**Report on Draft Development Contribution Scheme 2021-2025**

**Legislative Basis**

[Section 48 of the Planning & Development Act, 2000](http://www.irishstatutebook.ie/eli/2000/act/30/section/48/enacted/en/html), 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.

**Current Scheme 2016-2020**

South Dublin County Council, at its Monthly Meeting of Council, held on the 14th December 2015 made the current Development Contribution Scheme for the period 2016-2020. The Scheme provides that consideration may be given to applying indexation to the rates of contribution effective from 1st January 2018 in consideration of the SCSI Construction Tender Price Index.

Such indexation has been applied yearly since 1st January 2019 based on the prevailing SCSI TPI.

The current rates applicable since 1st January 2020 per square metre for residential and commercial development is as follows:

**Residential €96.39 levy per square metre / Commercial €91.11 levy per square metre**

The current Scheme is effective until the 31st December 2020 and a new scheme is required to be effective from 1st January 2021, subject to the approval of the Council following a review of the Current Scheme and a public consultation process.

As part of the review and to inform the new scheme, the following were examined:

* Development contributions invoiced and collected over the life of the current scheme
* Projections of future infrastructure projects and their costs
* Nature & Scope of future development by sector including permissions granted, not commenced
* Macro-economic overview

**Development Contributions Invoiced and collected**

The following sets out detail of the contributions collected for the different classes of infrastructure for the 4-year period of the current scheme – 2016/2019 and 1/1/2020 to 30/6/2020 including

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| Class 1: Transport infrastructure & facilities | | | | | €32,049,155 |
|  |  |  |  |  |  |
| Class 2: Surface Water & Infrastructure | | | |  | €7,555,539 |
|  |  |  |  |  |  |
| Class 3: Parks & open space facilities & amenities | | | | | €8,390,858 |
|  |  |  |  |  |  |
| Class 4: Community facilities & amenities | | | | | €19,948,409 |
|  |  |  |  |  |  |
| Class 5 Economic Ent, Tourism & Libraries | | | |  | €10,891,045 |
|  |  |  |  |  |  |
| 1/1/2016 - 31/12/2019 | | |  |  | €78,835,006 |
| 1/1/2020 - 30/6/2020 | | |  |  | €5,905,991 |
|  |  |  |  |  |  |
| **Total** |  |  |  |  | **€84,740,997** |

Contributions due to the Council in respect of permissions granted, commenced and invoiced have been taken into consideration is the formulation of the new Draft Scheme (€25m)

**New Draft Scheme 2021-2025**

**Projections of infrastructure projects and their costs**

In order to determine eligible costs for the draft Scheme each relevant Department of the Council has examined its capital project requirements and has provided cost details of projects which is projected to proceed during the next 5 years which totalled **€233,922,261**

Adjustments were made to reflect the opening position, alternative funding sources, levies receivable and on hand, and an apportionment of anticipated total costs to be attributable to existing users. This resulted in total eligible costs of **€185,603,961** being identified and a levy funding requirement of **€136,745,931**

The costs attributable in the lifetime of the scheme to the classes of infrastructure and facilities are included in **Appendix 1** of the Draft Scheme while the project list is included at **Appendix 11**

**Nature and scope of future development**

The status of permissions granted and an assessment of the overall quantum of available zoned lands including an estimation of the potential capacity of these lands was undertaken by the Planning Department. An estimation of future development for which estimates were available fell into the following two categories:

* Residential
* Non-residential

An initial projection of 11,405 units equating to 1,140,500 sqm (based on an average of 100sqm per unit) and a projection of 21,195 sqm of eligible domestic extensions was made. Social housing units (including those units likely to be provided under Part V and those provided by voluntary and co-operative housing bodies) were then excluded from the quantum of residential development identified for the purpose of this draft Scheme as they are exempt from development contributions. This equates to 1,006,895 sqm of proposed development.

Non-residential development has been calculated based on a medium growth scenario having regard to Project Ireland 2040 proposed redistribution of economic activity away from Dublin (and the GDA) equating to 294,000 square metres of development.

A snapshot of development permitted but not yet commenced was also considered from a contribution’s collectable perspective.

**A macro-economic overview**

The four Dublin Local Authorities, Dublin City Council, Dun Laoghaire-Rathdown County Council, Fingal County Council and South Dublin County Council engaged EY (Ernst & Young) 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.

The main findings relative to SDCC are as follows:

* **Assessment of Likely Trends:**

There are uncertainties regarding Irish economic prospects due to Brexit, international outlook, global trading conditions, inflation, a tightening labour market and greater levels of inward migration. These uncertainties will have a direct impact on levels of development activity. Three distinct scenarios are identified:

1. High Growth - Dublin continues current trajectory and outperforms Project Ireland 2040. An orderly Brexit is assumed.
2. Medium Growth – Economic activity is redistributed away from Dublin towards Ireland’s other 4 cities. An orderly Brexit is assumed.
3. Low Growth – The Irish economy enters a period of reduced growth brought on by a disorderly Brexit. Government spending levels will be lower as economic growth moderates. Dublin is expected to do better relative to the rest of the country.

A further issue likely to impact the growth trajectory for Dublin over the coming years is Project Ireland 2040 which predicts that by 2040 there will be approximately 1million extra people living in Ireland. While this growth will require a considerable level of new jobs, homes and infrastructure there is a proposed redistribution of economic activity away from Dublin (and the GDA).

* **Analysis of Construction/Development Costs:**

The overall trend for the range of costs that make up the total cost of development are on an upwards trajectory. Development land makes up a significant percentage of total development costs of any project. A lack of supply is driving up the cost of land which affects viability. Strict lending rules from the Central Bank has led to more complex funding arrangements.

* A**nalysis of Impact of Development Contributions on Development Costs:**

Development contributions are a small proportion of the overall development costs of a project, making up 1 -2% of overall costs, with the main contributors being construction costs, site acquisition, risk and VAT.

A 10% increase and 10% decrease of contributions on three development scenarios was modelled to demonstrate the effect on overall development viability. The impact was minor at a 0.1%-0.2% effect on total development costs.

* **Indexation:**

There is no single measure of construction/development inflation which accurately tracks construction prices across all construction sub-sectors: residential, non-residential and civil engineering. In the absence of a proper measure of civil engineering inflation the SCSI Tender Price index is the only available option for the development contributions.

* **Fragility**

While the economic analysis provided by the consultants indicated improving conditions it also highlighted the fragile nature of the recovery and that any change in variable costs could have a negative effect on development activity. The impact of COVID 19 is now very clearly going to add to this fragility.

This Council is mindful of the need to ensure that a 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).

**Project List**

The list of projects contained in the scheme are indicative and are not intended to be exhaustive or exclusive. Project funding must be adaptable to changing objectives and priorities over the life of the scheme.

**Levies Receivable**

The following is indicative of the development levies receivable based on the assessment of potential development as referred to above, at existing contribution rates of **Residential €96.39 per sq metre / Commercial €91.11 per square metre.**

The projected income receivable from these rates under the draft Scheme is **€123,840,949**

Rate Sqm €

96.39 1,006,895 97,054609

91.11 294,000 26,786,340

It should be noted that the above is based on an estimation of development identified as being required to contribute towards the provision of infrastructure that is essential to enabling that development. However, there are several other developments envisaged over the life of the scheme where no contribution, or a reduced contribution, will apply and details of these adjustments are set out in the scheme.

**Percentage contribution allocation**

The percentage of income is allocated to each classes of infrastructure as a percentage of the overall costs and the following is the basis for percentage allocation in the new scheme

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
|  | **Total Projected Costs** | **Contributions Required** | **Contributions Allocated** | **% Contributions Allocated** | **Funding Gap** |
| **Class 1:** | €49,426,963 | €36,415,904 | €32,979,264 | 26.63 | €3,436,640 |
| Transport infrastructure & facilities |
| **Class 2:** | €20,737,776 | €15,278,804 | €13,836,913 | 11.17 | €1,441,891 |
| Surface Water & Environment infrastructure and facilities |
| **Class 3:** | €41,250,000 | €30,391,429 | €27,523,330 | 22.22 | €2,868,099 |
| Community facilities and amenities |
| **Class 4:** | €39,014,222 | €28,744,193 | €26,031,547 | 21.02 | €2,712,646 |
| Parks and open space facilities and amenities |
| **Class 5:** | €35,175,000 | €25,915,601 | €23,469,894 | 18.95 | €2,445,706 |
| Economic Enterprise & Tourism Development including Libraries |
| **Total** | €185,603,961 | €136,745,931 | €123,840,949 | **100%** | **€12,904,982** |
|  |  |  |  |  |

Table 1: Proposed Development Contribution Scheme

(The Council will need to source alternative funding to bridge the funding gap)

Table 2: Comparison of Development Levy Charge – proposed levy and current levy

|  |  |  |
| --- | --- | --- |
|  | **Proposed % of levy** | **Current % of levy** |
| Class 1 | 26.63 | 25 |
| Class 2 | 11.17 | 15.4 |
| Class 3 | 22.22 | 27.6 |
| Class 4 | 21.02 | 9.8 |
| Class 5 | 18.95 | 22.2 |
| **TOTAL %** | **100** | **100** |

The changes in the percentage allocated is attributable to many factors including but not limited to :

* Redirection of funding toward sustainable initiatives including cyclelinks and upgrades under Class 1,
* Grant funding incl OPW, LIFE and LIHAF resulting in reduced reliance on self-funding for surface water projects in Class2,
* Significant proposed development of new and enhancement Community and Recreation & Amenity facilities in Class 3 and 4 through implementation of agreed strategies incl pitches, parks, pavilions etc (Clonburris SDZ and Tallaght LAP)

Based on the factors outlined above the rates and apportionment of same is proposed as follows

|  |  |  |
| --- | --- | --- |
| Class 1 Rds | 25.67 | 24.26 |
| Class 2 S W & Env | 10.77 | 10.18 |
| Class 3 Comm Fac | 21.42 | 20.25 |
| Class 4 Parks & Op Sp | 20.26 | 19.15 |
| Class 5 Ec Ent, Tourism | 18.27 | 17.27 |
|  | **96.39** | **91.11** |

**Indexation**

Given the prevailing economic climate, particularly having regard to the fragility of the economy post COVID, it is considered prudent NOT to increase the levy rates per sqm of development for both residential and commercial development at this time. It is proposed that the new scheme hold the existing rates at least until the end of December 2021 in order to provide certainty to the market and stimulate the supply of development.

The scheme will provide that indexation may be applied year on year from 1/1/2022 for the remainder of the Scheme in accordance with the Society of Chartered Surveyors of Ireland (SCSI) Construction Tender Price Index. Having regard to economic or other circumstances and, it may be considered appropriate **not** to apply this indexation for any year(s).

**Reserved Function:**

The making of a Development Contribution Scheme is a reserved function of the Council.

In order for the new scheme to be made and operational on 1st January 2021 in accordance with [Section 48 (4) of the Planning and Development Act](http://www.irishstatutebook.ie/eli/2000/act/30/section/48/enacted/en/html) , as amended, the Council intends to publish notice on 20th July 2020 stating that a draft Development Contribution Scheme has been prepared, is on public display, and that observations / submissions will be accepted over a six weeks period.

In addition, a copy of the draft scheme will be sent to the Minister who may make recommendations. Four weeks following receipt of submissions the Chief Executive shall prepare a report and submit to Council. Not later than six weeks after receipt of the Chief Executive’s report the Council will decide by resolution to make the scheme, unless it decides, by resolution, to vary or modify the scheme, otherwise than as recommended in the manager's report, or otherwise decides not to make the scheme.

This report is before the Elected Members for consideration for approval to proceed to publish the draft scheme for public consultation

**The intention is for the final scheme to come into effective, in respect of permissions granted, from 1st January 2021.**