ThePost.ie

Planning is key to undo downturn damage

27 February 2011 By Brendan Williams

We urgently need to move from ad-hoc, advocacy-based development to decision-making that is based on evidence

A common argument throughout the property development boom was that our limited regulatory processes - including the appeals system to an Bord Pleanála - were hold ing up necessary developments in the pipeline.

In fact it may be argued that in many cases they may have been holding back the tide and in effect preventing an even larger amount of inappropriate development at inappropriate locations for which there was little or no demand.

Without this modest level of control the extent of over-supply and the cost of the ensuing financial crisis would have been even greater.

We now know that the oversupply level across many market sectors is at extreme levels.

Whether offices in Dublin, hotels nationally or business parks, it is evident that oversupply levels at up to 20 per cent or over in any region or sector are not sustainable.

We can always argue that some modest level of vacancy might give an economic competitive advantage to respond rapidly to recovery demand levels.

However, these vacancy levels exceed any such norm and it is clear that neither the development nor financial interests involved in their creation had any capacity or intention to manage or deal with the oversupplies and subsequent market turndown and financial crisis.

There was a common thread running through many official statements - that criticism of government decisions in the current financial crisis is exaggerated, not based on a full understanding of the facts and unhelpful.

Estimates by external financial experts and locally based critics on the full cost of the Anglo rescue were subject to severe criticism and later proved mainly correct.

A more open approach involving disclosure rather than a withholding of information, and engagement with alternative perspectives, will be of assistance to all concerned.

In respect of the urban development market, the Irish owned property development lenders holding state bank licences were in effect the major control on development levels and property prices throughout the recent period.

With access to a wide range of international funds they accelerated their credit exposure at all levels from home purchasers to major development interest in Ireland internationally.

Unfortunately i t now emerges that they had a major lack of competence in these areas.

Simultaneously, without any proper regulation, banks often dispensed with conventional approaches to evidence-based development appraisal and risk analysis for property development lending.

This wildly unfortunate combination, along with a facilitating zoning, planning and development system, now involves the taxpayer being left to bail out the process.

New planning and development legislation introduced in 2010 indicates an intention to move away from ad hoc development decision-making and towards evidence-based approaches, with compliance issues to be addressed in the future.

Our recent research has included examination of various evidence-based policy support tools used in Europe and internationally.

It is clear that it is possible in many jurisdictions to develop reliable data analysis and evidence to support policy choices in the planning and development area.

It is also clear from international examples that such moves need to be followed by clear and unambiguous conflicts of-interest legislation, with automatic and simple review mechanisms built into the guidelines to deal with breaches.

Of course without a political commitment to implementation this legislation could remain aspirational, showing a reluctance to move from our present system of advocacy based development, with planning and zoning decisions often made at individual project level.

The real motivations and long-term effects of many proposals are either misunderstood or concealed. In effect the system is still wide open to both poor - and even possibly corrupt - decision-making.

In addition the role of property incentives and government interventions was contrary to the original intentions of such schemes to boost the depressed and derelict urban centres of the 1980s.

A major general intervention advocated by vested interest s continued to 2008, boosting an already overheated property market. In fact these incentives are continuing for projects complying with commencement deadlines and some may continue until after 2020.

The power and key influence on decision-making of many associated with the development finance and banking crisis are only slowly dissolving.

This perhaps indicates that a move to policy approaches grounded on facts, evidence and realities rather than initiatives promoted by sector interests would be appropriate.

A recent phenomenon in our discussions on the development market crisis has been warnings that government agencies should not sell distressed assets at market clearance prices.

The spectre has been raised of vulture funds and foreign consortiums wishing to purchase hotels or development sites at significantly reduced prices or indeed first-time buyers picking up apartments at knockdown prices.

The international evidence remains that a market recovery requires some form of clearance sales, and that attempts to prop up pr icing levels, whether by Nama or other interventions, are expensive and not advisable.

In the case of the Irish market we should perhaps also note that the vultures have already been and have left for warmer shores and they were mostly wearing green jerseys.

We should now look at the evidence and consider reasonable offers whatever the language or accent in which the offer is made.

Dr Brendan Williams lectures in urban development at UCD and is Director of the Urban Environment Project.

He is also co-author of a series of papers on urban development and environmental issues published in a special issue of the Journal of Irish Urban Studies in December, available for download at www. uep.ie

© Thomas Crosbie Media 2011.