

Dublin : Urban Planning and Development Markets.

French Government Group

Dublin Seminar. March 31 st 2010

Context

Urban Planning and Development Issues 2010

Market findings

Dr Brendan Williams

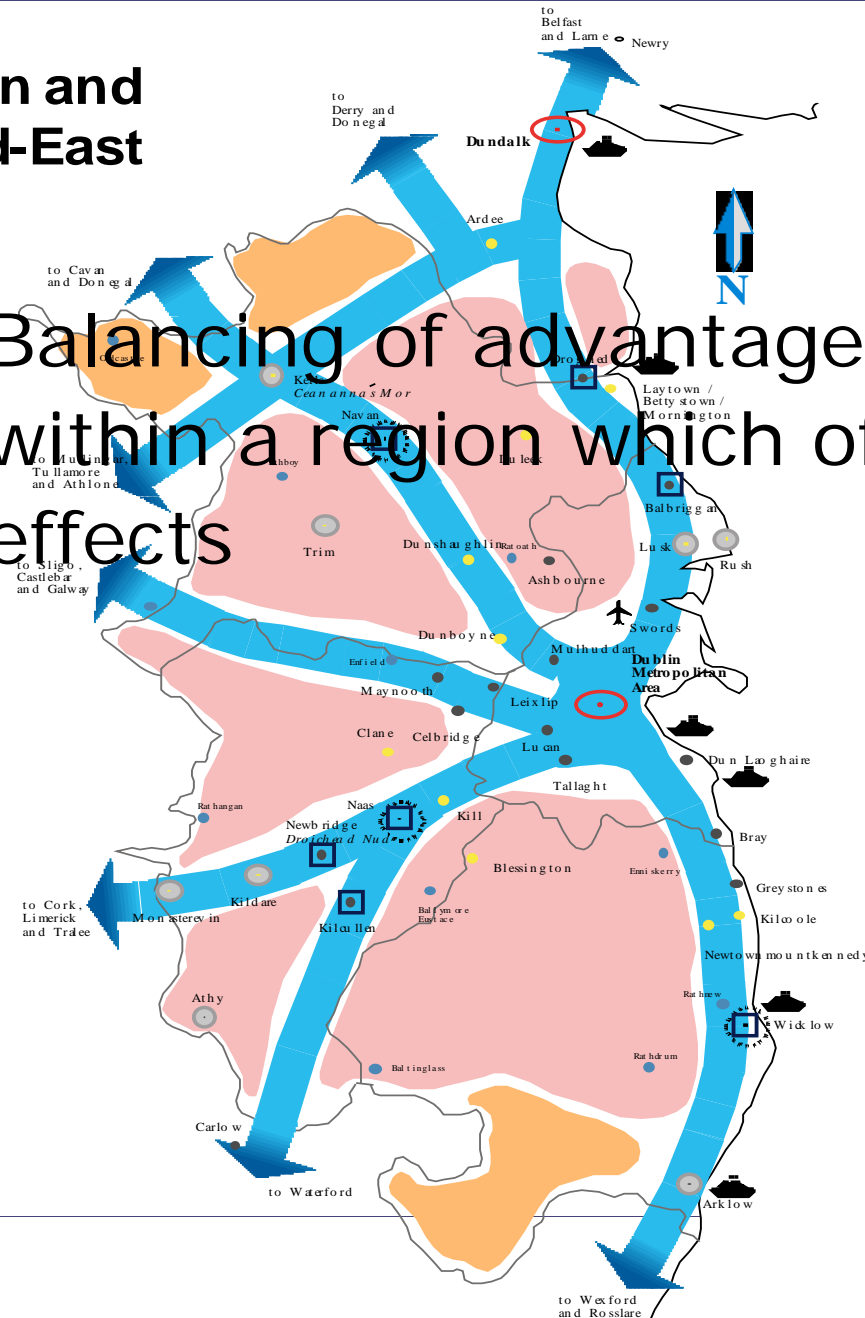


Overview

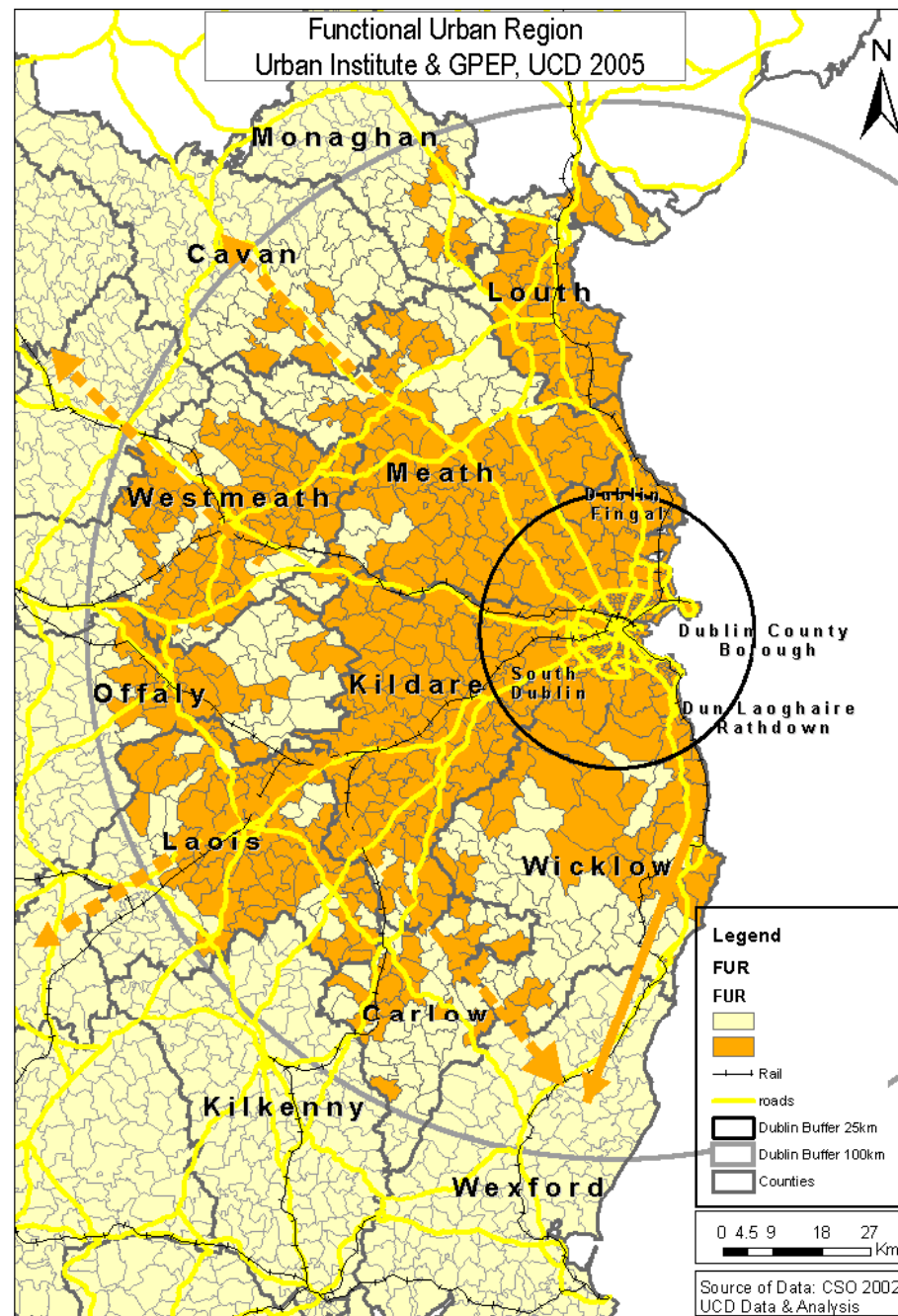
- Urban management Plans and Realities
- Issues Arising
- Evidence Based Analysis
- Alternative Approaches and Supporting evidence:
Land use led / implementation of Reforms
/Integrated Managed Process
- NAMA Project
- Conclusions

NSS Dublin and Mid-East

- Balancing of advantages and burdens within a region which offers synergy effects



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Development Plans and Urban Management

- Irish system is land use/development regulation type, Typology similar to UK unlike France .
- During Development Plan formulation and development there is no ready means of evaluating different policy options or different combinations of policy options
- Difficult to estimate ,evaluate or represent the effects of one option over another
- Difficult to understand how the various interactions influence each other at different geographical and temporal scales
- Transport and resource implementation decisions dealt with by central government



Traditional *Land Use Planning* as Policy Instrument

Traditional Zoning rules associated with maps coloured to signify uses or combinations of uses allowed.

Draft Plans (6 year review) and associated maps *inter alia* for:

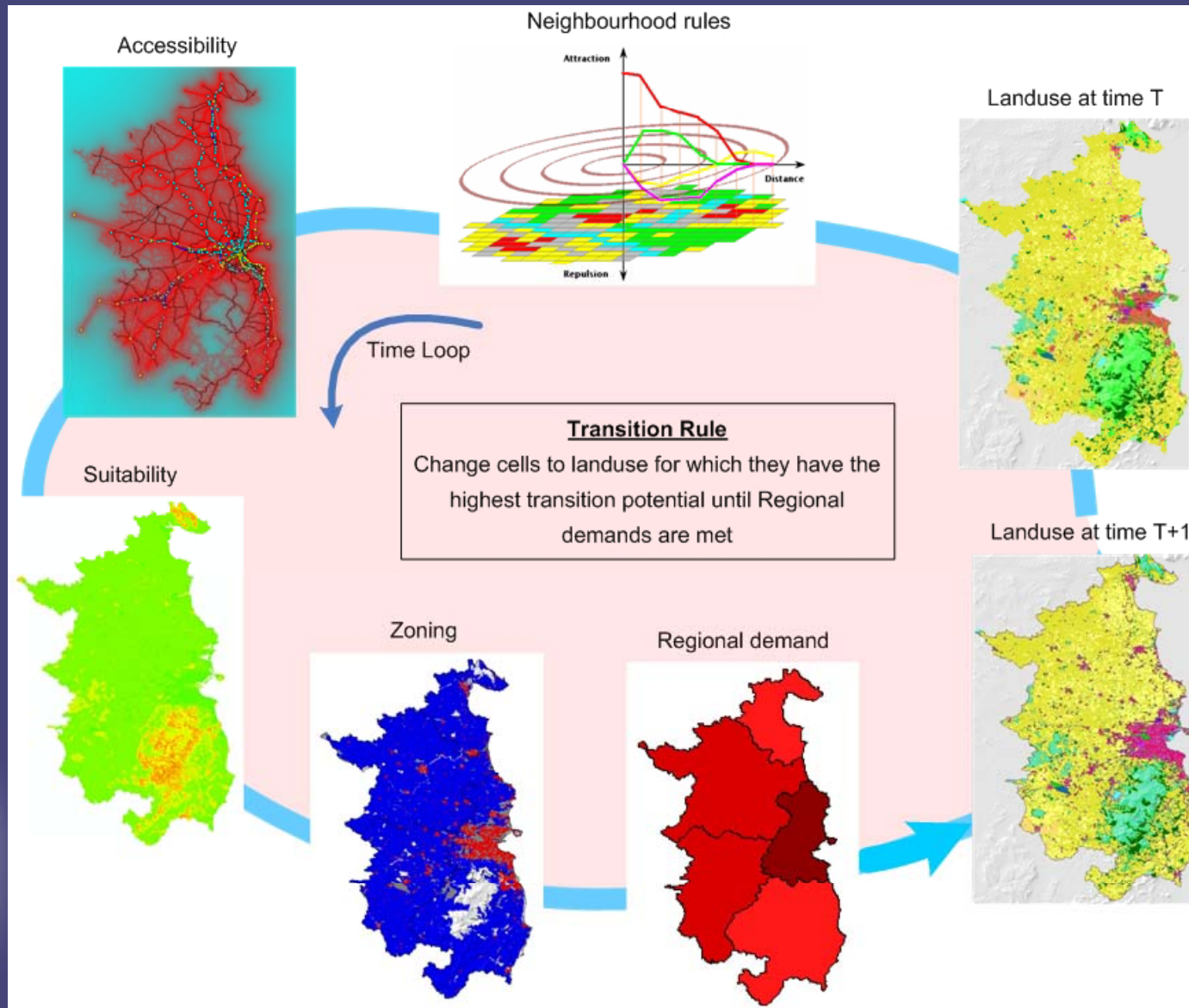
- Environment and amenity (biodiversity, air quality, open space, landscape protection)
- Industry and commerce (office and industrial zones and parks)
- Recreation (parks, playgrounds, sports areas, hiking, water recreation etc), Settlement (houses, apartments)
- Solid Waste disposal
- Transport (roads, rail, air, cycle, harbours)
- Water and sewage – reservoirs, pipes, wastewater treatment



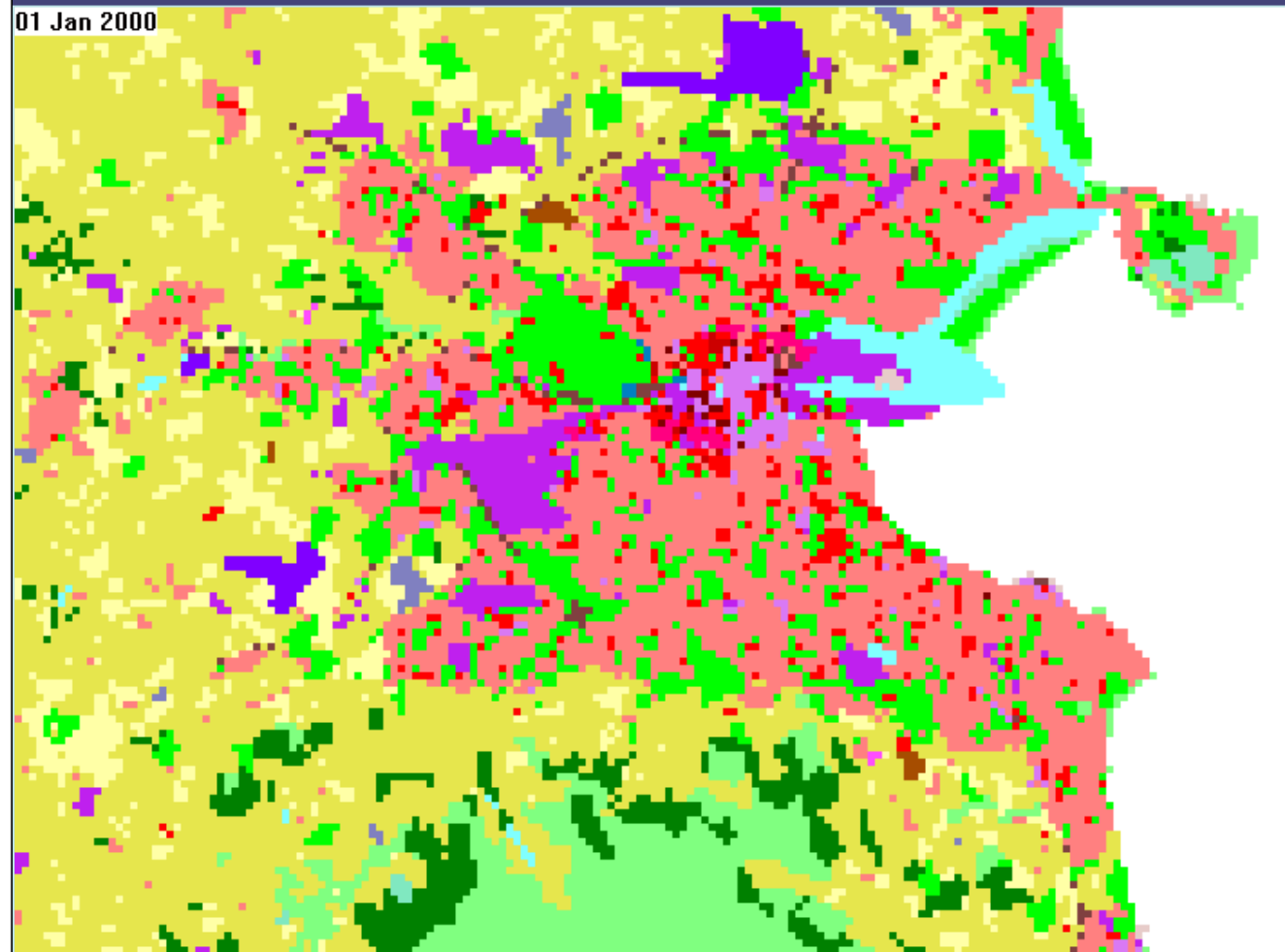
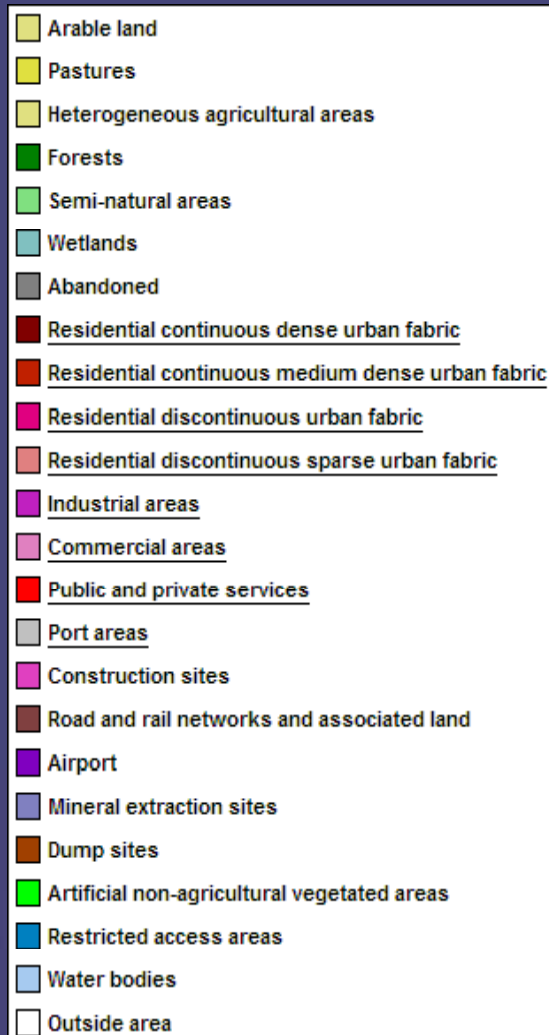
Key Limitations with existing approach

- Typically only one set of options developed for comment and feedback
- Difficult to establish interconnections and interdependencies between the various strands over SPACE and TIME.
- Inherent design flaws. Zoning/Rezoning system Excessive and facilitative rather than strategic and directed, Retention provisions. Ad hoc.
- Planning Gain Conflicts .Land Interests and Public Interests. Property Rights, development rights ,Infrastructure rights.
- Who benefits and Why. Evidence or

Land Use Transition in MOLAND Model



Sample MOLAND Simulation - Output

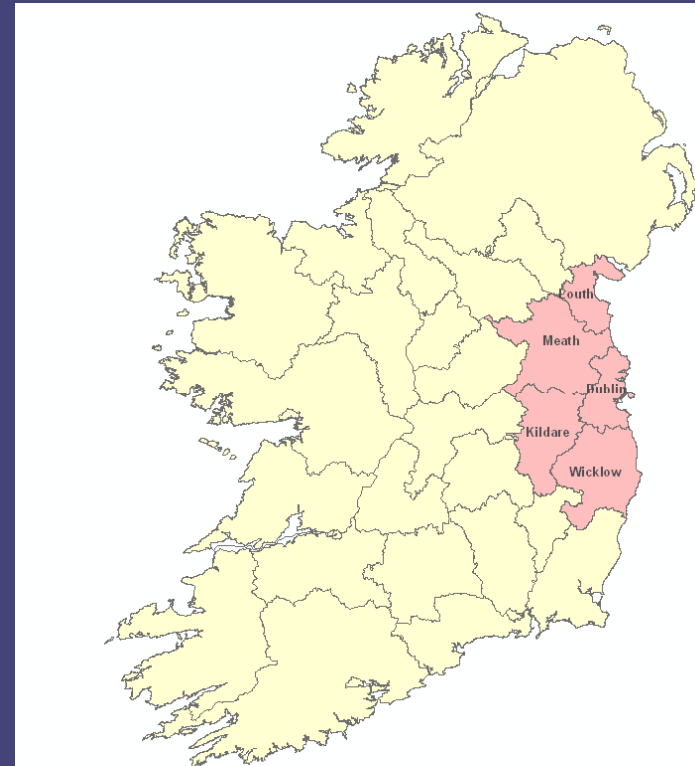


Study Area

Between 1996 and 2006 Ireland's population growth was five times the European average of 3.25% (EPA, 2008)

The Greater Dublin Region experienced the biggest growth nationally with an increase of 8.3% between 2002 and 2006 (CSO, 2007)

Recession since 2007-2010 has seen economic and population decline



Greater Dublin Area



Strategic Spatial Planning

Urban Development Scenarios

Compact ,dispersed, linear, polycentric,BAU

1. “**Dispersed Development Scenario**” – Baseline simulation – limited zoning restrictions
2. “**Compact City Scenario**” – Future development contained within the limits of the *Metropolitan Area* as defined by the Regional Planning Guidelines (2004).

Urban Environment Project



UEP

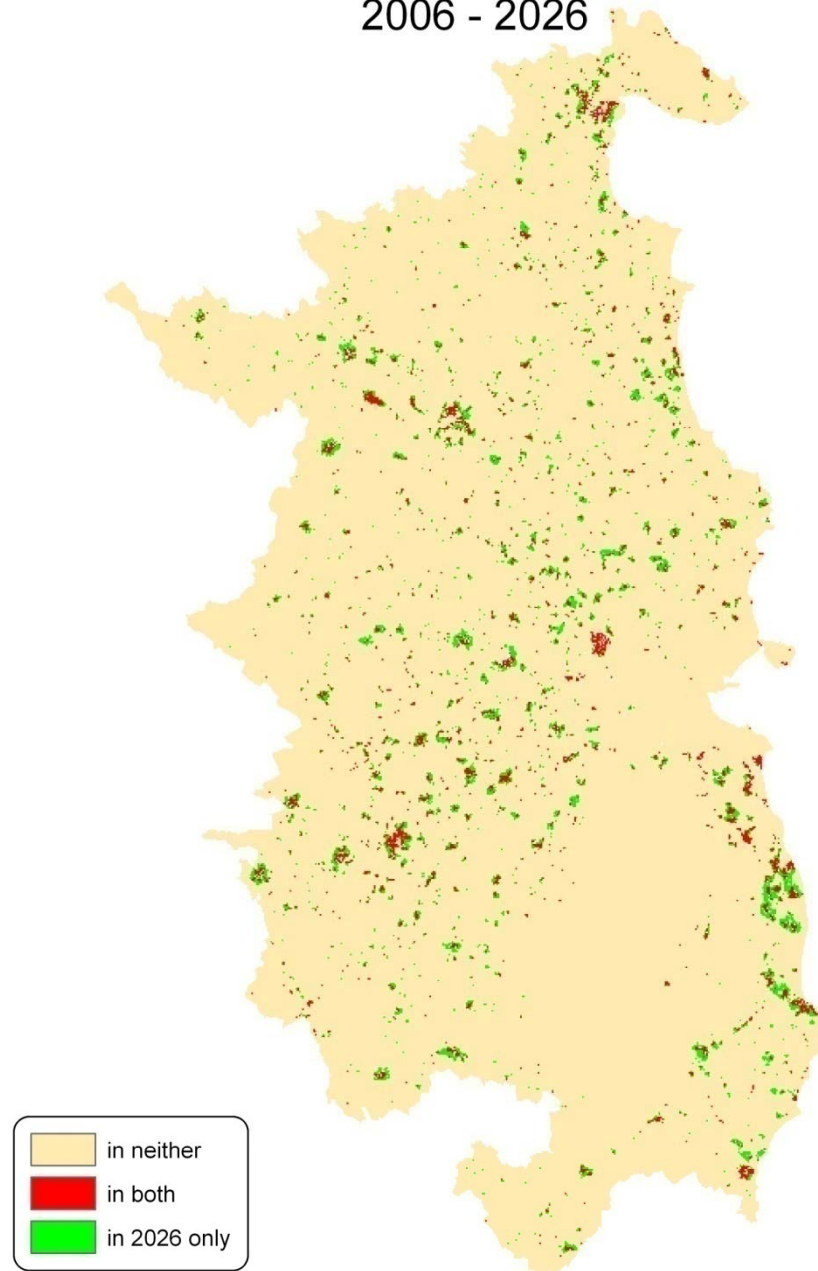
Dispersed Development Scenario

'Residential
Sparse
Discontinuous
Urban Fabric'

Growth in sparse
discontinuous is
very dispersed but
mostly proximate
to existing
settlements



Residential Sparse Discontinuous Urban Fabric:
2006 - 2026

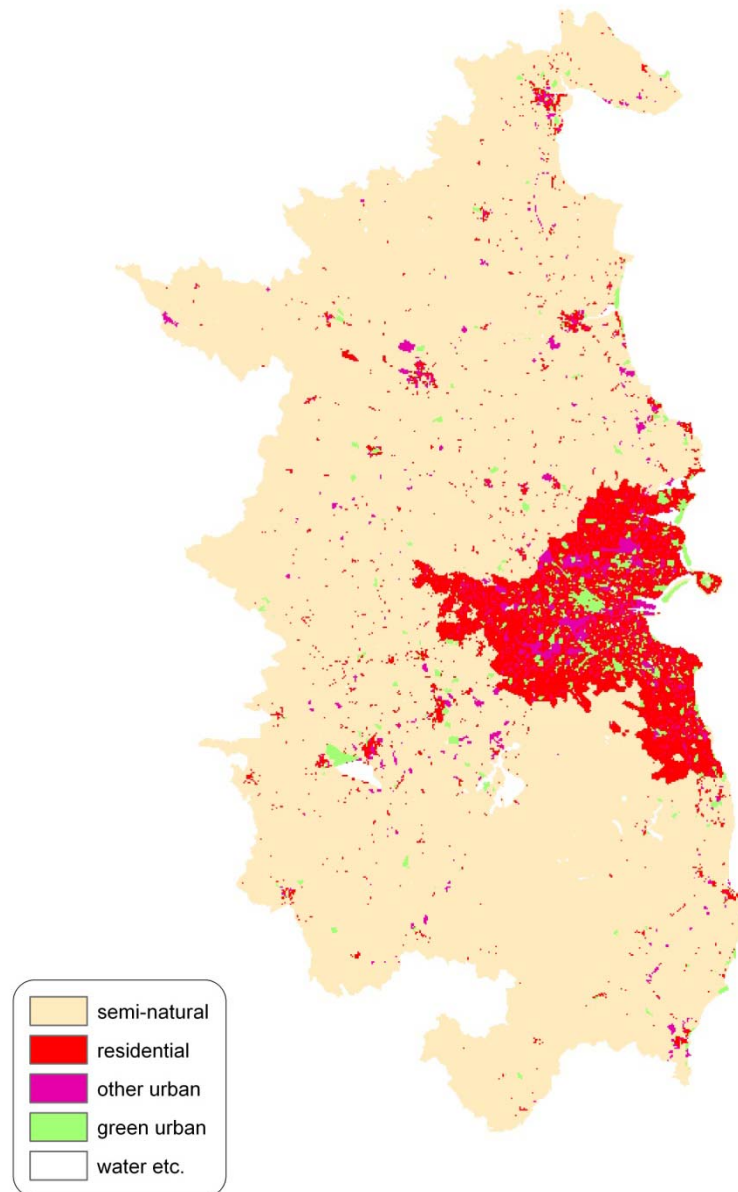


Compact City Scenario

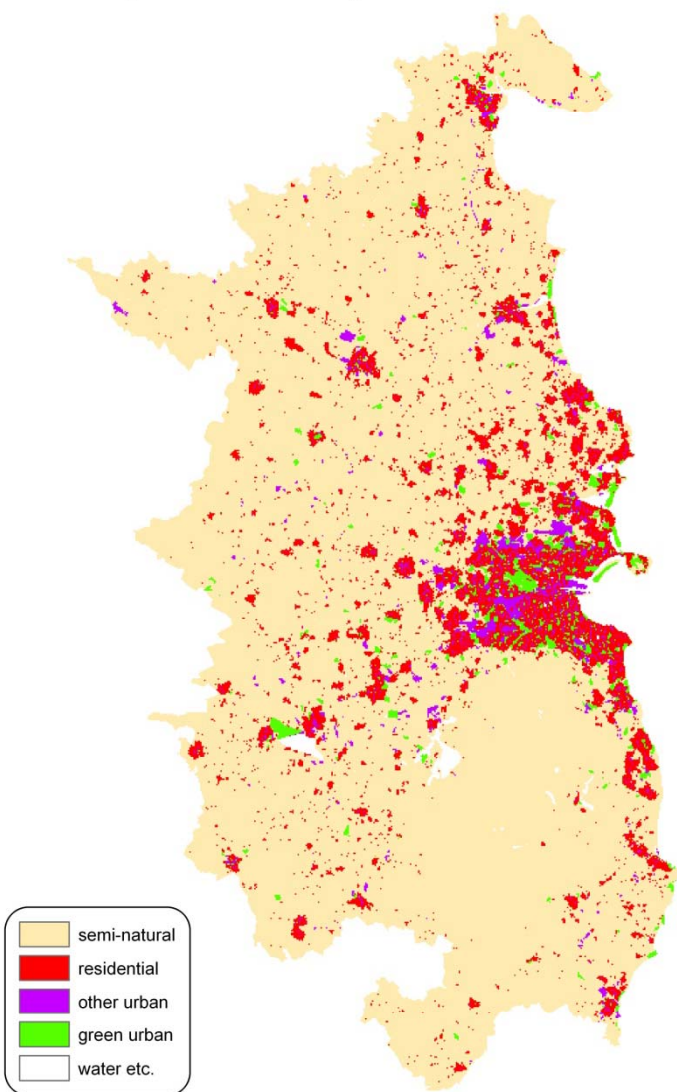
Development is highly concentrated within 'metropolitan' area



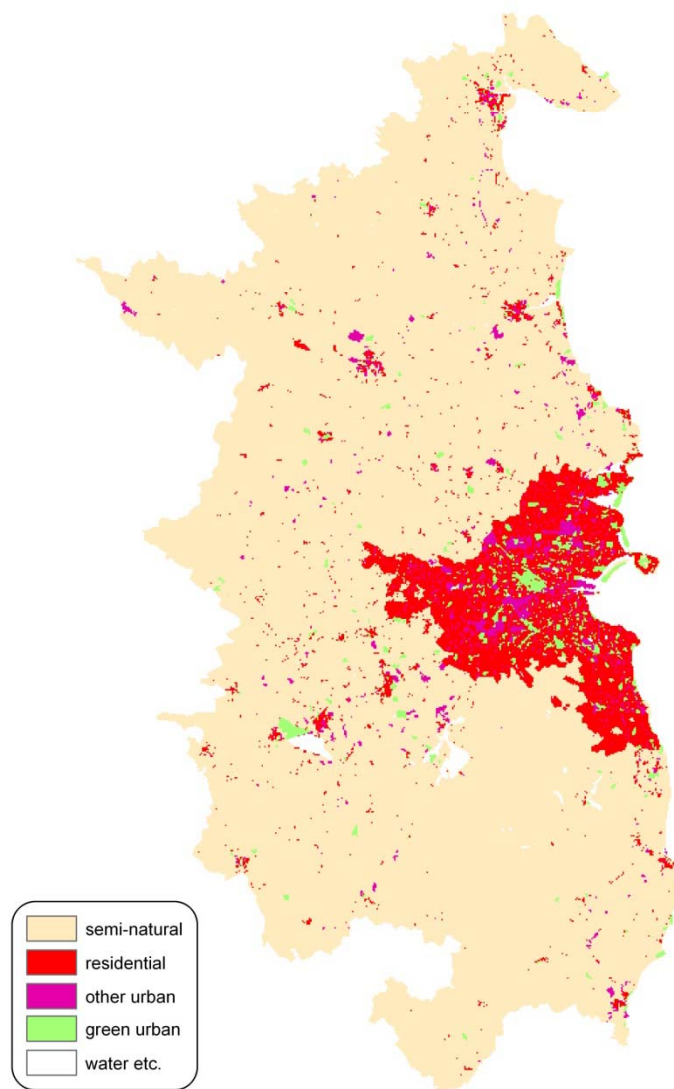
2026 medium growth scenario
with zoning restriction



'Dispersed Development' Scenario: 2026



'Compact City' Scenario: 2026

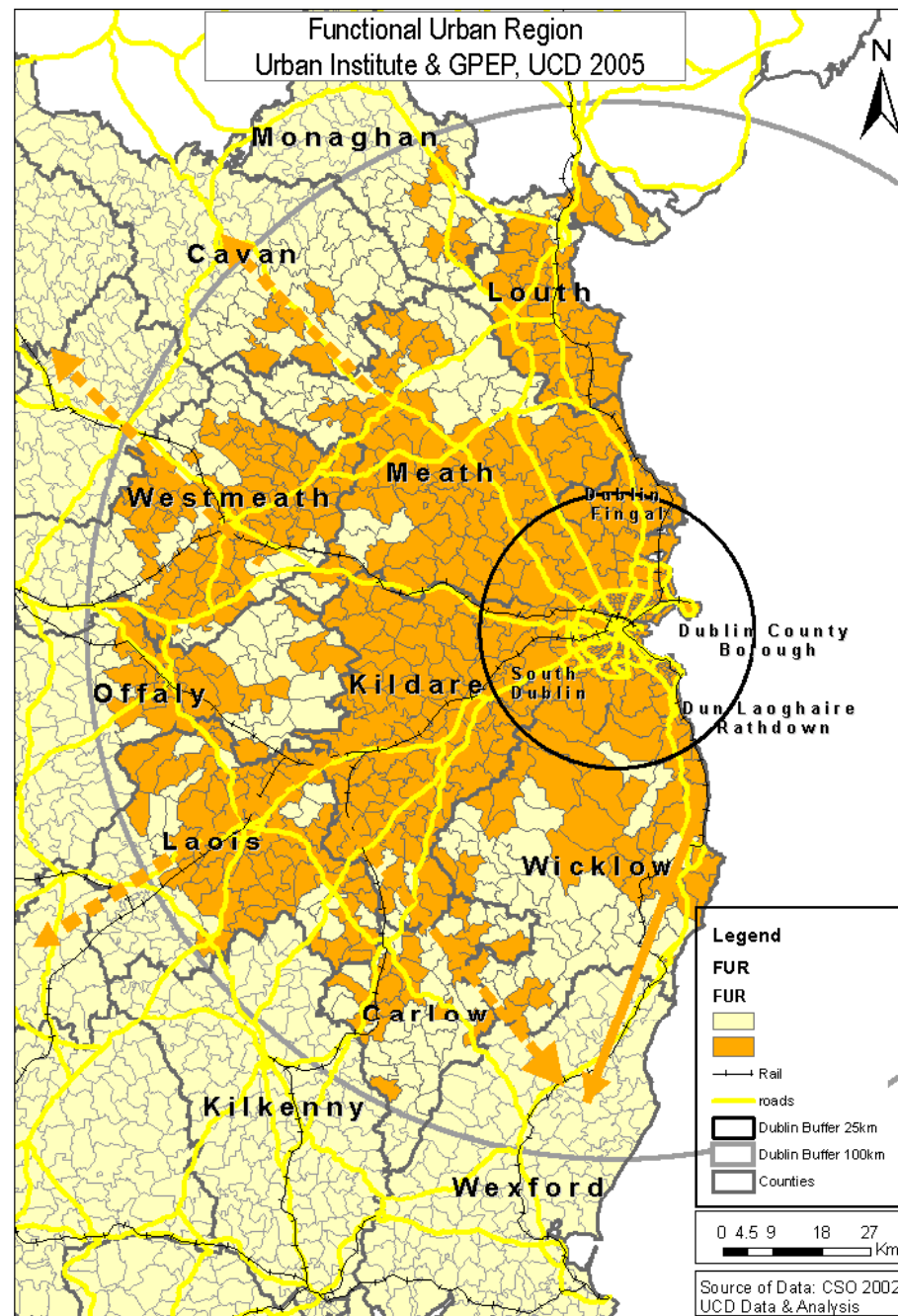


NAMA- 2010. Managing the unstable market .

- Bank Loan Portfolios
- The impact of NAMA on related property stock in the market and the urban management and development aspects of NAMA operations into the future.
- Referring to Nama stated policies per Nama website and 2009 presentation at UCD

NAMA Portfolio breakdown by institution - Estimates

€ Billions	Land & Development Loans	Associated Loans	Total € Billions
AIB	17.0	7.1	24.1
Anglo	16.3	12.1	28.4
BOI	10.0	5.5	15.5
EBS	0.5	0.3	0.8
INBS	5.6	2.7	8.3
Total € bn	49.4	27.7	77.1



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Property Market 2010

- Market decline from peak
- Occupied 50%
- Vacant >50%
- Development land
- Up to 80%
- Sector Oversupply
- Housing 15-20%
- Offices Dublin 20%
- Hotels 20% +
- Role of taxation incentives



Assets

Portfolio breakdown - Asset Type & Location

€ Billions	Ireland	UK & NI	Other (USA/ Europe)	Total € billions & Percent
Land & Development	33.1	10.3 3.3	2.7	49.4 (64%)
Associated Loans	18.4	5.6 1.5	2.2	27.7 (36%)
Total € billions	51.5	15.9 4.8	4.9	77.1(100%)
Percent	67%	21% 6%	6%	100%

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- 67% Ireland
- 27% UK NI
- 6% USA EUROPE
- Confidential banking agreements



Nama Operations

Proposed NAMA Powers

- Lend
- Borrow or raise funds, including the issuance of bonds.
 - NAMA may borrow up to €5 bn
- Give guarantees or sureties
- Form or take an interest in companies
- Enter into partnerships or joint ventures
- Establish trusts
- Borrow or lend securities, including equity and debt instruments
- Purchase other property, assets or rights
- Invest
- Sell or dispose of property or investments
- Undertake land and property development to realise the full value of acquired assets

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- In organising such interventions a variety of norms of joint ventures and risk sharing arrangements exist in terms of property development. The two central elements which emerge are negotiated risk sharing and staged payments structures. in future value when and if achieved.
- For a transparent process the publication of details relating to the precise assets involved, valuations and the transactions or evidence base upon which such assessments were made is essential.



Policy

Background

- Enormous scale of lending to individuals who had little or no supporting corporate infrastructure or access to capital markets.
- Poor quality of credit appraisal.
- Over reliance on wholesale money markets.
- Failures of governance on the part of lending institutions' Boards.
- Regulatory failures.



- Enforced policy shift from encouraging development and investment to stabilisation of finance and development interests.
- Many commentators have described Nama as the Largest property undertaking in the world.
- Policy positions described as dependent on stabilisation and modest recovery after drop from peak .

What Price Nama Assets

LEV

Long-term Economic Value (LEV)

The value that NAMA can reasonably expect to realise on its acquired assets over a 7 - 10 year horizon.

Note: Local supply/demand considerations are incorporated into the current market value of property (CMVP)

Adjustment factors will be applied to CMVP to obtain LEV of property.

Adjustment factors will be determined by extent to which current prices/yields have deviated from long-term trends. Prices/yields for the 2005-2008 period will be ignored for this purpose.

Econometric analysis on correlations between property prices, GDP, demographics and other variables.



Market Value

- The proposals as announced relating to the question of valuation suggest that we have a non existent or distressed market. In fact we have a market going through a significant downward shift which many interests are reluctant to accept. Such corrections have occurred periodically through previous cycles with upward and downwards shifts a feature of any analysis of property markets and indeed may be expected to occur again in the future.
- Proposals departing from market valuations to arranged and legislation based prices may be an exercise in expediency and hope rather than an exercise in market reality.

Nama Actions

Quantitative selection process with pre determined limits

NAMA – What will it do?

- **Largest 100 borrowers – 50% of the portfolio**
 - ❖ Intensively managed by NAMA – key credit decisions and relationship management carried out by NAMA.
 - ❖ Loan administration performed by participating institutions
- **Other borrowers (c.1,400/1,500) – 50% of the portfolio**
 - ❖ Credit decisions made by NAMA. Cascading system of credit limits and delegated authority: NAMA Board – Credit Committee - NAMA management – NAMA units in banks.
 - ❖ NAMA to have a presence in each of the bank units – day-to-day credit decisions and operations – liaison and oversight role.
 - ❖ Relationship management and loan administration carried out by participating institutions within NAMA parameters.

Qualitative evaluation and decision making based on individual submissions

NAMA – What will it do?

- As loans are transferred across to NAMA, each of the borrowers will be asked to prepare a realistic and concise Business Plan setting out:
 - ❖ The borrower's current situation
 - ❖ Levels of indebtedness to non-NAMA institutions
 - ❖ A full list of assets and liabilities
 - ❖ Short-, medium- and long-term objectives
 - ❖ A list, in order of priority, of assets to be disposed, assets which require additional investment, etc.
- NAMA will assess each of major borrower's Business Plan to evaluate whether it is sensible, logical and realistic.
- NAMA will meet with the major borrowers and will give a response to their proposed business plan.
- If agreement can be reached, NAMA will work constructively with the borrower to try and achieve the optimal outcome.



Decisions and Actions

Nama Intentions

NAMA – What will it do?

If no agreement can be reached, or the borrower does not wish to cooperate with NAMA, he will be asked to repay his debts in full. If this is not feasible, NAMA will take enforcement action against the borrower.

Same process will be followed with remaining borrowers except it will be carried out through the original institutions in a framework agreed with NAMA.

NAMA will have 2 DISTINCT business lines:

- ❖ Loan management division – to manage acquired loans.
- ❖ Asset management division – to manage real assets acquired post-enforcement. This division of NAMA will either dispose of the asset, retain it, invest additional money in the asset itself or seek joint ventures, partnerships to co-invest and manage the asset with a view to disposal at a future date.

Each division will be run as a profit centre with the objective of achieving the best possible outcome for NAMA and ultimately taxpayers.

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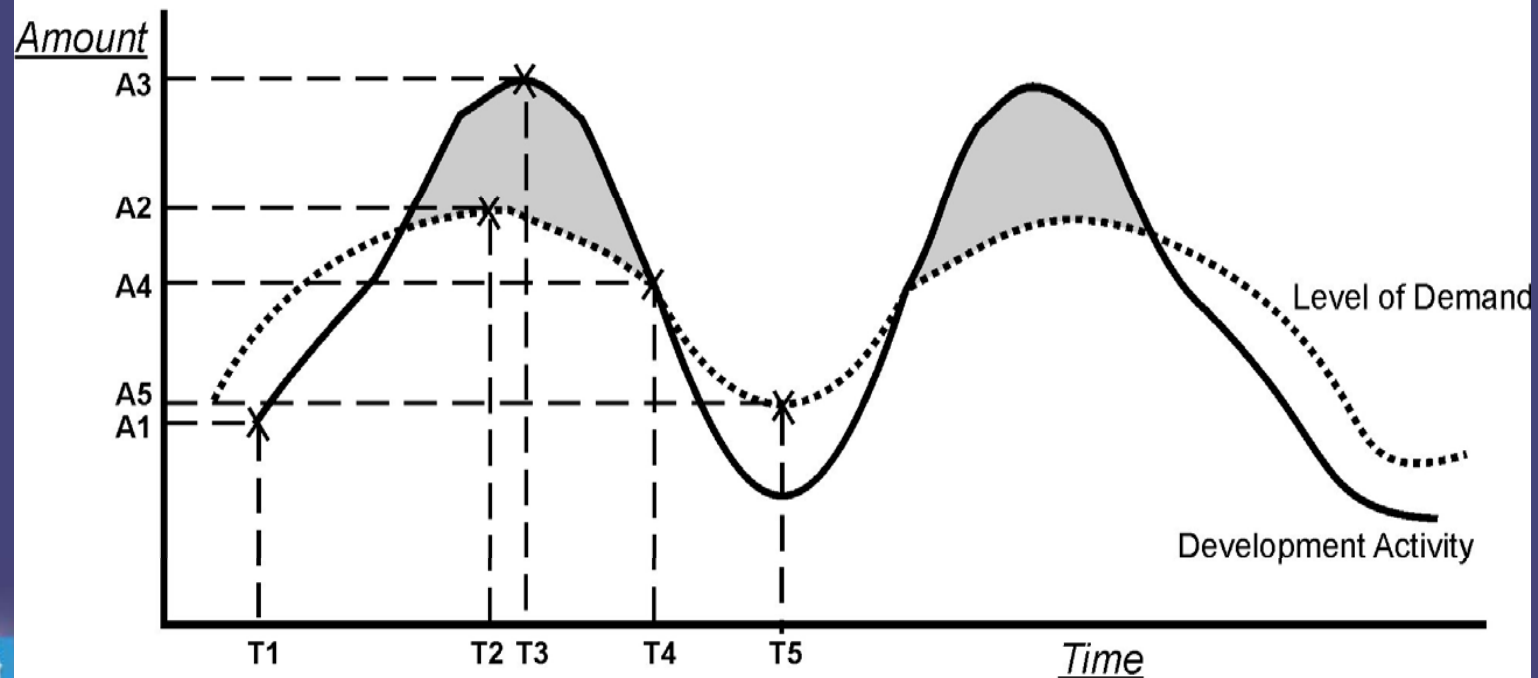


Financial System Implications as market value reductions are assessed

- Consequences of major reductions.
- 50% for occupied
- Greater for vacant
- Most for development land

Cycles

Cyclical Interaction of Demand and Supply Patterns



Market Impacts and Future Risks

Risks

Protracted valuation process – risks arising from lack of preparedness on the part of participating institutions in terms of loan data or legal due diligence.

Valuations outside expected range – risk that assets are more impaired than anticipated resulting in larger bank losses.

Economic risk – for NAMA to succeed within its expected lifespan, economic growth in Ireland must resume at a moderate trend over much of the coming decade.

Property market and other market risks (FX, Interest).

Business strategy, staffing and reputational risks.

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- Better evidence would be based on published transactions-more robust
-
- Need for independent appraisal for all financing purposes.
- Minimum valuation level/or void if no transactions
- Delays move to better international systems of appraisal
-
- Fails to achieve better balance between vendor /financier and purchasers /taxpayer who is underpinning process



Winners and Losers

NAMA Organisation – 5 Organisational Functions

Portfolio/Asset Management

- Portfolio managers - management of large borrower exposures
- Asset managers – management of property and other assets following loan default
- *Outsourced – Asset Workout, Valuation, Planning, Project Management*

Banking & Lending

- Decisions regarding advances, funding, pricing, hedging etc.

Business Services

- Portfolio Valuation
- Finance/Budget/Statutory Reporting/MIS
- Strategic Planning
- *Outsourced: loan servicing*

Credit & Risk

- Credit/Counterparty/Liquidity/FX/Operational

Legal & Tax

- Loan and asset transfers
- Litigation/Tax Issues



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The business plan as announced allows for the payments of over 2,600,000,000 Euros to the various appointed professional advisors, consultants and others who will facilitate the process. Special Purpose Vehicles of which we have a limited knowledge involved in managing the assets. Issues of corporate governance in such SPVs, conflicts of interest and appropriate regulation have to be addressed.

Further complexities arise in terms of addressing the issue of defaulting borrowers. It would appear that developers and individual borrowers will be given the opportunity to present updated business plans which effectively represent their pitch for survival.

- Based on the Nama appointee's assessment or judgement some will survive and be supported while others not survive.

