



An Roinn Tithíochta, Pleanála,
Pobail agus Rialtais Áitiúil
Department of Housing, Planning,
Community and Local Government



To: Chief Executives, City and County Councils
CEO Housing Agency

CC: Directors of Planning Services, City and County Councils,
Senior Planners, City and County Councils,
An Bord Pleanála.

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Ensuring Delivery of Build-To-Rent Housing Projects

A Chara,

This Circular amends and updates the document “Sustainable Urban Housing: Design Standards for New Apartments – Guidelines for Planning Authorities” published by the Minister in December 2015 and is issued under Section 28 of the Planning and Development Act 2000 (as amended).

The Circular has been issued to provide policy clarity around the role that the Government believes emerging Build-to-Let/Rent projects must play in implementing *Rebuilding Ireland: the Action Plan for Housing and Homelessness* (and particularly as set out under Pillar 4 of that Action Plan on page 72) and to facilitate such projects coming forward from housing providers for consideration by planning authorities, including An Bord Pleanála.

Taking account of the specific role that build-to-rent projects can play in addressing critical shortages of rental accommodation in areas of higher demand, the Minister specifically requests that planning authorities and An Bord Pleanála **prioritise all necessary actions to deliver build-to-rent housing.**

This Circular shall be read and applied as part of the aforementioned 2015 Guidelines and furthermore, this Circular inserts specific paragraphs into the guidelines as Specific Planning Policy Requirements (SPPR), within the meaning of the Planning and Development (Amendment) Act 2015.

Context

As set out in Pillar 4 of the *Action Plan for Housing and Homelessness*, the rented sector is a key component of the Government's overall response to solving the housing crisis, playing a major role in ensuring that housing is provided to meet changing demographic, social and economic needs. Nationally, approximately 30% of households rent their home, up from 25% in 2006 and 20% in the 1990's when home ownership levels in Ireland peaked. Today, in urban areas like Dublin and Cork, 40% to 50% or more of households are in rented accommodation.

Notwithstanding its growth in recent decades, the rental sector has not reached its full potential and has traditionally been regarded as a residual sector or interim form of tenure or as a precursor to home ownership.

Commitments under *Rebuilding Ireland* seek to mature the rental sector so that it performs an enduring role in providing high quality and well-located accommodation for persons, households and families in a near-, medium- or long-term basis.

Given that home ownership peaked in the 1990's, the rental sector accounts for a growing share of housing, with the share of households opting to rent anticipated to grow further still over the next decade, being likely to account for a third or more of tenure in the housing sector over the next decade.

The growing share of households renting reflects broader societal and economic changes, relating to mobility of people and their employment opportunities, with rented accommodation having the significant advantage of making it easier for individuals and families to pursue job opportunities or adapt their accommodation to changing family circumstances quickly.

Moreover, a well-developed rental sector can help to reduce the macro-economic risks of an over-reliance on home ownership. Countries with relatively large private rented sectors, such as Germany and Switzerland, have been better insulated against housing booms than those with small rented sectors, like Ireland and Spain.

Rebuilding Ireland commits to developing a strategy for a viable and sustainable rental sector by the end of 2016, with a particular focus on the following elements:

- **Security** – bringing greater certainty to tenants and landlords;
- **Supply** – maintaining existing levels of rental stock and encouraging investment in additional supply;
- **Standards** – improving the quality and management of rental accommodation; and
- **Services** – broadening and strengthening the role and powers of the RTB to more effectively provide their services and empower tenants and landlords.

Build To Rent and Housing Supply

Such is the gap between current levels of housing provision and predicted requirements, that a doubling of output is needed (even discounting the backlog from unmet demand) to come close to balancing supply and need. Ramping up supply on the basis of conventional “build to own” developments alone, such as conventional housing schemes sold on a unit by unit basis to owner occupiers, will take time to maximise the contribution such developments can make to meeting the country’s housing requirements.

On the other hand, Build to Rent can deliver new homes more swiftly and is therefore a central plank of Government policy on accelerating housing supply. In addition, “build to own” as a supply model cannot fully meet future requirements because of the growing preferences and demand for high quality rental sector options.

Given the strong macro-economic and housing policy arguments for a larger rental sector, as well as limited scope for expansion in the absorption rates for home ownership, one of the quickest ways in which ongoing housing requirements can be met is through a dramatic expansion of build-to-rent housing projects.

Traditionally, much of the rental sector was comprised of individual investors owning a number of properties, apartments and/or houses, often in different locations, purchased incrementally as “buy to let” properties.

In recent years and associated with the post-2008 property and related debt fuelled economic collapse, this source of intake of new and/or additional stock for the rental sector has all but collapsed. As a result, there is currently extremely limited potential for a near-term resumption of additional activity in this area of the rental sector.

Taking account of the above and many contributory and preceding analyses leading up to the publication of the Action Plan last July, Pillar 4 of the Plan places a significant emphasis on the potential of large, institutionally funded and centrally managed build-to-rent housing projects to meet immediate housing needs, particularly in metropolitan areas and to deliver additional supply towards the overall target of 25,000 units per annum required.

What is Build-To-Rent (B2R)?

A build-to-rent housing project comprises a centrally owned and managed complex or series of complexes that typically institutional investors see as a long-term commercial proposition, over a 15-20 year duration (with a requirement for units to remain exclusively for rental for a specified period as a condition of planning permission).

For the avoidance of doubt, a build-to-rent residential project does not entail a change of use. All homes permitted under a build-to-rent project constitute a house as defined under Section 2 of the Planning and Development Act 2000 (as amended).

Accommodation within build-to-rent projects usually includes a range amenities, that all residents can freely use and/or share (e.g. common rooms, storage, shared leisure and other facilities).

This model of housing provision is different from conventional apartment developments, which in Ireland have traditionally tended to be developed and then sold off to individual households and/or investors.

Build-to-rent developments are new to Ireland but are a common feature of rental sectors in other jurisdictions and typically exhibit the following characteristics:

- **Delivery:** Build-to-rent housing projects are typically brought forward by large institutional investors on the basis of making a significant up-front

investment for return over a 15-20 year period and, upon completion, are centrally managed;

Scale: To operate commercially, build-to-rent housing projects need scale, typically (but not exclusively) of 100 units or more;

- **Design:** Successful build-to-rent housing projects have been carefully designed, taking account of additional facilities such as centrally managed family rooms that can be booked for use for social functions, leisure facilities and common areas and secure storage for personal bulky items such as bicycles;
- **Community:** Recognising the specific needs of rental sector customers and to encourage longer tenancies, build-to-rent housing projects aim to create a residential community with distinctive resident experiences and character typically backed up by a 24-7 management or concierge services to manage the housing project and deal with matters residents may wish to raise with the project operators; and
- **Location:** Build-to-rent housing projects are often sought after within metropolitan areas, close to major centres of employment such as city centre areas, business parks and transport nodes.

In planning terms, build-to-rent residential projects deliver normal dwellings as defined under the Planning Act as above and therefore such rental sector schemes fall to be considered as any other form of housing would be under statutory development plan standards and objectives on residential quality.

Taking account of the specific role that build-to-rent projects can play in addressing critical shortages of rental accommodation in areas of higher demand, the Minister specifically requests that planning authorities and An Bord Pleanála **prioritise all necessary actions to deliver build-to-rent housing.** This is a Specific Planning Policy Requirement under Section 28 of the Planning Act (as amended).

In this regard, attention is drawn to the statutory planning guidelines on *Sustainable Urban Housing: Design Standards for New Apartments, Guidelines for Planning Authorities*, published by the Minister in December 2015. These Guidelines are intended, *inter alia*, to provide policy level grounding for the development of build-to-rent projects within the development plan process.

A build-to-rent project consistent with relevant statutory development plan policies should therefore be able to secure planning permission (subject to the general requirements of the relevant development plan in terms of other qualitative housing objectives and development plan standards, any applicable Ministerial Guidelines and by reference to the achievement of proper planning and sustainable development) on suitably zoned housing and/or mixed use lands, at any location.

At a more detailed level, supplementary policy and practice advice on build-to-rent (B2R) housing projects is outlined below and shall be regarded as part of the Guidelines referred to above, **thus enjoying the equivalent statutory basis.**

Use of Local Authority/Public Lands to promote B2R Projects

The Department intends to engage with both local authorities and the Housing Agency in identifying potential local authority or other publically owned lands, not otherwise required for public housing projects that could be brought forward for B2R projects in joint venture arrangements.

An additional supply of affordable B2R housing projects delivered through local authority owned sites could play a key role in offering badly needed, well-located and accessible accommodation options for households that may neither qualify for social housing nor could afford to purchase their own home or rent in the wider private rental sector.

The Department will advance the above in combination with wider Affordable Rental initiatives as part of *Rebuilding Ireland*. In the meantime, the Department invites interested local authorities to put forward potential projects for consideration and early advancement.

Housing Types and Site Location

It is a matter for housing providers to put forward proposals for the types of homes within build-to-rent housing projects, which can include apartments, duplex apartments or conventional houses.

Attention is drawn specifically to Paragraph 2.7 of the Guidelines which states that it is a planning policy requirement that mix ranges that generally apply to housing should not apply to student accommodation, certain social housing projects or build-to-rent projects.

For the avoidance of doubt, this policy is re-iterated and build-to-rent project promoters should provide for a suitable mix of unit types (Studio, 1- bed, 2- bed or more bedroomed units).

However, build-to-rent projects with a significant content of studio apartments up to a maximum of 50% (see paragraphs 2.7 – 2.9 and 3.2 of the 2015 Guidelines) may seek to be considered outside normal development plan requirements, relating specifically to unit mix and may secure planning permission on suitably zoned housing and/or mixed use lands, subject to satisfying the criteria below, in addition to other relevant development standards:

- The site must be well served by frequent public transport services;
- Provision shall be made in the proposed design that a potential future change of use to other forms of residential accommodation, for example by way of amalgamation, shall be flexible enough to meet the statutory plan unit type mix; and
- The location of the project will be such as to avoid an over-concentration of similar build-to-rent projects in the area.

Therefore, having regard to the above, the following paragraph is inserted after paragraph 2.8 of the Apartment Guidelines.

2.8(a) Notwithstanding the provisions of paragraph 2.8, planning authorities are requested to (i) avoid specifying particular locations where build to let or build to rent projects will be considered in preference to other locations and (ii) avoid limiting their consideration to locations within specified distances of public transport locations, as such provisions in statutory development plans, planning schemes and or local area plans, do not apply to other tenure types and may have the unintentional consequence of unduly stifling responses to housing providers in advancing such projects. However, B2R projects which seek to derogate from the statutory development plan unit mix standards, and specifically those incorporating 20% or more studio units, should be located in areas that are highly accessible in public transport terms and that ensure a good mix of other housing types and such proposals shall make provision in design that potential modification to other forms of residential accommodation, for example

by way of amalgamation of units, can meet statutory development plan unit mix standards.

The above is a Specific Planning Policy Requirement, meaning that where the provisions of the relevant plan specify otherwise, the provisions of these Guidelines shall take precedence.

Occupancy

For the avoidance of doubt, references to mobile workers in the Guidelines were for the purposes of illustrating sectors of demand for housing that are creating a demand for B2R projects and should not be taken to mean that such projects are only for mobile workers. Therefore, the following paragraph is inserted after paragraph 2.9.

2.9(a) However, Planning Authorities should not seek to restrict occupation of build-to-let or build-to-rent projects to any particular class of person. It will be a matter for the project operator to arrange tenancies that may derive from a broad social spectrum.

Again, the above is a Specific Planning Policy Requirement.

Shared Living

The development of a professionally managed rental sector requires a broad range of housing types to meet the needs of a wide variety of households.

Shared living developments are successfully operating internationally, with a number of such projects now developed in London. The shared living concept tends to appeal strongly to a younger cohort of occupants, often persons in the 20-35 years of age sector that are drawn to the convenience and security of a centrally managed facility, being part of a community of peers and a rental product that is more affordable for persons starting out in their careers.

An example of a shared living component of a larger build-to-rent project would be a three-bedroomed apartment rented by three people sharing, which effectively splits that apartment into three private rooms with each bedroom having en-suite bathroom facilities and a common living and kitchen space, being the shared living aspect to the occupation of that apartment.

In many ways, the shared living concept is not markedly different from situations where an apartment is shared between a number of flatmates, who have their own private bedroom, but share living and cooking facilities.

The bedrooms in shared living accommodation would normally be significantly larger than the minimum in the 2015 Apartment Guidelines with en-suite bedrooms.

Therefore, residents within shared living components of build-to-rent projects would be provided with comparable or better bedroom space than would be provided for conventional apartments.

Taking the above into account, the following paragraph is inserted after paragraph 2.9(a).

2.9(b) In order to deliver a greater variety of private rented accommodation within overall build-to-rent schemes, in locations meeting the criteria in paragraph 2.8(a), Planning Authorities may permit up to 30% of the relevant build-to-rent project as shared living type accommodation where two, three or more bedroom apartments are occupied on the basis of single or double occupancy bedrooms sharing common kitchen and living facilities. Any proposal that seeks to provide this form of shared living shall, in addition to meeting the minimum room sizes in the 2015 Apartment Guidelines, provide space to accommodate en-suite bathroom facilities in all single or twin bedrooms, shall be accompanied by evidence outlining how such projects will be professionally managed, shall provide minimum lease periods of 6 months and shall not be restricted to occupation by third-level students.

Management

The following paragraph is inserted after paragraph 5.11 of the Apartment Guidelines.

5.12: Where a planning authority is minded to approve build-to-rent housing projects, it is reasonable to expect that the unique characteristics of such projects and their advantages from a housing delivery perspective are secured for a specified period

of time, at a minimum of 15 years and more normally at least 20 years.

The use of covenants and legal agreements under the Planning Act 2000 (as amended) are recommended as an integral part of the development proposal and consent.

Notwithstanding the above, during the tie-in period, the build-to-rent owner would be free to sell the portfolio to another investor (subject to any ongoing or wider future legislative obligations), e.g. Part V leasing arrangements or measures to protect tenancy rights.

At the end of the 15-20 year period, the build-to-rent owner could:

- Retain the housing project;*
- Sell the project to a new operator;*
- Break up the project into a series of smaller projects (as in build-to-rent projects split over physically separate or discrete blocks); or*
- Sell homes on the open market (subject to design considerations as set out in para. 2.9 of the 2015 Apartment Guidelines).*

Design and Layout

Aspects of design such as number of units per core, unit space standards, and open space are fully captured in 2015 Apartment Guidelines.

Car Parking

Car ownership levels tend to be lower for certain target markets for multi-unit developments whether they are build-to-rent or build for sale. The occupants of such developments often include young professionals or persons starting out in their careers or households who may or may not own a car and who are instead drawn to highly accessible urban locations, typically served by good quality public transport, and/or where accessibility to places of work and leisure by foot or bicycle is easy and convenient.

Extensive car parking provision, particularly underground or basement car parks, are highly capital intensive to provide, to the extent that projects may tend to become either uneconomic to proceed with, or affordable only to

high-income households, contrary to the concept of sustainable communities and ensuring a good range of options for households of different types, sizes and affordability levels.

Therefore, a careful balance must be struck in terms of the level and type of car parking facilities, to be provided, taking account of the housing needs which the particular project is aimed at, its location in the context of wider mobility and travel options and the wider objectives around ensuring affordable housing supply.

Applicants for B2R projects may therefore make their case to their relevant planning authority as regards the level of car parking provision that is appropriate and that authority must apply discretion in weighing up the level of car parking, or any car parking that it may require to be provided. Innovative alternatives or complements to car parking provision such as car clubs should also be considered.

Private Amenities

As mentioned above, B2R projects are aimed at quickly creating a “building community” by promoting interaction between residents and shared amenities and spaces to complement the private living space provided within the development.

Developers engaged in advancing B2R projects will typically aim to provide associated on-site amenities that may include some or all of the types listed below, depending on the scale of the project.

- Wet leisure – pool based facilities.
- Dry leisure – gym and fitness led.
- Cinema room.
- Residents' lounge/games/club rooms.
- Workstations.
- Private dining room.
- Barbecue facilities.
- Storage facilities for bulky personal items.
- Crèche.
- Car parking, car clubs and cycle storage and maintenance facilities.

While it will be a matter for the B2R project promoter to determine the extent and mix of amenities to be provided, for B2R projects involving 100 units or

more, planning authorities should ensure that as many of the amenities above can be provided as part of the relevant project.

Part V

Part V requirements under the Planning Act (as amended) apply to B2R projects as in the case of any other housing development.

As outlined in DHPCLG Housing Circular 36 dated 10th August 2016, Section 96(3) sets out 6 types of Part V agreement that may be made, which include:

1. Transfer of lands (*section 96(3), paragraph (a)*);
2. Build and transfer of up to 10% of the proposed housing units (*section 96(3), paragraph (b)(i)*);
3. Transfer of housing units on any other land in the functional area of the planning authority (*section 96(3), paragraph (b)(iv)*);
4. Lease of housing units either on the site subject to the application or in any other area within the functional area of the planning authority (*section 96(3), paragraph (b)(iva)*).
5. Combination of a transfer of land and one of more of the other options; and
6. Combination of options not involving a transfer of the ownership of land (*section 96(3), paragraph (b)(viii)*).

As outlined in Circular 36 and in overall terms, the priority option which should be pursued by local authorities is the acquisition of social housing on the development site, by means of transfer of ownership to the local authority or to an Approved Housing Body.

While the option of leasing was inserted into the Act in 2015, the main purpose of this was to enable Part V agreements to continue to be made in cases where insufficient capital funding is available for the acquisition of units and the Government's social housing policy will be better achieved by the acquisition of houses, rather than leasing.

Notwithstanding the above and the advice contained in Housing Circular 36, the particular circumstances of B2R projects may mitigate against the putting forward of acquisition or transfer of units and land options outlined above and the leasing option may be more practicable in such developments.

Therefore, it is recommended that B2R project promoters engage closely with their local planning authority in coming to a mutual agreement on the best way to discharge their Part V obligations, well before lodging any planning application.

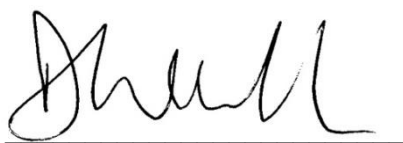
Further Advice and Guidance

The Department is giving further consideration to the preparation of more detailed planning and design guidance on B2R in the near term.

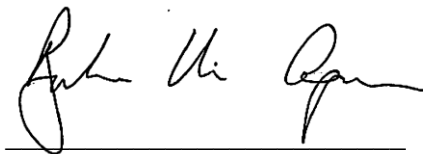
The Department intends to engage with built environment professions with a view to bringing on stream continuing professional development (CPD) activities intended to develop awareness and expertise in relation to the potential of build-to-rent housing projects.

Any queries on the Circular above may be directed to Mr Stewart Logan, Planning Adviser, at stewart.logan@housing.gov.ie

Yours sincerely,



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