

EXECUTIVE SUMMARY

1. Developments in Ireland's housing market and in the Dublin region in particular are symptomatic of fundamental change in housing patterns. The recent trend in house prices is an effect of several forces: economic convergence with European living standards; rapid growth in the rate of household formation - itself the result of economic influences as well as changing social patterns - and existing development norms of low density housing by comparison with the standards prevailing in the major urban centres of countries with whom economic convergence is taking place.

2. A period of sustained and rapid economic growth, in place now since around 1992, has been accompanied by rising levels of real personal disposable income *per capita*, increasing employment and associated reversals in earlier migration trends to one of annual net immigration. In addition, falling interest rates and convergence of Irish interest rates to German rates, in anticipation of an increasing likelihood of Ireland participating in the first round of EMU, has encouraged rapid expansion of mortgage credit.

3. The impact of favourable economic trends on housing demand is being reinforced by demographic factors. Accelerating net immigration of 15,000 *per annum* in the twelve months to April 1997, (compared with 8,000 in the previous twelve months and net emigration in the three years before that again) masks substantially greater annual gross flows which are magnifying housing demand. Gross immigration is occurring at an annual rate of 44,000 and is concentrated in the household formation ages. Thus, almost half of immigrants fall in the age category 25-44 years. By contrast annual emigration is concentrated much more in the younger age of 15-24 years. Thus, for example, in the twelve months to April last, about 62 per cent of emigrants were in this age category.

4. Changes in social patterns related, in part, to economic factors are also playing a role in shaping the pattern of housing demand. *Labour Force Survey* data shows that between 1988 and 1997 the number of one and two person households in Dublin increased by about 35 per cent, from 134,500 to 181,200. Amongst the categories of higher professional/managerial proprietors, the rate of increase was substantially greater at almost 60 per cent. As a result of these tendencies, the proportion of one and two person households in the total has

risen from 41.9 per cent in 1988 to 46.8 per cent in 1997. The trends represent an intensification of the broader pattern of diminishing household size, underway in Ireland for many years now. Comparison of household size between countries is quite hazardous, depending as it does on the age structure of the population and other factors influencing household formation. However, it is perhaps worth noting that household size in Ireland, at 3.04 at present, (3.28 in the last census year of 1991) is above that of the EU (2.63 (1992)) and the UK (2.5 (1989)). Again, by way of illustration, in the UK the proportion of households having one or two persons amounted to 54 per cent (1981), considerably higher than the position in Ireland.

5. In summary, economic fundamentals, particularly income and employment growth and low interest rates, have ensured that strong underlying demand for housing has been translated into increased effective demand in the market. These influences are being reinforced further by a range of factors such as price expectations, increased investment demand, high inward migration, certain fiscal factors and to a limited degree certain market practices such as excessive stage payments and delayed release of new houses. Increased effective demand interacting with a relatively limited supply response, in the short term, has inevitably led to a driving up of house prices, particularly in Dublin.

6. Notable features of the trend in recent price increases include:

- House prices in Dublin, both new and second hand, are significantly higher and increasing at a faster rate than in other areas, including other major urban centres.
- Second hand house prices in Dublin have increased faster than new house prices in recent years.
- Prices of existing houses within Dublin have increased at a faster rate in some areas than others in recent years and there are indications that buyers are now placing a greater premium than ever on locations in Dublin compared with outlying areas, reflecting perceived costs and disadvantages of commuting and value placed on social and economic convenience of Dublin locations.
- Despite significant price increases in recent years, the affordability position at the end of 1997 in terms of net income relative to net mortgage repayments is still better than in the period 1989-1992.

7. Housing output has increased by over 80 per cent since 1993

with successive new record levels of completions in each of the last three years. However, the share of completions in Dublin has fallen and with demand increasing prices have risen sharply there and relative to other areas where supply has increased.

Apartments represent an increasing proportion of annual output in Dublin reflecting, in particular, the success of the Urban Renewal Scheme.

8. Ireland has a high rate of owner occupancy (around 80 per cent) relative to other countries. This is reflected in decline in the size of the rental market over the past twenty years or more, but there is evidence of increase and greater diversification in the rented sector in recent years with both demand and supply currently strong.

9. It has been stated that land costs represent an increasing proportion of housing costs. However, from an economic point of view a key issue is the direction of causation between land cost and house prices. In other words, is it the supply and demand for housing that is pushing development land prices or higher land prices that are pushing housing costs? From an economic point of view the balance of probability would suggest the former channel rather than the latter. In other words it is the dynamics of demand and supply for the end product - housing - that is giving rise to increasing land prices, not the other way round. The contention that land costs are a rising proportion of total housing costs could reflect the relative inelastic supply of serviced development land in locations that are sought after. Data are not available which could indicate the impact of this on the trend in profitability in the home building industry, or for that matter, on what that trend is.

10. Formal statistical analysis of the influences on house prices, supplemented by opinions of a group of relevant experts indicates that:

- Between 80-90 per cent of the variation in house prices nationally and in Dublin relative to the rest of the country can be explained within the demand-supply model that has been constructed in the course of this study. The explanatory power achieved in relation to housing supply nationally is around 80 per cent but somewhat less power is achieved in relation to supply in Dublin at about 60 per cent.
- Economic growth, demography, cost of finance (i.e. price change less interest costs) and the speed of the supply response of house completions are the key influences on house price determination and housing supply. In Dublin it has been estimated that this supply response is only half

what it is in the rest of the country, pointing to special limiting influences such as accessibility to serviced land (with consequential effects on site costs).

- The demand factors at work in Dublin are much the same as in the country as a whole. However, the force of some of these is greater, notably income growth - probably as a result of greater concentration of high value employment in the Dublin region and demographic influences, notably through a concentration of in-migration in household formation ages.
- Therefore, taking demand and supply factors together the key variables to emerge as drivers of the model of *relative* (i.e. Dublin vs. Country as a whole) price determination are: real income growth, demographic forces (proportion of the population in the household formation age of 25-34) and *crucially the fact that the price elasticity of supply in Dublin is half what it is for the country as a whole*. This latter effect, to judge from expert opinion relates to shortages of serviced land in Dublin (with attendant impact on site cost); a longer planning process in Dublin - in certain cases and associated mainly with the fact that developments in Dublin tend to be larger and more complex than elsewhere and that in some instances there is inadequate preparatory work on behalf of applicants - and other economic influences which can lead to a more protracted completion process - like risks of engaging in large scale developments compared with small scale or once off ones in the rest of the country. Finally, in a relatively small number of cases, certain market practices like phased releasing of new developments - where this approach is used to 'ratchet-up' prices; the returning of 'booking deposits', in a small number of well publicised instances, can be used to push up prices in an aggressive manner.

11. Using the statistical model as a basis a number of medium term scenarios have been constructed. Judging from these, it would appear that so long as prospects for economic growth continue to be substantially positive, as they are at present, and that monetary conditions remain stable the likelihood is that household formation will continue to increase rapidly. In such circumstances of strong and positive economic fundamentals reinforcing and facilitating changing patterns of social behaviour there will be a sustained momentum to housing demand. In the absence of an effective policy response these trends would be likely to result in continued upward pressure on house prices and

in the relative price of house prices in Dublin. These trends would have adverse implications for affordability of certain categories of income earners.

12. The analysis of scenarios contained in Chapter 6 also indicates that increased supply responsiveness, if it is achieved or indeed, if a credible strategy is put in place to bring it about, can have a substantial dampening influence on house prices, price expectations, affordability and probably, on particular categories of demand - such as for investment.

13. As prices have escalated, increasingly sharply, pressures have grown on affordability, for some categories of income earners, in meeting mortgage lending criteria. In the normal course, the resulting choking-off of demand that would result from this effect would tend to ease upward price pressures. However, other factors have tended to reinforce price disequilibrium. Rapid price escalation has attracted an increasingly wide range of personal investors into residential property, sustaining demand at a high level and supporting the trend of higher prices. With small or negligible carrying costs involved and significant capital appreciation being recorded on foot of strong underlying demand, a wide range of personal investors are now seeking to invest in residential property.

14. Certainly, given changing patterns of demand for private rented accommodation, it is desirable that investors should enter the market and provide greater range and depth to this segment of the housing market than was previously available. However, some concerns arise too, especially if such investment is influenced unduly by expected short term capital appreciation, rather than overall yield considerations. In such circumstances, there are risks of a 'perverse cycle' emerging in which increasing prices attract more speculative investment demand, in the expectation of yet further price increases. Such a tendency, if left unchecked, could develop into a speculative bubble. There are some reasons for believing that, in an increasing number of instances, investors are being encouraged into the housing market for short term gain. This is not in the best interests of the long term development of a broadly based rented sector, which is likely to be of increasing importance in the longer term. There are indications, also, that investors are replacing, to some extent, first time buyers in the market.

15. The issue of credit risk assessment and lending practices of credit institutions have been the subject of comment in the context of accelerating house price inflation. Based on the assessment contained in the Report it could not be concluded that there is systematic deterioration in the aggregate risk profile of institutions mortgage lending, in terms of widespread

excessive increases in loan to value ratios.

16. There are essentially three criteria that are applied by mortgage lenders when assessing credit risk associated with mortgage advances for personal use, these are:

- The income multiple represented by the loan;
- The loan to value ratio;
- The level and quality of income of the borrower.

17. There are well established conventions which have been applied in relation to both income multiples and loan to value ratios. Thus, 250 per cent of the primary income plus (in the case of couples) 100 per cent of the income of a secondary earner is a norm. In the case of loan to value ratios, loan maxima ranging between 80-90 per cent of the value of the property are used. Undoubtedly, exceptions are made to these general rules, usually, it is said, in exceptional circumstances. Moreover, discretion is exercised in the detailed manner in which these criteria are applied. For example, the extent to which bonuses, performance payments, overtime or other non-basic elements are taken into account and made subject to an income multiple varies the absolute level of income that can be brought to bear in this regard. In many lending institutions there are established practices of requiring borrowers to undertake indemnity insurance arrangements, which have the effect of laying off risks of default to a third party insurer.

18. At present, there are two forces at work which are placing pressures on adherence to these well established criteria. First, the increasingly rapid inflation of house prices, especially in Dublin, has had the effect of creating difficulties for some categories of borrowers in simultaneously meeting the criteria in respect of the maximum loan to value ratio, in effect 90 per cent, and the income multiple of '2.5 times plus one'. Secondly, the mortgage lending market has become extremely competitive. This competition is another aspect of the blurring of traditional lines of division which is occurring generally in the financial services sector in Ireland and elsewhere.

19. The combination of pressures described above, i.e. tensions in achieving all elements in the matrix of criteria used for loan evaluation - income multiple, loan to value ratio and quality of income criteria, together with intense competition between lenders for market share is leading to some erosion of the income multiple criteria, although it is extremely difficult to judge how significant this is, in the context of total mortgage lending. However, in overall terms, it seems very doubtful if there is any systemic risk to mortgage lenders from current lending patterns,

although there would be expected to be a deterioration in the bad debt arrears position of at least some lenders in the event of an economic slowdown or if a significant increase occurred in interest rates or if both of these events occurred.

20. Reductions in house price affordability is the other side of meeting all the criteria of the credit risk coin. Indeed, it is considered that increasing public dissatisfaction at current trends of increasing difficulty for first time buyers in meeting lending criteria is a corollary of established norms being adhered to, generally. In any assessment of potential risks of negative equity it must be borne in mind that, in an environment in which affordability is deteriorating, as a consequence of house prices rising faster than the capacity of borrowers to meet loan commitments from income and interest rate developments, there will always be a tendency for credit worthiness to deteriorate, unless other equity can be brought to bear on the situation. To judge from mortgage lenders, borrowers, are meeting an increasing equity gap: from higher savings, sometimes in the form of parental contributions. Data on growth of aggregate mortgage credit and house price developments are consistent with this contention.

21. It is considered that the Central Bank could play a role usefully in regard to loan assessment criteria, by conducting, periodically, some on site examinations of lenders practice in relation to their written policies regarding mortgage lending. It is stressed that such exercises are not regarded to be required for the purposes of ensuring prudential supervision, rather the aim should be to ensure that an adequate duty of care to customers is being exercised by mortgage lenders in implementing their written policies in relation to mortgage lending.

22. It will be possible to restore economic balance in the housing market. However, in order to do so, some compromises will be required to be made with regard to some other objectives, like planning norms or occupancy patterns. Therefore, in shaping the conclusions below the approach has been to strive for a more acceptable rate of price development, rather than economic perfection, recognising the value and importance that is attached in Ireland, to other aspects of housing, like those alluded to above. In taking such an approach it is recognised that all the goals of the many interests in Irish housing will not be fully met.

23. To be effective a policy response will require to:

- achieve better balance between demand & supply in the short term;
- Improve the potential supply of housing;
- engage in infrastructure developments; and

- improve medium & long term planning of the development of the East Region, in the context of achieving balanced development of the national economy.

Achieving Better Balance Between Demand & Supply in the Short Term

24. It is considered that there are certain measures which if taken, would result in a better balance between demand and supply in the short term. In essence, a rebalancing of existing fiscal incentives, which currently support investment demand in a number of respects, towards the promotion of housing supply to the end of the market where affordability pressures are greatest, is considered both desirable and feasible. As stated previously, the emergence of broadly based investment interest in the housing market has had very beneficial results in terms of broadening the range and quality of rented accommodation. Moreover, there is evidence that changing patterns of housing demand are sufficient to support a growing and more diversified rented sector, for example, rental values appear to be well underpinned.. What is in doubt is the need to encourage this demand by means of fiscal incentives, especially when the revenue foregone in this direction could be focused better towards increasing supply and choice to first time buyers who are facing affordability strains.

25. *Thus, it is concluded that it would be appropriate, at this stage:*

- *to repeal Section 23 relief from investment in residential property, from a current date;*
- *to remove deductibility of interest, on borrowings undertaken for investment in residential property, against personal income for taxation purposes, again from a current date: and*
- *that stamp duty (according to the scheme proposed below) should be payable on purchases of new houses by non-owner occupiers.*

26. The main effect of these measures would be to remove fiscal supports to residential investment demand, at a time when underlying demand is extremely strong. The benefits from moving in this direction would be to:

- provide a more level playing field between investors and home owners;
- allow investment in residential property to be determined by underlying market forces, for additional rented

- accommodation, at a time when economic and social changes are leading to an increase in the depth and breadth of demand for such accommodation;
- provide more transparent comparison of the underlying rates of return from investment in residential property and other types of investment; and
 - release approximately £71 million in revenues that could be used to incentivise greater supply. (This comprises £30 million from the suspension of Section 23 relief; £26 million from the removal interest deductibility and £15 million from the extension of stamp duty rates, as proposed below, to purchases of new houses by non-owner occupiers.)

27. It is considered that this saving should be applied towards financing reductions in current rates of stamp duty on second hand houses. A schedule of rates along the following lines is suggested second hand houses up to £60,000, a zero rate; £60,000-170,000, a 4 per cent rate; £170,000-500,000 a 5 per cent rate and finally, a top rate of 9 per cent on residential property transfers above £500,000. It is estimated that the cost of these changes would amount to around £75 million. In addition, it is considered that these thresholds should be reviewed periodically by reference to the rate of increase in second hand house prices.

28. An impact of current stamp duty rates on potential turnover in the second hand house market was illustrated and discussed in Chapter 2 (See Section 2.5.5). It is considered that the revised lower rates proposed would reduce the barrier to entry into the second hand house market faced by first time purchasers. In so doing, it is considered that a number of other benefits would arise. Firstly, as discussed earlier in Chapter 2 (See Section 2.4.1) new houses completions represent only a small increment of the total housing stock. Consequently, additional turnover in the second hand market would have the potential to open a much wider range of supply of housing to first time buyers than is available in the new house market. Relatedly, there would be more scope to find more affordable properties. In effect the new house market involves a threshold of close to £100,000 on average, at least in the Dublin area. Widening access to the second hand housing stock would lower this price threshold thus allowing affordability strains to be reduced. Admittedly, there would probably be some reduction in quality entailed. However, for young people with energy and imagination new possibilities of home ownership could be opened in residential areas characterised by age imbalance or lacking in a sense of vibrant community identity. The possibility would be opened for value

added investments to be undertaken over time and in a way that would be more affordable. These possibilities are desirable also for the renewal of the housing stock, that would follow from them.

29. Consideration has been given to extending the first time buyers grant to refurbished buildings which are redeveloped for residential purposes. However, this option has been concluded against. It is considered that there could be little confidence that the benefit of widening the scope of the grant to refurbishment would be captured by the home owner. Of course, such dwellings will benefit from the reductions in stamp duty which are proposed above.

30. Another fiscal change is suggested here, in support of conclusions drawn with respect to the need to bring about a faster release of development land. This relates to Capital Gains Tax (CGT) on development land. Currently, this rate stands at 40 per cent.

31. *It is considered that with respect to serviced land zoned residential brought into residential development in the next four years a rebate of 50 per cent should be available. The total cost of this adjustment over the period to which it would apply is estimated to be about £26 million, allowing that there would be some increase in disposals as a result of the change. This rebate could be financed thereafter, through a surcharge of 50 per cent on CGT on development land.*

32. Apart from fiscal measures, of the kind described above it is considered that other initiatives could achieve better balance between supply and demand in the short term. *At an administrative level An Bord Pleanála should be assured of sufficient resources to meet the statutory objective of deciding an appeal in four months. Similarly, at local authority level there should be adequate resources to ensure that statutory time periods for assessing planning applications are adhered to and that delay is avoided.* However, having carefully considered the planning process it is not considered that, apart from reducing the response time for consideration of additional information, scope exists to achieve significant time savings, without increasing risks of compromising the quality of planning decision taking.

33. In Chapter 4, (See Section 4.3) reference is made to some practices by a number of home builders which were having a distorting influence on supply or at the very least are not in consumers' best interests, for example demanding stage payments which are greater than provided for under the home bond warranty. *It is considered that the professional representative body of home builders, could play a positive role and it may be the most effective channel for limiting these practices. For example, it is considered that a written*

recommended code of best practice in respect of the practices mentioned and indeed other practices would be a beneficial step. In addition, consideration should be given to applicable sanctions for breaches.

34. In the course of the study, consideration was given to the question of administrative price controls of new houses. In principle, and supported by earlier experience, it was concluded that this approach would be inappropriate and ineffective. Furthermore, it is considered that such artificial interventions would result in distortions of the market, to the detriment of housebuyers.

35. If it was found that such a code of practice could not be determined or implemented effectively on a voluntary basis by the professional representative body of home builders then consideration should be given to widening the statutory powers of the Office of the Director Consumer Affairs to address them. In this latter regard, provisions along the lines contained in Section 149 of the Consumer Credit Act, dealing with obligations on credit institutions to notify the Director of all customer charges, represent an appropriate model on which to develop such additional powers.

36. With a view to improving the relative position of those on low incomes, who seek to own a house, it is considered that two further measures would be of benefit. The first relates to the Shared Ownership scheme operated by local authorities. Under the scheme ownership is shared between the purchaser (at least 40 per cent) and the local authority, with the purchaser using a mortgage from the local authority to acquire his/her equity and renting the balance of equity owned by the local authority.

37. Currently, the effective income limit for eligibility stands at £15,000 (for a single income household) and around £20,000 (for a two income household). Having regard to changes in relative incomes and in house prices since the scheme was introduced originally in 1991, these limits should be raised to say, £20,000 for a single income household with an appropriate increase in the case of a two income household. Furthermore, the term structure of loans used to finance shared ownership should be reviewed, with a view to being able to offer the rental element on more advantageous terms than the present 5 per cent. Finally, interested financial institutions should be encouraged to develop a mortgage finance instrument based on the local authority shared ownership system.

38. Similarly, it is considered that mortgage lenders, in the context of low interest rates should consider offering mortgages with longer repayment structures, up to 35 years and with a fixed interest option for the first five to ten years, to borrowers with

lower incomes. It is to be stressed that the principal purpose here should be to spread repayments over a longer period of time, rather than to facilitate a greater amount of debt to be undertaken by borrowers with lower incomes.

Improving Potential Supply of Housing

39. Unanticipated rates of take-up of development land are eroding the land bank in Dublin faster than anticipated. However, on the basis of existing lands zoned and serviced for residential purposes in the Dublin region, and current densities it is considered that prospective demand for the next 3-5 years can be met. Increased densities would improve this outlook. In addition, there is an urgent need to ensure that those lands already zoned and to be zoned are adequately serviced by infrastructure. (See below).

40. Irish residential densities are low by comparison with those on the European mainland. Most urban expansion of the past twenty years has been in the form of back to back detached or semi-detached dwellings with car parking spaces in front which, when combined with local open space, gives densities ranging from 6 - 10 house per acre or in an exceptional case, 13 to the acre. This form of development, especially when based on repetitive house types and strict adherence to control standards such as distance between houses and car parking provision, is relatively easy to lay out on free open sites.

41. There would appear to be potential for increasing densities in the Dublin area by the application in Dun Laoghaire/Rathdown and Fingal of the 13 per acre rate which is being applied by South Dublin in respect of the additional lands which it is bringing in on foot of its Draft Plan. The yields at the present density assumptions are shown in Chapter 5, (See Table 5.3) and result in about 79,314 units. Applying 13 units per acre as a minimum in each Authority would yield upwards of 91,225 units i.e. almost 12,000 additional units (See Table 5.4). This presumes that the infrastructure to support this increase is available.

42. Densities in excess of 13 units to the acre require either different dwelling types (apartments, duplex, single frontage dwellings etc.) or a mixture of both and may be based on shared access or parking. Higher densities such as those proposed for the Docklands area (350 bed spaces per acre, say 70-80 houses per acre) require very high standards of architectural skill. In moving towards increased densities, it must be recognised that design standards higher than those required heretofore will be essential. Some Planning Authorities, Cork County Council, for example, indicate in their Development Plans that the architectural expertise desirable in a design for residential development of a significant scale is a material consideration in

their assessment of a proposal.

43. Quite frequently, greater densities are associated in the public mind with high rise buildings and are often resisted, particularly when they are proposed in established areas. However, greater densities result in a more efficient utilisation of existing infrastructure, provide a more economic operating framework for public transport, reduce energy needs and carbon monoxide emissions and provide the necessary market demand to sustain acceptable levels of shopping and services. In recent times low rise, high density schemes, particularly in the central city areas with densities ranging between 294 bed spaces per acre to 438 bed spaces per acre in apartment blocks have been constructed and achieved acceptance.

44. While public resistance to greater densities is recognised it is believed that this can be addressed, to a significant degree, through promotion of increased awareness of the quality of development which can be achieved through improved planning, design and layout. It is important also that greater densities should be accompanied by the provision or upgrading of appropriate ancillary facilities such as schools and amenities. It should be recognised also that the traditional preference for semi-detached suburban estate living is being offset to a degree by a preference on the part of an increasing proportion of buyers for the social and economic convenience associated with city locations. This accords with the increased premium being placed on 'within Dublin' locations and the costs of commuting, already noted, as well as the trend towards reduced household size and lower age of household formation.

45. Greater densities within Dublin would contribute to the promotion of sustainability. It is noted that the Department of the Environment's Publication "*Sustainable Development - A Strategy for Ireland*", Section 15 dealing with the 'Built Environment' states that:-

"The Department of the Environment will take an initiative to promote higher residential densities, particularly in re-developing 'brown field' sites and in proximity to town centres, public transport nodes and access points in consultation with Local Authorities, the architectural, planning and auctioneering professions and the house building industry".

46. *In this respect, the Minister for the Environment and Local Government should utilise powers under Section 7 of the Planning and Development Act 1982 which enable him to issue general Directives as to policy in relation to planning and development as he considers necessary to direct planning authorities to adopt a more pro-active approach towards increased density developments which, because of their location,*

would contribute to the principles of sustainability. Such an assurance might give more confidence to builders and designers and be of assistance to An Bord Pleanála in their consideration of appeals.

47. It is concluded that no maximum limit should be set to residential densities but the criteria by which proposals will be considered (height, private open space, car parking, design quality, impact on existing dwellings, dwelling mix) should be clearly enunciated by Planning Authorities in their Development or Action Plans or at the Development Control level.

Consideration might be given to omitting references in Plans to the need to adhere to established adjoining densities, except in the case of very small scale infill schemes. In particular, on isolated brown field sites or on identifiable sites in proximity to town centres or public transport nodes and access points, a policy of requiring minimum densities might be applied.

Presumably the Strategic Planning Guidelines for the Dublin and Mid-East Regions will make more detailed and positive recommendations in this respect but pending the adoption of such guidelines or the review of the relevant Development Plans, a more flexible attitude towards permitting increased residential densities should immediately be adopted by local authorities and An Bord Pleanála.

48. The bringing forward of lands over and above those already zoned for development or those proposed to be zoned in the Draft Plans presently undergoing their adoption process should await the conclusions of the Study currently under preparation to draw up Strategic Planning Guidelines for the Dublin and Mid East Regions. In advance of completion of the guidelines, if it is necessary to vary or materially contravene a Development Plan, such proposals to do so should be guided strictly by the principles enunciated in "Sustainable Development - A Strategy for Ireland".

49. Where it can be demonstrated clearly that lands currently zoned for uses other than residential are either inappropriate or surplus to their existing zoned use, preference should be given to their development for residential purposes. Some lands in the Docklands area have been rezoned in this way. No surplus industrial lands were identified in the Draft Dun

Laoghaire/Rathdown Plan whilst the Position Papers prepared for the preparation of the South Dublin Plan concluded that a major portion of the existing 600 hectares not yet developed would have very little prospect of development in the foreseeable future and that residential could be an appropriate alternative use.

50. The development potential of settlements with existing or proposed high quality public transport links should be prioritised in the interests of sustainability. *The improvement of public*

transport links to other settlements in the Mid East region, which have substantial residential land banks should be undertaken

Infrastructure Developments

51. *A number of key constraints on the realisation of housing supply in Dublin, in terms of water/sewerage and road infrastructure, have been identified. It is considered that, if the potential of housing land is to be realised effectively there will have to be a considerable investment undertaken in the improvement and development of infrastructure. At issue here is both physical infrastructure - like roads, sewerage and water facilities and social infrastructure - such as schools, public transport and amenities.*

52. State & EU investment in water and sewerage services has increased significantly since the start of the current National Development Plan, from £110.7 million in 1994 to £184.63 million this year, an increase of 67 per cent. Almost three quarters of the funding for these services over the period of the Plan is being provided by the EU from Cohesion & Structural Funds.

53. EU funding for water and sewerage services is directed primarily at providing improved waste water treatment and collection, as required under the Urban Waste Water treatment Directive and improving the quality of drinking water supplies to meet EU drinking water standards. While the provision of these services is enabling statutory, environmental and public health objectives to be met, a lack of flexibility in the use of EU funds and the limited exchequer funds that have been available has meant that there has been no specific targeting of funds at providing services to open up land for residential development. Any land which has been made available over the last few years can be considered as a beneficial spin-off from investment in water and sewerage services, rather than as a result of a specific objective of the investment.

54. The introduction of the Serviced Land Initiative announced in 1997 was an important step in financing the opening up of land for residential purposes. £15m of Exchequer money was set aside for the period 1998-2000. In combination with resources from the local authorities (funded through development levies) this will lead to £37.5m being spent in this period. This is in addition to funding of schemes which would occur in the normal programme for the provision of water and waste water schemes.

55. In response to the announcement of the Initiative local authorities were asked for proposals. 46 local authorities responded with 146 schemes. Some of the schemes will not qualify. At this stage, even taking account of the schemes that would not qualify, there appears to be a need to provide extra funding through the Initiative.

56. *Therefore, it is proposed that the applications for funding should be reviewed and funding increased to allow a larger number of projects to proceed. Priority should be given to the Dublin region in particular. For larger schemes the PPP route (See below) should be considered.*

57. In some limited cases the main constraint would appear to be the provision of road infrastructure which, up to this, has not been recognised as a specific objective. *Where action needs to be taken and cannot be funded within the current non-national roads programme additional resources should be made available to local authorities on a similar basis to the existing Serviced Land Initiative.*

58. The consultants concur with the recommendation contained in the submission of the Irish Home Builders Association that "the Government should proceed immediately with public-private partnership (PPP) initiatives for the provision of infrastructure and other services in the residential development sector. The PPP route, which reduces the financial burden on the Exchequer, seems the obvious mechanism to employ to ensure that zoned lands waiting in the pipeline to be serviced are immediately brought on stream"

59. To some extent this concept underlies the development levies approach, in which water and sewerage schemes, providing services for development are funded at a rate of between 25-40 per cent by the Exchequer, with the balance being provided by local authorities and primarily funded through development levies. However, further development and innovation are considered possible, with a wider participation of the private sector beyond simply finance provision and to include risk sharing and management in project design, management, execution and financing. In this context the consultants believe that particular regard should be had to the model of *City West* and experience and lessons of both public and private sector parties that can be taken from it. In this development project considerable investment was made in infrastructure development based on private funding as part of the development of this commercial property estate. It is considered that the particular combination of financial and development skills (or similar combinations) used in this endeavour and the worthwhile experience of partnership (or collaboration at the least), with public authorities should be applied to the servicing of lands for residential development. PPP initiatives can work effectively, if there is risk sharing. Planning authorities have the potential of making a contribution to risk sharing, through the production (and if necessary, adoption) of detailed local action plans, which indicate clearly relevant objectives and yields and by dealing speedily with applications

which conform to these. Experience demonstrates that private sector funds can be harnessed to finance such projects and the skills to carry out large scale development projects are available. It is recognised that PPP will not be suitable for all projects, but it has the potential to play an important role.

60. *However, a political initiative and commitment is required and would need to be applied in a sustained fashion to bring this combination together successfully.*

Improving Planning & Information

61. Though both the Dublin and Mid Eastern Regional Authorities have prepared reports on the development of their areas and each of the four Dublin Authorities is required to have regard to the contents of the Regional Report when carrying out its functions, there is at present no strategic Land Use Planning Policy in place for the Dublin Region. The present adopted or Draft Development Plans are based largely on the broad Land Use visions set out in the Dublin Advisory Plan and Regional Report prepared by Professor Myles Wright in 1967 and which looked to a horizon year of 1985. This Plan has not been superseded or replaced by a more up-to-date agreed Development Strategy. The Eastern Regional Development Organisation (ERDO) prepared a Settlement Strategy for the Eastern Region in 1985 and revised it in 1988. However their recommended Settlement Strategy was never formally adopted by the Local Authorities or accepted by Government. In the absence of such an overall strategy, there is at present no useful context for guiding future populations to appropriate locations within the Region on a sustainable basis or for the best utilisation of scarce resources.

62. Whilst each individual County Development Plan, at present, suggests a strategy for the distribution of population, response to such strategic guidelines at local level has at times been met by resistance, with calls for extensive re-zonings in some areas and opposition to further extensions elsewhere.

63. In May 1997, the Government decided that Strategic Planning Guidelines should be prepared for the Greater Dublin Area and Consultants have been appointed to prepare Land Use Guidelines to indicate the preferred area for development by general location, type and scale of such use. The Guidelines will address the amount of population/households to be accommodated in the Greater Dublin Area and in particular will indicate the preferred distribution of that future population as well as general locations for commercial and industrial development.

64. This will enable a framework for investment in infrastructure to be put in place which will guide the location of development in order to optimise the use of existing or prospective resources. It

is anticipated that the Consultants will report by mid-1999. The Strategic Guidelines will provide an overall strategic context within which the Development Plan Reviews of the constituent Planning Authorities would be undertaken. This may require a review of the Development Plans for the four Authorities earlier than the ordinary five years review period in order to harmonise their policies and objectives with those of the Guidelines.

65. A review of all Development Plans in the region, based on Strategic Planning Guidelines, which will identify the scale and location of future development, based on the principles of sustainability should be undertaken and adopted soon after completion of the guidelines.

66. The Strategic Planning Guidelines should be used as an input to National Plans and major initiatives concerned with future economic and social development. In particular, it could be used when considering and formulating policies aimed at achieving a balanced geographical distribution of economic development nationally and as between regions and major urban centres.

67. For good planning and policy formulation, it is essential that sound information and relevant data are available. It is considered that improvements should be made under a number of headings in this regard.

68. A comprehensive land use analysis relating to the Dublin and Mid-East Region should be undertaken under the direction of the Minister for the Environment and Local Government and subsequently updated at regular intervals. Considerable efforts were needed to prepare the estimates contained in this Report in relation to the potential housing supply. It is considered that such information and other data in relation to land use in the Region should be collected, analysed and disseminated in a user friendly form and at regular intervals so that developers, planners, analysts, policy makers and any other interested parties have more easy access to such basic information.

69. Information in relation to planning applications (the number of them, the purpose for which they are being sought (e.g. residential construction by type of housing unit), refurbishments, commercial and industrial use and their location should be available in published form at regular intervals.

70. An analysis of such information, if it was available, say quarterly, would provide a very useful, if basic indicator of the pace of activity that is planned in a particular area and whether or not it is changing, either in terms of accelerating or slowing down or whether shifts are occurring in the type of building for which planning permission is being sought.

71. The present system of collecting house price data relies on financial institutions loan approval data, supplemented by

information voluntarily provided by borrowers who complete the Mortgage Loan Survey carried out through financial institutions on behalf of the Department of the Environment and Local Government. However, it is considered that there is a great deal of variation in practices in relation to the latter and it is extremely difficult to judge the representativeness of results obtained.

72. It is considered that better information could be obtained in relation to house prices and the characteristics of households buying houses by extending the information requirements of the form F 17 which is required to be completed by the Land Registry in relation to all Land Registry transactions, to include, for example, price and house characteristics manner of financing, income of purchaser, previous household history. This would have the advantage of covering all transactions, whether requiring loan approval or not and it would overcome the arbitrary aspects of the voluntary survey. The only transactions which would not be covered would be registry of deeds, which, it is understood, represent a very small minority of cases.

73. Finally, in relation to information on mortgages collected by the Central Bank, it is considered that additional data should be compiled to assist with the further understanding of the dynamics of the housing market. For example data should be collected that would distinguish mortgage advances made to first time buyers, lending to carry out improvements rather than facilitate transfer of dwellings and lending to non-owner occupiers.