SOCIETY OF CHARTERED SURVEYORS IRELAND

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The Potential of Taxation Measures to Encourage Development of Zoned and Serviced Land

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1.0 INTRODUCTION

The Society of Chartered Surveyors Ireland is the professional representative body for c. 5,000 surveyors and estate agents in the property, land and construction sectors. The Society works in partnership with RICS, the global professional body, and its mandate is to operate in the public interest.

We welcome the opportunity to contribute the views of SCSI members around the country in relation to the assessment of the extent to which the taxation system can be utilised to encourage the development of zoned and serviced land.

The Society supports all measures to develop a more sustainable property market where there is more stability in terms of property price movements and in order for that to happen, there must be a balancing out of supply compared to demand.

It is estimated that there is a requirement for approximately 25,000 units to be built annually. However, the latest figures show that 11,016 units were completed in 2014. The SCSI also has a concern that the figure for completions may be overstated due to vacant and receivership properties being connected to the electricity supply in 2014 and counted as completions, even though they may have been built in previous years. The SCSI has estimated that this could account for up to 20 per cent per annum of the units connected in recent years.

Broadly speaking, the Society is of the view that in the context of any proposed taxation measures, the viability of the development must be considered first and foremost. If a development is not viable in the first place, then tax measures will not achieve the desired outcome of supporting more development, but rather place a further financial burden on the developer/builder. This in turn may result in the land being sold to a more financially secure developer/investor who may have a lower cost of capital and could potentially absorb the levy. Furthermore, any additional taxation measures could be passed onto the house purchaser in due course.

As part of this consultation the SCSI surveyed its members and the view of members is that the key reason for the lack of development of certain zoned and serviced lands is the lack of viability due to infrastructure costs/development contributions, Part V obligations and difficulties accessing development finance. Furthermore, much of this land is in areas where there is not sufficient demand to make the development viable.

While it is asserted that a significant quantum of undeveloped, residentially-zoned land is serviced, it is prudent to note that in many instances these sites are burdened with restrictions on development owing to capacity constraints or other localised impediments. It is imperative that a number of key water and sewerage projects throughout the country are fully delivered in a timely and efficient manner, to remove obvious and challenging barriers to residential development.

The Society has published Guidance on Financial Viability Testing in conjunction with the Irish Planning Institute and the Royal Town Planning Institute which could be considered as part of the process at the planning stage. In the UK, the Draft National Planning Policy Framework refers to ensuring the viability and deliverability of developments. Financial Viability for planning purposes is a test of the ability of a development project to meet its costs including the cost of planning obligations, while ensuring an appropriate site value for the land owner and a market risk adjusted return to the developer in delivering that project.

The SCSI believes that a targeted and time limited reduction in VAT on new homes could achieve the desired effect of improving the viability of sites and bringing more supply to the market.

The SCSI welcomes the publication of the General Scheme of the Planning & Development No. 1 Bill which includes measures to reduce Part V and development contributions and introduce a 'use it or lose it' approach to planning and believes that these measures, when enacted, will support more development.

Furthermore, the SCSI has made a series of recommendations in relation to the proposed vacant site levy and as such would question the need for an additional taxation measure on zoned and serviced land.

Any taxation measures introduced should focus on improving the viability of developments on land which is in the right location and which is adequately serviced by the necessary infrastructure. It was the opinion of the Committee that any tax on zoned or serviced land could also be assumed into the price of the house which in turn would be passed on to the consumer.

SCSI members surveyed do not believe that imposing a tax on serviced or zoned land where there is little demand would be beneficial. It is not in anyone's interests to see reactive and speculative building, particularly at a regional level, which is not underpinned by demand (demographics and employment data).

"If a development is not viable in the first place, then tax measures will not achieve the desired outcome of supporting more development, but rather place a further financial burden on the developer/builder", SCSI Member.

2.0 HOUSING DEMAND

The SCSI advocates the addressing, through proper planning and sustainable development principles, of the undersupply of housing to the market, to reduce volatility and thus avoiding uncertain and unsustainable market conditions.

The SCSI believes that any form of taxation to encourage development should also be accompanied by an assessment of housing demand. SCSI members do not believe that imposing a tax on serviced or zoned land where there is little demand would be beneficial. It is not in anyone's interests to see reactive and speculative building, particularly at a regional level, which is not underpinned by demand.

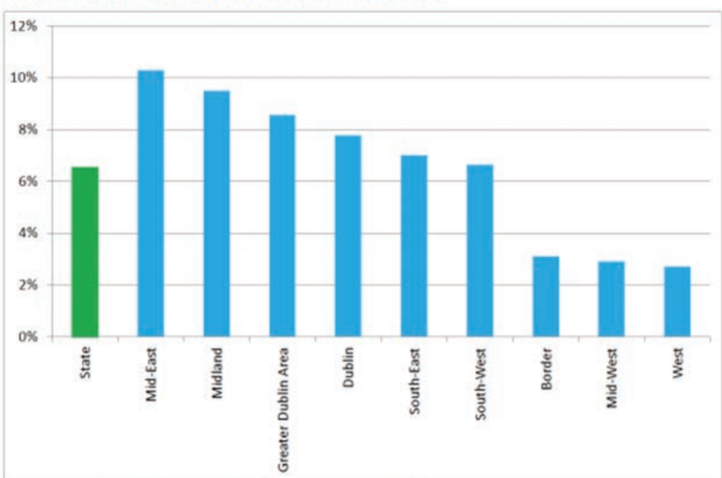
The SCSI has for some time voiced concern over the chronic undersupply of housing to the private market, to meet demand. Findings from our research in 2014 clearly indicate that the Dublin Region in particular will require new residential development to accommodate the projected population growth (generated from within the Dublin Region alone) of nearly 37,000 persons between 2014-2018 according to SCSI/Future Analytics Consulting Research. Anecdotally, a similar trend is emerging in the principal cities and some of the surrounding counties.

DEMOGRAPHICS

Ireland's total population numbered 4.575 million at the time of the last census in 2011. According to the CSO's population projections, this is expected to increase to 4.69 million by 2016 and 4.89 million by 2021. Therefore the population is expected to be 6.6% greater in 2021 than it was in 2011 and this will have an impact on housing and infrastructure requirements.

As part of this consultation on potential tax measures, SCSI believes that tax policy should consider the opportunity to put in place essential infrastructure which has the potential to encourage more development on strategic sites to meet the long term needs of our growing population.

PROJECTED REGIONAL POPULATION GROWTH 2011-2021

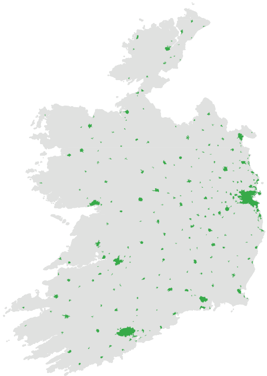


Source: CSO Regional Population Projections to 2031

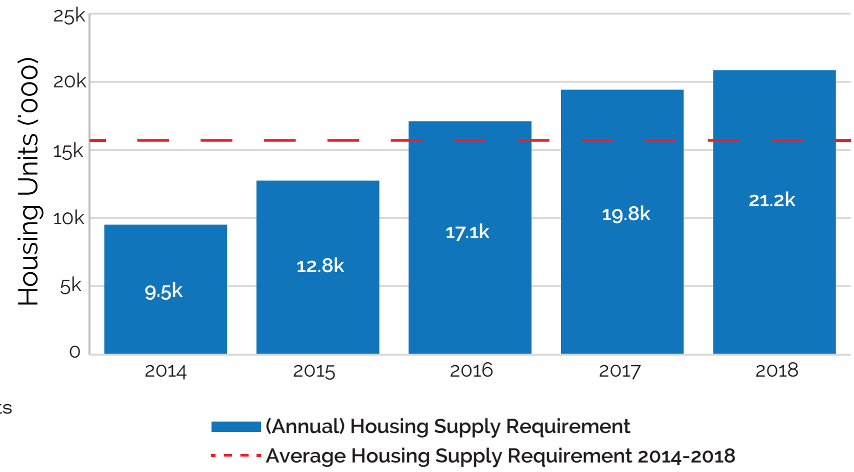
2.0 HOUSING DEMAND

According to the Housing Agency, there is a minimum requirement for 80,000 units between 2014-18. The ESRI has suggested that an average of 26,000 units per annum are required nationally.

The assessment of 272 urban settlements identifies a total6 required supply of 80,368 residential units across these areas to support the population between 2014 and 2018, an average equivalent of 16,074 units per annum over the 5 year period. The per annum requirement across all these settlements ranges from 9,526 units in 2014 to 21,215 units in 2018.



National Urban Settlements
(>1000 People)

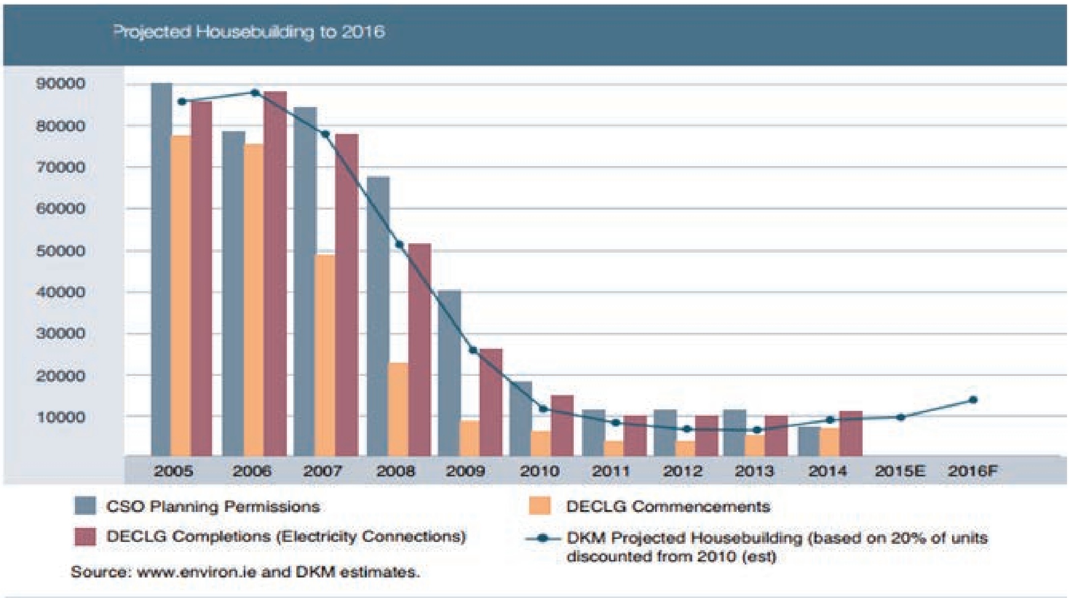


It should be noted that the housing demand / minimum requirement figures are based on national urban settlements and the SCSI believes that any proposed taxation measures on zoned and serviced land should be on evidence based demand.

According to SCSI members surveyed, in many provincial towns and locations where zoned and serviced land exists, there is still very little demand for housing and as a result imposing a tax would return very little revenue to the exchequer and would not lead to further development as there is a lack of viability on such sites.

2.0 HOUSING SUPPLY

Figures published by the Department of Environment, Community & Local Government show that 11,016 units were completed in 2014. According to a new report by the Society of Chartered Surveyors Ireland (SCSI), the number of units actually built within a given year is approximately 20% less than the official figure suggests as it is based on 'completions' i.e units which are connected to the electricity supply. The SCSI forecasts that approximately 10,000 units will be actually built in 2015 and 14,000 in 2016 as the large number of units from unfinished estates washes through the system.



It should be noted that a large proportion of the completed units are for one off housing and according to SCSI members, some of the reasons for the lower levels of supply relate to challenges facing the sector including:

- Construction costs – development levies, Part V contributions, VAT on new homes
- Planning delays
- Access to finance and in particular the lack of available equity
- Additional Building Standard requirements in Dublin compared to the national standards including dual aspect apartments, car parking requirements and the required number of units per core, which are adding to the costs of development and impacting viability

ZONING ASSESSMENT - NATIONAL

RESIDENTIAL, COMMERCIAL AND INDUSTRIAL ZONINGS

96,654 HA
Residential

Includes all residential land (both existing and proposed)

9,000 HA
Commercial

17,800 HA
Industrial

Within County Development Plans it is not possible to accurately distinguish between existing and proposed zoning classes. This lack of transparency makes an assessment of future sites capacity challenging to carry out, either independently or within the council without significant desktop research.

Total land Zoned Residential

96,654 HA
Residential

Existing Residential

79,220 HA or 82% of total

1,275,722
Existing housing stock in settlements (>1000 people) supporting a population of 2,938,491

17,434 HA or 18% of total

Proposed/New Residential

16 units
Average Density

There are approximately 17,434 ha of proposed residential land zoned designated within the Residential land availability 2014 study, nationally.

Taking an average density figure derived from existing average density (of 16 units per hectare), the current land can support approx 278,944 units.

278,944 units

80,368 units

Minimum Housing Requirement over the Projected Period 2014-2018 80,368 is nationally to support future population increases in these settlements (>1000 people)

REGIONAL ZONING ASSESSMENT

The regional assessment shows the projected population, minimum housing requirement and possible housing units. These figures are based on the Housing Agency report and relate to urban settlements with greater than 1,000 people. The SCSI believes that any taxation measures should take into account housing demand, the capacity to deliver and the possible housing units that can be delivered.

ZONED NEW/PROPOSED RESIDENTIAL LAND

983 ha	BORDER REGION	2,168 ha	MID-WEST REGION
2,654 ha	DUBLIN REGION	3,520 ha	SOUTH-EAST REGION
3,506 ha	MID-EAST REGION	1,995 ha	SOUTH-WEST REGION
1,343 ha	MIDLAND REGION	1,266 ha	WEST REGION

Lands zoned for new or proposed residential development will be key in addressing future housing requirements. The national Residential Land Availability (RLA) survey carried out in 2014 by the Department of the Environment, Community and Local Government identified the location and quantity of undeveloped lands. Final figures (stage 2) in the number of hectares that could be developed in each region under the phasing schedule of the relevant Development or Local Area Plan periods are shown above.

POPULATION CHANGE 2011 - 2018

+4.7%	BORDER REGION	+4.7%	MID-WEST REGION
+3.5%	DUBLIN REGION	+3.7%	SOUTH-EAST REGION
+7.4%	MID-EAST REGION	+2.9%	SOUTH-WEST REGION
+6.8%	MIDLAND REGION	+5%	WEST REGION

Urban settlements across the region will continue to draw greater numbers of people to them over the short term to 2018. Each settlement will grow at a measured pace, but even those which have a pre-existing surplus in vacant housing stock will feel added pressure to accomodate the growing number of people if trends in household composition continue (there is a prevelance towards smaller person household sizes). New/proposed residentially zoned lands will need to be developed in a phased manner reflecting their serviced status and also the pressing need to meet minimum housing requirements.

MINIMUM HOUSING REQUIREMENTS

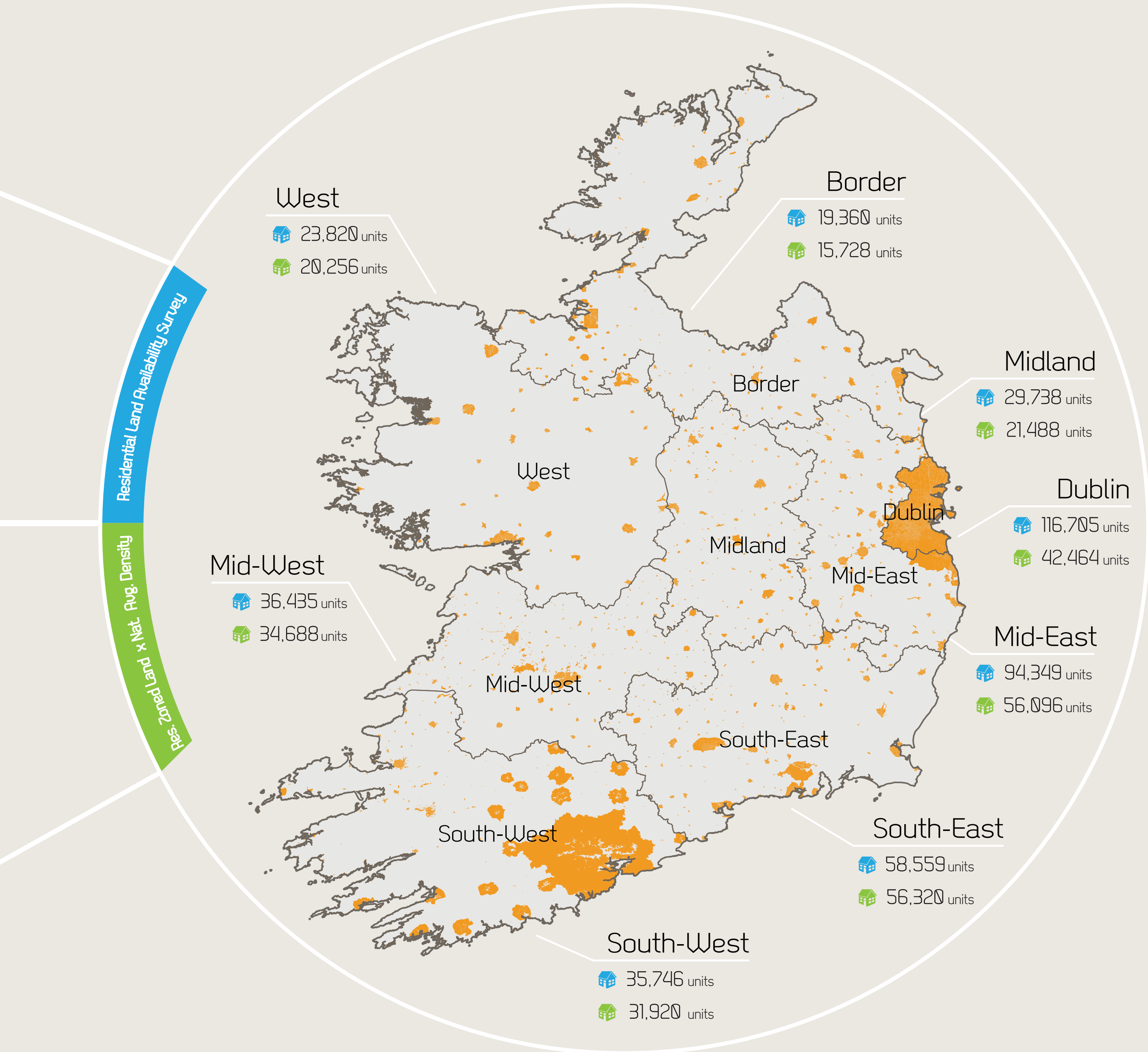
5,164 units	BORDER REGION	4,676 units	MID-WEST REGION
37,581 units	DUBLIN REGION	4,817 units	SOUTH-EAST REGION
11,999 units	MID-EAST REGION	7,559 units	SOUTH-WEST REGION
3,992 units	MIDLAND REGION	4,580 units	WEST REGION

The minimum housing requirement for each region (Housing Agency, 2014) presents an aggregated view of the minimum number of units identified to satisfy the demands of a growing population alongside the trends in household composition in each region's urban settlements of 1,000 people or higher. This is an indication of the minimum level of supply needed which could be principally addressed by utilising the quantum of identified undeveloped lands in each region.

Housing Agency 2014 | *"Housing Supply Requirements in Ireland's Urban Settlements 2014 - 2018"* Housing Agency & Future Analytics Consulting, April 2014.

POTENTIAL HOUSING UNIT CAPACITY

Residential Land Availability Survey 2014 (DoECLG)
Average Density Based Housing Estimate
All zoned land

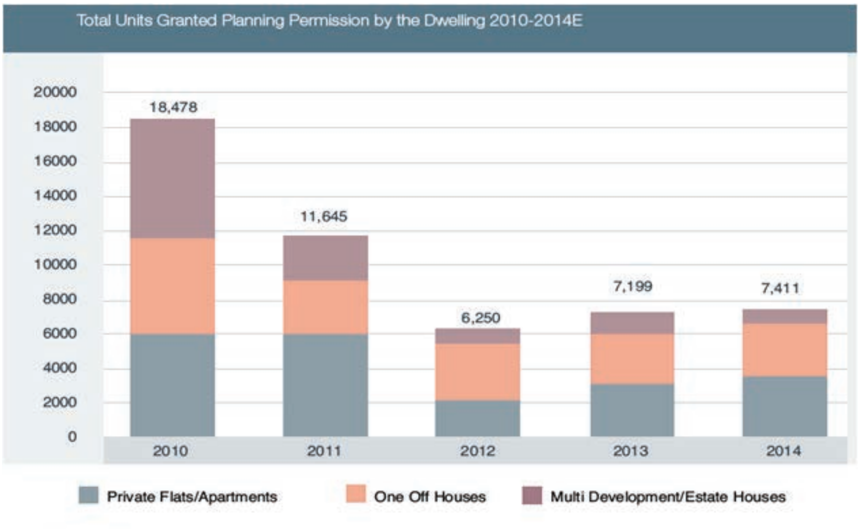


Sustainable residential development has never been more important and to adequately estimate the delivery capacity of new and proposed residentially zoned lands one must consider the living relationship between housing and people (embodied as unit density per hectare). Nationally, the urban settlement average is 16 units per hectare for settlements of 1,000 or more.

Two estimations are illustrated above. shows the housing unit capacity of available lands using the RLA derived density figures, while shows a capacity estimation using the existing average density in urban settlements over 1,000 people.

PLANNING PERMISSIONS

There has been a very low level of planning permissions granted compared to the minimum required numbers of homes. Furthermore, much of the planning is for one-off housing which will not support the overall housing requirements in a sustainable manner.

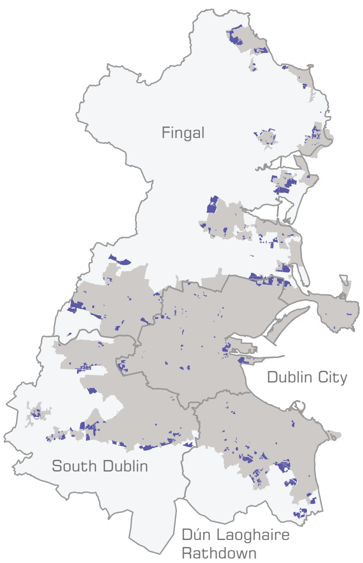


Source: CSO.

ZONED SERVICED LAND ASSESSMENT - DUBLIN

The SCSI carried out a study in 2014 looking at the quantum of zoned land available for residential development. This assessment was based on the County Development Plan zonings alongside the Residential Land Availability Assessment for 2014. The study highlighted a number of interesting points;

UNDEVELOPED RESIDENTIAL



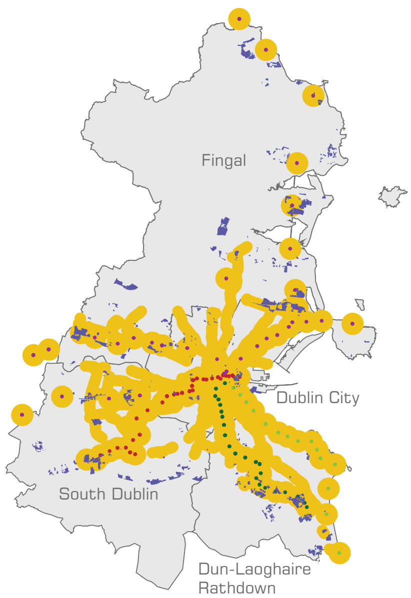
There is c. 2,233 ha. of land **zoned and potentially available for residential development** in the Dublin Region over the relevant Development Plan periods and beyond. A significant quantum of which is located in Fingal with much lower figures in each of the other three local authority areas.

DCC - 313 ha	DLRCC - 302 ha	FCC - 1,065 ha	SDCC - 553 ha

Lands zoned and potentially available for residential development in the Dublin Region

- Urban settlement areas
- Lands zoned and potentially available for residential development

PUBLIC TRANSPORT OVERLAY



Key
- Undeveloped land zoned for residential development
- Commuter rail stations
- DART stations
- LUAS Red line stations
- LUAS Green line stations
- 500m radius from rail/tram station or QBC

Areas in yellow are far better served by public transportation infrastruture and thus capable of absorbing much higher residential densities. A large quantum of these lands are quite peripheral to this infrastructure and would not be sufficiently accessible to support higher density developments, for example.

No. of Units permitted (and total no. of Schemes) by Local Authority

	Q3, 2014	Q4, 2014	Q1, 2015
Dublin Region	3,734 (22 Schemes)	2,234 (15 Schemes)	2,363 (15 Schemes)
Dublin City	823 (7 Schemes)	277 (2 Schemes)	232 (4 Schemes)
Dun Laoghaire-Rathdown	1,373 (4 Schemes)	730 (4 Schemes)	275 (2 Schemes)
Fingal	686 (9 Schemes)	973 (7 Schemes)	1,009 (5 Schemes)
South Dublin	852 (2 Schemes)	254 (2 Schemes)	847 (4 Schemes)

In the case of Dublin ,another recent SCSI study on planning commencements was carried out in march of this year. The study offered the following insights:

In the last 9 months (June-March) there have been commencements for approximtely 2,878 units (in schemes over 25 units).

Commencements Occurring

	Q3, 2014	Q4, 2014	Q1, 2015
Dublin Region	3 (346 Units)	9 (927 Units)	11 (1,605 Units)
Dublin City	1 (126 Units)	2 (118 Units)	3 (285 Units)
Dun Laoghaire-Rathdown	0 (0 Units)	1 (70 Units)	2 (450 Units)
Fingal	2 (220 Units)	5 (585 Units)	5 (761 Units)
South Dublin	0 (0 Units)	1 (154 Units)	1 (109 Units)

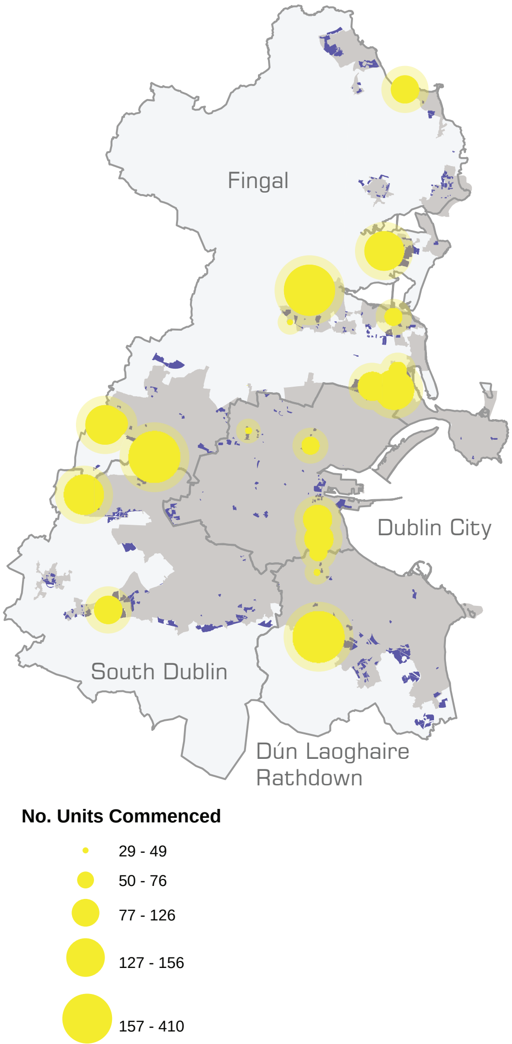
This provision has catered more toward the 3 bedroom semi detached type properties. This follows the current demand in the market for house over apartment style living. Additionally, commencements in Fingal are much higher than they are elsewhere.

Breakdown of Recent Commencements by Unit Type (Q1, 2015)

	1x	2x	3x	4x	5x	>5x	
Dublin Region	60	395	647	503	0	0	1,605
Dublin City Council	4	170	73	38	0	0	285
Dun Laoghaire-Rathdown	40	185	122	103	0	0	450
Fingal County Council	16	24	408	313	0	0	761
South Dublin	0	16	44	49	0	0	109

Drilling down further on this commencements data (see map to the right) we can see that the spatial distribution of planning permissions which have been granted and commenced in the past 9 months occur largely on the new parcels of zoned land on the edges of the existing settlement boundaries.

If the case is to be made that more centrally located parcels of zoned land should be serviced/developed first, then the last 9 months data would suggest that servicing peripheral sites is not an issue in the Dublin Region.



LOW LEVELS OF COMMENCEMENTS

The low levels of planning permissions and commencements compared to demand illustrate that there are other issues affecting the development of housing supply and it is not necessarily a case of people hoarding land banks.

Furthermore, there is a concern that until the General Scheme of the Planning & Development No. 1 Bill is enacted, which provides for reduced development contributions and Part V requirements, some developers will hold off on submitting planning applications to avail of the cost reductions.

SERVICED LAND REQUIREMENTS

Serviced land refers to land that has the necessary water, sewerage, transport or other services required to bring the land into development and sufficient for planning permission to be granted and construction to commence.

Residential Land Availability Survey 2014

" The servicing of lands for housing development in terms of providing water services, energy and communications, transport, schools and community facilities and amenities is complex and takes time and involves many organisations both public sector organisations and private sector companies."

Requirements for Serviced Site

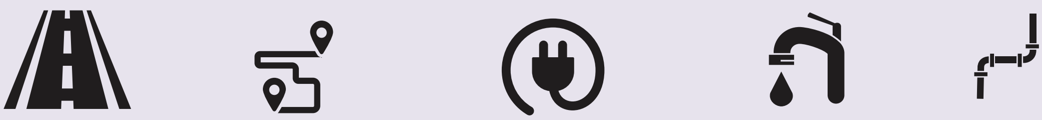
1 Local Access Connectivity

2 Wider Network Accessibility

3 Electricity

4 Water

5 Sewerage



INVESTMENT IN INFRASTRUCTURE

The SCSI believes that increasing investment in infrastructure in key strategic areas would support more development being undertaken and land being brought to the market. Forward planning methods (population projections, infrastructure audits) and the identification of Strategic Development Zones offer important insights in the emerging and future needs of communities and key settlements.

Some considerations could include:

- Meaningful and targeted investment in physical infrastructure – an accelerated infrastructural programme to service zoned land is essential
- Increased densities along existing high quality public transport corridors and the facilitation of increased densities along future public transport links and nodes;
- Specific investment in high quality public transport corridors to serve the major population growth areas, and targeted investment in key support infrastructure;
- Plan-led development that meets the needs of existing and projected population growth, where residential development is delivered in appropriate locations, well served by public services and facilities;
- Application of Strategic Development Zone (SDZ) opportunities for mixed use development, and in particular those with a strong residential component.

It is essential that priority is given to the delivery of quality public transport to provide sustainable settlements and quality of life to residents, while giving a degree of certainty to the delivery of housing in appropriate locations. It is important that Ireland provides:

- specific support and encouragement for higher density development in cities and towns, especially within in-fill opportunity sites;
- ensures the appropriate integration of public transport and the location of key housing delivery (SCSI made a submission to the Draft Greater Dublin Area Transport Strategy consultation earlier this year, in this respect);
- prioritises the allocation of infrastructure to service zoned land, particularly those lands which are not faced with capacity constraints at a community or regional level (even if they are 'serviced');
- recognises that there must be a balanced view, and that the over-emphasis on protecting the character of traditionally low density urban areas should be reappraised, not least in those cases where quality public transport has since been delivered, or those circumstances where key public transport corridors are planned.

FINANCING INFRASTRUCTURE

In terms of financing infrastructure, the SCSI has included two options that are used in the UK to support upfront investment in infrastructure, which is paid back over time from the proceeds of the development.

Revolving Infrastructure Funds
UK Case Study 1

In the UK, Revolving Infrastructure Funds (RIFs) are being introduced as a funding mechanism for infrastructure ahead of developments being completed. The fund enables the delivery of infrastructure required to unlock or serve development that will bring about economic and/or housing growth. By providing this key infrastructure upfront, planning risk is reduced, as are up-front planning obligation costs, enabling development to come forward quicker than it would ordinarily do. The new developments will also have a reduced impact on existing communities, as new infrastructure required to serve them will be in place prior to the completion of large-scale development. The proposition is for the RIF to provide cash to pay (in part or all of) for the key items of physical infrastructure, which in turn enables associated land to be released for development over time. This is the investment phase with money being paid out to fund infrastructure. A proportion of the value of the development land is used to pay back the RIF for its outlay (potentially plus a commensurate return). This is the repayment phase, with receipts coming back to the RIF. Value is typically released either through the sale of land or proceeds of the development itself (through the sale of houses) and the funding is returned and revolving. Hence an RIF is a means of providing financing, and is not a grant or subsidy. Once it has generated sufficient receipts, the RIF is then able to reinvest amounts returned to pay for infrastructure on further projects. The West of England Revolving Infrastructure Fund (RIF) is worth £56.7m and is made up of two elements; £16.9m from the Growing Places Fund and £39.8m from the Regional Growth Fund (RGF).

TAX INCREMENT FINANCING

UK Case Study 2

The UK will be required to invest as much as £500bn in new and refurbished infrastructure by 2020. This will necessitate additional capital expenditure of £20bn per annum depicting current infrastructural investment levels (RICS, 2011). At a time of constrained public sector spending the challenge for central government is significant and will necessitate the exploration of innovative investment structures/models. One such model is the TIF (Tax increment financing) which has been used with much success in the US and which is beginning to be piloted in the UK. The TIF model involves the hypothetication or "ring fencing" of taxes and is based on the assumption that property values within the designated TIF area will increase and generate sufficient increment tax revenue to finance the infrastructure improvements, often initially supported by a bond issue. At the moment an area is designated as a TIF the assessed values of all properties within the TIF are frozen. This is known as the "base value" or "initial assessed value". In most US states, the base value stays the same for the lifespan of the TIF. Property owners within the TIF district pay their "normal" tax burden (based on the current assessed value of their property), therefore TIF is not a new tax. Each year, an increment is calculated as the difference between the amount of tax at the current value of the improved property and the base value. Instead of sharing these increments with the overlapping jurisdictions, tax increments are channelled to the TIF authority and used to finance any debt the authority accumulated when making improvements during the lifespan of TIF.

CONSTRUCTION COSTS

A key issue for the lack of development relates to construction costs. The SCSI has provided a sample range of construction costs for a standard home.

The study shows that 20% of the costs of a new home relate to taxes and charges/ In the context of this review of potential taxation measures, a recurring message from SCSI members is that if the VAT on new homes was reduced to 9% from 13.5%, for a time limited 2 year period for those sites with planning permissions, this would support more development being undertaken and supply being brought to the market.

		Lower Range		Higher Range
	Square feet	1,200		1,200
		€		€
Cost of building House		112,000.00	to	125,000.00
Including Site Development Costs				
Other Costs :				
Part V compliance		5,000.00		12,000.00
Development Contributions		4,000.00		9,000.00
Legals, Agents Marketing, Designers		7,000.00		11,000.00
Site & Building Finance		5,000.00		7,000.00
Assigned Certifier		750.00		1,200.00
ESB, Gas connections contributions etc.		800.00		1,500.00
Contingency		5,000.00		6,000.00
Overall Cost excluding VAT		**139,550.00**		**172,700.00**
Cost per square foot		**116.29**		**143.92**
VALUE ADDED TAX				
Overall Cost Brought Forward		139,550.00		172,700.00
Value Added Tax @ 13.5%		18,839.25		23,314.50
VAT has to be charged to the consumer at 13.5%				
Overall Cost Including VAT		**158,389.25**		**196,014.50**
Cost per square foot		**131.99**		**163.35**
The foregoing excludes :				
	Site Acquisition Cost			
	Developer's Margin/profit			

Note: The study excludes the site acquisition cost and developer profit

3.0

RESPONSES TO DEPARTMENT OF FINANCE CONSULTATION QUESTIONS

1. VIEWS ON THE EXTENT OF UNDEVELOPED ZONED AND SERVICED LAND;

In an attempt to ascertain the quantum of zoned and serviced land the Department of the Environment have published the Residential Land Availability Survey 2014 (RLAS). According to RLAS, it is provisionally estimated that there is currently in excess of 17,000 hectares of undeveloped residentially zoned land nationally which equates to a capacity for over 400,000 new homes (based on a national average of 24 units per hectare).

It was essential when considering taxation measures for zoned and serviced land to first understand the services that are in place, the capacity of these services and where the services are located.

- Rather than introducing a tax on zoned and serviced land, Local Authorities should invest in critical infrastructure in order to ensure that the sites in there control are adequately serviced which in turn will improve the supply of residential property.

SCSI MEMBER VIEWS

"My view is that a small percentage of the available lands could be termed as "ready to Go" and that infrastructure is not present for the vast majority of the lands".
"Not enough quantity ready to go with planning and not the infrastructure in place for too much of the undeveloped land"

"Much of the land is not serviced, it is in the wrong areas, there is very little land actually available, zoning and actual planning outcomes are very different due to the many special circumstances"

"In my area of North Leitrim, North Sligo and South Donegal the quality of undeveloped residentially zoned land is poor and the cost of servicing will be disproportionately high"

"Generally the quality of land in urban areas is adequate and current infrastructure can accommodate planned development. Infrastructure outside of main urban areas is generally inadequate"

"In the area I practice in Cork city and its environs I do not believe there is enough zoned serviced land to meet the current pent up housing demand or indeed the future demand for the next 10 years"

"A large proportion of these lands are in areas where there is and will be no demand for residential development in the foreseeable future, irrespective of whether the lands would otherwise be suitable"

"Certainly there is a lot of land in the correct locations that is not developed, however, the costs to bring these parcels of land to a condition where units can be built requires further work. There remains an exercise in terms of the water infrastructure to be completed particularly in north county Dublin to ensure the land is properly serviced for sewerage and drinking water".

2. REASONS FOR NON-DEVELOPMENT OF SUCH ZONED AND SERVICED LAND;

The overwhelming response from the SCSI survey for the reasons why zoned and serviced land is not being developed is due to the lack of viability.

It is the view of SCSI that if the lands were viable, they would be developed.

In addition, many members suggested that there is simply very little demand for housing outside key urban areas and in provincial towns and therefore it does not make sense to build as there is no economic rationale to do so.

Some SCSI members noted that in such provincial locations, this land has a very low value and taxing such land would achieve very little return for the exchequer and would not result in it becoming being brought into productive use.

The main reasons for the non development of zoned land according to the SCSI member

"Low residential values"

"Currently it is uneconomic to develop the lands".

"Finance for developers".

"Very little zoned land on market, development costs too high, shortage of funding, market uncertainty, planning delays".

"Currently the lack of funding"

"The country needs property developers who can access finance for the zoned and serviced land in areas where housing is needed".

"There is little or no demand outside the Dublin area. In Dublin, the demands of the planning office and the various financial contributions make most developments non-viable or at best unattractive in terms of return/profit".

"Particularly outside of Dublin, remains uneconomic to develop due to low market values compared to construction costs".

"The local authorities are under a lot of pressure to ensure developers are compliant with levies and part V requirements, and are not fully staffed up, as a result of recent retirements and cuts, with experience to answer the enquiries from developers to allow the flow of construction to increase to a profitable level of production. Also there should be consideration given to establishing a better system of assessment of financial contributions to a more consistent treatment as the existing levies are still at a very high level. Developers would rather provide units for local authorities to purchase as this creates activity on sites and housing units for those on the waiting lists to be housed. More sites would be developed throughout the country if these areas were better served".

"Planning delays and levies"
"Lack of finance and the new Central Bank rules have lessened confidence in the building industry. This lack of confidence has caused many builders from purchasing and investing in building land"

3. POSSIBLE CORRECTIVE TAX MEASURES THAT COULD BE INTRODUCED TO ENCOURAGE DEVELOPMENT;

"The VAT element charged on the end of day product is prohibitive when builders are running their cost base analysis on deciding to make the purchaser of land in the first instance"

"Need to first establish if zoned and serviced land is being hoarded. This may not be the case and so no corrective tax measures are required"

"Decrease overall development cost - VAT, levies, contributions etc".

"Remove VAT from the building construction for 1 to 2 years. The loss of vat will be more than compensated with the increase in revenue from employment given to this sector and deal with the housing shortage issue"

"Taxing service land can prevent it being hoarded but if there is no market or developers with finance available then it is not efficient to tax the land."

"In many instances, the land is not wanted nor suitable for development at present, even if zoned, and consequently it is unreasonable to tax or fine people for not developing it. With regard to sites in Dublin, surely the Derelict Sites Act is sufficient. If need be the percentage fine could be increased."

"To tax undeveloped land merely because it remains undeveloped is not an incentive to develop the land. Most land with planning is only being held until a reasonable profit can be turned weither on the sale of that land or on the building out and sale of units on the land. the days of speculation with land banks are over."

"There needs to be underlying market demand in the particular location to ensure take up of end product"

"Landbanks to exist, however the main reason good land is not developed is because of lack of Developers whom are primarily focused on exiting Nama, and international funders have with one or two exceptions have little interest in Brown/Green Field sites as they are to risky for them"

"Taxation needs to fair. Penalising those who are not in a position to develop lands due to a lack of demand for the permissible use under its zoning would be wrong. Also deciding which developments would fall into this category would be very difficult to ascertain. Also differentiating between those who can afford to build and those who cannot is discriminative".

"A penal tax could have all sorts of unintended consequences, and hasn't been shown to increase supply in other countries".

6. POTENTIAL IMPACT OF SUCH A MEASURE ON PROPERTY ACQUISITION, DEVELOPMENT AND CONSTRUCTION DECISIONS.

SCSI members believe that if a tax on zoned and serviced land is to be introduced, it should only be applicable to land where there is a demonstrated viability.

"reduce VAT"

The cost of development and service charges should be offset against any taxation issue and the taxable value calculated accordingly.

Land required for housing (even if not zoned or serviced) should be compulsorily purchased at agricultural land prices plus a premium (say 15%) and CGT applied to the proceeds.

Tax incentives should be totally avoided. They were one of the main causes of the crash. If a site is worth developing, it does not need incentives to make it happen. Only feasible development land should be taxed. Who is to decide which sites have feasible development potential and which do not? Will the onus be on the land owner to prove it is not feasible, further increasing their holding costs? Where a site is borderline feasible, taxation could in fact reduce the owner's ability to develop. Why are government bodies exempt when they are the greatest culprits? They need to be encouraged to put their land to use where it is surplus to their demand.
Many local authorities require additional information before giving decisions thereby causing delays in the starting date of new building constructions and should have within the authorities the personnel to assist and become pro- active in the process instead of the current reactive policies which is a disincentive to developers due to the time delay factor

"Viability of the site"

CONCLUSION

The Society supports all measures to develop a more sustainable property market where there is more stability in terms of property price movements and in order for that to happen, there must a balancing out of supply compared to demand.

The SCSI does not believe that introducing a tax on zoned and serviced land will necessarily stimulate construction activity and boost supply, but rather it is a question of viability.

The SCSI members believes that if there was economically viable to build or complete a development this would happen if the demand was there. Unfortunately, the viability of these developments is not present.

Furthermore, any proposed tax measure should be transparent, fair and equitable and contain an element of financial viability testing.

The SCSI is of the view that the General Scheme of the Planning & Development (No. 1) Bill, when enacted, will improve the viability of developments. The SCSI also recommends that a reduction in the VAT on new homes from 13.5% to 9% for a period of two years would be a progressive tax measure, which worked in the tourism sector and created jobs, and would improve viability and encourage more development in areas where demand is greatest.

Finally, any taxation measure should recognise the differing levels of viability for zoned and serviced land in Dublin and other urban areas and more peripheral and provincial locations which are still feeling the effects of the economic downturn.

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