

**Submission to Dublin City Council
-Draft Development Contribution
Scheme 2009**

by

The Society of

Chartered 
Surveyors

5 Wilton Place, Dublin 2

20th October 2009.

Ms Eileen Quinlivan
Senior Executive Officer
Dublin City Council
Planning Department
Floor 3, Block 4 East
Wood Quay
Dublin 8

20th October 2009

RE: Draft Development Contribution Scheme 2009

Dear Ms. Quinlivan

On behalf of the Society of Chartered Surveyors, I wish to submit this report on the Draft Contribution Scheme for Dublin City Council. The Quantity Surveying and Planning & Development Divisions of the Society have examined the draft proposal and our findings are outlined in this submission.

The Society of Chartered Surveyors recognises that Dublin City Council faces into a difficult era with reducing levies being paid, while continuing through a complex economic period and maintaining services to the community.

By way of brief background, the Society of Chartered Surveyors represents over 2,000 qualified chartered surveyors and a further 1,000 probationers who are undergoing their assessment of professional competence in order to achieve the gold standard of chartered status. Members of the Society are typically professionals employed in the land, property and construction markets through private practice, in central, regional and local government, in public agencies, in academic institutions, in business organisations and in non-governmental organisations.

This submission will address issues of concern in both the construction and property industries and make a series of recommendations for consideration.

DCC CAPITAL CONTRIBUTIONS

Introduction

This summary seeks to compare the contributions sought by Dublin City Council under 2003 contribution scheme (2009 rates) and that of the current draft 2010 contribution scheme and highlight the additional capital contributions that could apply under the proposed new 2010 -2017 scheme.

A number of points have been added under the new scheme, which are detailed below. Please note that the text in italics was not previously included in the current 2003 scheme:

Development Contribution Payable

The rates of contribution shall be updated effective from 1 January each year during the life of the Scheme in accordance with *the Wholesale Price Index (Building and Construction Materials)* (See Article 12 of the Scheme below).

The above rates are effective from 1 January 2010. With the exception of ancillary non-residential surface car parking, the floor area of proposed development shall be calculated as the gross floor area. This means the gross floor area determined from the external dimensions of the proposed buildings, including the gross floor area of each floor including mezzanine floors. *In the case of ancillary non residential surface car parking, the gross floor area will be determined from the gross area of the car park. New extensions to existing development, including domestic extensions, will be charged at the rates set out in the draft Development Contributions Scheme also.*

Exemptions & Reductions

The following development categories will be exempted from the requirement to pay Section 48 Development Contributions, under the draft Development Contribution Scheme.

- *The first 40sq metres of extensions to a residential development (subsequent extensions or extensions over and above 40 square metres to be charged at the residential rate per square metre);*

- Social and Affordable housing units, including those which are provided in accordance with an agreement made under Part V of the Act (as amended under the Planning & Development (Amendment) Act, 2002) or which are provided by a voluntary or co-operative housing body, which is recognised as such by the Council.
- *Ancillary surface car parking;*
- *Non-fee paying primary schools and secondary schools;*
- *Not-for-profit, community-run childcare facilities;*
- *The non-profit making/non-commercial element of community related developments by or on behalf of registered charities and/or voluntary organisations;*
- *The non-built elements of recreational facilities (e.g. Playing pitches, golf courses);*
- *Open storage/Hard surface commercial space development, other than carparking, shall be liable for development contribution at one third of the total commercial rate.*

Summary of effect on Capital Contributions:

Residential

Based on a notional mixed 50 unit residential worked example in line with DCC accommodation requirements the proposed new Capital Contribution scheme would equate to an 28% estimated increase in capital contributions for the assumed work example, with a possible further increase of 45% due to residential basement car parking being included in the scheme by way of the new note regarding ancillary residential surface car parking being the only car parking noted as exempt.

Commercial

Whilst the Capital contribution is un-amended for the retail/commercial accommodation there seems to be an implied contributions requirement for retail /commercial underground carparking included in the new scheme by way of the new note regarding ancillary residential surface carparking being the only carparking noted as exempt. The proposed new Capital Contribution scheme would seem to equate to a 12% estimated increase based on the worked example.

See Appendix A for a worked example of a notional mixed use development. This highlights that a medium sized development of 50 units will face an increase in levy payments of over €575,000 which equates to c. 40%, given the levels proposed in the Draft Contribution Scheme. This will further exacerbate negative conditions in the property and construction market and assist in the prevention of development in the short/medium term.

Temporary

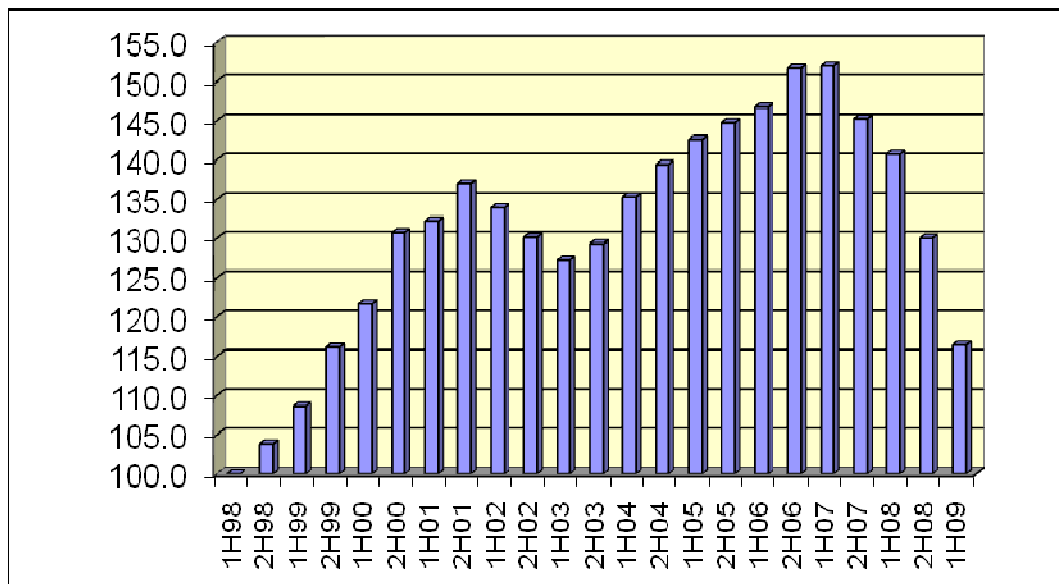
Given that an estimated 20% of commercial space is obsolescent in the city centre, we submit that the Council should examine options to allow for temporary redevelopment/regeneration of floor space to allow for temporary use of these buildings without incurring a 'double levy' once the building is redeveloped in full in the future. For example, a commercial office block that could provide short term retail space or other uses should not incur development contributions if it is to be used temporarily for these uses. If such a temporary change of use incurred levies, it would in effect be double charged once the full redevelopment of the office space occurred in the future once economic conditions have stabilised. This measure would incentive the use of currently vacant buildings in the city centre for short term use as incubator units or similar and encourage diversity and activity in these vital areas.

Tender Price Index Linking

The levies currently imposed by Dublin City Council are related to the 'Tender Price Index' which is 'subject to change to match how much Dublin City Council pays for the services it buys, e.g. road construction, maintenance, etc'. It should be reflected in the levies to be charged by Dublin City Council that this index is in fact reducing, yet the proposed levies would increase the amounts payable for developments. The Society of Chartered Surveyors Tender Price Index has in fact shown a decline in tender prices for the second half of 2008

to below 2004 levels (by approx 16%) which would reduce the levy payable to €93.7 /sq.m in year 2009. This is significantly below the €127 /sq.m for commercial development being proposed by Dublin City Council in 2009 and the reduced levy is appropriate given the prevailing economic and market conditions.

The graph below shows how on average tender prices have reduced further in the first half of 2009 and are now at similar levels to the end of 1999 and Dublin City Council proposal to use the €127 /sq.m for the revised scheme in 2010 commercial development seems to ignore the downward economic and market trends.



Source: Society of Chartered Surveyors Tender Price Index

This graph reflects the dramatic fall off in all sectors of the construction industry including residential, commercial, public sector and civil engineering works and the fact that the output of the industry is likely to reduce to less than half of its peak of €38bn in 2007. This TPI is the only independent assessment of construction tender prices in Ireland. The fall in tender prices comes despite increases in the cost of labour and material inputs and reflects the situation where contractors are bidding at or below cost in order to secure a share of the ever diminishing market. It is likely that there will be a further reduction in tender prices during 2009 but perhaps at a slower rate, as below cost tendering can only be a short term solution.

Conclusion

We would comment on the DCC proposed capital contribution scheme as follows.

1. In relation to the inclusion of car parking, it is our submission that this is an unrealistic expectation and would appear to support the use of car parking at grade for residential developments, rather than the intensification of uses and maximising the potential of a site. It also

means that applicants will pay for the provision of an ancillary use to the commercial/residential uses when implementing the best practice of facilitating services at basement level. Another point to note is that the levy is proposed on a rate per square metre rather than per parking space. This means that the average car parking space will be charged at approximately €6,125 which is not considered to be financially feasible.

2. It should be clarified whether ancillary commercial surface car parking is exempt, and also whether residential and non-residential underground car parking is now part of the 2010 – 2017 schemes. If this is the case then we would suggest that DCC revert to their previous capital contribution scheme calculation methods or adjust the rating system so as not to impose any further costs on doing business in the Dublin City Council area.
3. Reflect current market conditions and adjust the rates so as not to increase the capital contribution required for residential or revert back to the previous methods
4. Adjusted the current scheme (2009) in line with the Tender Price Index as laid out above and continue to use the Tender Price Index as the method of updating the rates in the 2010 – 2017 scheme.

In conclusion, increasing the rates of development levies in Dublin city centre will exacerbate an already deflationary and unstable market. We understand that the Council requires income from levies to service the area, but increasing the development levies will be counter-productive as it will dampen further the feasibility of property developments.

If you have any queries on this submission, please do not hesitate to contact me.

Yours sincerely

Ciara Murphy
DIRECTOR GENERAL

Appendix A

Notional Mixed Use Development

SUMMARY

Development type	Current contribution plan 2003 (rates 2009)	Proposed contribution plan 2010	% Difference
Residential	665,650	849,664	28%
Residential car parking and ancillary areas	Incl above	298,883	45%
Total Residential	665,650	1,148,547	73%
Cost per Unit	13,313	22,971	73%
Commercial	762,000	762,000	0
Commercial Carparking	Incl above	92,710	12%
Total Commercial	762,000	854,710	12%
Total Combined	1,427,650	2,003,257	40%

CALCULATION

Current contribution plan 2003 (rates 2009)					TOTAL
Residential units	Unit				
	One Bed	8			
	Two Bed	32			
	Three Bed	10			
	<u>50</u>	units	X	€ 13,313.00	€ 665,650
Residential Basement Carparking (zone 2)	50 spaces		X	-	exempt
Communal external open to air bin store	25 m2		X	-	exempt
Sub total Residential Aspect					€ 665,650
Ground and Lower Ground Floor Retail	5,000 m2		X	€ 127.00	€ 635,000
Ground Floor first floor Office	1,000 m2		X	€ 127.00	€ 127,000
Retail Customer Surface carparking (zone 2)	18 spaces		X	-	exempt
Office Basement carparking (zone 2)	5 spaces		X	-	exempt
Sub total Commercial Aspect					€ 762,000
TOTAL Combined					€ 1,427,650

Proposed contribution plan 2010					TOTAL	
Residential units	Unit		m2	total		
	One Bed	8	65	520 m2		
	Two Bed	32	85	2,720 m2		
	Three Bed	10	110	1,100 m2		
	Circulation			1,085 m2		
	<u>50</u>		<u>5,425</u> m2	X	€ 156.62	
Residential Basement Carparking	spaces	50	38 sq.m	1,900 m2	X	€ 156.62
Communal external open to air bin store				25 m2	X	€ 52.21
Sub total Residential Aspect					€ 1,148,547	
Ground and Lower Ground Floor Retail			5,000 m2	X	€ 127.00	
Ground Floor first floor Office			1,000 m2	X	€ 127.00	
Retail Customer Surface carparking	spaces	18	30 sq.m	540 m2	X	€ 127.00
Office Basement carparking	spaces	5	38 sq.m	190 m2	X	€ 127.00
Sub total Commercial Aspect					€ 854,710	
TOTAL Combined					€ 2,003,257	