easily addressed through allowing a request for further information or time-limited clarification process. This would enable certain issues to be adequately addressed and allow applications to proceed. It facilitates active engagement between project applicants and An Bord Pleanála throughout the process and not just at pre-application stage. A simple amendment to the Planning Act would reduce the decision-making process by six months when issues arise. It would reduce costs for applicants by approximately €200,000 (i.e. the cost of re-applying) and would also represent a saving for the planning authority, both in time and operational expenditure.

9.6 A planning system that delivers

The planning system in Ireland is experiencing tremendous change. Whilst Rebuilding Ireland undertook a root-and-branch review of planning in its widest sense, there are a number of residential reforms that require urgent attention. They concern the effective implementation of planning policy to facilitate the delivery of housing.

Re-establishing confidence in the residential planning system

Ireland's planning system must inspire confidence in its ability to function in a consistent, fair and timely fashion. Government must focus on making this happen. For example, the recommendations of the 2016 review of An Bord Pleanála must be implemented, including ensuring it is adequately resourced. Resource constraints should not be a reason for holding up the construction of homes. Statutory timelines for An Bord Pleanála and other planning authorities should be introduced and adhered to for housing applications.

Confidence can be reinforced by planning authorities being encouraged to favour constructive engagement to achieve positive outcomes. All planning authorities should strive for zero invalidation of planning applications. It is not simply limited to the lack of a formal clarification process for strategic housing developments (see above). Applications should not be failing on technicalities. Failed applications are a cost to applicants and planning authorities alike, and ultimately the homebuyer. Annual statistics should be published by each planning authority on the number of invalidations and the rationale for each during the year. Furthermore, the National Oversight and Audit Commission should incorporate this data into the planning section of the annual audit of all local authorities.

Achieving consistency through standardisation and digitalisation

Consistency and fairness can be achieved through greater standardisation of the end-to-end planning process. This includes areas such as planning application forms, planning notices, pre-planning consultations through to the compliance submission phase (see above). Standardised processes, timelines and forms must be rolled-out. Planning should be uniformly applied and interpreted across all local authorities and An Bord Pleanála.

Technology is not an end in itself but it can enable the planning system to function better. Standardisation and consistency are core components. Our expectations for using and consuming services have changed. Businesses have changed how they interact with governments services, with 83% of businesses interacting via online services in 2016 compared to 33% in 2009.²⁹ Ireland's planning system must follow suit.

A national e-planning strategy must be developed. This will build on recent developments such as the Building Control Management System and Government's spatial information portal (myplan.ie). It would include the establishment of a central digital repository that would contain information on planning policy, applications and a comprehensive database of all planning and environmental information. Increased

29. Civil Service Business Customer Survey 2016

standardisation and consistency would be achieved through enabling e-submissions of planning applications and planning appeals.

Digitalisation underpins evidence-base decision-making. Implementing the e-planning strategy will require a coordinated approach by Government and all planning authorities. Reduction in administrative costs would help offset the technology investment. Government would further benefit from real-time information on how the planning system is functioning. Planning applications as they proceed through the process should be easily tracked, allowing monitoring and oversight of timelines, delays and expected housing delivery.

Expedited planning also requires reforming the judicial process

Streamlining Ireland's planning system on its own may not be enough to accelerate the construction of new homes. While it reduces potential delays, it addresses only part of the problem. The judicial review process remains a significant roadblock to timely delivery. It is too slow, costly and all too easily abused through vexatious appeals. Greater certainty over timelines for decision-making must be established.

Efforts to improve the planning process for housing through tools such as the SHD process must not be derailed by the judicial process. The two are inextricably linked. Government must take steps necessary to reduce the level of baseless appeals. Cutting the timeline for seeking judicial review from eight weeks to four weeks will achieve little without establishing a clear, expected and tight timeframe for cases to be heard. Housing demand is so pressing that it cannot afford to wait two years for a ruling.

The recent direction by High Court President Peter Kelly aims to ensure more consistent decision-making and speedier proceedings for major projects. Unfortunately, though, his direction will have no direct impact on contested housing projects that fall outside the Strategic Infrastructure Act (i.e. less than 100 units). Housing requires a default presumption that 'time is of the essence', thereby conferring the right to a fast track hearing in the Commercial Court. Government should also take steps to avoid lengthy and costly court proceedings through examining the pre-hearing process and making provision for judicial review based on written-submissions. The capacity of the judiciary to support an expedited process must be also examined.

9.7 Connecting housing policy to delivery

The NPF and the National Development Plan together with the soon to be established NRDA is an opportunity to ensure effective housing delivery occurs. We have the plan and strategy, now we must deliver. Whilst implementation of the NPF is jointly-manged by the Department of Housing, Planning and Local Government and the Department of Public Expenditure and Reform, housing is not their sole objective. Strategic coordination of housing delivery policies needs to be stepped-up. Rebuilding Ireland was an important first step, but progress has been slower than what was hoped for.

9. Ensuring effective implementation / continued

There are too many separate departments, government bodies and agencies impacting on Ireland's ability to deliver more homes. A new approach to policy coordination is needed to significantly advance housing delivery across all government departments and agencies. Government should leverage an existing mechanism to achieve this. Extending the remit of the Labour Employer Economic Forum (LEEF) to include housing will demonstrate that the issue is being prioritised at the highest level.

LEEF is a mechanism for structured dialogue that brings together representatives of employers and trade unions with Government Ministers to discuss key economic, employment and labour market issues. Housing is a shared interest and would benefit from the establishment of a specific sub-committee on the area. LEEF as a coordination mechanism would drive consensus, while at the same time assist in tackling current institutional barriers to delivery.

The focus on housing delivery must be sharper

At the same time, the focus and functions of the Department of Housing, Planning and Local Government should be reassessed. Its role and responsibilities have changed over recent years. The Property Registration Authority, Ordnance Survey Ireland and the Valuation Office, soon to become Tailte Éireann, were added to its portfolio of responsibilities. Essentially it is evolving into the department of property from planning to valuations and registrations to inspections and enforcement through to property-related charges for commercial and residential premises.

The composition and functions should be realigned to better account for this new end-to-end property policy dynamic. A sharper remit would allow political responsibility and accountability for housing delivery to occur. It would also be more responsive to any demand pressures arising from the new established bodies (e.g. NRDA, OPR etc). It would respond better politically and administratively to any teething problems that may occur between these new bodies and the current delivery system.

Recommendations

- Guidance and support should be given to ensure consistency with the NPF process across all local authorities as to how these policies are determined and applied locally.
- The OPR must provide enhanced oversight of the planning system and help ensure the highest possible standards in planning practice.
- The NRDA must be appropriately resourced and allowed to take a comprehensive development agency approach to housing delivery, including identifying and developing appropriate delivery models.
- Connect the better regulation agenda to housing policy, which will underpin the viability of new housing delivery and housing stock mix whilst maintaining good quality and effective standards.
- MASPs must require local authorities to align their height and density policies with emerging transport strategies.
- Strategic land reserve assessments identifying existing residential zoning, level of serviceability and reality of projected yields should be undertaken by all local authorities.
- Undertake a new residential land availability survey and ensure information is kept up to date. This data should be published on the Rebuilding Ireland portal.
- Implement an e-planning and digitalisation strategy for better standardisation and streamlining of the planning system.
- Introduce statutory timelines for all planning authorities for housing applications.
- All planning authorities should strive for zero invalidation of planning applications.
- Inclusion of a limited RFI mechanism may assist in better uptake of SHD housing applications.
- Government must reform the judicial process to ensure accelerated planning decisions.
- Better connect housing policy to delivery by extending the remit and focus of LEEF on housing policy.
- Sharpen the focus of Department of Housing, Planning and Local Government for more effective housing delivery, through the transfer of non-related functions out of the department.

About Ibec

Ibec is Ireland's largest lobby group representing Irish business both domestically and internationally. Its membership is home grown, multinational, big and small, spanning every sector of the economy. Together they employ over 70% of the private sector workforce in Ireland. Ibec and its trade associations lobby government, policy makers and other key stakeholders nationally and internationally to shape business conditions and drive economic growth. It has over 240 professional services staff in seven locations including Brussels and has 42 different trade associations in the group.

www.ibec.ie

Contact us

Aidan Sweeney, Senior Public Sector and Regulatory Executive
aidan.sweeney@ibec.ie
01 605 1642

Gerard Brady, Head of Tax and Fiscal Policy
gerard.brady@ibec.ie
01 605 1515

About Property Industry Ireland

Property Industry Ireland (PII) is an independent and inclusive representative organisation for all sub-sectors of the Irish property industry. PII was established in 2011 and continues to grow its membership, which now totals almost 90 firms. The organisation is actively engaged in discussions with Government, decision-makers, agencies including NAMA and investors to help achieve a better future for the property sector. Its vision is for a sustainable Irish Property Industry which is creative, responsive, competitive and well integrated in meeting the socio-economic needs of all the stakeholders in the built environment.

www.propertyindustry.ie

Contact us

David Duffy, Director, Property Industry Ireland
david.duffy@ibec.ie
01 605 1666



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