**Draft Section 48 Development Contribution Scheme 2016-2020**

Section 48 of the Planning & Development Act, 2000, as amended, enables a Planning Authority, when granting planning permission under Section 34 of the Act, to attach conditions requiring the payment of a contribution in respect of public infrastructure and facilities benefiting the development of the administrative area of the Planning Authority. This relates to public infrastructure and facilities that are provided, or that it is intended will be provided, by or on behalf of the Local Authority.

Section 48 (2) specifies that the basis for the determination of the contribution shall be set out in a Development Contribution Scheme which shall state the basis for determining the contributions to be paid in respect of public infrastructure and facilities which are provided or are to be provided by a Local Authority. The Planning Authority shall have regard to the actual estimated cost of providing the classes of public infrastructure and facilities, except that any benefit which accrues in respect of existing development may not be included in any such determination.

Following a review of the 2010 to 2017 scheme the [current Development Contribution Scheme](http://planning.southdublin.ie/index.php?option=com_docman&task=doc_view&gid=347&Itemid=172&lang=) was adopted by the Council on 14th January 2013 for the period 2013-2015. This Scheme superseded the South Dublin County Council Development Contribution Scheme 2010-2017 and was made in recognition of the market conditions at the time and the changed economic environment since the adoption of the 2010-2017 Scheme. The new scheme became effective on 15th January 2013. Furthermore since responsibility for water services projects transferred to Irish Water the Council have not applied a levy for the Water/Drainage element since 1st January 2014.

South Dublin County Council's current Scheme expires on the 31st December 2015 and it is proposed to introduce a revised scheme with effect from 1st January 2016 subject to the approval of the Council. A copy of the Draft Development Contribution Scheme 2016-2020 is circulated with this report.

The four Dublin Local Authorities, Dublin City Council, Dun Laoghaire-Rathdown County Council, Fingal County Council and South Dublin County Council engaged Future Analytics as consultants to undertake ‘An Economic and Market Analysis of the Development Sector and the factors influencing development in the four Dublin local authority administrative areas’ in order to provide background information to assist with the reviews of each authorities Scheme. The consultant’s report will be made available digitally and a hard copy will be made available on request.

The main findings of the consultants in relation to South Dublin County Council are summarised as follows:

**Economic Analysis**: Economic conditions are improving and with a growing population there will be demand for residential and commercial properties. New development is required to cater for supply constraints. In relation to industrial development rents will rise and demand is expected to remain in the South Dublin County Council area which will see a limited number of new schemes progressing through the planning process.

**Assessment of Likely Trends:** The market is in recovery but is still fragile. Demand is not uniformly spread and not all construction is yet viable. With end values for residential development generally increasing, viability is spreading. Retailing conditions have improved with prime locations in highest demand. The opportunity to develop new large scale retail is limited in the next five years but there will be opportunities for smaller retail developments as part of mixed use schemes. In relation to industrial lands, given their high value any large scale development is unlikely to take place before 2020.

**Analysis of Construction/Development Costs:** While it is difficult to predict future development land costs it is noted that small changes in property values greatly impact land values. Construction costs are on the increase and a rate of increase of 5 to 6% per annum for the period of the scheme is predicted.

**Indexation:** The Society of Chartered Surveyors of Ireland Construction Tender Price is recommended as it has been more reflective of the market over the previous years than other indices. It is also the only independent assessment of construction tender prices in Ireland.

In order to review the existing Scheme 2013 to 2015 and inform the Draft Scheme 2016 to 2020 South Dublin County Council examined:

* Development contributions,
* Projections of infrastructure which could be included in the Scheme,
* Permissions granted, commenced and not commenced,
* Development capacity of available zoned land,
* Projections of development by sector for 2016-2020 inclusive.

The estimated capital expenditure to December 2015 in respect of eligible infrastructure is €43.7 m (period 2010 – 2015). The table below sets out the classes of infrastructure, contributions collected and capital expenditure.

|  |  |  |
| --- | --- | --- |
| **Infrastructure Class** | **Contributions Collected** | **Capital Expenditure** |
| Class 1: Roads infrastructure & facilities | €27,078,456 |  €22,647,145  |
| Class 2: Water & Drainage infrastructure & facilities | €1,523,164 |  €15,774,926  |
| Class 3: Parks & open space facilities & amenities | €4,823,350 |  €1,725,585  |
| Class 4: Community facilities & amenities | €8,885,118 |  €12,446,250  |
|  |  |  |
| Total | **€42,310,088** |  **€43,699,514**  |

In order to determine eligible costs for the Draft Scheme each relevant Department of the Council provided cost details of projects which it projected will proceed during the period of the Draft Scheme totalling € 182.8m. Adjustments were made to reflect the opening position, and the costs were reduced to reflect the existing user benefit discount. This resulted in eligible costs of €108.7 m being identified (see Appendix1).

The status of permissions granted was examined and an assessment of the overall quantum of available zoned lands and an estimation of the potential capacity of these lands was undertaken by the Planning Department in order to determine the projected level of development likely to occur during the lifetime of the Draft Scheme. The projected number of social housing units including those units likely to be provided under Part V and those provided by voluntary and co-operative housing bodies were excluded from the quantum of residential development identified for the purpose of the Draft Scheme as they are exempt from Development Contributions.

While the economic analysis provided by the consultants indicates improving conditions it also highlights the fragile nature of the recovery and that any change in variable costs could have a negative effect on development activity. The Council is mindful of the need to ensure the correct balance is struck 'between the funding of public infrastructure and the need to encourage economic activity and promote sustainable development patterns' (Development Contributions - Guidelines for Planning Authorities, DOECLG).

A comparative analysis of the rates charged by Local Authorities in the Dublin Area has indicated that South Dublin County Councils existing development contribution for non-residential, i.e. commercial and industrial development, at €78 /sqm is the highest rate in the Metropolitan Area. In order that the rate does not act as a dis-incentive for this type of development in South Dublin it is proposed to reduce the rate in the new scheme to €75/sqm.

Accordingly the rates proposed in the Draft Scheme are as follows:-

|  |  |
| --- | --- |
| Residential | Industrial/Commercial |
| €85.06 new build & extensions in excess of 40sqm |  €75.0 per sq. m |

Under the Draft Scheme it is proposed to hold the proposed rates at least until the end of 2017 in order to provide certainty to the market and stimulate the supply of development. It also provides that indexation may be applied for the remainder of the Scheme in accordance with the Society of Chartered Surveyors of Ireland Construction Tender Price Index.

**Main differences between the 2013-2015 Scheme and the Draft Scheme 2016-2020**

Class 2

The Draft Scheme proposes that Class 2 be renamed 'Surface water & Environment infrastructure & facilities' on account of the transfer of the water infrastructure to Irish Water.

ADDITION OF CLASS 5

An additional fifth class (i.e. Class 5) has been added to the scheme to generate funding specifically for Economic, Enterprise and Tourism related infrastructure. Funding for construction of new Libraries is also included in this class

% Contribution Allocation

The % of contributions to be allocated to the different classes of infrastructure has been adjusted in the Draft Scheme.

 **Existing 2010 – 2017 Scheme**

|  |  |
| --- | --- |
| Infrastructure Class | Current levy allocation 2013-2015 |
| Class 1: Roads infrastructure & facilities | 63.99% |
| Class 2: Water & Drainage infrastructure & facilities | 3.64% |
| Class 3: Community facilities & amenities  | 20.97% |
| Class 4: Parks & open space facilities & amenities | 11.4% |

 **Proposed 2016 – 2022 Scheme**

|  |  |
| --- | --- |
| Infrastructure Class | Proposed levy allocation 2016-2022 |
| Class 1: Roads infrastructure & facilities | 25.0% |
| Class 2: Surface Water & Environment infrastructure & facilities | 15.4% |
| Class 3: Community facilities & amenities  | 27.6% |
| Class 4: Parks & open space facilities & amenities | 9.8% |
| Class 5: Economic, Enterprise & tourism facilities & amenities, including libraries | 22.2% |

Reason:- to reflect the % of eligible costs per class.

Hospitals

Currently clarification is provided that ‘Hospitals and similar developments’ will not be exempt. The Draft Scheme further clarifies this by stating

‘Hospitals, medical facilities, primary care centres and similar developments including any ancillary buildings’ will not be exempt.

Reason:- to bring clarity.

Indexation

The Society of Chartered Surveyors of Ireland Construction Tender Price Index is recommended in the Draft Scheme.

Reason:- It has been more reflective of the market over the previous years than other indices. It is the only independent assessment of construction tender prices in Ireland.

This report is being forwarded to Members for information and noting.

The making of a Scheme is a reserved function of the Council. In order to have a Scheme operational on the 1st January next the Council intends to publish notice on 21st September, 2015, under Section 48(4) of the Planning & Development Act, as amended stating that a draft scheme has been prepared and is on public display and that submissions /observations will be accepted over a six week period.

In addition a copy of the draft Scheme will be sent to the Minister for the Environment, Heritage & Local Government who may make recommendations. Four weeks following receipt of submissions the Chief Executive will prepare a report on the submissions received and will submit this report to the Council. Not later than six weeks after receipt of the Chief Executive's Report, the Council will decide by resolution to vary / modify or make the scheme as submitted by the Chief Executive.

Dated this the 14th of September 2015

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**Chief Executive**