



Urban Sprawl to Compact Growth

Making Cities Affordable

Presentation to DCC Housing Committee, October 2020

About me / the RIAI Housing Committee

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RIAI Housing Committee

Architects working in housing across the public & private sector in Ireland
Brendan O’Sullivan is our DCC member. Committee members and the organisations they represent are involved in approx. 50% of current Irish housing deliver.

Architects are involved from Feasibility through to the Delivery of housing as designers, project managers and planning consultants. Typically, they act as the Design Team Lead and the Employers Representative.



Summary

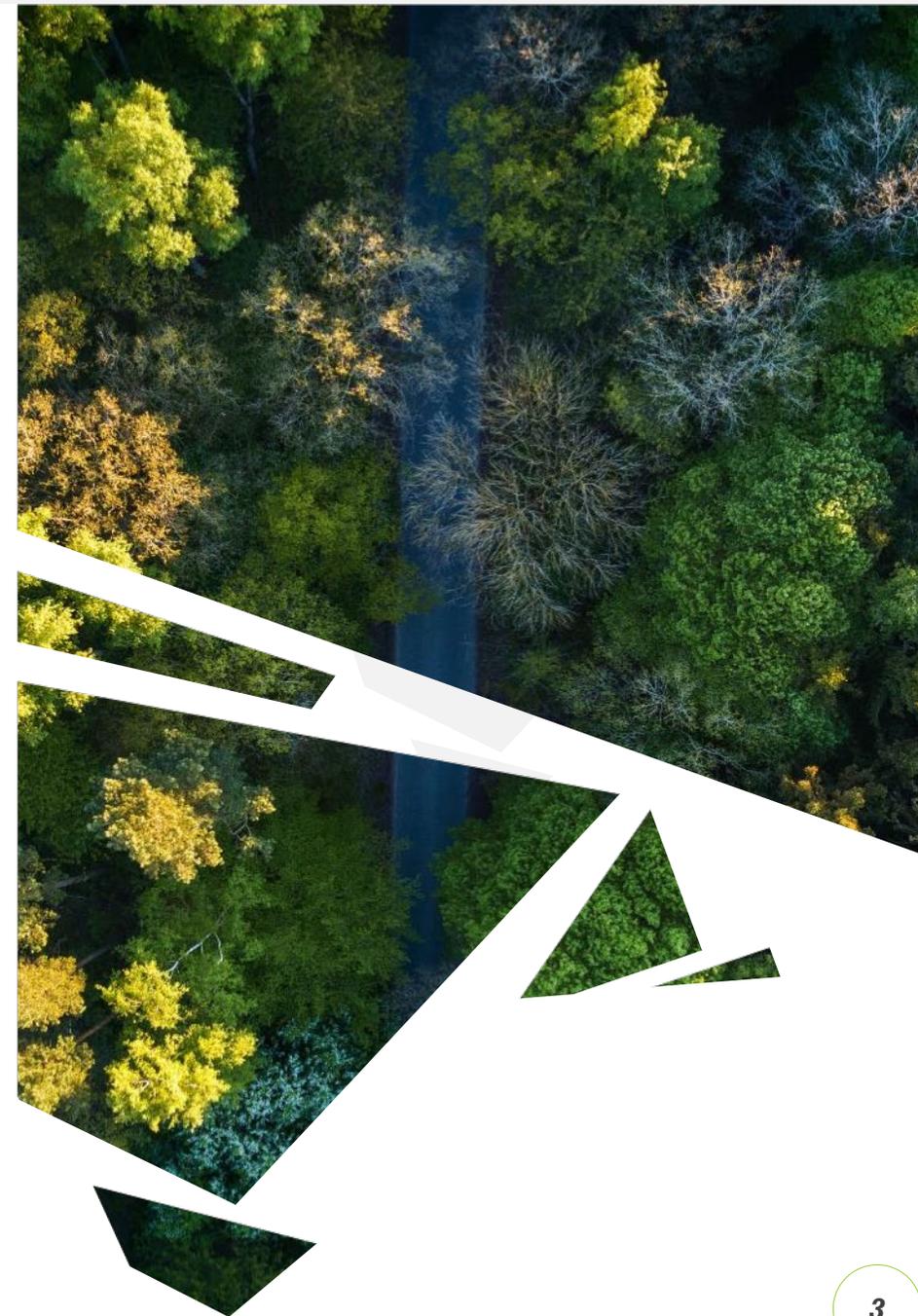
We need affordable housing in the right locations.

This means infill development in Irish cities, towns and suburbs as well as making use of existing building stock such as 'living over the shop'. However, it is much cheaper to **deliver** houses in green fields than any kind of infill development. The result is Irish towns and cities are not affordable and first time buyers and families have no choice but to live far from urban centres with the associated long commutes.

While delivery costs are higher, **all other** costs associated with infill development are lower – environmental, infrastructure, community services, schools, public transport

Government planning policy seeks to reduce Urban Sprawl, but taxation policy is not aligned. A medium density development (5-6 storey apartments with excellent public realm) attracts **5 times** more tax than if the site was developed for houses.

Taxation must be reviewed to take into account the holistic costs of Urban Sprawl and promote infill development.



What is Compact Growth?

Compact growth means building within existing cities and towns, instead of low density in green fields

- It does not mean smaller units
- It does not mean high rise



Examples include:

- Small infill apartment schemes
- 'living over the shop'

Why Compact Growth?

Compact growth is the first goal of Ireland 2040 for good reasons

For People

- Shorter commutes and the ability to walk or cycle to work, school, etc.
- Better public transport facilities & amenities
- Potential for better placemaking & stronger communities
- Win-win potential where existing (sometimes declining) suburbs are made denser:: better urban realm, housing mix, opportunity to down-size, etc.

For the Environment

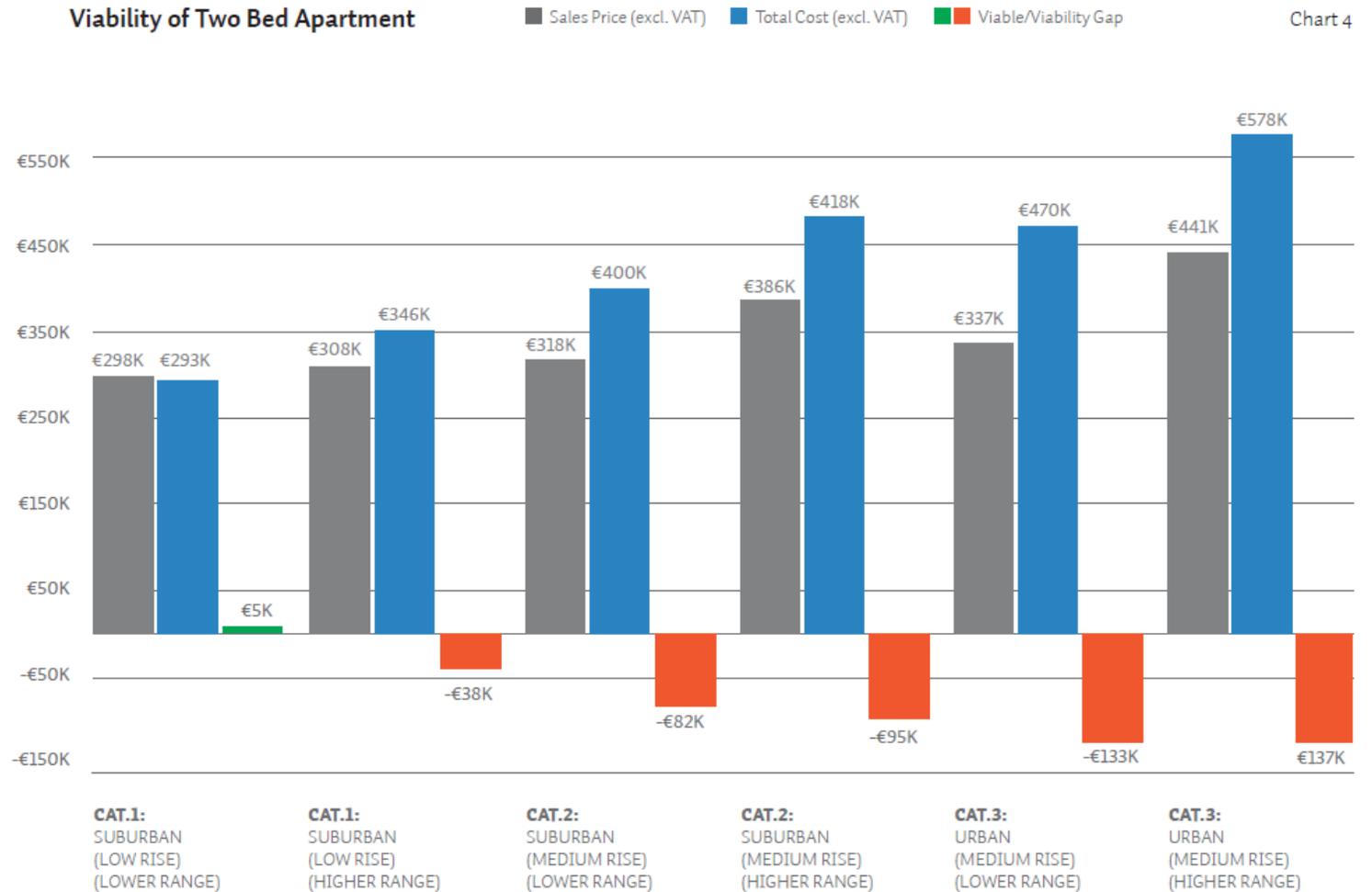
- Infill development has minimal impact on the environment compared to Greenfield development
- High quality agricultural land is retained as such
- Green Infrastructure (hedgerows and other habitat) are retained
- Reduced dependency on cars

For the State

- Makes use of existing infrastructure such as water, foul, drainage
- Makes use of existing transportation such as train, bus, roads, cycle paths
- Makes use of existing services, such as schools, hospitals & community facilities
- Upfront and ongoing tax income is much higher

The Affordability Gap

SCSI's 2017 publication *The Real Cost of New Apartment Delivery – Analysis of Affordability & Viability* estimates that the cost of delivery of a new medium rise apartment exceeds the sales values by between **€82,000 and €137,500**



Why does Compact Growth cost more?

Site Costs

- Sites are generally smaller offering less economy of scale
- Infill sites cost more to develop than green field sites for reasons such as:
 - Existing buildings to be demolished
 - Adjacent buildings to be underpinned
 - Poor site access

Building Costs

- 'Living over the Shop' projects are complex and hard to scale
- Apartments cost more to develop than houses because they require:
 - More expensive materials e.g. concrete floor structure instead of timber
 - Circulation space, up to 20% of the area of an apartment block is required for lifts and stairs
 - Greater fire protection measures
 - Additional certification such as Fire & Disability Access

Finance Costs

- Houses can be phased, and each house can be occupied as soon as it is complete, whereas typically a full block of apartments must be delivered prior to occupation.
- Phasing has a significant impact on the cost of finance & risk.
- Compact Growth attracts c.5 times more tax than urban sprawl.

Comparing Tax Income (under current fiscal rules)

A medium-density development attracts 5 times more tax than a low-density development, both upon sale and recurring.

	Low Density Urban Sprawl	Medium Density Compact Growth	Multiple
Average selling price per unit	€350,000	€420,000	
Number of units (per hectare)	35	150	
Sales price ex. VAT per hectare	€12,250,000 p/ha	€63,000,000 p/ha	
VAT 13.5%	€1,457,048 p/ha	€7,493,392 p/ha	
Stamp duty payable by buyer 1%	€107,930 p/ha	€555,066 p/ha	
Total Taxes on Sale (VAT & SD)	€1,564,978 p/ha	€8,048,458 p/ha	5.14
Recurring tax (LTP) per annum	€22,050 p/ha	€113,400 p/ha	5.14

Invest in a 0% VAT rate for AFFORDABLE Apartments

Recurring income will be higher and all other costs will be lower

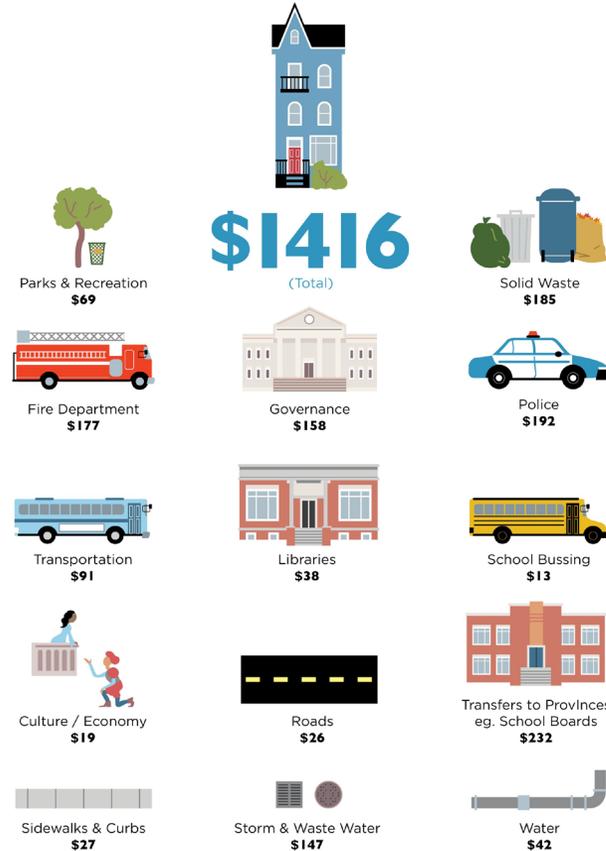
	Single Apartment	Per 1 Hectare Site (150 units)	Per 1 Hectare Urban Sprawl
Average selling price	€370,044	€55,506,608	€12,250,000
VAT @0% for Apts, 13.5% for houses	€0	€0	€1,457,048
Stamp duty payable by buyer 1%	€3,700	€555,066	€107,930
Effective Affordability Grant	€41,630	€1,457,048	€0
Taxes on Sale (VAT & SD)	€3,700	€555,066	€1,564,978
Recurring tax (LTP) per annum	€666	€99,912	€22,050

This would allow an effective affordability grant of €41,630 per apartment. The grant should only be available where apartments are sold for affordable prices.

Costs to service Compact Growth is lower than Urban Sprawl

Study by the Smart Prosperity Institute, Canada

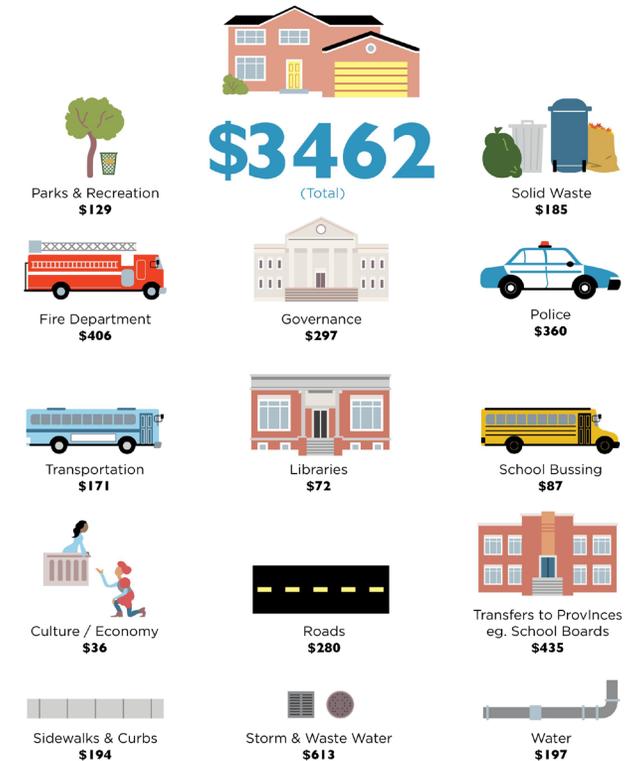
Urban City's Annual Cost, per Household



For more data and more reports, visit thecostofsprawl.com
Data based on Halifax Regional Municipality

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Suburban City's Annual Cost, per Household

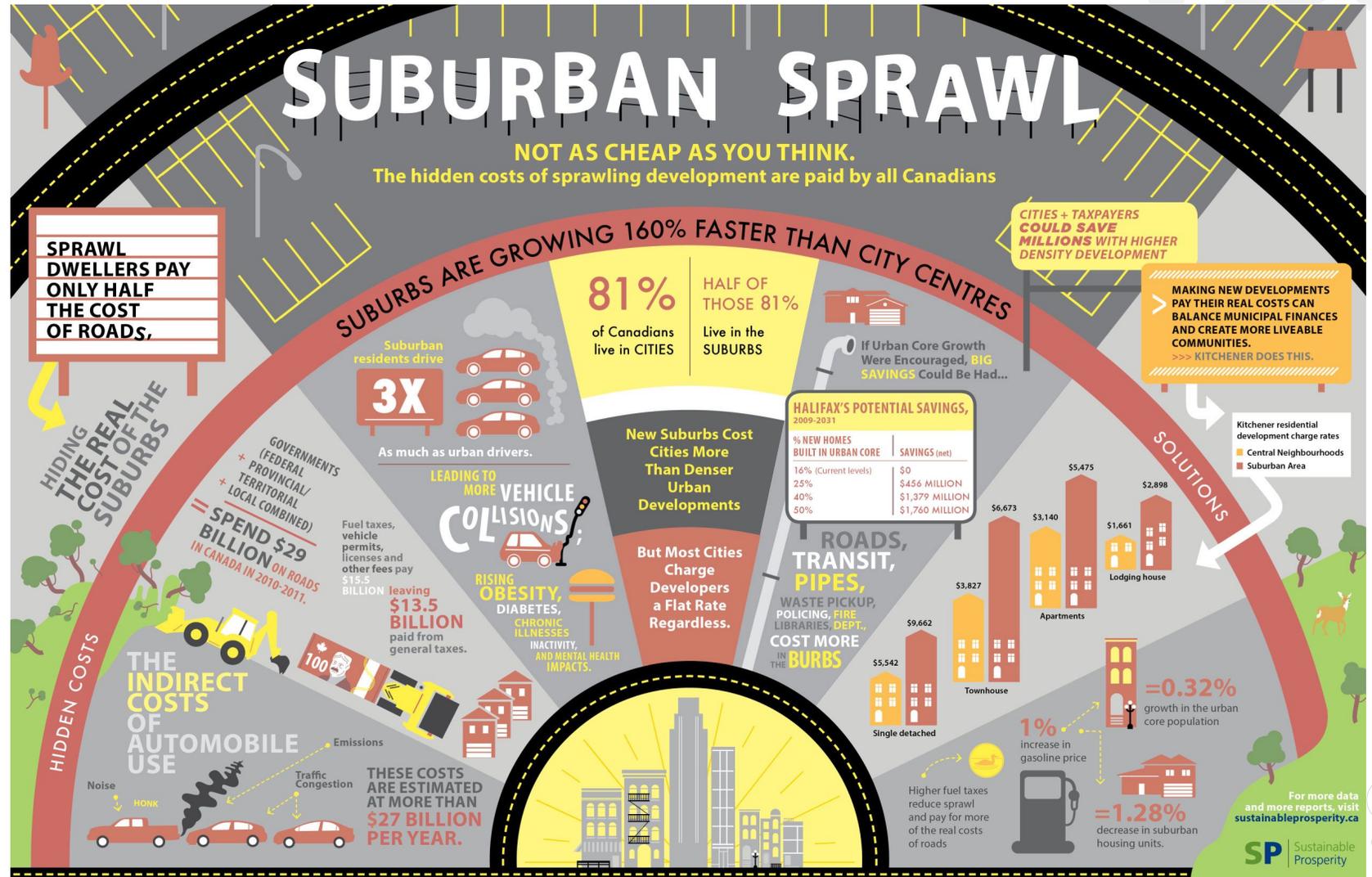


For more data and more reports, visit thecostofsprawl.com
Data based on Halifax Regional Municipality

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Urban Sprawl is not as cheap as you think !

Study by the Smart Prosperity Institute, Canada



For more data and more reports, visit sustainableprosperity.ca

Other Types of Compact Growth

Apartments are an essential component of Ireland's compact growth strategy, but they are not the only solution

Medium Density Houses

- There are examples of Medium Density Houses in Ireland, such as in Portobello, Dublin.
- Terraced houses without front gardens and with modest rear gardens can achieve medium densities of approx. 40 dwellings per hectare
- These houses do not comply with DCC Private Open Space standards or separation distances.

'Walk-up' Apartments

- Apartments where you 'walk-up' a stairs to your front door are economical and a standard solution in the UK and Europe.
- Examples include Donnybrook Quarter in London and the Malings in Newcastle-upon-Tyne

Note: the above-named schemes do not comply with DCC / Irish Building Regulation standards

Living 'Over the Shop'

Converting the space over the shop is not currently viable, as evidenced by the vacant space across Irish towns, cities and villages.

Such development should be encouraged as they bring vibrancy into our urban realm and provide much needed housing in excellent locations.

Incentives could work alongside the Climate Action Plan to retrofit 500,000 homes



The Malings, Newcastle Upon Tyne



Portobello, Dublin



Baden Powell Close, London

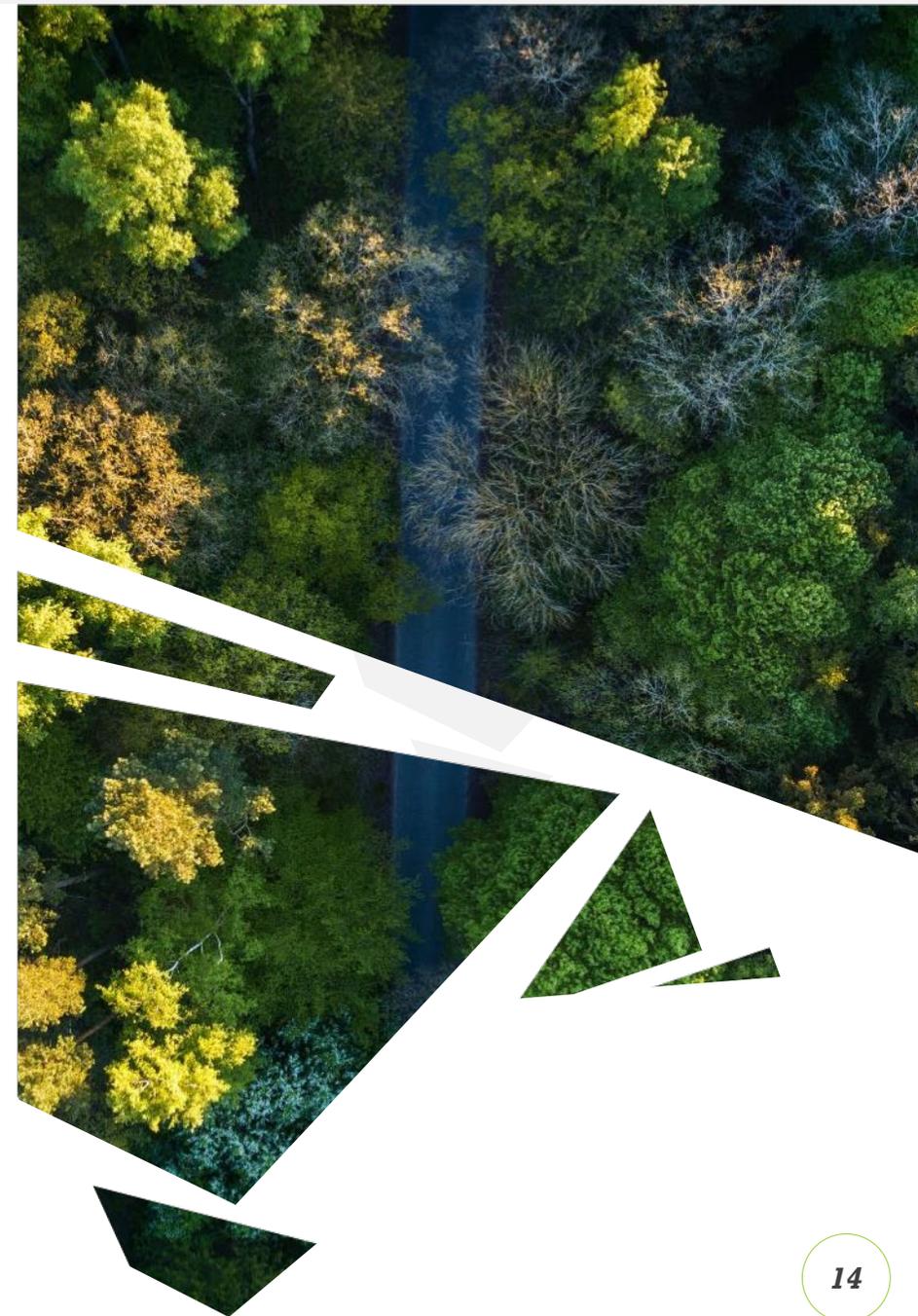
Conclusion

The upfront delivery costs of Urban Sprawl are lower than Compact Growth, but the holistic costs are much higher.

A review of the fiscal policy with respect to apartments & 'living over the shop' is needed, taking into consideration the goals set out in Ireland 2040, tax income per site area, costs to the state (e.g. infrastructure, services, public transport), quality of life and environmental factors.

Proposed changes should only apply where homes are sold at affordable rates.

Compact Growth only works hand-in-hand with excellent urban realm, where the spaces between dwellings are designed to be attractive places that connect people and communities





Q&A



Thread



Claire McManus @mcmanclaire · 19h

1/7 The RIAI Housing Committee welcomes identified expenditure on housing as a good start to this Government's commitment towards solving the housing crisis, HOWEVER

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Claire McManus @mcmanclaire · 19h

2/7 We would like to see incentives targeted towards the provision of new homes within existing communities

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Claire McManus @mcmanclaire · 19h

3/7 Infill housing and 'living over the shop' are currently not viable to deliver but make excellent use of existing resources. They are worth investing in because the holistic costs are lower

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Claire McManus @mcmanclaire · 19h

4/7 The most sustainable way to house our expanding population is to enhance existing towns, cities and suburbs. This means modest local developments in existing neighbourhoods which are not currently viable need to be financially supported

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Claire McManus @mcmanclaire · 19h

5/7 While the delivery costs of such schemes are higher, all other public costs, such as environmental impact, public transport, services & infrastructure, are much lower, reducing the overall public investment required.

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Claire McManus @mcmanclaire · 19h

6/7 New residents bring new vibrancy to existing communities and contribute to local improvements. In some cases, declining public services such as schools and train stations can be saved and revitalised. A reduction in car dependency will follow with ample local services.

1 1 7



Claire McManus @mcmanclaire · 19h

7/7 This is a quality of life issue, a win-win for everybody.

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