

INTELLIGENT INVESTMENT

The Land Value Sharing (LVS) & Urban Development Zones (UDZ) Bill

VIEWPOINT

Land Value Sharing Bill to
Challenge Residential
Viability

CBRE RESEARCH
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Land Value Sharing Bill to Challenge Residential Viability

Last week saw the publication of another Draft Bill by the government in relation to Land Value Sharing. This follows a series of bills on land value sharing and urban development zones published since 2021 to support the Housing for All Plan. The main objective of the Bill was to allow for the state to capture a greater portion of land value increase where lands are zoned for residential development or to be subject to the Urban Development Zone (UDZ) designation. This was proposed to replace existing development contributions and to facilitate the capital cost of providing key infrastructure for future residential development.

While the original intention was to capture the uplift in value for lands that have been rezoned for residential development, the Draft Bill outlines that the proposed tax of 30% is imposed on all sites where residential development is permitted in principle, under the current zoning objective. While it was originally proposed to replace development contributions on the receipt of planning permission, it is now proposed that this will be in addition to existing development contributions. This has come as a surprise to the market and at a time where the commercial viability of residential development is becoming increasingly challenging, especially for higher density schemes. Along with the recent increase of Part V provisions to 20%, this could equate to a 50% overall liability which may be higher, subject to site-specific conditions, to the landowner or ultimate developer once they have received a grant of planning permission.

How is it Calculated?

While one of the government's stated intentions with the Bill is to increase housing supply, as we discuss below, the policy would likely instead threaten development viability and have the exact opposite effect.

The current proposal under the Draft Bill proposes a Land Value Share (LVS) contribution comprising 30% of the net monetary value between the Existing Use Value (EUV) and the Market Value (MV) of the site. Though there are exemptions, similar to Part V, this will impact all sites where residential development is permitted in principle. The LVS contribution will be included as a condition of planning, similar to typical development contributions.

The measure will come into effect regarding applications lodged from December 2024, with an additional 12-month lead-in proposed in respect of lands which transacted prior to 21 December 2021. Applications lodged in respect of lands acquired before this date will be liable from December 2025. The Land Value Sharing obligation will act as a statutory charge on zoned development land and measures are included to ensure the charges are recoverable by the planning authority.

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Kevin Watson
Surveyor

We have outlined below a hypothetical scenario which encompasses a 10 acre greenfield site, with the development potential for 180 residential units, which reflects a density of 45 units per hectare. This would be considered a common density for a suburban residential development site:

Existing Use Value (A):	10 X €25,000 = €250,000
Market Value (B):	10 X €500,000 = €5,000,000
Land Value Sharing Liability (A – B):	€5,000,000 - €250,000 = €4,750,000
Land Value Sharing Tax:	€4,750,000 X 30% = €1,425,000
Land Value Sharing Tax Per Unit:	€1,425,000 ÷ 180 Units = €7,900 Per Unit

Based on the above scenario, an additional cost of €7,900 unit would be applicable in addition to standard development contributions and utility connection costs.

What are the Potential Implications?

While the original proposal to tax lands rezoned for residential development was widely deemed to be an accepted measure, the current proposals under the Draft Bill of imposing the LVS tax on existing residential zoned lands is certainly a concern for the market. Our understanding is that this proposed levy is being introduced to help promote residential development to assist in addressing the ongoing housing crisis. We strongly believe that this will have the opposite effect, potentially leading to an increase in house prices, and causes further concern for all stakeholders, including funders, when reviewing and assessing residential development opportunities.

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