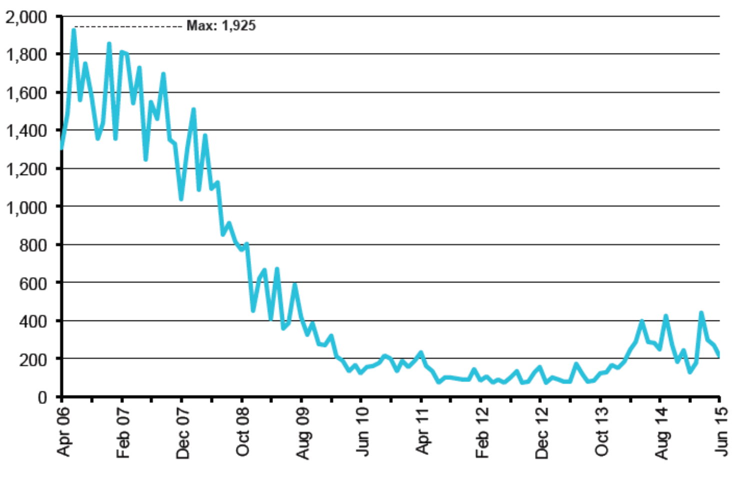
Section 48 - Draft Development Contribution Scheme
Submission by the Dublin Chamber of Commerce
27 October 2015

This submission has been prepared by the Dublin Chamber of Commerce in response to the publication of Section 48 – Draft Development Contribution Scheme. The Chamber, which represents over 1,300 companies ranging from SMEs to multinational corporations and spanning all sectors, welcomes the opportunity to share the thoughts of the Dublin business community.

The backdrop to the Draft Contribution Scheme is that the supply of housing has reached crisis levels in Dublin, while the supply of office space and hotel rooms is already impacting on the competitiveness of the city.

More than half of Dublin businesses have grown their staff numbers over the past 12 months. The affordability and availability of housing is essential for attracting and retaining staff, and continued rent increases driven by a lack of supply threaten Dublin's competitiveness and the ability of it's resident businesses to create new jobs. Of course, there are also social issues arising due to a lack of supply. Estimates vary as to demand depending on factors such as headship rate, obsolescence, demography growth, and the existing under-supply issue. The ESRI has forecast that 54,000 new homes will be needed in Dublin by 2021.

DUBLIN HOUSE COMPLETIONS (SA)

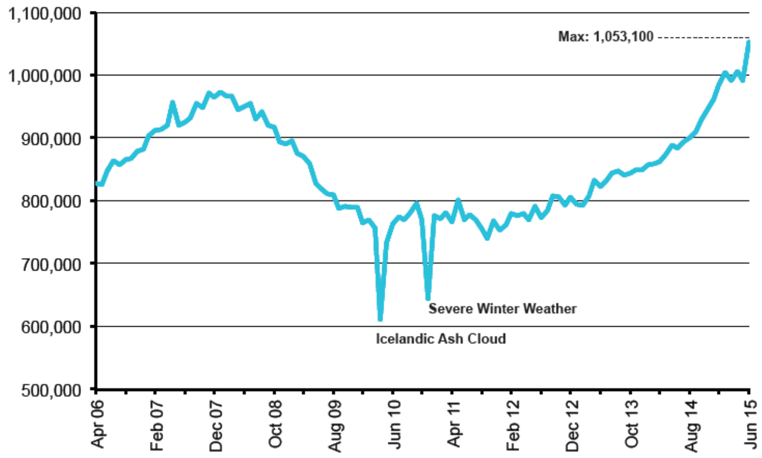


SOURCE: DECLG. SEASONALLY ADJUSTED BY DKM.

In a recent report, David Duffy of the ESRI commented: "FDI requirements for office space are usually small scale but expansion into larger office space can occur in a relatively short time period. As a consequence of the crash there was no office space construction in Dublin between 2011 and 2013, which has caused a reduction in the choice of available properties." In the Docklands area for example, by the end of 2015 the price per square foot will rise above €55, representing an increase of 22% year-on-year.

Lastly, in terms of hotel rooms, strong growth in the number of tourists coming to Dublin (as illustrated below by Dublin Airport data) means that there is now a lack of capacity in the city's hotels. This is concerning given the future growth prospects in the tourism sector and also given the attractiveness of Dublin as a place to host major conferences.

DUBLIN AIRPORT ARRIVALS '000s (SA)



SOURCE: CSO, SEASONALLY ADJUSTED BY DKM.

At existing rates, development levies act as a deterrent to the construction of, in particular, new housing units and the completion of unfinished stock. The Chamber accepts that levies are required to connect new buildings to the local infrastructure so as not to burden existing commercial rate and property tax payers. Therefore, to balance these competing pressures it must be a core principle in determining the development contribution rate that charges reflect as closely as possible the cost of the specific services provided.

Building projects will not move forward while construction is not financially viable. The best way to address the space problems outlined above, in a way that does not unnaturally distort the market, is to reduce the barriers to investment generally. Ultimately, the cost of development levies are not borne by the developers but by the end purchasers of homes and offices.

It is important that slight changes to the development contribution scheme are considered which will help to stimulate activity in the construction sector. This is important to meet the demand being seen by current levels of economic growth, and also the growth that is anticipated in the future.

Dublin Chamber's recommendations in relation to the Draft Development Contribution Scheme are as follows:

- It is important that the draft development contribution scheme recognises the existence of the property tax and commercial rates regimes. Development levies should only seek to cover the cost above the net present value of the new home or building through these future cash flows.
- Construction companies express concern that the cost of a new development often exceeds the market value of the finished property. Upfront costs, such as the development contribution, create a particularly difficult barrier in tight financing situations.
- Dublin Chamber recommends that reports are published on an annual basis, which provide a breakdown of the current and completed infrastructure projects which have been funded by development contributions.

It is worth noting that Ireland is ranked 166th by the World Bank in terms of the government administrative cost associated with developing homes and buildings. These costs represent 9.5% of the total building value, whereas in the UK the figure is 1.2%.

There is no one policy lever that Dublin Chamber believes will address the housing and space crisis in Dublin. The Chamber is committed to working with the Council and Councillors to see that this issue is addressed as quickly as possible. However, the development contribution is a factor that does compound the housing and space crisis when too high.