



## **Irish Auctioneers & Valuers Institute**

### **NAMA Planning Advisory Committee Submission**

Founded in 1922, the Irish Auctioneers & Valuers Institute (IAVI) represents c. 1,850 qualified property professionals in all 32 counties of Ireland and promotes the highest professional, ethical and educational standards in the property industry.

IAVI members' expertise lies primarily in the provision of professional property advice in relation to the letting, sale, acquisition, valuation and other professional services in the residential, commercial, agricultural, leisure, development and investment property sectors. As such, we do not feel qualified to comment in specific detail on planning matters and there are planning-related professional bodies who are better equipped to do so.

However, our members would like to share some broad observations related to their professional experience with the NAMA Planning Advisory Committee, which we will set out further below.

We would also like to suggest that we could undertake detailed research separate to this document, which we believe could be of significant benefit to the Committee. Our members are experienced property professionals who regularly deal with both vendors and buyers/occupiers of all classifications of property and we are in a unique position to carry out a comprehensive survey based on the primary factors that influence occupier demand. In other words, what *do buyers and occupiers really want in specific property types?*

We believe that this information could provide the planning authorities and NAMA with valuable market information that could and should be considered in relation to planning in the future and the approach to dealing with some unfinished or unoccupied developments. In his presentation to the recent UCD Law Conference, Mr. Brendan McDonagh referred to 'insufficient attention to key issues of supply/demand'. While the supply of property is likely to be relatively static for the foreseeable future, we believe that we can assist NAMA with a comprehensive insight into the key issues affecting demand for property, outside of price.

A task force comprising IAVI experts in residential, offices, retail, industrial and leisure properties could be assembled to provide expert commentary on the key occupier demand factors. IAVI members would also be surveyed in relation to their experience by property type, sector and region. Given that the IAVI has members in 32 counties and that 6% of NAMA assets are in Northern Ireland, we would be able to provide an all-island report. The result would be a comprehensive document outlining the key influencing factors based on occupier demand and how these factors are expected to change over the coming years. If this is of interest to the Committee, we would be pleased to outline our proposal in further detail.

## General Planning Observations

For the purposes of this submission, our broad observations in relation to general planning, land and related matters which may assist the Planning Advisory Committee in relation to NAMA are as follows:

### 1) Sustainable Development

In the 'Guidelines for Planning Authorities on Sustainable Development in Urban Areas', published in 2009, Minister Gormley, in his introduction, outlined his concept of sustainable development as: 'the integration of schools, community facilities, employment, transport and amenities with the housing development process in a timely and cost-effective way'.

About 43% of NAMA's prospective assets are land, about 26% are development and about 31% are commercial. Many of the schemes proposed on NAMA held lands are unlikely to comply with the Minister's vision for sustainable development and in certain regions the demand for such schemes will be very limited or non-existent.

Furthermore, the Guidelines for Planning Authorities on Sustainable Development as set out by the Department of Environment were drafted based on forecasts of strong demand for housing that in turn are based on growth in the economy and population growth projections of 5.3m by 2020 and the number of properties 'possibly rising from its current levels of 1.8 million to 2.5 million by 2020'.

#### National Population Projections to 2020

Year	2006	2011	2016	2020
Population	4,234,925	4,655,000	5,055,000	5,333,000

DoEHLG - NATIONAL POPULATION PROJECTIONS AND REGIONAL POPULATION TARGETS 2006 – 2020

#### Recommendation:

- The concept of Sustainable Development needs to be revisited taking into account the new economic environment and reflect robust population projections and levels of demand.

### 2) Planning Authorities

According to the website of the Department of Environment, Heritage and Local Government, there are currently 29 County Councils, 5 City Councils, 5 Borough Councils and 75 Town Councils. There is variance in planning interpretation/decisions taken at local level.

#### Recommendation:

- Reduce the number of planning authorities and ensure a more integrated approach to planning on a regional and National level.

### **3) Rezoning**

The Department of the Environment's Development Plan Guidelines ( DoEHLG 2007), sets out a sequential approach to zoning and specifies that 'zoning shall extend outwards from the centre of an urban area, with undeveloped lands close to the core and public transport routes being given preference, encouraging infill opportunities, and that areas to be zoned shall be contiguous to existing zoned development lands and that any exception must be clearly justified in the written statement of the development plan'.

In the NAMA Act 2009, s12 (z) under 'Powers of NAMA' – it states that NAMA has the 'power to make any planning application in relation to land, and intervene in any planning application made by another person'.

However, there may be more appropriately positioned lands according to the DoEHLG guidelines (but not yet zoned/inappropriately zoned) which are adjacent to NAMA lands, but will the indebtedness of the NAMA lands mean that they will have to be developed first, contrary to proper planning guidelines?

#### **Recommendation**

- There needs to be a balance between NAMA's commercial mandate (as outlined in the NAMA business plan) 'to obtain the best achievable financial return on the assets acquired by it' and the wider remit of the planning authorities to promote sustainable, community focused developments near employment and leisure centres.

### **4) Residential Development**

According to the guidelines issued to planning authorities in the 'Sustainable Urban Housing – Design Standards for New Apartments' report in 2007, 'apartments are becoming an increasingly popular form of dwelling in urban areas'. However, it is clear that the demand for apartments has diminished over the past 18 months, reflective of the increase in affordability levels of starter homes, particularly among first time buyers, who are the most active segment of the market.

Cognisance should be had that apartment schemes will cost significantly more to build to comply with spatial/dual aspect requirements and will continue to experience reduced demand and consequently weakened prices for the foreseeable future, even with the decrease in construction costs experienced over the past two years and the inclusion of reasonable profit margins.

In order for the apartment product to be a sustainable, long-term habitable unit, the land cost will have to be practically zero, even in urban areas. The inclusion of levies for schemes which may not proceed, such as Metro schemes, further undermines the financial proposition and regard will have to be had to the economic fundamentals, even if these conflict with planning proposals.

In relation to the apartment product, more attention needs to be given to the long term habitual potential of the dwelling. The 2007 report on Sustainable Urban Housing – Design Standards for New Apartments, recommends the following overall minimum floor areas.

### Minimum overall apartment floor areas

One bedroom	45 sq m (38 sq m)*
Two bedroom	73 sq m (55 sq m)*
Three bedrooms	90 sq m (70 sq m)*

\* Figures in brackets refer to 1995 guidelines

The foregoing comments must be set against the fact that high density development near public transport hubs would be undermined in the event that the number of future apartment developments is curtailed in favour of traditional housing.

#### Recommendation

- Further attention needs to be given to the design and functionality of the apartment product towards making apartments more suitable for long term habitation in terms of design (size, aspect etc) as opposed to the short-term investor-led rental-market focus to date which is not currently sustainable.
- A new approach to residential development could be considered where all the services must be installed prior to construction of dwellings. For example a condition of planning could be that priority is given to the development of roads, lighting, sewerage, parking and green space. Therefore, if the development did run into difficulty, the occupants of the half-finished scheme are not living in a development lacking these essential elements.

#### 5) Taxation

The 80% windfall tax on rezoned land will prove a major deterrent to the free operation of the market and will reduce the supply of land coming forward for rezoning and any realisable returns to the exchequer as a result.

#### Recommendation

- The windfall tax should be replaced by a more sustainable betterment tax.

#### 6) Affordable Housing

The affordable housing scheme and requirements on developers must be revisited. The market is delivering affordability in most locations and the only opportunity available to local authorities is now the below-cost sale of units.

Given the lack of demand for affordable units, the availability of comparable units without any claw back restrictions and the reported funding difficulties being experienced by local authorities, perhaps an option for developers to make a payment to the Council in lieu of the delivery of further affordable housing units could be considered.

#### Recommendation

- The provisions for affordable housing in planning legislation need to be revisited.

## **7) The Multi-Unit Development Bill 2009**

It is vital that the Multi-Unit Development Bill is passed and implemented to provide legislative reform and confidence in the apartment market for owners and occupiers alike and to introduce confidence into this market sector, which has suffered reputational damage.

Currently there is an absence of precise mechanisms obliging the developer to complete the development, to verify the quality of construction, to address snagging and completion issues and to furnish, to the owners and the Management Company, a form of final certificate of completion and compliance, together with all estate documentation.

A circular in 2008 from the Department of Environment, Heritage and Local Government advised planning authorities to inspect all developments regularly to ensure compliance with planning conditions and to ensure that the development is being completed to an appropriate standard. However, the approach to planning enforcement by the authorities appears to vary significantly.

The Law Reform Commission recommends that, insofar as it is practicable, the 2008 draft planning guidelines *Sustainable Residential Development in Urban Areas* should be given the status of a Ministerial policy directive under Section 29 of the *Planning and Development Act 2000*. (Paragraph 1.09)

We note that Section 17 of the *Planning and Development (Amendment) Bill 2009* provides for the amendment of Section 28 of the 2000 Act which goes some way towards this recommendation.

### **Recommendation**

- Given that a sizeable proportion of NAMA held assets are likely to be part of multi-unit developments, the Planning Advisory Committee must ensure that the legislation is passed as soon as possible to instill proper planning controls and compliance.
- Presently, the management company has no contractual rights to enforce completion of the development and there needs to be a statutory schedule for the completion of the development and defined process for the handover of the common areas to the owners' management company.

The IAVI proposed a series of recommendations to the Department of Justice in their submission in relation to the Multi-Unit Development Bill which can be downloaded from [www.iavi.ie](http://www.iavi.ie)

## **8) Property Services (Regulation) Bill 2009**

The IAVI has repeatedly called for the enactment of the Property Services (Regulation) Bill 2009, which would provide for the establishment of the Regulatory Authority (PSRA) on a statutory basis that will license and regulate property service providers (PSP's), including, for the first time, managing agents.

### **Recommendation**

- The Property Services (Regulation) Bill must be enacted as soon as possible to license and regulate property services providers.

We would be delighted to assist NAMA and the Planning Advisory Committee in any way possible and in particular, to prepare a detailed proposal on the production of a comprehensive piece of research based on the key factors influencing occupier demand both now and in the coming years, which we believe should be at the core of planning policy for the future.

We would be pleased to meet with representatives from the NAMA Planning Advisory Committee to discuss any of the points contained within this submission in greater detail.



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