



An Roinn Airgeadais
Department of Finance

Living City Initiative*

A new pilot project for urban regeneration

Budget 2014 update

Department of Finance

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*This Initiative will be subject to EU State Aid approval

Living City Initiative

A new Pilot project for Urban Regeneration

Background to the Initiative

The central areas of some of Ireland's cities have suffered for a long time from the relocation of family homes and businesses to the suburbs, and have also suffered greatly from the general economic downturn.

The Living City Initiative is a targeted pilot tax incentive which aims to address this issue in two ways by focusing on:

- encouraging people back to the centre of Irish cities to live in older buildings, and
- encouraging the regeneration of central business districts.

The Initiative will provide tax incentives for works performed to refurbish residential and retail buildings either to bring them up to a habitable standard or to make improvements to buildings which are currently inhabited. The residential incentives will be targeted at owner/occupiers rather than property developers or the rental sector.

It should be noted that commencement of this initiative will be dependent on EU State Aid approval, a process which may take many months. It is intended that an application will be made for State Aid shortly, as the final results of the independent ex-ante cost benefit analysis have just been received.

Independent cost benefit analysis

The Department of Finance engaged economic consultants Indecon to conduct an ex-ante cost benefit analysis of the Living City Initiative. The report was published with Budget 2014 and can be found at the following link:

<http://www.budget.gov.ie/Budgets/2014/Documents/Indecon%20Ex%20Ante%20Evaluation%20of%20Living%20City%20Initiative%20for%20Urban%20Regeneration.pdf>.

Indecon surveyed architects, quantity surveyors, auctioneers, residents and retailers in both of the initially designated cities of Limerick and Waterford, on both aspects of the Initiative, commercial and residential.

The responses were broadly positive, with responses tending towards a very significant or significant impact to the following questions:

- Impact on economic and business activity
- Impact on tourism in designated areas
- Impact on property values
- Impact on urban renewal and conservation
- Impact on employment.

Budget 2014 and Finance Bill (No.2) 2013

Changes were announced in Budget 2014 on foot of certain recommendations in the cost benefit analysis. The Minister for Finance announced that the Initiative will now be available in designated areas in need of regeneration in Cork, Galway, Kilkenny and Dublin, in addition to the two pilot cities of Limerick and Waterford.

Another recommendation in the cost benefit analysis was that the types of residential premises be extended. Initially the Initiative was restricted to “Georgian” houses (1714 to 1830). The Department of Finance received other representations in this regard and so it has been decided that all residential properties constructed up to the end of 1914, in the designated areas, will now come within the scope of the Initiative. The year 1914 was chosen following a recommendation from An Taisce. Finance Bill (No.2) 2013 will make this legislative change.

Details of the Initiative

The initiative has two elements – residential and retail.

Residential

In our cities there are many houses which are more than a hundred years old. Unfortunately some of these old buildings are not well preserved and have fallen into a state of disrepair and in some cases, dereliction. The costs associated with refurbishing these buildings, given their age and resultant planning restrictions, can sometimes be prohibitive.

The Initiative is designed to generate interest in refurbishing old buildings with a view to attracting greater residential occupancy in certain designated areas and restoring these areas to some of their former glory. Attracting families back to these areas will provide an impetus for the regeneration of parts of our cities.

Residents will be able to claim tax relief for the cost of the refurbishment works in relevant houses. This relief can be claimed at the rate of 10% per year for 10 years against their income, but only for years in which the house is the principal private residence of the person. If the property is sold within the 10 year period, entitlement to the relief stops and the new owner will not be entitled to claim any relief.

There will be a system of certification which will be performed by the relevant Local Authority to ensure that works have been undertaken and that planning permission, where necessary, has been obtained.

Retail

The refurbishment of older buildings, although an important measure, will not by itself revive the fortunes of these areas. To truly encourage a living city centre, a large and diverse range of retail offerings is necessary in order to make city centres an attractive destination for shoppers.

Therefore retailers will be entitled to relief on works undertaken to upgrade or refit their shops. Accelerated capital allowances will be available to retailers over a period of 7 years at a rate of 15% for the first 6 years and 10% for the final year.

This relief for the conversion and refurbishment of certain commercial buildings will come within the ambit of the high earners restriction and the property relief surcharge of 5% for those with annual gross incomes over €100,000. Any capital allowances remaining unused at the end of the tax life of the building will not be carried forward, in line with the provisions introduced by Finance Act 2012.

Which areas will be designated?

Finance Act 2013 empowers the Minister for Finance to designate the particular areas of cities which are suitable for inclusion in the Initiative. Potential areas for selection will be discussed with the relevant local authorities, and other Government agencies.

Conclusion

While the value of the incentives to be provided under the pilot Living City Initiative will be modest, this Initiative should be regarded as one part of the overall regeneration of these selected areas. There is no single measure which alone can rebuild areas and communities and the Government's Initiative will have to be complemented by the efforts of the wider society in terms of supporting the Initiative and availing of the incentives which will be on offer, once EU state aid approval has been obtained.

All queries in relation to the Living City Initiative should be directed to the following email address, which will be monitored by a number of officials:

livingcity@finance.gov.ie