

# **Department of Housing, Local Government and Heritage**

## **Opening Statement to the Joint Oireachtas Committee**

### **Draft Land Value Sharing and Urban Development Zones Bill 2022**

**04 May 2023**

#### ***Introduction***

Good afternoon. My name is Paul Hogan and I am the Acting Assistant Secretary responsible for the Planning Division. I am joined by Claragh Mulhern, Acting Principal Planning Adviser and Karen Kenny, Senior Planning Adviser. I would like to begin by thanking the Committee for their engagement with the Department on the development of proposals to bring about these significant proposed reforms.

Since the Kenny Report of 1973 into the price of building land and for some time before that, the relationship between the decisions made by the State to confer development potential on land and the value of that land, has been central to the public discourse around the housing market and the planning system.

Our planning system permits the State to identify suitable land for development, including housing, thereby allowing for the plan-led delivery of the necessary supporting infrastructure. By zoning land in this manner, local authorities are acting in the common good to meet the needs of the population, including meeting housing targets. This approach also provides reasonable clarity for stakeholders as to what forms of

development are likely to take place in any given location over a specified period of time.

The decision to zone land for development also confers a benefit on relevant landowners, and it is clear that this decision results in an increase in the value of the land in question. Evidence gathered during the course of our work has demonstrated that significant multiples in land value can result from the initial zoning decision, with further uplift in value accruing when permission is granted for specific development on the land.

While a landowner may be facilitated to develop their land for a particular purpose, such development is generally dependent on the provision of the necessary supporting infrastructure, including facilities and services to make the development realisable and sustainable.

Under current legislative arrangements, the principal mechanisms to secure a proportion of the benefit attributable to the decision to zone and permit development on land are via Part V social and affordable housing obligations and through section 48 and 49 development contributions. Development contributions made to the local authority are, however, not sufficient to deliver all of the essential infrastructure including transport and community facilities that are necessary to enable housing development and to build sustainable communities.

Furthermore, these measures apply at the point of grant of planning permission and therefore materialise and become a cost only for the person who intends to develop the land. In contrast, the majority, if not all of the zoning benefit generally accrues to the original landowner who owned the land at the point of zoning, or in some cases subsequent

landowners who purchase the land and seek to maximise the return on their investment through the planning process and/or resale. All of this leads to competition for land and ‘speculation’ in the market, which fuels land price inflation and can result in higher costs for purchasers.

There is also scope to improve how the planning system can facilitate more active land management in areas which are in need of development or regeneration. Currently, public authorities are reliant on landowners to bring forward land for development. This can result in piecemeal patterns of activity and hampers the effective planning and delivery of infrastructure by public authorities.

The current Strategic Development Zone (SDZ) provisions have had mixed results. It is of note that some of the SDZs that have been designated for ten years or more remain unrealised. It is also evident that the SDZ process has not in every case facilitated the effective calculation of the costs and means of delivery of infrastructure required to support the development at the outset.

Delivery and implementation challenges are now greater than ever, given the focus on the development of brownfield land in urban areas, in order to achieve sustainable compact growth. These areas are often fragmented in terms of ownership and will not generally achieve the same level of consensus from landowners as greenfield sites, given the lack of incentive to relocate or abandon existing viable uses.

Taking into account the Kenny Report (1973) and more recent publications by NESC and others, it has long been apparent that the State needs an implementation mechanism that can be applied in a fair,

equitable and proportionate manner to achieve national housing and urban development objectives.

The proposals set out in the General Scheme published on 14 April 2023 are the result of significant analysis and engagement undertaken since the publication of an initial General Scheme in December 2021.

### ***Land Value Sharing***

In particular, the Land Value Sharing (LVS) elements of the proposals have been subject of an economic appraisal and detailed discussion with the Office of the Attorney General, valuation experts and engagement with key stakeholders in order to provide a robust basis for the draft legislation.

The aim of the proposal is to introduce a mechanism to ensure that a proportion of the value uplift associated with the decision to zone land for development purposes, is shared with the State in the interest of the common good:- The legislation provides for a new Land Value Sharing (LVS) charge of 30% on the difference between existing use value and the market value, on land that has been zoned for development, including housing. This is intended to be in addition to current Part V and Section 48 obligations.

The General Scheme sets out in detail the scope of application for LVS, the procedures to establish baseline 'existing use' and 'market' valuations, details of the rate of LVS and the means of securing the obligation, with clarity on how the obligation may be spent by the local authority. Exemptions are also provided for in order to

ensure that the measure is fair, reasonable and proportionate; and that the importance of delivering social and affordable housing is recognised.

The measure will also bring greater clarity on land values from the outset of the development process, with publication of a register of valuations by the local authority, subject to necessary compliance with GDPR provisions.

A key challenge in implementing LVS is ensuring that the mechanism captures fair value for the State, but avoids disincentivising housing supply. The design and timing of transitional arrangements is therefore important to ensure there is a reasonable and proportionate impact on the market, and to incentivise a reduction in land prices to account for the obligation arising.

The measure has been designed to ensure that, in so far as is possible, the valuation process is streamlined, it does not place an undue administrative burden on local authorities, and it does not impact on decision-making timelines within the planning process which would otherwise prevent the approval and commencement of development.

Overall, notwithstanding the significance of the impacts, we believe that the objectives of the measure are clearly in the interest of the common good, that the measure is necessary, proportionate, consistent and fair, and will operate with transparency and accountability.

## ***Urban Development Zones***

The concept of UDZs has been developed in conjunction with the LVS proposals, recognising the need to facilitate the more active plan-led management of land for development and regeneration at scale in appropriate locations aligned with compact growth objectives set out in the NPF. It is intended that the UDZ designation will be applicable to large-scale areas in single or multiple land ownership that could include public and/or private lands and transport-led development areas.

The concept of UDZs is based on the existing SDZ provisions however, the need to learn from the practical challenges in delivering on the plan-led approach through SDZ mechanisms has been recognised.

Given the need to prioritise the planning and delivery of development within these key areas, the General Scheme permits the early identification of potentially suitable sites; followed by the plan-led designation of Candidate UDZ sites within the local authority development plan. This affords a key role for elected members and key stakeholders, and facilitates early delivery of development once the planning framework for the area is incorporated into the plan.

Where deemed appropriate by the planning authority, a detailed delivery scheme or masterplan, including block plans and building height requirements, may also be prepared and adopted for all or part of the area, forming the basis for fast-track consenting for compliant

development thereafter, subject to formal UDZ designation by Government.

This flexible approach takes into account the experience of SDZs in terms of the timescales involved in preparation of the scheme and the lack of flexibility thereafter. Having regard in particular to the potential additional challenges for UDZs located in brownfield areas where there may be a multiplicity of landowners and competing interests with development likely to come forward over a longer period than for greenfield sites, the current approach will facilitate development to take place while work is being progressed in parallel by the planning authority where appropriate.

The safeguarding of 'critical land' required to provide the necessary communal infrastructure to support the development is a key priority, and it is recognised that compulsory purchase of land may be required where land is not sold voluntarily by landowners for this purpose.

The UDZ designation by Government clarifies the strategic importance of these locations for the State, and also brings with it a commitment to up-front public investment in the key enabling infrastructure necessary to ensure that development in these important locations can be prioritised for delivery in a timely manner.

## ***Conclusion***

As NESC identified in their 2020 report on *Housing Policy Actions to Deliver Change*, ‘Ireland must bring about a fundamental change in its system of urban development, land management and housing provision’.

The LVS proposals have been developed having regard to the need to secure a portion of the uplift in land value arising from zoning as revenue for local authorities to facilitate the provision of key infrastructure, facilities and land to support and enable housing development, while ensuring that the proposed measures do not disproportionately affect a landowner’s constitutional rights.

UDZs will play an important role in bringing about the transformational change that is required to accommodate the needs of our growing population, with the creation of high-quality places and sustainable neighbourhoods for communities.

We are confident that the proposals set out in the General Scheme go a significant way to responding to the recommendations included within the NESC report, and we welcome the opportunity to discuss these important measures with the Committee.