Corporate Finance

Report to Dublin City Council

Review and preparation of

draft Development Contribution Scheme

9 September 2009

Strictly private and confidential

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9 September 2009

Dear Sirs

Review and Preparation of Draft Development Contribution Scheme

We enclose our report to Dublin City Council ("the Report") prepared in connection with the review and preparation of a draft Development Contribution Scheme in accordance with the terms of the contract dated 24 November 2008 (the "Contract").

The Report is confidential to the Addressees (as defined in the Contract) and should not be released to any other party without our express permission. Notwithstanding receipt of this permission, no party is entitled to rely on the Report for any purpose and we accept no responsibility or liability to any party whatsoever, in respect of the Report.

We draw your attention to the section titled "Scope and Basis of Review" included in the Report in which we refer to the scope of our work, sources of information and the limitations of the work undertaken.

Yours faithfully

Deloitte & Touche

1. Executive Summary

1.1 Introduction

In September 2008, Deloitte with its subcontractors McGill Planning and CBRE were appointed by Dublin City Council on behalf of the four Dublin Local Authorities to review the Current Development Contribution Schemes and prepare draft Development Contribution Schemes for each of the four Dublin Local Authorities for the period from 2010 to 2017 in line with current relevant legislation and guidance. This report has been prepared in response to the requirement of the Request for Tender for management/financial and town planning consultants to prepare draft Development Contribution Schemes for each of the four Dublin Local Authorities.

The Local Government (Planning & Development) Act, 1963 enabled a planning authority to grant planning permission subject to conditions requiring payment of a contribution towards expenditure incurred or proposed to be incurred by it in respect of works to facilitate the proposed development.

The Planning and Development Act, 2000 ('the Act') was introduced in August 2000 and replaced the 1963 Act. This new legislation provided for a new system for levying development contributions in order to increase its flexibility and the range of infrastructure that can be funded by this mechanism. Since its introduction, these contributions have helped to fund a range of roads, water and drainage, parks, and community projects.

In addition to legislation, the following reports and Guidance Notes were taken into account in developing our methodology for this assignment:

– Department of the Environment, Heritage and Local Government Circular (June 2003) PD 4/2003
– Report of the Inter Departmental Committee on Development Contributions (April 2007)
– Department of the Environment, Heritage and Local Government Circular (May 2007) PD 5/2007

Our work included a review of the operation of the current Section 48 and Section 49 contribution Schemes and preparing a draft new scheme for each Council.

The specific Terms of Reference are set out in Section 2. The detailed methodology of our approach is set out in Section 3.

1.2 Review of Current Scheme (2004 – 2009)

The Act required planning authorities to introduce a contribution scheme under Section 48 by 10 March 2004. The current scheme operated by Dublin City Council was introduced and adopted in 2004 and applied to planning permissions granted from 1 January 2004. The Current Scheme coincided with buoyant activity in the construction and property development sectors and is projected to facilitate the collection of €192m in development contributions in the period from January 2004 to December 2009. This along with other sources of funding facilitated c.€659m to be spent on capital projects by the Council during the same period.

Our review of the Current Scheme involved a review of:

– Section 48 contributions collected;
– Section 48 contributions outstanding;
– Gross capital expenditure and Section 48 contributions spent on each class of infrastructure;
– Operational aspects of the Current Scheme.

While overall, our review indicated that the Current Scheme has been administered well over the period, our review of the operational aspects of the Current Scheme indicated a need for some amendments which we suggest should be addressed with the introduction of any New Scheme:

– Standard payment terms and conditions to be stated on all invoices issued in respect of development contributions
– Indexation to be applied to contributions rates in accordance with the Wholesale Price Index (Building and Construction Materials).
– Late payment charges are applied to all outstanding balances in a similar manner to those charged in accordance with the Prompt Payment of Accounts Act, 1997.
– Contributions to be charged on a square metre basis for both residential and non-residential development.

1. Executive Summary

Table 1.1 DCC: Summary of Calculation of Contribution Rates

			€m
Gross cost of projects			x
Less: Existing user benefit			(x)
Sub-total			x
Less: Projected opening cash at 1 Jan 2010			(x)
Less: Projected Section 48 Contributions Receivable at 1 Jan 2010			(x)
			x
Add: Funding cost for cash timing differences			x
Net costs for inclusion in scheme			**x**
	Residential	**Non-Residential**	**Total**
Allocation of net costs for inclusion in Scheme by user	**x**	**x**	**x**
Projected development (sqm)	**y**	**y**	**y**
Calculated contribution rate per user (per sqm)	**x / y**	**x / y**	**x / y**
Development Contribution Rates (per sqm), as dictated by market conditions	**z**	**z**	**z**
Amount for collection under New Scheme	**y * z**	**y * z**	**y * z**

1.3 New Scheme (2010 – 2017)

The Act sets out the classes of projects for which costs can be included in the Scheme. Within Dublin City Council, these fall under the following class headings

- Roads infrastructure and facilities;
- Water and drainage infrastructure and facilities;
- Community facilities and amenities;
- Parks and open space facilities;
- Urban regeneration facilities and amenities.

Each relevant division supplied cost details for all projects which are expected to proceed during the period of the proposed Development Contribution Scheme ("New Scheme"). These costs were utilised to consider the level of funding which would be required from the New Scheme as well as the total which could be collected against these projects under the terms of the Act. In the case of each project, gross costs were reduced to reflect the existing user benefit discount, as provided for in the Act. In arriving at the potential eligible costs for inclusion in the New Scheme, further adjustments were made to reflect the opening cash position, outstanding invoices from the Current Scheme and funding costs.

The eligible costs for inclusion in the Scheme were then allocated to residential and non-residential users. In calculating contribution rates for both residential and non-residential development, the Council advised us on the appropriate allocation of costs where users are classified as both residential and non-residential users.

The eligible costs for inclusion in the Scheme determined the maximum level of total contributions which could be collected. Given current market conditions, the Council further considered the level of contribution which might be sustained within the market place relative to the overall funding needs. It should be noted that a higher contribution rate could be justified under the provisions of the Act.

The calculation of the contribution per unit/square meter is based on the formula set out in Table 1.1 across.

1. Executive Summary

Table 1.1 DCC: Summary of Calculation of Contribution Rates

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Gross cost of projects			x
Less: Existing user benefit			(x)
Sub-total			x
Less: Projected opening cash at 1 Jan 2010			(x)
Less: Projected Section 48 Contributions Receivable at 1 Jan 2010			(x)
			x
Add: Funding cost for cash timing differences			x
Net costs for inclusion in scheme			**x**
	Residential	**Non-Residential**	**Total**
Allocation of net costs for inclusion in Scheme by user	**x**	**x**	**x**
Projected development (sqm)	**y**	**y**	**y**
Calculated contribution rate per user (per sqm)	**x / y**	**x / y**	**x / y**
Development Contribution Rates (per sqm), as dictated by market conditions	**z**	**z**	**z**
Amount for collection under New Scheme	**y * z**	**y * z**	**y * z**

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1. Executive Summary

Table 1.2 DCC: Eligible Costs for Inclusion in New Scheme

	Gross Cost €m	Existing User Benefit €m	S48 Receive-able* €m	Cash at 1 Jan 2010 €m	Finance Costs €m	Eligible Costs €m
Roads	135.0	(27.0)	(27.9)	7.5	8.1	95.7
Water and Drainage	427.8	(213.9)	(71.3)	8.6	2.3	153.5
Parks	29.7	(15.4)	(4.5)	(1.9)	2.1	10.0
Community	68.9	(29.4)	(8.3)	2.4	5.2	38.8
Urban regeneration	66.7	(28.1)	(12.3)	(8.7)	4.3	21.9
Total	**728.1**	**(313.8)**	**(124.3)**	**7.9**	**22.0**	**319.9**

* Section 48 contributions receivable at 1 January 2010 relating to permissions granted from Current Scheme

Table 1.3 DCC: Projected Demand

	Residential (units)	Non-Residential (sqm)
Development capacity of zoned lands	67,000 - 71,000	3,406,000 - 3,545,000
Overall projected development in DCC 2010 -2017	23,000 - 24,000	
Projected development in DCC from New Scheme (i.e. not including commenced or existing stock)	10,000 - 10,400	350,000 - 360,000
Projected demand utilised within New Scheme	10,200	356,000
Converted to sqm using an average unit size of 85 sqm	867,000	
Projected demand utilised within New Scheme inclusive of domestic extensions over 40 sqm	938,000	

1.4 Eligible Costs for Inclusion in New Scheme

Table 1.2 across sets out the gross projects cost by category and the various adjustments made to calculate the amount for inclusion in the draft Scheme. These adjustments are discussed in further detail in Section 6.

It should be noted that the calculation in Table 1.2 sets out the total amount which the Council could collect under the Scheme of c.€320m. As can be seen in Table 1.4, this amount is considered to be unachievable under current market conditions and would require economically unsustainable contribution rates. Based on the projected level of development over the period of the New Scheme and the planned rates, it is projected that c.€192m would be collected under the terms of the New Scheme.

1.5 Development Potential

During the study, the overall quantum of available zoned lands and an estimation of the potential development capacity of these lands was considered. Projected development levels were estimated with reference to:

– Potential Development;
– Commercial/market conditions.

It is expected that the level of development activity in the City will contract over the initial years of the new scheme until current supply is absorbed and the stock already in progress from the current scheme is completed.

Table 1.3 sets out the levels of potential development capacity based on current zoned land within the Council area and the projected demand for different types of development up to 2017. It should be noted that the projected demand figures have been used in calculating the projected revenue from the New Scheme based on the proposed contribution levels per square metre.

1. Executive Summary

Table 1.4: DCC Contribution Rates

	Proposed New Scheme €/sqm	Existing Scheme €/sqm	Average of Other 3 Dublin Councils* €/sqm	Required to Fund Projects €/sqm
Residential	157	157	134	185
Non-Residential	127	127	108	412

**Assuming an average unit size of 100 sqm for SDCC and DLRCC, and 85 sqm for DCC*

Table 1.5 DCC: Funding Gap

	Total €m
Gross costs of projects	728.1
Contributions to be realised	(192.1)
Alternative sources of funding	(427.0)
Opening cash at 1 January 2010 (overdrawn)	7.9
Debtor receipts from Current Scheme	(124.3)
Funding costs	22.0
Funding gap (having taken account of alternate funding, debtor receipts from Current Scheme and opening cash)	**14.6**

1.6 New Contribution Rates

In determining how the contribution rates should be charged, the Council decided that for the purposes of the New Scheme, all rates will be based on a per metre squared basis.

When considering the level to set for the contributions per square metre for the proposed New Scheme, the Council considered a number of factors including:

- The level of existing contribution rates;
- The level of existing contribution rates in the other three Dublin Local Authorities;
- The level of contribution required such that the total amount (c.€320m) which could be collected under the New Scheme could be collected based on the projected development levels;
- Market conditions.

Based on this analysis, it was decided to set the contribution rates for the New Scheme at current levels.

Based on these contribution rates, income of c.€192m is projected to be generated over the lifetime of the New Scheme inclusive of income derived from residential extensions.

Table 1..5 sets out all the costs and funding relative to the projects used in developing the New Scheme. It can be clearly seen that the New Scheme provides only partial funding to the overall project costs with the balance of the funding being received from EU, Government and other sources. Each of these elements is vital to the overall funding of the proposed projects. It can be seen that even if all amounts are collected, a funding gap remains for the Council . The Council has stated that it is willing to proceed on the basis of the rates within the New Scheme as proposed and seek to fund the remaining funding gap from alternative sources as required.

1. Executive Summary

1.7 Key Findings

Based on our review of the Current Scheme and analysis for the New Scheme, together with detailed discussions with the Council, the following key changes were recommended for implementation in the New Scheme:

– The period of the New Scheme is extended to cover an eight year period from 2010 to 2017 inclusive. In light of current economic conditions, it is acknowledged by all involved that this period includes significant levels of uncertainty across all elements of the workings underpinning the New Scheme particularly relating to projected development levels. The extended period should help to give the Council a longer period to collect the required funds for the infrastructure spend planned and also facilitate better integration with the new Development Plan for the County.

– Development contributions charged on a square metre rather than a per unit basis for residential developments. The average residential unit is expected to be 85 square metres;

– Indexation will be calculated in accordance with the Wholesale Price Index (Building and Construction Material). The projects have been included in the Scheme based on current day costs. Provision should be made for an inflation adjustment to be made to the Contribution Rate on an annual basis. At present, the Council increases contribution rates in line with the Tender Price Index. Given the type of projects involved and to ensure consistency across the four Dublin Local Authorities, we recommend the Wholesale Price Index (Building and Construction Materials) is a more appropriate index to use.

– Standard payment terms and conditions to be stated on all invoices issued in respect of development contributions and late payment charges are applied to all outstanding balances in a similar manner to those charged in accordance with the Prompt Payment of Accounts Act, 1997.

2. Scope and Bases of Review

2.1 Introduction

Deloitte with its sub contractors McGill Planning and CBRE was appointed by Dublin City Council on behalf of the four Dublin Local Authorities in September 2008 to review and prepare a draft Development Contribution Scheme for each of the four Dublin Local Authorities (South Dublin County Council, Dublin City Council, Dun Laoghaire-Rathdown County Council and Fingal County Council).

2.2 Terms of Reference

This report has been prepared in response to the requirements of the Request for Tender (RfT) for management/financial and town planning consultants to prepare draft Development Contribution Scheme for each of the four Dublin Local Authorities. Our requirements as set out in the RfT were as follows:

- Review the operation of the current Section 48 and 49 Development Contribution Schemes;
- Provide a sound, justifiable, logical, equitable and accountable basis for the determination of financial contributions under sections 48 and 49 of the Planning and Development Act, 2000 for the period 2009 – 2017 (or other period considered to be appropriate by the consultants) having regard to the existing methodology used for the current schemes;
- Provide detailed input and advice on the number and precise content of Contribution Schemes proposed for each of the four Local Authorities;
- Prepare draft Schemes for each Authority under both sections 48 and 49, relating to the various types of development contribution that are payable.

Following consultations with the Council, it was agreed that the requirement in the Brief for a New Scheme as required under Section 49 of the Act would not be implemented and that a review of that Scheme would be deferred until a later date**.** The remaining requirements have been addressed in the following sections of this report.

3. Overview of Methodology – Historic Review of Current Scheme

The table below provides an overview of the methodology used in conducting the review of the Current Scheme. Our methodology is further explained in the sections outlined.

Historic Review of Current Scheme	**Projects (Section 5)**	**Development (Section 7)**	**Section 48 Receipts & Allocations/Drawdowns (Section 5)**	**Operational Issues (Section 5)**
	• Analysis of project cost by category - e.g. Roads, Water & Drainage, etc	• Compilation of a database of planning applications granted in the period between January 2004 up to November 2008	• Cash received	• Invoicing procedures
	• Analysis by sources of funding	• Establishment of zoned land available for development	• Invoices outstanding	• Collection of contributions
		• Analysis of residential and non-residential completions	• Contributions spent/allocated to each division	• Payment terms and conditions
		• Review of Census of Population 2006 data		

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3. Overview of Methodology – Analysis to Support New Scheme

The table below provides an overview of the methodology used in determining the funding required from the New Scheme. Our methodology is further explained in the relevant sections of this report.

Analysis to Support New Scheme Development	**Funding Required**	**Project Costs (Section 6)**	**Source of Funding (Section 6)**	**Adjustments for Scheme (Section 6)**	**Output (Sections 6 & 9)**
		• Identification of new projects • Analyse projects by type – ensure each qualifies • Quantification of project costs • Include projects from previous schemes not completed • Timing of projects	• Identify any external sources of funding for each project • Have contributions been received in respect of projects to date • Include projected closing cash balance from current scheme	• Level of benefit attributable to existing development by project • Include funding costs	• Net cost of qualifying projects potentially for inclusion in new scheme • Benefit accrued to residential, non-residential or both

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3. Overview of Methodology – Analysis to Support New Scheme

The table below provides an overview of the methodology used in determining projected development levels over the period of the New Scheme. Our methodology is further explained in the relevant sections of this report.

Analysis to Support New Scheme Development	Development	Existing Zoned Lands (Section 7)	Analysis of Potential Development (Section 8)	Market Analysis (Section 8)	Output (Section 8)
		• Development potential – Greenfield/brownfield • Density levels projected • Current development plans	• Regard to CSO population projections • Estimated absorption rate of existing stock and stock in progress • Analysis of potential demand for further development by type • Identify potential locations • Consider infrastructure requirements to facilitate development	• Consider likely level of development versus potential development having regard to: - Economic environment - Development in progress - Timelines -	• Net development by location projected over life of new scheme analysed between residential and non-residential (commercial, industrial, retail)

3. Overview of Methodology – Draft New Scheme

The table below provides an overview of the methodology used in preparing the draft New Scheme under Section 48 of the Act. Our methodology is further explained in the relevant sections of this report.

Draft New Scheme	**Calculation of Contribution (Section 9.1)**	**Review of Calculation Output Factors (Section 9.1)**	**Planning Permission Wording (Section 9.5)**
	• Contribution Level = Qualifying Project Costs / Projected Development	• Cost relative to previous scheme • Consider ability of market to bear costs • Revise calculations based on review if required	• Review of wording on planning permissions

4. Legislation and Guidance

4.1 Introduction

The Local Government (Planning & Development) Act, 1963 enabled a planning authority to grant planning permission subject to conditions requiring payment of a contribution towards expenditure incurred or proposed to be incurred by it in respect of works to facilitate the proposed development.

The Planning and Development Act, 2000 ('the Act') was introduced in August 2000 and replaced the 1963 Act. This new legislation provided for a new system for charging development contributions in order to increase its flexibility and the range of infrastructure that can be funded by this mechanism.

In addition to the Act, a number of reports and Guidance Notes were taken into account in developing our methodology for this assignment: A summary of these is set out below.

4.2 Sections 48 and 49 of the Planning and Development Act, 2000

The Planning and Development Act, 2000 ('the Act') provides for the making of a Development Contribution Scheme whereby any planning authority may, when granting planning permission, include conditions requiring the payment of a development contribution. The contribution is in respect of "public infrastructure and facilities" that will benefit the proposed development and which are provided, or to be provided, the by the Council or on the Council's behalf.

The types of "public infrastructure and facilities" that can be funded by a scheme under Section 48 of the Act are:

a) The acquisition of land;
b) The provision of open spaces, recreational and community facilities and amenities and landscaping works;
c) The provision of roads, car parks, car parking places, sewers, waste water and water treatment facilities, drains and water mains;
d) The provision of bus corridors and lanes, bus inter-change facilities (including car parks for those facilities), infrastructure to facilitate public transport, cycle and pedestrian facilities, and traffic calming measures;
e) The refurbishment, upgrading, enlargement or replacement of roads, car parks, car parking places, sewers, waste water and water treatment facilities, drains or water mains and;
f) Any matters ancillary to paragraph (a) to (e) above

In relation to water and wastewater infrastructure, Planning Authorities shall exclude costs recovered from users in accordance with the Government Water Pricing Framework.

The Act provides for the following three types of development contributions that may be attached as conditions to a planning permission:

1. General development contributions under Section 48 of the Act operate in respect of public infrastructure and facilities provided by the Local Authority that benefits development in the area of the Council; (Section 48 Contributions)

2. Special development contributions under Section 48(2)(c) of the Act provide for a special development contribution where exceptional costs (not covered by the general contribution scheme) are incurred in respect of specific public infrastructure or facilities which benefit the proposed development; (Special 48 Contributions)

3. Supplementary development contributions under Section 49 of the Act are used to facilitate a particular public infrastructure service or project which is provided by a local authority or any other person on behalf of or pursuant to an agreement with a local authority, and which will directly benefit the development on which the levy is imposed. (Section 49 Contributions)

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4. Legislation and Guidance

Section 48 of the Act sets out that the scheme:

- Shall set out the basis for the determination of a contribution;
- Shall make provision for payment of different contributions in respect of different classes or descriptions of development;
- Shall indicate the contribution to be paid in respect of the different classes of public infrastructure and facilities which are to be provided having 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;
- May allow for the payment of a reduced or no contribution in certain circumstances, in accordance with the provision of the Scheme.

4.3 Department of the Environment, Heritage and Local Government Circular (June 2003) PD 4/2003

Section 48 and 49 of the Planning and Development Act came into operation on 11th March 2002. This circular was issued thereafter, to provide advice to local authorities on General Development Contribution Schemes, Special Development Contributions and Supplementary Development Contribution Schemes.

With respect to General Development Contribution Schemes the Circular sets out:-

- advice with regard to the implementation of a scheme and notes the necessity to consult with the Department of Environment, and any other relevant interest group whom the development contribution scheme may impact.

- the infrastructure and facilities which can be provided for under each scheme, and notes that planning authorities should have regard to suitable sources for their determination, such as relevant statutory plans.

- that the Development Contribution Scheme should clearly indicate the level of contributions which should be applied with respect to development in that functional area, and instances where a reduction in levies is considered applicable. The Circular notes that the contribution rates should not be excessively high, and that regard to the contribution levels in adjoining counties should be considered in the drafting of a scheme.

- that the period of the scheme should have regard to the period within which the provision of capital projects may be projected; which could also have regard to the lifetime of an associated development plan;

- the mechanism for appealing levies applied.

The Circular also provides advice with respect to the implementation and timeframe for special development contribution schemes (Section 48(2)), and supplementary development contribution schemes (Section 49).

4.4 Report of the Inter Departmental Committee on Development Contributions (April 2007)

This report was commissioned by the Department of the Environment, Heritage and Local Government and was carried out by a Government Inter Departmental Committee. The resulting document provides a review of the provisions of Section 48 and 49 of the Planning and Development Act 2000, as amended in 2002, and a summary of its main findings, including:

- The potential impact of excessive local charges on Ireland's competitiveness and the need to achieve a balance between achieving the necessary levels of funding and the need for local authority areas to continue to represent an attractive location for future investment;

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4. Legislation and Guidance

- The need for less variation between how each Local Authority condition and calculate development contributions (particularly with regard industrial/ commercial developments where significant inconsistencies have been recorded). In this regard the report suggests that there is need for greater transparency and reporting in terms of revenue collection;
- The need to avoid double charging;
- The need for more extensive consultation in order to achieve a more transparent, robust and equitable contribution scheme; and
- The need to ensure transparency in terms of the reporting of levies to the Department; in terms of demonstrating the link between charges levied and projects funded from such levies.

4.5 Department of the Environment, Heritage and Local Government Circular (May 2007) PD 5/2007

This Circular sets out revised guidance agreed further to the provisions of the Interdepartmental Report as detailed above. In this regard, the Circular provides supplementary guidance to that included in the Department's Circular letter PD 4/2003.

Specific issues addressed include:

Level of contributions- the need to achieve an appropriate balance between the necessary levels of funding without comprising the Local Authority's ability to attract investment.

Double Charging- Any development contributions already levied and paid should be deducted from the subsequent charge so as to reflect that this development has already made a contribution. In this regard, the circular recommends that all Local Authorities should ensure that the necessary monitoring and control procedures are in place to prevent double charging.

Need for Extensive Consultation- Local authorities should furnish all draft development contribution schemes to the relevant County Development Board (CBD) which includes representatives from all sectoral interests. A more extensive consultation process would also assist Local Authorities to address any operational difficulties when reviewing the contribution schemes.

Transparency - Developers should be able to identify the infrastructural gain to which their contribution has been put. In this regard, the Circular advocates the branding of key infrastructural projects in a manner similar to that applied to NRA/ NDP projects.

Waiving of Development Contributions -. Local authorities are encouraged to apply special exemptions as considered appropriate within each authority. Such exemptions should be set out within the Development Contribution Scheme.

Flexible funding arrangements for public infrastructure – The Circular advocates that flexible mechanisms should be used to support the provision of appropriate community, recreational facilities by community groups in terms of the financial contribution provided by the relevant County Council.

Review – The Circular advocates an evaluation / review of the existing Contribution Schemes prior to updating / drawing up new schemes, in terms of, *inter alia*, revenue collected / spent, projects completed.

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5. Historic Review of Current Development Contribution Scheme

Table 5.1 DCC: Current Contribution Rates

	Residential €/unit	Non-Residential €/sqm
Roads infrastructure and facilities	2,997	28.59
Water & Drainage infrastructure and facilities	7,632	72.81
Parks and open space facilities	478	4.56
Community amenities and facilities	893	8.52
Urban regeneration amenities and facilities	1,313	12.52
Total	13,313	127.0

Source: Dublin City Council

5.1 Overview of Section 48 Development Contribution Scheme 2004

The Development Contribution Scheme 2004 ("Current Scheme") was adopted by the by Dublin City Council in 2004 and was the first Scheme introduced by the Council under the Planning and Development Act, 2000 ("the Act"). The Current Scheme applies to conditions attaching to planning permissions granted from 1 January 2004. The Council is required to replace the Current Scheme from 1 January 2010.

Under the Current Scheme, the five classes of infrastructure and facilities which are provided, or are to be provided, by Dublin City Council are:

- Class 1: Roads infrastructure and facilities;
- Class 2: Water and drainage infrastructure and facilities;
- Class 3: Community facilities and amenities;
- Class 4: Parks and open space facilities
- Class 5: Urban regeneration facilities and amenities

Contribution rates are updated on 1 January each year in accordance with the Tender Price Index and are payable at the index-adjusted rates pertaining to the year in which a commencement notice is submitted by a developer. A commencement notice is a notification to the Council that a developer intends to carry out works in respect of the development for which planning permission is granted. The current rates of contribution payable in respect of planning applications granted from 1 January 2009 are shown in the table across.

Our review of the Current Scheme assessed the following:

- Section 48 contributions collected (section 5.3);
- Section 48 contributions balance (section 5.3);
- Section 48 contributions spent on each class of infrastructure and facilities compared to gross capital expenditure (section 5.4);
- Operational aspects of the Current Scheme (section 5.7).

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5. Historic Review of Current Development Contribution Scheme

5.2 Methodology

The objective of the historic review of the Current Scheme was to establish the level of section 48 contributions invoiced and collected, and how these were spent by each class of infrastructure. The historic review also examined operational aspects of the current scheme.

The following divisions in Dublin City Council supplied information covering each class of infrastructure:

- Roads division;
- Water and drainage division;
- Community division;
- Parks division;
- Urban regeneration division.

A template was designed by Deloitte and circulated to each division to ensure consistency in the information collected. A meeting was held with each division to provide guidance on completion of the template.

The template required the following information to be completed for each project that received funding from Section 48 contributions over the period of the Current Scheme:

- Project details (name; sector; scope);
- Gross capital expenditure;
- Location of the project;
- Sources of funding analysed as follows:
  - Government grants;
  - European Union grants;
  - Water pricing receipts;
  - Other (e.g. internal sources);
  - Section 26 levies;
  - Section 48/49 contributions.

The cut-off date for information on actual capital expenditure incurred and funding utilised was 31 December 2008. The division then estimated capital expenditure to be incurred and funding to be utilised for the remainder of the Current Scheme (i.e. from 1 January 2009 to 31 December 2009).

The Planning division and it's Development Contributions and Finance units were requested to provide the following information:

- Section 48 contributions invoiced and collected;
- Interest and penalties applied to outstanding Section 48 contributions;
- Section 48 cash balance as at 31 December 2008;
- Sample invoice issued in respect of development contributions.

The cut-off date for information on actual Section 48 contributions was 31 December 2008. The Planning division was then required to estimate Section 48 contributions to be invoiced and collected over the remainder of the Current Scheme (i.e. from 1 January 2009 to 31 December 2009).

Meetings were held with representatives of the Planning Division and its Development Contributions and Finance Units to discuss the operational aspects of the current scheme in detail (e.g. invoicing system, cash collection, and allocation of contributions to divisions).

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5. Historic Review of Current Development Contribution Scheme

Table 5.2 DCC: Section 48 Contributions Balance

	2004 €m	2005 €m	2006 €m	2007 €m	2008 €m	2009* €m	Total €m
Balance 1 Jan	-	23.9	46.5	83.6	91.2	96.8	-
Invoiced	31.1	63.8	85.9	60.0	24.8	35.0	300.6
Collected	(7.2)	(42.7)	(51.3)	(54.8)	(23.6)	(12.4)	(192.0)
Indexation	-	1.5	2.5	2.4	4.4	(4.1)	6.7
Balance 31 Dec	23.9	46.5	83.6	91.2	96.8	115.3	115.3

**Projected*

Source: Dublin City Council

Table 5.3 DCC: Section 48 Contributions Spent

	Allocated*		Spent *		Balance
	€m	%	€m	%	€m
Roads	43.2	22.5%	(48.2)	25.1%	(5.0)
Water and Drainage	110.1	57.3%	(114.6)	59.6%	(4.5)
Parks	6.9	3.6%	(4.8)	2.5%	2.1
Community	12.9	6.7%	(15.0)	7.8%	(2.1)
Urban regeneration	18.9	9.8%	(9.8)	5.1%	9.1
	192.0	100.0%	(192.4)	100.0%	(0.4)

* Based on actual amounts up to December 2008 and projected amounts for 2009

Allocation based on percentages envisaged in Scheme

Source: Dublin City Council

5.3 Section 48 Contributions Balance

A total of c.€180m was collected under the Current Scheme during the period 1 January 2004 to 31 December 2008. A further c.€12m is projected to be collected in 2009 which will bring the total contribution collected to €192m based on total invoiced contribution of c.€301m. Contributions are invoiced on receipt of commencement notices and generally in advance of agreement being reached to phased payments of the contributions due as provided for in the Scheme and legislation

A balance of c.€115m remains at the end of 2009 after applying indexation of c.€7m in accordance with the Tender Price Index. A collection rate of 50% has been assumed for debtor balances during the lifetime of the New Scheme. This collection rate has been arrived at having taken account of the risk regarding the collection of the monies within the lifetime of the New Scheme due to economic factors, timing, etc. These include instances where a development involving several phases of development received a commencement order triggering an invoice for development contributions covering the entire development. In the event that the entire development is not completed during the lifetime of the new scheme, only a portion of the invoice is likely to be paid. Notwithstanding the above, the Council will pursue all outstanding monies in respect of developments which have commenced and are completed in full or in part during the lifetime of the Scheme.

5.4 Section 48 Contributions Spent

Once contributions are collected they are allocated to each division based on the proportion of costs included in the Current Scheme. Table 5.3 shows how the sum of c.€192m collected to the end of 2009 has been allocated to and spent by each division.

As indicated in the table, at 31 December 2009, it is projected that the Council will be holding an overdrawn cash balance of c.€0.4m. As discussed in Section 5.5, a further adjustment is required in respect of the deficit/surplus to be carried forward from the Current Scheme.

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5. Historic Review of Current Development Contribution Scheme

Table 5.4 DCC: Project Costs 2004 to 2009

	Gross Cost	S48 Funding		Other Funding		Unfunded Balance	
	€m	€m	%	€m	%	€m	%
Roads	150.1	48.2	32.1%	96.9	64.6%	5.0	3.3%
Water & Drainage	393.7	114.6	29.1%	276.9	70.3%	2.2	0.6%
Parks	36.1	4.8	13.3%	31.3	86.7%	-	0.0%
Community	61.6	15.0	24.4%	46.7	75.8%	-	0.0%
Urban regeneration	18.0	9.8	54.4%	8.1	45.0%	-	0.0%
Total	**659.5**	**192.4**	**29.2%**	**459.9**	**69.7%**	**7.2**	**1.1%**

Source: Dublin City Council

Table 5.5 DCC: Alternative Sources of Funding 2004 to 2009

	Gov Grants	EU Grants	Other	Total
	€m	€m	€m	€m
Roads	32.4	-	64.5	96.9
Water & Drainage	276.9	-	-	276.9
Parks	2.7	-	28.6	31.3
Community	10.3	4.6	31.8	46.7
Urban Regeneration	-	-	8.1	8.1
Total	**322.3**	**4.6**	**133.0**	**459.9**

Source: Dublin City Council

5.5 Gross Project Costs

The table across shows gross capital expenditure on projects utilising Section 48 contributions over the period January 2004 to December 2009 and the sources of funding for these projects.

The deficit relates to costs incurred during the current contribution scheme which have been funded from the Council's own internal resources. The projected opening cash balance at commencement of the New Scheme has been reduced by this amount.

5.6 Alternate Sources of Funding

A breakdown of alternative sources of funding is shown in Table 5.5. Other funding relates primarily to proceeds from land disposals which were achieved during the period.

5.7 Operational Aspects of Current Section 48 Scheme

In general, an invoice is issued upon receipt of a commencement notice notifying the Council that development has commenced ("Commencement Notice"). At the request of the developer, a phasing arrangement setting out the payment profile of the contribution due can be agreed. Once contributions are collected, they are allocated to each division within the Council in line with the percentage allocation as included in the Current Scheme for each class of infrastructure . The operational aspects of the Current Scheme are discussed in greater detail in the remainder of this section of the report.

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5. Historic Review of Current Development Contribution Scheme

5.7.1 Invoicing Procedures

An invoice is generated by the Council when any of the following situations arise:

- A Commencement Notice is submitted to the Council;
- Site inspection by the Council indicates development has commenced in the absence of a Commencement Notice;
- The Council receives an unsolicited payment for development contributions. The situation arises whereby a Commencement Notice has not been submitted to the Council and the site inspection has not occurred.

In cases where a developer increases the number of units in a development based on an amendment to the planning permission granted or an entirely new permission, and re-submits a Commencement Notice, the Council issues an invoice in respect of the increased units only.

5.7.2 Phasing Arrangements for Payments

The Council may agree to phasing arrangements on a case-by-case basis where a developer is unable to pay development contributions as a single lump sum. The terms of the agreement may require payment of portions of the invoice by specified dates, or in the case of large residential developments, payment for blocks of units. For example, where a development consists of 100 units, the contribution may be paid in five instalments for 20 units at a time.

A single invoice is issued where a phasing arrangement is in place. The phased payment of the contribution requires prior written agreement by the Council specifying the nature of the phasing arrangement. Payment reminders are issued where terms of the arrangement are breached.

5.7.3 Terms and Conditions of Payment

Invoices must be paid in full within 14 days of date issued. Water services are withheld until the contribution is paid in full. As mentioned in section 5.7.2 above, the Council may be agreeable to a phased payment arrangement agreed directly with the developer.

As the Council does not issue a compliance notice unless levy payments are up to date, this provides some protection to the collection of cash in the case of residential development as the developer cannot sell the individual units without the compliance notice.

A single account is maintained by the Council for all divisions and all contribution receipts are lodged in full with this account.

5.7.4 Allocation of Contributions Once Collected

Each invoice issued by the Council in respect of development contributions states the amount being charged in respect of each class of infrastructure relative to the stated contribution amount. Once contributions are collected, they are allocated to each division based on the proportion of costs included in the Current Scheme for each class of infrastructure. The percentage of contributions allocated to each division is as follows:

- Roads and transportation: 22.51%
- Water and drainage: 57.33%
- Parks: 3.59%
- Community: 6.71%
- Urban regeneration: 9.86%

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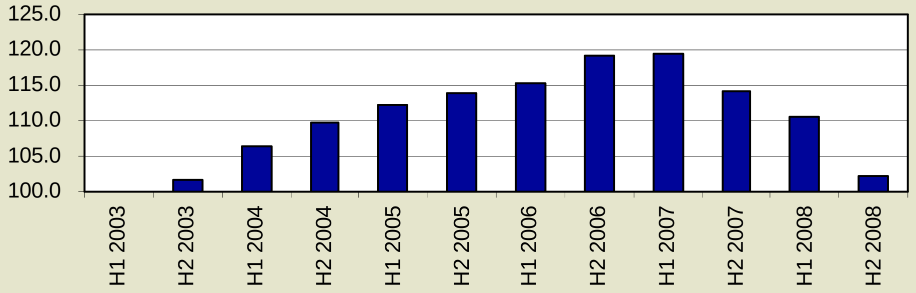
5. Historic Review of Current Development Contribution Scheme

Figure 5.1 Tender Price Index 2003 - 2008



Source: Society of Chartered Surveyors

5.7.5 Indexation

When the Current Scheme was being developed by the Council in 2003, it was decided to utilise the Tender Price Index for future adjustments to the contributions as allowed in the Act.

The Tender Price Index is compiled by the Society of Chartered Surveyors and is an independent assessment of construction tender prices in Ireland. The Index is based on actual tender returns for non-residential projects during the period for which it is undertaken. It is based on predominantly new build projects with values in excess of €0.5m and covers all regions of Ireland.

Contribution rates are indexed annually on 1 January in accordance with the Tender Price Index. The graph across shows a substantial fall in tender prices during 2008, particularly during the second half of the year. Tender prices have now fallen to levels not seen since the year 2003. According to the Society of Chartered Surveyors, it is likely that further reductions will occur during 2009 but at a slower rate.

Based on our analysis, it would appear that the appropriate Tender Price Index adjustment has been applied consistently and correctly by the Council in January each year over the life of the Current Scheme and the contribution rates have been adjusted in line with the index.

Indexation is also applied to outstanding contributions each year in accordance with the Tender Price Index. Additional penalties are not enforced where payment terms are breached.

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5. Historic Review of Current Development Contribution Scheme

5.7.6 Payment Protection

In the case of residential development, the Council does not issue a compliance notice until the relevant contribution has been paid. This ensures a developer cannot sell the units before paying the contribution. In effect, the liability attaches to the property regardless of ownership.

In the case of commercial developments, the Council relies on the receipt of commencement notices supplemented by site inspections to identify development for which a commencement notice may not have been issued.

5.7.7 Development Levels

The period from 2003 to 2008 was characterised by significant levels of residential development within Dublin City. Over 34,600 residential units were completed throughout Dublin City within this period, accounting for 35% of all units completed throughout Dublin. The peak of development throughout the City Council area took place in 2006 when over 7,024 housing units were completed in the area – a completion level which reduced to just over 5,300 units in 2008.

A similar significant level of development between 2003 and 2008 was experienced in the non-residential development throughout the City Council area – particularly in the retail and office sectors. Throughout the lifetime of the previous contribution scheme a large quantum of office development took place throughout Dublin, a significant proportion of which took place in Dublin City. Due to the strength of demand from office occupiers for accommodation in the Docklands and Dublin 2/4 areas, the majority of office accommodation built in the capital between 2003 and 2008 was located in these areas.

A number of retail schemes were also redeveloped throughout the City between 2003 and 2008 due to the strength of consumer spending and the resultant demand from indigenous and international occupiers for well located retail units. Neighbourhood retail units were also completed within newly developed residential schemes such as those developed in the Docklands area.

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5. Historic Review of Current Section 48 Development Contribution Scheme

5.8 Section 49 Supplementary Schemes

Section 49 of the Planning and Development Act 2000 provides for the drawing up of a supplementary development contribution scheme in order to facilitate a particular public infrastructure service or project to be provided by the Local Authority or any other person.

Supplementary development contribution schemes may be used for rail, light rail or other public transport infrastructure, particular new roads or particular water or waste water infrastructure. In the defined area for which the supplementary scheme is adopted, these contributions will be payable in addition to those payable under Section 48.

To date, Dublin City Council has adopted one no. Section 49 scheme, as follows

Table 5.6 DCC: Section 49 Supplementary Schemes

	Res €/unit	Comm €/sqm	Retail €/sqm
Metro North	2,800.00	24.65	35.50

In the context of the new Section 48 Development Contribution Scheme, the cumulative impact of the current Section 49 Schemes has been considered.

Whereas Section 48 schemes are levied in respect of the consumption of services and the provision of public infrastructure benefiting development in the entire area of the Planning Authority; Section 49 contributions directly benefit the development on which the levy is imposed. As such, development within the catchment of Metro North will benefit directly from the location of the new public infrastructure, and as such, the application of the contribution in considered principle is appropriate.

In addition, the level of development which may occur within the catchment would be increased in this instance, having regard to higher densities considered appropriate in proximity to the Metro North, in accordance with principles of proper planning and sustainable development.

As a result it is expected that lands within the catchment of improved public infrastructure will attract higher land values. As noted, these lands are within close proximity of such infrastructure and therefore have the potential to benefit from higher density development as a result of their location. The development and density potential that lands within the catchment of infrastructure schemes have will, we expect, be enough to ensure that they attract higher prices than lands further away from the infrastructure schemes, which as a result will positively affect the potential land value of said catchment.

As discussed in Section 9, the Section 48 levy will not increase significantly. As a result, it is considered that there will be no significant impact to development within the catchment(s) of the above noted Section 49 Schemes. It is also considered that as a result of uplift in land values, that the cumulative levies are equitable.

Dublin City Council adopted a Section 49 Scheme for Metro North (St. Stephen's Green to City Boundary at Ballymun) in 2007. A Railway Order application for same is currently before An Bord Pleanála and as such, the project is yet to be fully confirmed. As such, it is considered that it would be premature at this stage to undertake a review of the associated Development Contribution Scheme.

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5. Historic Review of Current Development Contribution Scheme

Table 5.7 DCC: Gross Cost of Projects 2004 - 2009

	€m
Roads	150.1
Water & Drainage	393.7
Parks	36.1
Community	61.6
Urban regneration	18.0
	659.5

Source: Dublin City Council

5.9 Conclusion

The Current Scheme is projected to raise c.€192m to December 2009 facilitating the delivery of various projects with a gross cost of c.€659m:

The period for the Current Scheme co-incided with unprecedented economic growth and associated development. The rate of development is not expected to be repeated during the lifetime of the New Scheme.

While overall, our review indicated that the administration of the Current Scheme has been generally robust, our review of the operational aspects of the Current Scheme indicated a need for some amendments which we suggest should be addressed with the introduction of any New Scheme:

- Standard payment terms and conditions to be stated on all invoices issued in respect of development contributions;
- Late payment charges are applied to all outstanding balances in a similar manner to those charged in accordance with the Prompt Payment of Accounts Act, 1997;
- Indexation to be applied to contribution rates in accordance with the Wholesale Price Index (Building and Construction Materials).

6. New Development Contribution Scheme – Projected Project Costs

6.1 Introduction

This section sets out the methodology by which financial information in respect of the projects proposed for inclusion in the preparation of the draft New Scheme was collected**.** This information was gathered to determine the levels of funding which would be required for the New Scheme to address the infrastructure funding needs over the period of the New Scheme. This information is also used to determine the level of Existing User Benefit which should be accounted for within the New Scheme based on expenditure of the levels projected.

6.2 Projects to be Included in the Scheme

The Scheme has been developed in accordance with Section 48 of the Act.
Section 48, sub section 1 states that a Planning Authority may, when granting a permission under section 34, include conditions for requiring the payment of the contribution in respect of public infrastructure and facilities benefiting development in the area of the Planning Authority. Section 48, sub section 17 defines public infrastructure and facilities as:

a) The acquisition of land;
b) The provision of open spaces, recreational and community facilities and amenities and landscaping works;
c) The provision of roads, car parks, car parking places, sewers, waste water and water treatment facilities, drains and water mains;
d) The provision of bus corridors and lanes, bus inter-change facilities (including car parks for those facilities), infrastructure to facilitate public transport, cycle and pedestrian facilities, and traffic calming measures;
e) The refurbishment, upgrading, enlargement or replacement of roads, car parks, car parking places, sewers, waste water and water treatment facilities, drains or water mains and;
f) Any matters ancillary to paragraph (a) to (e) above.

Based on the types of cost allowed by the Act, data was gathered for projects currently planned by the Council to be completed over the term of the New Scheme within the following classes of infrastructure:

- Roads infrastructure and facilities;
- Water and Drainage infrastructure and facilities;
- Community amenities and facilities;
- Parks and open space facilities;
- Urban regeneration amenities and facilities.

6.3 Council Departments

Having identified the types of projects for inclusion, the Consultants, in conjunction with the Council, identified the specific departments and individuals most relevant to this study. The specific departments identified within the Council were:

- Roads;
- Water and Drainage;
- Community**;**
- Parks;
- Urban regeneration.

Each of these departments were contacted, briefed and consulted throughout the data collection process.

6.4 Period of New Scheme

Following consultations with the Council, it was decided that the New Scheme would cover an eight year period to 31 December 2017. In light of current economic conditions, it is acknowledged by all involved that this period includes significant levels of uncertainty across all elements of the workings underpinning the New Scheme particularly relating to projected development levels. The extended period should help to give the Council a longer period to collect the required funds for the infrastructure spend planned and also facilitate better integration with the new Development Plan for the County.

6. New Development Contribution Scheme – Projected Project Costs

6.5 Data Collection

An initial meeting was held on 31 October 2008 with staff from various Council divisions present. Each division was requested to identify projects for inclusion in the New Scheme.

A 'Data Collection Sheet' was designed by Deloitte, in consultation with the Local Authority, to ensure consistency in the information gathered across all divisions. The sheets captured the following information:

- Name of project
- Gross capital and refurbishment costs per annum from 2010 to 2017
- Other sources of funding for the project analysed by:
    - Government grants;
    - European Union grants;
    - Section 26 levies;
    - Other funds (e.g. own resources)
- Classification of users by development type (Residential, non-residential, both);
- Expected life of assets
- Location/catchment area;
- Date of commencement and completion of project;
- Other items deemed relevant by the respective departments

Each division was required to complete a data collection sheet for each project deemed suitable for inclusion in the new scheme.

A number of meetings were held with each division throughout the data collection process.

6. New Development Contribution Scheme – Projected Project Costs

Table 6.1 DCC: Summary of Calculation of Contribution Rates

			€m
Gross cost of projects			x
Less: Existing user benefit			(x)
Sub-total			x
Less: Projected opening cash at 1 Jan 2010			(x)
Less: Projected Section 48 Contributions Receivable at 1 Jan 2010			(x)
			x
Add: Funding cost for cash timing differences			x
Net costs for inclusion in scheme			**x**
	Residential	**Non-Residential**	**Total**
Allocation of net costs for inclusion in Scheme by user	**x**	**x**	**x**
Projected development (sqm)	**y**	**y**	**y**
Calculated contribution rate per user (per sqm)	**x / y**	**x / y**	**x / y**
Development Contribution Rates (per sqm), as dictated by market conditions	**z**	**z**	**z**
Amount for collection under New Scheme	**y * z**	**y * z**	**y * z**

6.6 Calculation of Contribution Rates

Each relevant division supplied cost details for all projects which are expected to proceed during the period of the proposed Development Contribution Scheme ("New Scheme"). Our verification procedures for future project costs consisted of an overall review of projected project costs and an assessment of these costs against historic actual costs for similar projects.

These costs were utilised to consider the level of funding which would be required from the New Scheme as well as the total which could be collected against these projects under the terms of the Act. In the case of each project, gross costs were reduced to reflect the existing user benefit discount, as provided for in the Act. In arriving at the potential eligible costs for inclusion in the New Scheme, further adjustments were made to reflect the opening cash position, outstanding invoices from the Current Scheme and funding costs.

The eligible costs for inclusion in the Scheme were then allocated to residential and non-residential users. In calculating contribution rates for both residential and non-residential development, the Council advised us on the appropriate allocation of costs where users are classified as both residential and non-residential users.

The eligible costs for inclusion in the Scheme determined the maximum level of total contributions which could be collected. Given current market conditions, the Council further considered the level of contribution which might be sustained within the market place relative to the overall funding needs. It should be noted that a higher contribution rate could be justified under the provisions of the Act.

The calculation of the contribution per square metre is based on the formula set out in the Table 6.1.

6. New Development Contribution Scheme – Projected Project Costs

Table 6.2 DCC: Gross Capital Costs from 2010 to 2017

	Residential €m	Non-Residential €m	Both €m	Total €m
Roads	-	21.0	114.0	135.0
Water & Drainage	-	-	427.8	427.8
Parks	29.7	-	-	29.7
Community	52.6	0.2	16.1	68.9
Urban Regeneration	-	-	66.7	66.7
Total	82.3	21.2	624.6	728.1

Source: Dublin City Council

Table 6.3 DCC: Timing of Gross Capital Costs

	Roads €m	Water €m	Comm & Parks €m	Urban Regen €m	Total €m
2010	11.5	78.4	8.5	5.1	103.4
2011	11.5	37.1	9.1	1.7	59.4
2012	13.0	41.6	9.7	5.5	69.8
2013	22.0	59.1	10.3	8.1	99.5
2014	19.0	56.8	20.8	9.9	106.4
2015	25.0	53.0	20.5	12.6	111.2
2016	15.5	67.1	11.7	13.5	107.9
2017	17.5	34.7	8.0	10.3	70.5
Total	**135.0**	**427.8**	**98.6**	**66.7**	**728.1**

Source: Dublin City Council

6.6.1 Gross Capital Cost

Table 6.2 sets out the gross capital cost for each category of project used in the preparation of the New Scheme. An analysis of expenditure by year is also set out across.

Dublin City Council considers that all projects proposed to be undertaken benefit residential, non-residential or both residential and non-residential users. In calculating contribution rates for both residential and non-residential development, the Council advised us on the appropriate allocation of costs where users are classified as both residential and non-residential users.

A detailed list of projects used in the preparation of the New Scheme is provided in Appendix I.

To ensure a fair and transparent Scheme that meets all the requirements of the Act, a number of steps are required to consider the level of costs which are eligible for inclusion in the New Scheme based on the projects listing used in the preparation of the New Scheme. The steps are set out below, details of which are contained in the following pages.

Step 1: Discount for Existing User Benefit;
Step 2: Cash adjustments;
Step 3: Allow for Timing/Financing costs;

.

6. New Development Contribution Scheme – Projected Project Costs

Step 1: Discount for Benefit to Existing Development

Table 6.4 DCC: Existing User Benefit

	Range %	Average %	Value €m
Roads	20%	20.0%	27.0
Water & Drainage	50%	50.0%	213.9
Parks	30% - 70%	51.9%	15.4
Community	30% - 70%	42.7%	29.4
Urban Regeneration	30% - 70%	42.1%	28.1
Total			313.8

6.6.2 Discount for Existing User Benefit (EUB)

Section 48(3)(b) of the Planning and Development Act 2000 states:

"In stating the basis for determining the contributions in accordance with paragraph (a), the scheme shall indicate the contribution to be paid in respect of the different classes of public infrastructure and facilities which are provided or to be provided by any Local Authority and 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".

On this basis, the benefit of future projects to existing development (residential and non-residential) must be excluded from the draft Scheme.

The discount percentages for specific projects were provided by the various departments of the Council based on their in-depth knowledge of the projects and existing developments. These percentages were applied to gross project costs.

The table across sets out the range of discounts used by each division for existing user benefit and the value of this benefit which has been excluded from the Scheme.

6. New Development Contribution Scheme – Projected Project Costs

Step 2 – Cash Adjustments

Table 6.5 DCC: Cash Balance at 1 January 2010

	Cash at 31 Dec 2008 €m	Projected S48 Collected 2009 €m	Projected S48 Spent 2009 €m	Unfunded Balance from Current Scheme €m	Projected Cash at 1 Jan 2010 €m
Roads	0.1	2.8	(5.4)	(5.0)	(7.5)
Water & Drainage	-	7.1	(13.5)	(2.2)	(8.6)
Parks	3.4	0.4	(1.9)	-	1.9
Community	0.3	0.8	(3.5)	-	(2.4)
Urban Regeneration	10.4	1.2	(2.9)	-	8.7
Total	**14.2**	**12.3**	**(27.2)**	**(7.2)**	**(7.9)**

Source: Dublin City Council

6.6.3 Cash Adjustments

In order to arrive at the eligible costs for inclusion in the New Scheme, further adjustments were required in respect of the opening cash balance at commencement of the New Scheme and Section 48 contributions receivable.

Cash Balance as at 1 January 2010

The Finance division provided us with the actual Section 48 cash balance as at 31 December 2008. As the New Scheme is due to commence on 1 January 2010, the cash balance at that date needs to be projected. The expected movement in the cash balance during 2009 was estimated as follows:

- The Planning division estimated total Section 48 contributions projected to be collected during 2009. This was divided between each division based on the relevant percentage of funds allocated to each division once they are collected by the Council. This was added to the cash balance as at 31 December 2008;
- Each infrastructural division estimated Section 48 contributions to be spent during 2009. This was deducted from the cash balance as at 31 December 2008.

As discussed in Section 5, a further adjustment is required to take account of the deficit carried forward from the Current Scheme. The calculation of the opening cash balance as at 1 January 2010 is shown in the table across and shows a projected overdrawn cash balance of c.€8m at commencement of the New Scheme. This has been taken into account when considering the cash requirements from the New Scheme.

6. New Development Contribution Scheme – Projected Project Costs

Step 2 – Cash Adjustments

Table 6.6 DCC: Section 48 Contributions Receiveable at 1 Jan 2010 (relating to planning permissions granted during Current Scheme)

	Units/Sqm		€ per unit/sqm	€m
Planning permission granted and commenced:				
Estimated collection of contributions due as at 31 December 2009				57.7
Planning permission granted but not commenced:				
Outstanding residential planning permissions (units)	8,819			
Assumed commenced during New Scheme	50%			
Residential contributions receivable in New Scheme	4,409	€	13,313	58.7
Outstanding non-residential planning permissions (sqm)	624,710			
Assumed commenced during New Scheme	10%			
Non-Res contributions receivable in New Scheme	62,471	€	127	7.9
Total Section 48 Contributions Receivable at 1 Jan 2010 (relating to planning permissions granted during Current Scheme				**124.3**
Allocated to divisions:				
Roads			22.5%	28.0
Water and Drainage			57.3%	71.3
Parks			3.6%	4.5
Community			6.7%	8.3
Urban regeneration			9.9%	12.3
			100%	**124.3**

Section 48 Contributions Receivable at 1 Jan 2010 Relating to Planning Permissions Granted during Current Scheme

At the commencement of the New Scheme, there will be a significant number of planning permissions granted for which Section 48 contributions have been invoiced under the Current Scheme but not yet collected. These contributions relate to the Current Scheme and must be taken into account in assessing the overall funding required for the New Scheme.

As shown in the table across, the amount of Section 48 contributions receivable falls into two separate categories:

- Section 48 contributions due in respect of planning permissions granted and commenced but not yet paid: As described in Section 5.3, we have applied a debtor collection rate of 50% to the invoices outstanding as at 31 December 2009.

- Section 48 contributions potentially due in respect of planning permissions granted but not yet commenced: These amounts are only collectible if planning permission is implemented in the future. We identified the number of planning permissions granted since 2006 but not yet implemented under the Current Scheme. Having had regard to the available built supply of accommodation and the stock already under construction we believe there is a significant overhang of accommodation built or commenced to be absorbed prior to further development commencing. It is our understanding that the majority of residential units which have been granted planning in Dublin City Council are for phased higher density dwellings, as a result of anticipated demand we estimate that 50% of residential permissions already issued will be implemented in the New Scheme. We believe that the majority of non-residential permissions will need to be amended regarding use type, quantum etc. prior to commencing, therefore we estimate that 10% of non-residential permissions already issued will be implemented during the New Scheme.

6. New Development Contribution Scheme – Projected Project Costs

Step 3 – Allow for Timing/Financing Costs

Table 6.7 DCC: Funding Available from Alternative Sources

	Gov Grants €m	EU Grants €m	Section 26 €m	Other €m	Total €m
Roads	49.0	-	-	3.0	52.0
Water & Drainage	284.2	-	-	50.2	334.4
Parks	3.6	1.1	-	1.5	6.2
Community	13.0	-	-	18.8	31.8
Urban Regeneration	0.1	-	0.6	1.9	2.6
Total	**349.9**	**1.1**	**0.6**	**75.4**	**427.0**

Source: Dublin City Council

6.6.4 Financing Costs

It is likely that the collection of contributions under the New Scheme will not match the funding requirements as they occur. In this regard, a provision for financing costs has been included in the Scheme to take account for the timing differences between cash expenditure on projects and cash collection of contributions.

Funding Available from Alternative Sources

Section 48(1) states that the draft Scheme should consider the cost of the qualifying projects for inclusion in the Scheme "…..regardless of other sources of funding". Therefore, these other sources of funding were not deducted from gross costs in estimating the qualifying costs for inclusion in the New Scheme.

Alternative sources of funding were taken into account in calculating the funding cost required for timing differences between cash receipts and project expenditure. The funding available from other sources is set out in the table across.

It should be noted that the Current Scheme co-incided with buoyant economic activity. Given current economic conditions, there remains a certain level of uncertainty regarding the level of government and other sources of funding that are projected to be available over the period of the New Scheme.

6. New Development Contribution Scheme – Projected Project Costs

Step 3 – Adjust for Timing/Financing Costs

Table 6.8 DCC: Financing Costs

	Gross Cost €m	Contribu-tions Collected* €m	Other Funding €m	Net Cash Flow €m	Opening Cash €m	Closing Cash Prior to Finance Costs €m	Finance Costs €m
2010	(103.4)	23.4	62.6	(17.4)	(7.9)	(25.3)	(1.6)
2011	(59.4)	25.9	37.0	3.5	(26.9)	(23.4)	(1.4)
2012	(69.7)	20.2	36.4	(13.1)	(24.8)	(37.9)	(1.9)
2013	(99.5)	26.2	53.6	(19.7)	(39.8)	(59.5)	(2.6)
2014	(106.5)	32.5	64.7	(9.3)	(62.1)	(71.4)	(3.0)
2015	(111.2)	37.1	64.9	(9.2)	(74.4)	(83.6)	(3.7)
2016	(107.9)	48.8	68.9	9.8	(87.3)	(77.5)	(4.0)
2017	(70.5)	59.3	38.9	27.7	(81.5)	(53.8)	(3.8)
Total	**(728.1)**	**273.4**	**427.0**	**(27.7)**			**(22.0)**

* Cashflow relating to realisations of outstanding Section 48 invoices from Current Scheme and realisations from New Scheme

Financing Cost Calculation

The table across shows the calculation of financing costs. In calculating the cash inflow from contributions collected, we have assumed a contribution rate of €157/sqm for residential development and €127/sqm for non-residential development applies to planning permissions commenced in the New Scheme.

A financing cost of 4.5% has been used.

For each year from 2010 to 2017, a cashflow projection has been prepared for each division to calculate the net cash inflow/outflow position at the end of the year.

The timing of the projected development is considered and utilised in calculating the timing of contributions receivable. The following collection rates are assumed in arriving at an amount for contributions receivable:

- Planning permissions granted and implemented during the Current Scheme: This category relates to invoices which have been issued and are payable at Current Scheme contribution rates. As outlined in section 8.2, it is assumed that 90% of the units which have commenced in the Current Scheme will be completed before 2017. It is estimated that 50% of the invoices raised during the Current Scheme as a result will be collected for reasons set out in Section 5.3.
- Planning permissions granted during the Current Scheme but commenced during the lifetime of the New Scheme: This category relates to invoices which have not been raised as development has not commenced. These contributions are receivable at Current Scheme contribution rates. It is assumed that 50% of residential permissions and 10% of non-residential permissions with planning granted during the Current Scheme will commence during the New Scheme. Of these units to commence, it is estimated that 100% of the invoices raised as a result will be collected (subject to timing assumption set out below).
- Planning permissions granted and commenced during the New Scheme: This category relates to invoices which have not been raised as development has not commenced. These contributions are receivable at New Scheme contribution rates. It is assumed that an additional c.938,000sqm of residential permissions, and 356,000 sqm of non-residential permissions will be granted and built during the New Scheme. It is estimated that **100**% of the invoices raised by these permissions granted in the New Scheme will be collected (subject to timing assumption set out below).

Timing Assumption: It is assumed that 50% of contributions receivable are collected in the year invoiced, with the balance collected in the following year. It is noted that should the timing of the projects and / or collection of contributions for the New Scheme change over the period of the Scheme, the funding costs may change from that included in the New Scheme.

6. New Development Contribution Scheme – Projected Project Costs

Eligible Costs for Inclusion in New Scheme

Table 6.9 DCC: Eligible Costs

	Gross Cost €m	Existing User Benefit €m	S48 Receive-able* €m	Cash at 1 Jan 2010 €m	Finance Costs €m	Eligible Costs €m
Roads	135.0	(27.0)	(27.9)	7.5	8.1	95.7
Water and Drainage	427.8	(213.9)	(71.3)	8.6	2.3	153.5
Parks	29.7	(15.4)	(4.5)	(1.9)	2.1	10.0
Community	68.9	(29.4)	(8.3)	2.4	5.2	38.8
Urban regeneration	66.7	(28.1)	(12.3)	(8.7)	4.3	21.9
Total	**728.1**	**(313.8)**	**(124.3)**	**7.9**	**22.0**	**319.9**

* Section 48 contributions receivable at 1 January 2010 relating to permissions granted from Current Scheme

6.7 Summary of Eligible Costs for Inclusion in the New Scheme

Table 6.9 summarises the eligible cost for inclusion in the Scheme after the adjustments described in the steps above have been taken into account. This determines the maximum level of contributions which could be collected under the New Scheme. As will be seen in the following sections, given the current market conditions and the likely levels of development over the period of the New Scheme, the Council does not realistically expect to receive the full amount of eligible costs included in the Scheme.

7. New Development Contribution Scheme – Projected Development Levels

7.1 Development Potential Assessment

This sought to establish the overall quantum of available zoned lands and estimation of the potential development capacity of these lands. The capacity of these lands includes likely intensification and redevelopment of infill sites in addition to the potential afforded by undeveloped zoned land. The potential development as identified in this report is based solely on lands zoned for development under the current City Development Plan (2005-2011).

The methodology used in assessing land availability and development potential is set out under the following headings

7.1.1 Assessment of the extent of development on zoned lands within the county over period 2004 to present (31 October 2008)

This stage sought to establish the extent of development on zoned lands within the City in order to inform the assessment of resultant available zoned lands. This was achieved through the compilation of a planning permissions database over the period 2004 up until the end of October 2008. The final development database comprised the following:

- All sites with planning permissions granted over the period January 2004 to October 2008, on which Commencement Notices were submitted, as these all represent 'development', and therefore the sites are not available for future development;

- All sites with planning permissions which were granted in the period from March 2006 to October 2008, and in relation to which no Commencement Notice has been received. These represent sites which still could potentially be developed under their current permission, and therefore are unavailable to the scheme.

The final database of permissions was cross checked with data as contained within the House Count Survey as submitted to the Department of the Environment, Heritage and Local Government in October 2008 together with other additional information received from Dublin City Council.

7.1.2 Assessment of the quantum of undeveloped zoned lands, and potential redevelopment / brownfield sites within the county

The purpose of this stage was to estimate the potential development of each of the sites and future development areas which are zoned and available for development or intensification.

It was considered that for Dublin City it would be more appropriate to identify key development areas / areas for intensification, rather than individual sites, or a combination of these.

On this basis, the development potential of the development areas/ available sites was primarily estimated on the basis on information received from Dublin City Council. For the purposes of clarity the figures for potential development were considered under the separate headings of residential and non residential.

7. New Development Contribution Scheme – Projected Development Levels

7.2 Residential Development

The figure for potential quantum of residential development was primarily based of the Housing Land Availability Returns for 2008 and the planning permissions database. The overall quantum of residential development potential within the City Council is estimated to be in the range of **67,400 - 71,000 units**.

7.3 Non Residential Development

In assessing the quantum potential for non-residential development in the City, we examined overall capacity figures for the primary development areas as identified by the Council. in the context of Framework Development Areas, Local Area Plan or Area Action Plan areas etc. This provided an overall potential capacity within each area.

In addition to the above, for development lands located outside areas designated as Framework Development Areas, Masterplan, Local Area Plan or Area Action plan areas it was necessary to provide an assessment of permitted levels of development. In this regard, an additional percentage for non residential development in such areas was devised having regard to the extent of permissions in these areas. This has been extrapolated forward and added to the overall figure for non residential development.

The overall figure for non-residential development is therefore estimated at c. **3,406,000 sqm and 3,545,000 sqm**.

8. New Development contribution Scheme - Projected Demand

8.1 Introduction

Over the period of the previous development contribution scheme extraordinary levels of development occurred throughout Dublin in both residential and non-residential construction. As a result of the global economic downturn, the levels of construction have notably eased in light of tightening credit conditions, a slowdown in consumer spend and a lack of employment confidence. The ability to quantify the levels of occupier demand based on previous patterns of development will now be more difficult due to these unique economic factors. As a result of the changing financial markets and the unknown effect that NAMA will have on the property market, the bulk of development will be focused in the latter end of the new development scheme. The initial years of the scheme will absorb the current supply that is available and the stock that has already been permitted planning or is under construction and due to be completed over the next three years. The following outlines the methodology used in projecting the potential market demand for property over the period of the new scheme in light of these economic factors.

8.2 Residential Demand

In the period between 2003 and 2008* (*2009 are as yet unknown) 34,696 housing units were completed in the Dublin City area, representing an average of 5,783 houses a year and 8% of the total housing stock completed nationally in that period. The highest annual completion level was achieved in 2006 when over 7,740 units were constructed. As a result of the changes that have taken place in the global economy since this development occurred, it is not expected that these levels of development will be replicated going forward. Important factors such as financial restraints and the tightening of loans for development will result in a decrease of units being completed throughout Dublin.

However this decline in construction must be carefully managed as it will be important to avoid a situation of a future undersupply in housing which would thereby effect the affordability of units on the market. Indeed Dublin City will continue to build more units than the other Council areas due to the need for high density units in the central business district area. We do however predict that there will be a downturn in projections for the next number of years, with a potential recovery at the later end of the scheme, albeit not at the levels previously evidenced.

It is imperative that any projections for housing demand going forward must be conscious of the current stock in the planning system, the stock under construction and the available built stock. This overhang of stock built or in progress must first be absorbed prior to any significant new development taking place across Dublin City. We predict that this could potentially take between three and four years to absorb, therefore projections for new development in these years will be minimal and limited to sites well located and in close proximity to transport, services etc. Once this overhang of stock is absorbed there will be a requirement to build new units to meet a growth in population numbers and the migration of those living in outlying counties back in to Dublin to avail of lower and more affordable house prices.

Our methodology in assessing the future demand of residential units in the Dublin City area was to assess to our best potential the overhang of stock under construction, in planning or built and still available; to assume the level of currently permitted development proposals that will potentially go back into the system for a change of use or design; and to assess the development potential of the sites zoned and currently available based on the following criteria: :

– Location
– Proximity to transport
– Availability of services
– Access to funding
– Current land use

8. New Development contribution Scheme - Projected Demand

In the case of Dublin City, we have assumed that 90% of stock commenced will be completed in its current form as it is assumed that the majority are primarily apartment dwellings and can therefore not be changed into a different use type. It must be noted however, that although this stock will, we believe, be completed, there is a risk regarding the collection of the monies within the lifetime of the New Scheme due to economic factors, timing etc. To reflect this risk a collection rate of 50% has been applied to the invoices linked to this projected development figure.

We have made the following assumptions in relation to permissions granted but not yet underway:

- 50% of these permissions will complete in their current form;
- 25% of these permissions will return to planning for a change of use or density within the New Scheme; and
- The remaining 25% will wither away and not occur due to economic factors.

The projected residential development arising from planning permissions granted during the New Scheme will comprise projected demand from zoned available land and the units that will return to the system for a change of planning.

8.3 Non-Residential Demand

Consideration was given as to whether development in each of the non-residential sectors should be considered separately in the new scheme. It was agreed however, that for the purpose of making the transition to the new scheme as easy as possible for all users and for the purpose of not wanting one form of development to benefit over another, to continue with the previous grouping of office, retail and industrial as one entity under the category of non-residential development. The methodology used in calculating the demand for these sectors of development is listed below:

8.3.1 Office Development

Throughout the lifetime of the current contribution scheme a large quantum of office development took place throughout Dublin. The overall vacancy rate throughout Dublin reduced from a high of 18.4% in 2002 to a low of 11.4% in early 2008 due to the strength of occupier demand particularly from overseas companies and the agglomeration of indigenous companies. The bulk of demand was focused on the Docklands and Dublin 2/4 regions of the city.

Since late 2007 there has been a notable change in occupier demand throughout the Dublin office market. Due to the local and global economic conditions and the resultant pressures on employment numbers, expansion and relocations of many of the overseas and indigenous companies have been put on hold. While it is recognised that the property market is a cyclical market that will rebound, it is not expected that the record levels of take-up achieved in 2007 will be repeated throughout the lifetime of this scheme. When demand does recover it will be focused on established areas with well located sites, attractive leasing terms and favourable funding conditions. It was using this criteria that we assessed the likely demand from occupiers for accommodation within the zoned available sites of Dublin City.

8.3.2 Retail Development

In light of the current challenges facing the retail sector in Ireland and across the globe, it is not envisaged that many major new retail developments will be commenced throughout Dublin City over the life of the new scheme. It must be noted that areas throughout Dublin are currently facing an increase in vacant units due to companies ceasing trading or costs being unachievable in light of a decrease in consumer spending. We predict that demand from occupiers for new accommodation will be lower going forward than in previous years and will be more focused on cost effective and well located areas. It is predicted that the majority of retail development that does occur throughout Dublin City will be focused in the North City and Docklands area of the City while other developments will service the needs of local populations in the form of district centres or neighbourhood centres. We have assessed the likely demand for retail accommodation throughout the zoned available lands in light of these changing circumstances.

8. New Development contribution Scheme - Projected Demand

8.3.3 Industrial Development

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In recent years the industrial sector has experienced a movement of development from areas inside the M50 to key outlying areas beyond the M50. This has been as a result of ongoing improvements in the arterial road networks, the development of the Port Tunnel and more attractive cost levels. Dublin City has been an example of an area which has experienced a move of development from industrial type uses to more cost effective commercial uses. It is not envisaged that major industrial development will occur throughout the City in the lifetime of the next scheme.

8.4 Quantum of Projected Demand 2010 – 2017

In light of the current downturn in economic activity and the pending unknown entity of NAMA, we do not believe that there will be substantial residential or non-residential development throughout Dublin before 2012. Indeed, until such time as the overhang of available supply of accommodation has been absorbed we believe any new development will be minimal. The property market however, will recover and development will take place in Dublin City, albeit not to the levels seen throughout the last scheme period. The majority of this development will take place during the later years of the new scheme..

8. New Development contribution Scheme - Projected Demand

Table 8.1 DCC: Projected Demand

	Residential (units)	Non-Residential (sqm)
Development capacity of zoned lands	67,000 - 71,000	3,406,000 - 3,545,000
Overall projected development in DCC 2010 -2017	23,000 - 24,000	
Projected development in DCC from New Scheme (i.e. not including commenced or existing stock)	10,000 - 10,400	350,000 - 360,000
Projected demand utilised within New Scheme	10,200	356,000
Converted to sqm using an average unit size of 85 sqm	867,000	
Projected demand utilised within New Scheme inclusive of domestic extensions over 40 sqm	938,000	

8.5 *Summary of Findings*

The total development capacity of zoned lands within Dublin City is estimated at between 67,000 and 71,000 residential units and over 3.5 million square metres of non-residential accommodation. Based on the previously outlined demand assessment, it is estimated that there will be an overall requirement for between 19,000 and 20,000 residential units in Dublin City between 2010 and 2017. Having had regard to the stock which is already under construction or has been granted planning and is likely to complete, within the timeframe, it is envisaged that between 10,000 and 10,400 new residential units and between 350,000 and 360,000 square metres of non-residential accommodation will be commenced in Dublin City during the period of the new scheme.

It is also envisaged that the level of domestic extensions within the City will remain within 10% of the levels recorded under the Current Scheme, projected to be in the range of 71,000 square metres..

As a result the overall projected development demand for the period of the New Scheme is estimated at 938,000 square metres floor space including domestic extensions, and over 356,000 square metres of non-residential accommodation.

9. Draft Development Contribution Scheme

Table 9.1 DCC: Contribution Rate to Meet Eligible Costs

	Residential	Non - Residential
Eligible costs (€m)	173.4	146.5
Projected development (millions sqm)	0.938	0.356
Contribution rate required to meet eligible costs (€ per sqm)	184.8	412.2

Table 9.2 DCC: Proposed Contribution Rates

	Residential	Non - Residential
Proposed contribution rate (€ per sqm)	156.6	127.0
Projected contribution income generated inclusive of income from extensions (€m)	146.9	45.1
Shortfall in contribution income using proposed rates and eligible costs	(26.5)	(101.4)
% Shortfall in contribution income, using proposed rates, to meet eligible costs	15.3%	69.2%

9.1 Calculation of Contribution Rates

When considering projects for the purposes of developing the New Scheme, each division within the Council classified the expected users of each project as residential, non-residential, or both residential and non residential. Where users were classified as both (residential and non-residential), the Council advised us on the appropriate allocation of costs for inclusion in the Scheme between residential and non-residential users.

Eligible costs (per table 6.9) were divided by projected development levels to calculate the contribution rate required to meet all eligible costs, as shown in Table 9.1.

Given current market conditions, Dublin City Council believes that any significant upward movement in contribution rates for the New Scheme may have a detrimental impact on development levels. Therefore, it is proposed that contribution rates will remain at the existing Current Scheme rates of €157 per sqm for residential development (assuming an average unit size of 85 sqm in the City) and €127 per sqm of non-residential development.

9. Draft Development Contribution Scheme

Table 9.3 DCC: Calculation of Contribution Rates

				€m
Eligible Costs for Inclusion in New Scheme				
Roads				95.7
Water and Drainage				153.5
Parks				10.0
Community				38.8
Urban regeneration				21.9
Total Cost for Inclusion in New Scheme ("Eligible Costs")				**319.9**

	Residential	Non-Residential	Both	Total
% gross cost allocated to each user	11%	3%	86%	100%
Eligible cost for inclusion by user type	36.2	9.3	274.4	319.9
Allocation of costs classified as 'both'	137.2	137.2		
Eligible cost per user	173.4	146.5		

Contribution Income	Residential	Non-Residential		Total
Projected Development including extensions over 40 sqm (millions sqm)	0.938	0.356		
Contribution rate required to meet eligible costs (€/sqm)	€ 185	€ 412		
Proposed Rate (€/sqm)	€ 157	€ 127		
Contribution income using proposed rates inclusive of income from extensions (€m)	146.9	45.1		192.1
Difference between eligible costs that could be collected as Section 48 contributions and proposed collection rate				**127.8**

9.1 Calculation of Contribution Rates (cont'd)

Contribution income at proposed rates is expected to generate c.€192m over the lifetime of the new scheme. The difference between eligible costs and those that could be met through a Section 48 Scheme and contribution income using the proposed rates is c.€128m.

9.2 Unit charge

Following consultation with the Council, it was agreed that it is most equitable to charge contributions on a square metre basis rather than on a per unit basis, in particular for residential development. It is assumed that the average size of a residential unit is 85 square metres over the period of the New Scheme for the purposes of estimating the levels of contribution income which could be collected.

9. Draft Development Contribution Scheme

Table 9.4 DCC: Funding Gap

	Gross Cost €m	Opening Cash €m	Opening Debtors €m	Finance Costs €m	S48 Revenue €m	Sub-total €m	Alternate Funds €m	Funding Gap €m
Roads	135.0	7.5	(28.0)	8.1	(57.7)	64.9	(52.0)	12.9
Water & Drainage	427.8	8.6	(71.3)	2.3	(96.0)	271.5	(334.4)	(62.9)
Parks	29.7	(1.9)	(4.5)	2.1	(7.7)	17.7	(6.2)	11.5
Community	68.9	2.4	(8.3)	5.2	(21.1)	47.0	(31.8)	15.2
Urban Regeneration	66.7	(8.7)	(12.3)	4.3	(9.6)	40.4	(2.6)	37.8
Total	**728.1**	**7.9**	**(124.3)**	**22.0**	**(192.1)**	**441.6**	**(427.0)**	**14.6**

9.3 Allocation of Contributions to Divisions

Once contributions are collected, the Council intends allocating them in line with the following percentages:

- Roads 30%;
- Water & Drainage 50%;
- Parks 4%;
- Community 11%;
- Urban Regeneration 5%.

9.4 Indexation and Interest

The projects have been included in the Scheme based on current day costs. Provision should be made for an indexation adjustment to be made to the Contribution Rate on an annual basis. At present, the Council increases contribution rates in line with the Tender Price Index. Given the type of projects involved and to ensure consistency between the four Dublin Local Authorities, we recommend the Wholesale Price Index (Building and Construction Materials) is a more appropriate index to use.

We recommend that late payment charges are applied to all outstanding balances in a similar manner to those charged in accordance with the Prompt Payment of Accounts Act, 1997.

9.5 Remaining Funding Gap

Table 9.4 sets out all the costs and funding relative to the projects used in developing the New Scheme. It can be clearly seen that the New Scheme provides only partial funding to the overall project costs with the balance of the funding being received from EU, Government and other sources. Each of these elements is vital to the overall funding of the proposed projects. It can be seen that even if all amounts are collected, a funding gap remains for the Council . The Council has stated that it is willing to proceed on the basis of the rates within the New Scheme as proposed and seek to fund the remaining funding gap from alternative sources as required.

9. Draft Development Contribution Scheme

9.6 Review of the Wording of existing Conditions

As part of the initial brief the consultants were required to '*review the wording of existing conditions referring to development contributions and advise on any change required since the introduction of the previous schemes'.*

In doing so, the following were examined:

- Planning and Development Act 2000;
- Department of the Environment, Heritage and Local Government Consultation Draft Development Management Guidelines;
- Department of the Environment, Heritage and Local Government Circulars;
- Relevant Planning Literature;
- Relevant Planning Precedent.

Having regard to the above, it is considered that the wording of existing conditions referring to development contributions is considerably robust. Nevertheless it was noted, when examining planning precedent (including appeals to the Board), there has been a perceived lack of clarity in the application of Development Contribution Schemes, in terms of how rates were arrived at; why they are applied; and what classes of development are exempt.

In this regard we recommend that the new Development Contribution Scheme should provide clear definition in terms of the application of the Scheme; and its basis as a financial contribution in respect of the consumption of services and the provision of public infrastructure and facilities benefiting development in the entire area of the planning authority. In this respect, the following general principles for the application of the Scheme are recommended:-

- The final agreed rates of contribution should be applied consistently to all planning permissions in accordance with the Scheme across the entire jurisdiction of the Council in the interests of equity.
- The development contribution scheme should clearly set out the classes of development to which the rate will apply.
- Clear definition should also be provided with respect to the definition of gross floor area in the context of the Development Contribution Scheme; and whether such a definition includes or not, ancillary development such as car parking for non-residential development. This is recommended so that the terms of the Scheme can be applied to the definition of gross floor area which is considered appropriate in the context of the Scheme; and to distinguish, as necessary, from the definition as set out in Article 3(3) of the Planning and Development Regulations (S.I. No. 600 of 2001), which relates to *'the area ascertained by the internal measurement of the floor space of each floor of a building (including internal walls and partitions), disregarding any floorspace provided for the parking of vehicles by persons occupying or using the building or buildings where such floor space is incidental to the primary purpose of the building'.*

In addition, the new Development Contribution Scheme should provide a clear list of developments which are exempt from paying a development contribution levy and development which would attract a reduced levy. We would recommend that such a list of exempted development should include, inter alia, the following:

- Residential extensions less than 40 sq.m.
- Developments by charities/ non profit organisations (for non-profitable development);
- Social Housing;
- Car Parking (only ancillary surface car parking to be exempt)

9. Draft Development Contribution Scheme

Certain developments are exempted from the contribution scheme as they need not create a high demand on infrastructure provided. It is considered reasonable to exclude domestic extensions under 40 sq.m as they are exempted in the first instance. Residential parking is to be provided as a requirement of the Development Plan but need not generate demands on infrastructure if used only at weekends. Commercial parking should however be levied in a way that promotes the efficient use of land and increased use of public transport. Social housing and developments by charities and organisations that are non profitable are exempted from the scheme as they contribute to the social fabric and infrastructure of an area.

9.6.1 Suggested Wording

We suggest that the wording of conditions referring to development contributions should indicate that::

- The levy is in respect of public infrastructure and facilities which are within the area of the planning authority;
- The levy is in respect of public infrastructure and facilities that are provided, or are intended to be provided by or on behalf of the local authority; and
- The contribution payable is index linked.

9. Draft Development Contribution Scheme

9.7 Determination of Whether New Scheme is Reasonable, Sound and Logical

As part of the terms of reference outlined in Section 2, we were required to provide a sound, justifiable, logical, equitable and accountable basis for the determination of financial contributions under sections 48 of the Planning and Development Act, 2000.

To achieve this, the draft new scheme was considered against a range of criteria including those based on the guidance set out in the Department of the Environment, Heritage and Local Government Circular (May 2007) PD 5/2007. If a scheme fails significantly to adhere to these criteria, it may be seen to be unreasonable by some stakeholder group and be challenged accordingly. The outcome of our appraisal is summarised below.

9.7.1 Level of contributions

There is a need to achieve an appropriate balance between the necessary levels of funding without comprising the Local Authority's ability to attract investment. It is essential that contribution rates are not set at such a high level as to act as a deterrent for future prospective investment and development.

The contribution rates that it was considered the market could bear were used as a benchmark in evaluating the contribution rates calculated using the costs included in the New Scheme. Consequently, the new contribution rates have been maintained at the same level as the Current Scheme rates.

9.7.2 Double Charging

In order to avoid double-charging, the local authority should take account of development contributions already levied and paid under the current Section 48 Scheme and make appropriate deductions from the subsequent charge so as to reflect that this development has already made a contribution.

It is important from the point of view of credibility and transparency that only costs that are not recovered elsewhere and that genuinely accrue against the Council are included in a contribution charge.

The Consultants have carried out analysis and tests on a project by project basis to ensure that this criterion has been adhered to.

9.7.3 Need for Extensive Consultation

In addition to the public display period, the draft development contribution schemes shall be submitted to the relevant County Development Board (CDB) for comment.

9.7.4 Transparency and Consistency

Transparency and consistency are essential elements in drawing up any contribution scheme. It is essential that all stakeholders are provided with good quality information on the levels of charges and the means by which the charges are calculated. There is a requirement for a basic uniformity of approach across all Local Authorities.

The financial model developed by the Consultants gives careful consideration to this aspect and provides a comprehensive framework and database from which the estimation of the proposed development contributions can be determined.

9.7.5 Waiving of Development Contributions

The scheme includes a provision for exemptions or reduced rates in respect of certain classes of development.

9. Draft Development Contribution Scheme

Table 9.5 DCC: Contribution Rates

		Residential €/sqm	Non-Residential €/sqm
Contribution Rate		156.62	127.00
Allocation to each division			
Roads	30.0%	46.99	38.10
Water and Drainage	50.0%	78.31	63.50
Parks	4.0%	6.26	5.08
Community	11.0%	17.23	13.97
Urban regeneration	5.0%	7.83	6.35
Total	100%	156.62	127.00

9.8 Conclusion

The recommended changes from the Current Scheme are summarised as follows:

- The period of the New Scheme is extended to cover an eight year period from 2010 to 2017 inclusive;
- Development contributions charged on a square metre rather than a per unit basis for residential developments. The average residential unit is expected to be 85 square metres;
- Indexation is based on the Wholesale Price Index (Building and Construction;
- Late payment charges are applied to all outstanding balances in a similar manner to those charged in accordance with the Prompt Payment of Accounts Act, 1997.

The New Scheme provides for the following contribution rates per square metre:

- Residential €156.62/sqm
- Non-Residential €127.00/sqm

It is also intended that these rates are applied to all new development from 1 January 2010 and all extensions over 40sqm.

The Council must ensure that all of its obligations relevant to the New Scheme are complied with including its obligations to:

- Consider the proper planning and sustainable development of its area;
- Take such steps within its powers as may be necessary to secure the objectives of Development Plan (as expressed in Section 15(1) of the Act.); and
- Consider the objectives of the Development Plan on a periodic basis ensure the provisions of Section 48 of Planning & Development Act 2000 are adhered to.

On the basis that the Council meets its obligations, the Consultants are of the view that the Scheme as proposed is in compliance with Section 48 of the Act and is reasonable relevant to the cost of the projects included in the Scheme.

Appendix 1 – Project Lists

Roads

1. Macken Street Bridge
2. Backup Control Room
3. Ratoath Road
4. Richmond Road
5. River Road
6. Cycle Infrastructure
7. Cycle/Pedestrian Bridges
8. Structural Refurbishment
9. Traffic Systems Upgrades
10. Pedestrian Improvements
11. Footpath Refurbishment
12. T21 Traffic Management
13. Malahide Road
14. Blackhorse Ave
15. Environmental and Street Improvements

Water & Drainage

Public Water Supply Schemes

1. Ballymore Eustace Water Treatment Facility
2. Water Supply Project -- Dublin Region
3. Dublin Region Watermains Rehabillitation Project
4. Mainlaying
5. Telemetry/GIS Upgrade
6. Covered Reservoir, Saggart
7. North City Arterial Water
8. Dargle Valley Watermain Construction Stage
9. Leixlip Water Treatment Plant Expansion
10. Leixlip Ballycoolin Pipeline

Public Sewerage Schemes

11. Spencer Dock Pumping Station
12. Spencer Dock Sewage Scheme
13. Liffey Tunnel Services Installation Contract
14. Ringsend Wastewater Treatment Works
15. Programme Mangement Unit
16. Dublin Bay Refurb Main Lift
17. Eastern River Basin District Environmental Projects
18. Local Flood Relief Schemes
19. Drainage Improvement Works – Contracts
20. Pumping Station Refurbishment – General
21. Sewer Relining
22. Upgrading /Replacement of Drainage Infrastructure
23. Regional WwTP & Orbital Sewer
24. City Centre Sewers

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Appendix 1 – Project Lists

Water & Drainage (Cont'd)

Flood Relief & Other Works

25. Dublin Coastal Flooding Initative
26. Flood ResilienCity Project
27. River Dodder Flood Alleviation Phase 1 Ringsend
28. Clontarf Flood Relief
29. River Dodder Flood Study
30. South Campshires Flood Defence
31. River Liffey Catchment Flood Risk Assessment
32. Dodder Flood Works Phases 3 to 5
33. River & Rain Gauging
34. S2S Phase 1 -- Stage 1
35. North Campshires Flood Defence
36. Integrated Constructed Wetlands

Parks

1. Fairview Park
2. Pelletstown Park Improvements
3. St. Anne's Park Management Plan
4. Le Fanu Park
5. Martin Savage Park, Ashtown - Sports Development
6. Mellowes Park - development of all weather pitch
7. Johnstown Park Pavillion & All Weather Pitch
8. Kylemore Park
9. Belcamp Park, Priorswood - development of walled garden
10. Playgrounds in city parks
11. Liberty Park Upgrade & refurbishment
12. Bull Island Interpretative Centre - extension & upgrade
13. Springvale Park, Raheny - development of new park along Santry River

Community

1. Clongriffin Sports & Leisure Centre
2. Rathmines Leisure Centre
3. Ballyfermot Leisure Centre
4. City Library
5. Cromcastle Library
6. Donaghmede Library
7. Arts Facilities / Studios/ Exhibition Spaces
8. Ellis Court Arts Studio
9. Security Upgrade Charlemont House and Perimeter
10. O'Deveney Gardens Community Regeneration
11. St Michael's Estate Community Regeneration
12. Dominic Street Community Regeneration
13. St Teresa's Gardens Community Regeneration

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Appendix 1 – Project Lists

Urban Regeneration

Implementation of River Corridor Study

1. Improvement works to Liffey Quays

Civic Spine Regeneration

2. Thomas Street
3. Cork St
4. St Lukes Church upgrading

Retail Core Improvement Works:

5. Grafton St & Environs
6. South Great Georges St
7. Moore St & Environs

Dublin City Public Amenities

8. "City Bike, Wayfinding System, Heritage Trails"

Public Realm/Civic Space Upgrading Works

9. Smithfield Phase II
10. City Walls/Ship St
11. Kilmainham Urban Space
12. Lutyens Gateway
13. Digital Hub Area Enhancement
14. Ballyfermot Civic Centre Space

Local Area Plan implementation -

15. "Liberties LAP, Phibsborough LAP"

Village Improvement Works

16. Coolock Village
17. Santry Village
18. Rialto Village
19. Inchicore Environmental Improvements
20. Neagh Road, Terenure
21. Edenmore & Donaghmede

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