

Development Costs

Locally specific development contribution costs & commercial rates

Before investing in a solar PV system for a home, business or community, one must consider the locally specific development contribution costs and commercial rates that are applicable in their Local Authority area. The following discussion will highlight the variation in development costs across Local Authority areas.

Development Contribution Rates

Development Contribution payments were first introduced under section 26 (2) of the Local Government Act 1963. Under this Act, Local Authorities were empowered to collect a development contribution as a condition of obtaining planning permission (Department of Environment, Community and Local Government, 2012). Each Local Authority has the power to establish its own terms and conditions for the payment of development contributions which are laid out in the Local Authority's development contribution scheme. Along with this, each Local Authority is also given the freedom to choose the appropriate timeframe for updating this scheme (usually a 5-year period).

Consequently, all individuals that are granted planning permission are subject to the conditions laid out in the development contribution scheme that is operational within their local planning authority. In speaking to a Senior Planner at Fehily Timoney, it was noted that final calculations of development contributions are agreed upon with the Local Authority as a condition of the planning permission, when a reasonably precise estimate of generating capacity and the scale of the infrastructure can be understood.

The adoption of development contribution schemes is a function of each planning authority, however, guidance from the Department of the Environment, Community and Local Government (2012) promotes a high level of consistency across different Local Authority areas in order to provide enhanced clarity to inform investment decisions. On further analysis of the development contribution schemes of all Local Authorities in Ireland, it is evident that the majority of authorities state a development contribution rate of €10,000 per MW (15 out of 31 city and county councils). However, despite the Department's aim to promote consistency across Local Authorities, rates collected can vary substantially, ranging from a stated €2,000 per MW in Wexford to €20,000 per MW in Cavan and Donegal (Figure 1). The rates charged appear to be based off installed capacity.

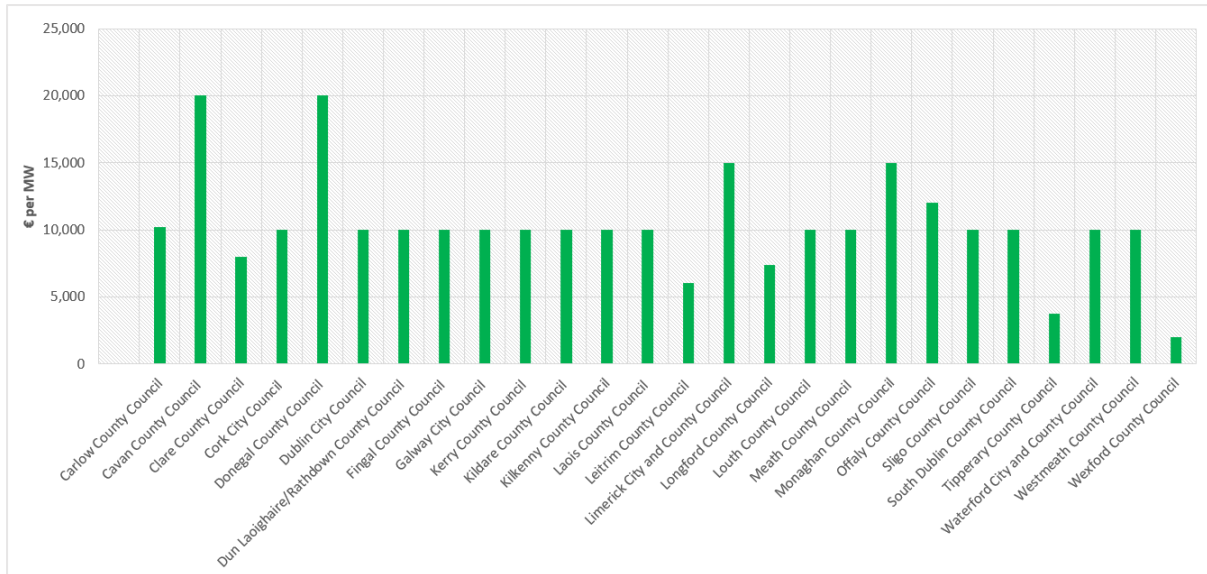


Figure 1: Development contribution rates by Local Authority (as per Development Contribution schemes)

When gathering information on development contribution rates, some of our members were able to provide information on the development contribution rates charged to projects that they were previously involved in. This information allowed us to compare actual project charges to the rates stated in development contribution schemes. As shown in Table 1, the development contribution rates charged to a developer can end up being substantially higher than what is reported in a Local Authority’s development contribution scheme. Despite the fact that Kildare County Council have stated a development contribution rate of €10,000 per MW for renewable installations, a recently implemented 14 MW project was charged €15,929 per MW. This information also highlights the lack of consistency in rates charged across projects. For example, in Waterford, there appears to be a €6,667 difference in the per MW rate charged to two different projects.

County Council	DC Rate per MW (as per DC Schemes)	DC Charge per MW (Project Example)	Max Export Capacity (MW)	Planning Contribution Total
Cork	Scheme not available online	€12,941	8.5	€110,000
Kildare	€10,000	€15,929	14	€223,000
Meath	€10,000	€10,000	10	€100,000
Roscommon	No reference to solar developments in scheme	€4,466	6	€26,796
Waterford	Not clear how solar projects are charged	€10,000	5	€50,000
		€16,667	18	€300,000
Wicklow	No reference to solar developments in scheme	€1,458	8	€11,660
		€1,000	8.8	€8,860
		€1,257	7	€8,800

Table 1: Development Contribution Rates – Project Examples

Variations in rates can have large impacts on the total charge imposed on installers. Table 2 below represents the development contribution costs for the same 20MW solar project across three neighbouring counties in Munster. Despite the fact that all three counties border one another, the total development contribution paid by an installer in each county varies substantially e.g., for the same 20MW project, developers in Tipperary are subject to 25% of the development contribution costs of a developer in Limerick.

	Tipperary	Clare	Limerick
Scale of Project	20MW	20MW	20MW
Dev. Contribution per MW	€3,750	€8,000	€15,000
Total Dev. Contribution	€75,000	€160,000	€300,000

Table 2: Development Contribution Costs by County

Heterogeneity in development contribution rates also exists in relation to the exemptions and reductions that are offered by Local Authorities. The majority of Local Authorities have stated one of two of the following exemptions in their development contribution scheme: 1) a 100% reduction for capacity less than 0.5MW and/or 2) a 100% reduction for renewable installations that are not supplying the national grid. Louth County Council and Limerick City and County Council go a step further by also offering a 100% reduction for renewable developments that are community owned initiatives. However, others have not shown the same generosity in terms of exemptions. For example, Clare County Council and Kerry County Council only state a 33% and 50% reduction for those not supplying the grid, respectively, and Kilkenny County Council only states a 100% reduction for projects with a capacity less than 0.1MW, rather than 0.5MW. More details on the exemptions/reductions offered by each county can be found in the Appendix.

For many Local Authorities, a separate and substantially different development contribution rate is applicable to wind farms. Table 3 below provides a summary of the few Local Authorities that distinguish between development contribution rates for solar and wind. When a distinction is made between the two, the rate paid by solar developers is lower than wind developers in most cases.

Local Authority	Solar (per MW)	Wind (per MW)
Carlow County Council	€10,220	€3,070 (per turbine)
Clare County Council	€8,000	€10,500
Laois County Council	€10,000	€10,000 with following add ons: - €25,000 per turbine (75-100 metres) - €100,000 per turbine (>100 metres)
Leitrim County Council	€6,000	€6,000 (min. €15,000 per turbine)
Longford County Council	€7,350	€71,600
Offaly County Council	€12,000	€15,000 (<175m) €20,000 (>175m)
Roscommon County Council	€4,475	€6,000
Tipperary County Council	€3,750	€10,500

Table 3: Development Contribution Rates for Wind and Solar

The rate payable is based on the scale of support required to fund public infrastructure and facilities that benefit development in the area (Department of Environment, Community and Local Government, 2012). For the Local Authorities that do include a breakdown of how the accumulated contributions are spent, the majority of the funds are spent on roads and infrastructure, with a smaller fraction spent on community development and amenities.

It also worth noting here is that contribution rates are stated on a per MW basis without any clear definition as to what exactly this means. Clarification is required as whether the schemes refer to AC or DC and whether it is based on the maximum theoretical output from the combined total of solar panels or if it's based on estimated net output after estimated losses are accounted for.

Commercial Rates

Commercial rates are a property-based tax that is payable by occupiers of commercial and industrial properties (Department of Housing, Planning and Local Government, 2018). The income that accrues from the collection of commercial rates represents a significant proportion of the total income of a Local Authority. In 2020, the total amount collected in commercial rates accrued to €1,661 million (**2019: 1,548, 2018: 1,511**), accounting for 30% of the total income collected by Local Authorities (Department of Housing, Planning and Local Government, 2020). The total income collected by each Local Authority in commercial rates in 2020 can be found in Figure 2 below.

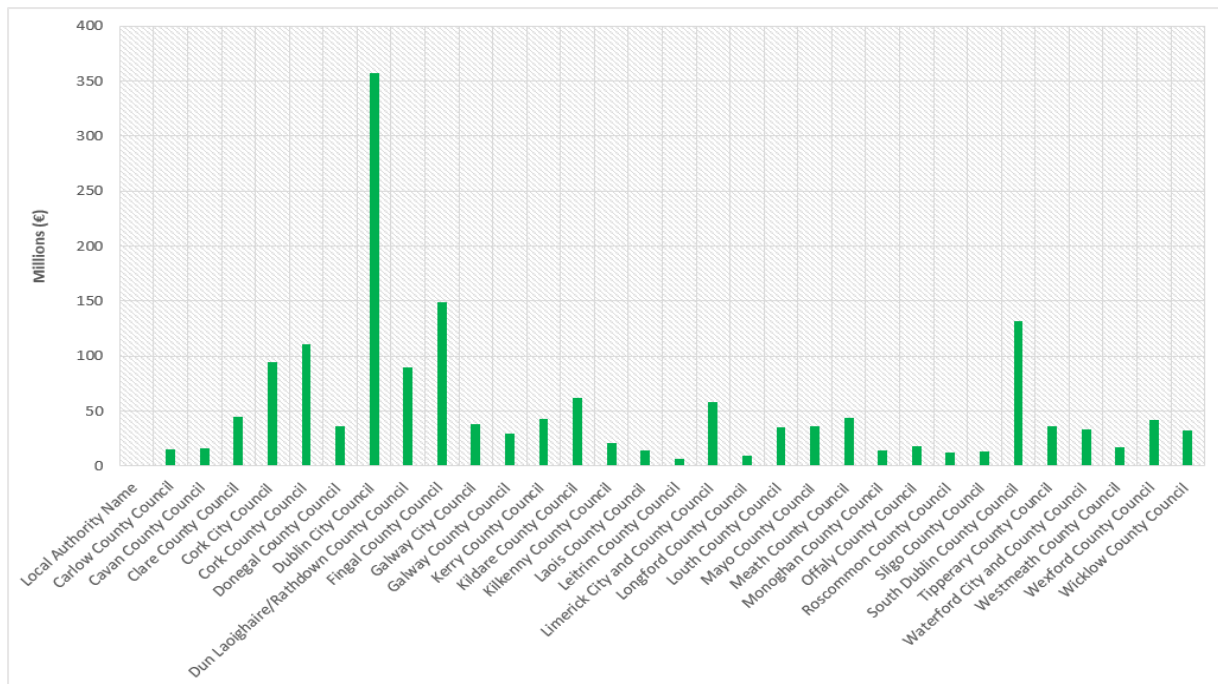


Figure 2: Commercial rates levied (2020) by Local Authority (Department of Housing, Planning and Local Government, 2020).

The amount payable by the owner of a commercial or industrial property is determined by the valuation of the property, as assessed by the Valuation Office under The Valuation Act 2001, multiplied by the Annual Rate of Valuation (ARV), that is decided upon each year by the elected members of the Local Authority in the annual budgetary process (Department of Housing, Planning and Local Government, 2018).

In recent years, several Local Authorities have undergone a revaluation process which has resulted in many Local Authorities having to adjust their ARV. As shown in Figure 3, the revaluation has been completed in 17 Local Authority areas as well as the four districts of Dublin. In November of 2019, the Commissioner of Valuation confirmed the next phase of the revaluation (Reval 2021) which will include Donegal, Mayo, Clare, Kerry and Galway City

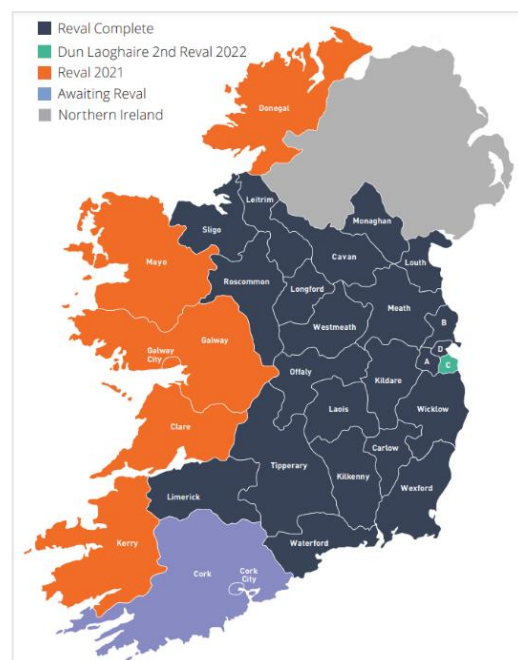


Figure 3: Revaluation (Avison Young, 2020)

& Council, as well as the second revaluation of Dun Laoghaire/Rathdown. As a result of Covid-19, Reval 2021 has been delayed, however, it is expected that valuation certificates will be issued in March 2022 (Avison Young, 2020). In relation to the revaluation of Cork City and County, it is expected that the Commissioner will sign a Valuation Order in 2021.

The ARV for each Local Authority has been displayed in increasing order in Table 4 below. As shown by the respective ARVs, the Local Authorities that have undergone a revaluation process show an ARV that is only a fraction of the ARV of those that have not undergone a revaluation process. The authorities that have not undergone revaluation (Donegal, Mayo, Galway City & County, Clare, Kerry and Cork) are currently assessed based on an index linked back to 1852 when properties were first assessed for rating, hence why these counties show an ARV between 60-80. All other counties have undergone revaluation between 2011-2019.

	Local Authority Name	ARV 2021		Local Authority Name	ARV 2021
1	Dun Laoighaire/Rathdown County Council	0.1732	17	Longford County Council	0.2400
2	Fingal County Council	0.1796	18	Wexford County Council	0.2460
3	Tipperary County Council	0.1919	19	Carlow County Council	0.2571
4	Meath County Council	0.1938	20	Waterford City and County Council	0.2648
5	Westmeath County Council	0.1940	21	Limerick City and County Council	0.2677
6	Kilkenny County Council	0.2000	22	Dublin City Council	0.2680
7	Cavan County Council	0.2010	23	South Dublin County Council	0.2760
8	Louth County Council	0.2100	24	Galway County Council	66.59
9	Wicklow County Council	0.2170	25	Galway City Council	67.40
10	Offaly County Council	0.2198	26	Donegal County Council	71.81
11	Leitrim County Council	0.2208	27	Clare County Council	72.99
12	Laois County Council	0.2217	28	Cork City Council	74.75
13	Kildare County Council	0.2246	29	Cork County Council	74.75
14	Roscommon County Council	0.2250	30	Mayo County Council	78.42
15	Monaghan County Council	0.2260	31	Kerry County Council	79.25
16	Sligo County Council	0.2300			

Table 4: ARV by Local Authority (Valuation Office, 2021)

Similar to the development contribution costs that solar installers must incur, commercial rates also vary significantly across Local Authorities, leading to large differences in the project costs incurred by developers in different parts of the country. Again, table 5 provides an example of the same project being initiated in two neighbouring counties, Tipperary and Limerick. In this example, the solar farm has been valued at €8,000 by the Valuation Office. Despite the fact that the two counties border one another, an installer in Tipperary is subject to only 71% of the costs of an installer in Limerick.

	Tipperary	Limerick
Valuation	€8,000	€8,000
ARV	0.1919	0.2677
Total Charge	€1,535	€2,142

Table 5: Commercial rates example

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Appendix

Development Contribution Rates: Exemptions/Reductions

Local Authority Name	Exemption/Reduction
Carlow County Council	100% for not supplying grid, incl. small domestic developments
Cavan County Council	100% for domestic use (not grid)
Clare County Council	33% for not supplying grid
Cork City Council	100% for capacity <0.5MW
Cork County Council	-
Donegal County Council	25% for solar energy farms for not delivering energy off-site (for sale)
Dublin City Council	100% for capacity <0.5MW
DL/Rathdown County Council	100% for capacity <0.5MW
Fingal County Council	100% for capacity <0.5MW
Galway City Council	100% for capacity <0.5MW
Galway County Council	-
Kerry County Council	100% for not supplying grid (domestic use)
Kildare County Council	50% for not supplying grid, incl. small domestic developments
Kilkenny County Council	100% for capacity < 0.1 MW
Laois County Council	100% for capacity <0.5MW
Leitrim County Council	100% for not supplying grid, incl. small domestic developments
Limerick City and County Council	100% for capacity <0.5MW, not supplying grid or exporting, 50% for community owned co-ops
Longford County Council	100% for not supplying grid or exporting (domestic use)
Louth County Council	100% for capacity <0.5MW, not supplying grid, or community owned initiative
Mayo County Council	-
Meath County Council	100% for capacity <0.5MW, or not supplying grid
Monaghan County Council	100% for not supplying grid or exporting (domestic use)
Offaly County Council	100% for capacity <0.5MW, not supplying grid or exporting
Roscommon County Council	100% for not supplying grid (domestic use)
Sligo County Council	100% for not supplying grid or exporting
South Dublin County Council	100% for capacity <0.5MW
Tipperary County Council	100% for capacity <1,000kw electrical
Waterford City and County Council	-
Westmeath County Council	100% for capacity <0.5MW
Wexford County Council	-
Wicklow County Council	-