

The Society of
Chartered 
Surveyors

**Submission to Planning Advisory
Committee**

National Asset Management Agency

May 2010

Mr David Proctor
Secretary
Planning Advisory Committee
National Asset Management Agency
Treasury Building
Grand Canal Street
Dublin 2

26th May 2010

RE: Society of Chartered Surveyors Submission to NAMA

Dear Mr Proctor

I refer to your correspondence of the 5th and 10th May 2010 and your request for a submission from the Society of Chartered Surveyors.

The enclosed submission has been compiled by a working group of the Society of Chartered Surveyors in relation to the planning, land use and related matters for the NAMA Planning Advisory Committee.

We consider it critical to the success of this substantial venture, that NAMA thinks strategically about the planning and development matters that affect the relevant properties and this document outlines guiding principles in relation to this matter. It is an opportunity for improved urban planning and a focussed approach to development which should seek to improve the built environment and assist in the creation of sustainable communities that will benefit the value of the assets in the medium to long term.

We propose that development proposals should be assessed not only on their feasibility, but also on the impact and benefit that it will bring to the community and provision of a social dividend. The creation of sustainable communities built on robust principles, will by its nature add value to the underlying assets in that area. Given the large portfolio of properties that NAMA controls, there is a unique opportunity to create value in the underlying assets by incorporating the principles of sustainable development and community benefits within proposed schemes.

There are the obvious potential benefits in terms of improving architectural quality and the built environment, and developing in tandem with transport strategies however given your request for a brief submission we have tried to limit our principles to those that would affect the value and realisation of assets as requested.

It is acknowledged that there is a huge challenge in the ongoing asset management and realisation of value in the NAMA portfolio, however it is also a huge opportunity to shape our future. It is our submission that the guiding principles as outlined herein would improve the feasibility of assets.

Given the required word limit, we have been unable to provide detail in this submission but hope that this provides a succinct overview. We would gladly welcome a meeting with your representatives to discuss these issues in more detail

and provide assistance. The SCS looks forward to a continued and ongoing consultation on this subject.

Yours sincerely

Ciara Murphy
DIRECTOR GENERAL

The Society of
Chartered 
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SUBMISSION TO

NAMA PLANNING ADVISORY COMMITTEE

MAY 2010

1.0 Role of NAMA in Development

We submit that it is the responsibility of NAMA to manage and plan for the realisation of maximised values for the relevant portfolio of property. This would include submissions to local authorities regarding rezoning, related Development Plan objectives, development levies, and other planning matters. NAMA should proactively review proposed amendments in Development Plans, Local Area Plans, height policies, development contributions, etc to ensure that the values of the properties are not negatively impacted and seek to maximise values through utilising these instruments. As an example, despite the falling construction costs many local authorities have increased their development levies, thereby increasing the cost of development and lowering any return. This is illustrated below.

Dublin Contribution Levy Increases¹

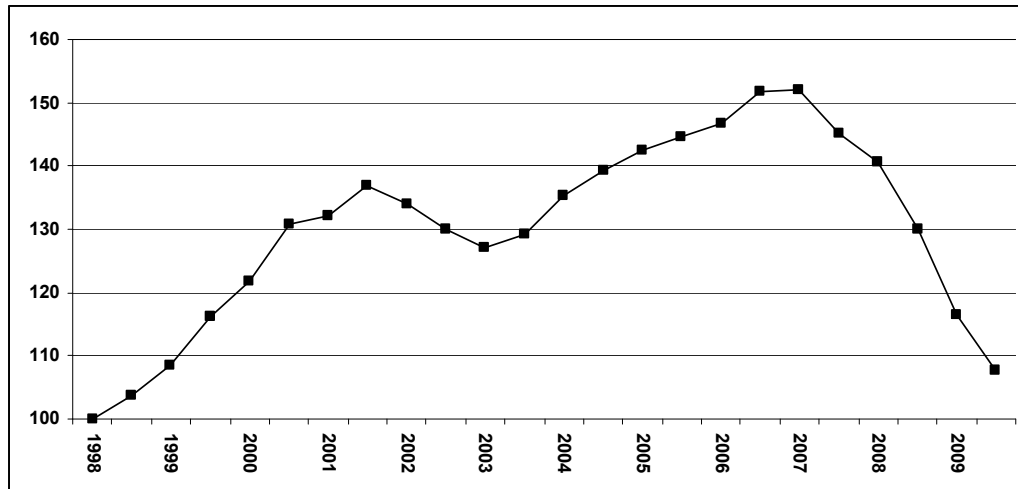
South Dublin	Current Contribution	Contribution	Percentage
Planning use	levy	Levy as from 2010	Increase
<i>Commercial</i>	€83 per m ²	€111 per m ²	33.7%
<i>Residential</i>	€11,067 per apartment unit	€12,000 per apartment unit	8.43%

Dublin City	Previous Contribution	Contribution	Percentage
Planning use	Levy	Levy as from 2010	Increase
<i>Commercial</i>	€110 per m ²	€127 per m ²	15.5%
<i>Residential</i>	€11,500 per apartment unit	€156.62 per m ²	36% (based on average 100 m ² apartment)

These uplifts in contributions are unsustainable in the current economic climate and particularly so in areas where local authorities have introduced additional levies for large infrastructural projects such as Metro. The latest Tender Price Index published

by the Society of Chartered Surveyors shows that by the end of 2009 tender prices had fallen 29% from their peak in the first half of 2007 (back to approximately 1999 levels). The Councils new levy rates as of 2010 ignore the downward economic and market trends.

SCS Tender Price Index²



Given that NAMA is in fact a 'developer' in terms of managing and identifying methods of maximising return, we consider it important that it engages with local authorities in this regard to ensure maximisation of the assets in the medium to long term. This would include making submissions and lobbying in relation to relevant development matters.

2.0 Life Cycle Cost Management

2.1 Building Condition Surveys and Planned Preventative Maintenance Schedules

All existing buildings taken in charge by NAMA should be inspected with the focus being on the identification of issues of concern and defects, which if not attended to will be more costly to repair at a later date. A planned maintenance programme should be put in place in relation to all completed properties. This will allow a plan of maintenance works to be initiated thereby increasing the assets value for institutions such as pension funds in the future.

2.2 Dilapidations

In situations where NAMA is the landlord, it will be necessary to ensure that outgoing tenants are served with dilapidations schedules, to ensure that the properties are handed back by the tenant in a good state of repair and condition or that NAMA are

appropriately re-imbursed should they have to complete repair works, prior to a new tenant taking occupation.

2.3 Removal of Ozone Depleting Refrigeration Gas

Under the F- Gas regulations EC No. 842/2006 a plan should be developed to investigate and confirm the most cost effective solutions for the removal of ozone depleting gases, or more specifically, R-22 refrigerant gas, from relevant commercial premises. The production of R-22 and its associates were phased out in December 2009, and recycled or reused gas may only be used until December 2014. This means that in any equipment installed within properties owned by NAMA containing this gas will require full replacement. NAMA will need to ensure that the properties are compliant with the legislation and a study should be undertaken to determine the extent of the issue and programme for remediation and compliance as necessary.

3.0 Use of Vacant Space

The SCS proposes that vacant space could be licensed on a short term basis of say 12 months to 'start up enterprises' gratis. The occupier would maintain the relevant building and pay all arising rates and service charges. In the short term, this would reduce the management cost of obsolescent and/or secondary buildings which may not have an immediate demand in this market. Should a long term tenant be identified within this licensed period of occupation, the licence could allow for vacant possession within a short period to cater for any demand that may arise. We propose that if the start up enterprise is successful and trading after the initial 12 months, NAMA could charge a rent based on a percentage of the turnover, thereby continuing to assist enterprise and employment and reducing management and maintenance costs. Alternative uses suitable to the location and which might provide for community needs should also be considered.

4.0 Management Information System

Geographic information systems (GIS) are used worldwide and they have been proven to *'increase efficiency, enhance currency and transparency, and ultimately facilitate a more frequent revision of the tax base'*.³ The implementation of a GIS means that *'valuers need to spend less time collating information and inspecting properties on site and can, therefore, carry out more efficient, cost effective valuations'*.⁴ The implementation of this type of system could assist NAMA in the management of information and reduce ongoing costs.

It is important that undeveloped lands located on flood plains are identified and the necessary measures taken to prevent future flooding that may result in their development. This would potentially have substantial negative impacts on the values of any such lands, however there is a possibility that they could never be developed. The office of Public Works (OPW) has the State responsibility for producing National Flood Hazard Mapping (www.floodmaps.ie).

5.0 Sustainability

The cost increases of providing a more sustainable building are minimal if introduced at design stage and engaging passive measures, however the additional value can be multiples of the initial investment. Through the use of sustainable principles, it can lead to:

- 8% to 9% operating cost reduction
- 7.5% building value increases
- 6.6% improved ROI
- 3.5% increase in occupancy ratio
- 3.0% rent increase⁵

We submit that NAMA should make a concerted effort to utilise sustainable strategies both in proposed developments, but also in consideration of any retrofitting or upgrading of existing assets, thereby increasing the viability and commerciality of the property, together with its Whole Life Cost.

Water recycling would reduce ongoing water charges, SUDS would reduce attenuation capital costs, along with a wide variety of measures that have proven financial benefits. There is also the chance to monitor energy consumption and make the results publicly available to encourage similar projects in the future, although it is acknowledged that this is a medium rather than short term aspiration.

6.0 Phasing

Phasing should be carefully considered in terms of market supply and demand given the substantial size of the property portfolio and risk of reducing property values across Ireland through oversupply.

7.0 Design for Disassembly

Proposed developments should be designed for disassembly as this would future proof the asset for changes in use or partial demolition/reconstruction in the future and maintain the underlying asset value.

8.0 Broadband and Infrastructure

NAMA should proactively engage in the support of an expanded broadband infrastructure. Ireland has suffered from poor services in this regard which has impacted on attracting foreign companies into the country. An improved infrastructure would assist in attracting demand, bolstering the property market and creating value for properties across the country.

9.0 Service Charges

There is an increasing problem with the payment of residential service charges in respect of apartments in mixed-use developments. This is creating situations in many developments where services such as cleaning and security are being suspended as there are insufficient funds available.

An increase of non-payment of service charges has recently been recorded at approx. 90% by property managers at the coal face of this issue.⁶ In the same survey, it was recorded that many developments (approx 56%) are suffering from a situation where services have been decreased or withdrawn. Worryingly, a number of respondents to the survey have confirmed that sinking funds are now being utilised to fund ongoing maintenance and running costs, resulting in a precarious future for the property assets. This is an issue that will inevitably become a concern with rented properties.

10.0 Development Models

We submit that a properly managed Public Private Partnership model may be suitable for the development and maintenance of relevant developments, in terms of minimising risk to NAMA and delivery of a cost-effective end product with a guaranteed return for a selected period.

Sources

¹ South Dublin County Council and Dublin City Council

² Society of Chartered Surveyors, 2010

³ McCluskey, W., Deddis, W., Mannis, A., McBurney, D., Borst, R. Interactive Application of Computer Assisted Mass Appraisal and Geographic Information Systems, *Journal of Property Valuation & Investment*, Vol. 15, No. 5, 1997, pp 448-465.

⁴ Tretton, D. Where is the World of Property Valuation for Taxation Purposes Going? *Journal of Property Investment & Finance*, Vol. 25, No. 5, 2007, pp 482-514.

⁵ McGraw-Hill Smart Market Reports, Green Buildings Benefit, 2007 & 2008

⁶ IPFMA and SCS Survey, October 2009