

STAFF REPORT

TO: Mayor and Councillors

FROM: Dennis Bush-King, Environment & Planning Manager

REFERENCE: B860

SUBJECT: **DEVELOPMENT CONTRIBUTIONS POLICY - REPORT EP09/05/04 -**
Report prepared for meeting of 10 June 2009

PURPOSE

This report identifies matters raised in submissions concerning the Development Contribution Policy (DCP) for Council consideration. A redrafted DCP including the recommended changes is attached as Annex 1.

1. District-Wide or Catchment Based Development Contributions

The DCP as notified was based on collapsing the former Coastal Tasman Area into a district-wide approach to setting and obtaining development contributions (DCs).

Since the inception of the predecessor to development contributions in 1996, Council has worked on the basis of a district-wide charge as it is recognised that better outcomes may be achieved in our numerically small but geographically large district, through averaging costs. In addition, many of our services operate at a network scale. While a particular asset may be located in one area, use and demand for it may be spread throughout the district or the asset may relate to the network as a whole. In some cases it is impracticable for differential costs and benefits to be determined for different and discrete areas. Alternatively, it may not be practical to recover different amounts from the growth communities in different areas. Averaging the costs of growth is therefore appropriate.

A number of submissions have requested that DCs should be based on a catchment. In part this may be predicated on the expectation of lower DCs in some areas. But which areas? In areas where the section yield is small, but the capital costs of growth high, DCs on a catchment basis would be high. All that can be guaranteed is that the unit cost would be highly variable across the district if a catchment basis was used.

Staff are of the view that Council should adhere to the original decision to create a district-wide basis for calculating the DCs. Changing at this stage would also create major problems in having to recalculate the growth model and a change of such magnitude would warrant further discussion with the development community.

Recommendation: That Council agrees to retain the district-wide basis to the Development Contribution.

2. Review of Assessments

Under the DCP there is no provision to review the DCs payable on residential activities. Each new allotment, or each new house becomes liable and the formula applies. The obligation to pay is not a condition of consent and is therefore not challengeable on a case by case basis under the Local Government Act. Staff see no reason to change the formulaic approach applying to residential assessments.

Some submissions have also requested criteria be added to assist the Sub-Committee when it reviews staff assessments for non-residential developments. It is appropriate that the Sub-Committee have an open discretion.

Recommendation: That Council agree not to introduce a review process for residential assessments.

3. Scale of Residential Buildings

Another issue to arise in submissions was the challenge that all forms of residential accommodation pay the same fee and that this is unfair. Buildings are designed for different levels of occupancy and can, at various times through the life-cycle, have varying occupancy rates. However, a case has been put that one-bedroom units for instance should be given a reduction on the basis that usually having fewer residents is likely to generate lower demand on "people based" services like water and wastewater.

Providing some concession for smaller units may incentivise more multi-unit developments where the market sees some merit in this form of accommodation. Such a standard may also assist in achieving consistency when assessing workers' accommodation, retirement villages, motels, and papkaianga developments.

The disadvantage with scaling development is that it is not the characteristics of the individual occupants of a development that matters, but the development itself. What may start off as a one bedroom dwelling could over time become a three bedroom extension and a two bedroom house can provide the same occupancy levels as a four bedroom house. The nature and behaviour of occupants is not generally known or controllable into the future, and so scaling development is not without its problems. There is also the issue that if a DC was paid at subdivision in the expectation of a conventional residential development, there could be no refund if a one-bedroom unit was built. Staff had not been able to calculate the financial impact of introducing a concession but staff can look further into this matter for a possible future change.

Recommendation: That Council agrees not to introduce any scaling mechanism for residential units at this stage.

4. Not for Profit Organisations

One submission has been received suggesting that Not for Profit Organisations should be exempt from having to pay DCs. While such organisations can sometimes receive a concession in relation to general rates payable, DCs are based on the fact that use of the service or potential service, justifies the imposition of a standard contribution regardless of who undertakes the development. Not for Profit Organisations will still use roads, drink water and flush the toilet and should therefore pay DCs. For non-commercial developments review mechanisms already exist and Special Assessments can also be requested.

Recommendation: That Council agrees not to introduce any development contribution exemption for Not for Profit Organisations.

5. Limitations to the Imposition of Development Contributions

One submission suggests that lots created for utility or amenity purposes should be exempt from paying a DC when it is not intended that there be a residential or commercial building constructed. Staff agree that this is an appropriate amendment which is consistent with current practice.

Another submission put forward on behalf of several developers also asks that where landowners make their own provision for on-site servicing and do not therefore require

connection to a Council service even though it is or will be available, no DC should be required even though they may be within the services contribution area. Staff do not accept this is a tenable proposition. While a particular site may not use for instance the Council stormwater service, there is still benefit in managing stormwater in the vicinity and growth still generates the demand for the service.

Recommendation: That Council agrees to add to the limitations on the imposition of a Development Contribution those situations where titles are created for utility or amenity purposes and where there is a consent notice registered on the title prohibiting any residential dwelling or commercial buildings.

6. Bonding of Development Contributions

There was support for the introduction of a bonding option into the DCP, provided the proposed terms of the Bond are reasonable. One submission further recommends that other alternative approaches to securing future DC payments should be allowed for. In principle, if there are alternative arrangements that secure payment to Council along the same lines as a Bond, Council should be open to consider that. However staff have not been able to identify options that do not have implementation problems.

Recommendation: That Council agrees not to change the proposed bonding provisions through the introduction of some alternative form of security.

7. Waivers or Reductions

A suggestion is made that where “off-site” services are constructed / upgraded to allow a development to proceed, that DCs should be adjusted accordingly. The DCP already provides that if a developer undertakes work that means Council would no longer be responsible for that particular work / project, then some offset should be allowed.

However, as a general principle servicing associated with a development is the responsibility of the applicant and that is a cost that should be met by the applicant. The DC goes towards contributing to the growth related costs of upgrades to the various utility services. To recognise the costs an applicant incurs in servicing a subdivision as an offset to the DC does not remove from the Council’s obligation, the need to find funds for the growth component of projects.

Recommendation: That Council agrees not to add any further grounds for waiver or reduction.

8. Variation to Consents

Another submission issue concerns those situations where an applicant seeks to vary a consent containing financial contribution conditions or to replace a consent containing financial contributions with a new consent. The argument is that it is only the increase in the scale of the development that should be liable to pay under the new DCP. Rather than write this into the DCP, staff advice is that these situations should be dealt with on a case by case basis as is the case now. Over time this will be less of an issue as pre-2004 subdivisions come to s224 stage.

Recommendation: That Council agrees not to change the Development Contribution Policy in relation to dealing with consent variations.

9. First dwellings

Council proposed to remove the 66% reduction in the current DCP applicable to first dwellings. In response to concerns that people thought it unfair to have to pay a “top up” to the DC at building stage when some form of financial payment had been made at time of subdivision, the Proposed DCP was amended to give the first dwelling an exemption where payment of any amount had been made at time of subdivision. Clause 1.5(g) and Clause 1.2 of Schedule 1 of the Proposed DCP were amended accordingly. However, to pick up situations where no payment was made, the date 1 July 1997 (which should have been 1 July 1996), being the date DP1 was first operative, was inserted. However the relevant phrase refers to titles created after this date, when more correctly it should have been titles created by consents granted after this date.

The insertion of the date was a means to try and make the policy easier to understand and to give relief to the perceived “double payment” concern. On reflection, the insertion of the date has not achieved this.

Staff now consider that the existing DCP on “first dwellings” is generally understood and accepted in the community and if we were to remove the 66% discount for first dwellings subject to a credit for prior payments AND increase the quantum of the DC itself, it would be a significant increase for those building a house compared to the current policy.

The options are

1. Retain the Proposed DCP regarding first dwellings as advertised with the date deleted but giving credit for prior payment (not recommended because of concerns over excessive burden on people building dwellings after 1 July 2009 compared to the existing regime).
2. Exempt first dwellings completely (same regime as prior to DCP but will have significant financial impact).
3. Retain status quo as per the existing DCP regarding first dwellings (includes the 66% discount for water, wastewater and stormwater and allows for a credit of the amount paid at time of subdivision).

Recommendation: That Council agrees to adopt Option 3.

10. Other Matters

A number of editorial changes are required

- The number 11,556 in clause 5.1 is in error. We have corrected this section in the final version.
- Schedule III – correction required to Motueka Water and Richmond Wastewater Service Contribution maps. The Mapua Water Services Contribution map has been deleted and the Mapua Coastal Tasman Water services Contribution map amended to avoid duplication.

11. Non-Residential Assessments

Some submissions questioned the approach to calculating HUD equivalents for non-residential development. In particular the use of parking requirements as a proxy for traffic generation effects was seen as being too blunt and did not account for demand management measures developers could employ. Staff have been unable to find a better

alternative and rather than leave each and every calculation to a case-by-case assessment, consider the current formula, with the right to review, is appropriate.

Recommendation: That Council agrees not to change the Development Contribution Policy in relation to dealing with Non-Residential HUD equivalents.

12. Development Contributions Quanta

Nearly all the submissions on the DCP express concern about the increase in the quanta of the DC. Few of the submissions indicate which capital works should be excluded in order to reduce the DC. Likewise those that challenge the cost allocation method and the proportion attributed to growth, do not clearly state an alternative. However staff have reviewed the proportions of cost allocated to growth and, along with a recalculation of interest rates, will be in a position to table amended figures at the meeting for inclusion in Table 1, Table 4 and Schedule II of the DCP. There will be a welcome reduction from the proposed level but still there is a reasonable increase above the current figures.

Recommendation:

- 1) That Council receives this report**
- 2) That Council agrees to the revised Development Contribution Policy attached as Annex 1 and as amended, for inclusion in the final Ten Year Plan 2009/2019.**



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