

6 May 2004

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**LONG TERM COUNCIL COMMUNITY PLAN: SUBMISSION BY PROGRESSIVE ENTERPRISES LIMITED**

We act for Progressive Enterprises Limited ("Progressive"). We enclose our client's submission on the Christchurch City Council's draft long term council community plan 2004/2014. As indicated in its submission, Progressive wishes to be heard in support of its submission.

Yours faithfully  
**RUSSELL McVEAGH**



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**LONG TERM COUNCIL COMMUNITY PLAN: SUBMISSION BY PROGRESSIVE ENTERPRISES LIMITED**

**1. INTRODUCTION**

**1.1 We act for Progressive Enterprises Limited ("Progressive").**

**1.2 Progressive is a subsidiary of Foodland Associated Limited. Progressive's business is centred around developing and operating supermarkets, both on stand alone sites and in shopping centres throughout New Zealand. Progressive operates the Woolworths, Foodtown, Countdown and Price Chopper Brands and it also has over 40 franchised Fresh Choice/Super Value stores (predominantly in the South Island). Progressive also has a number of Woolworths quickstop mini-marts in conjunction with the Gull Service Stations.**

**1.3 Progressive has capital investment in New Zealand in excess of \$1.1 billion and, as a consequence of the rates it pays in relation to all of its supermarkets and ancillary office and distribution facilities, makes a significant financial contribution to local government.**

**1.4 Within the Christchurch City district, Progressive owns and operates the following supermarkets:**

- (a) Supervalu at Edgware, Fendalton Village, Lincoln Road, Stanmore, Sumner, Wairakei and Woolston;**
- (b) Woolworths at Bishopdale, Bush Inn, Ferryhead, Moorhouse, New Brighton, Northwood, Sydenham and The Palms;**
- (c) Countdown at Church Corner, Columbo Street, Eastgate and Northlands;**
- (d) Fresh Choice at Avonhead, Barrington, Merivale and Parklands; and**

**1.5 Accordingly, Progressive's current presence and investment in the District is significant. There is also the potential for it to further invest and develop its interests in the District. Development contributions will have a direct impact on Progressive, and may influence the timing and extent to which Progressive undertakes further development or redevelopment within the District.**

## RUSSELL McVEAGH 2

1.6 Progressive is concerned to ensure that if the Christchurch City Council ("Council") adopts a development contributions policy in its long term council community plan ("LTCCP"), that policy is fair, reasonable and transparent, and does not place a disproportionate amount of growth related costs on the business sector.

1.7 We set out Progressive's concerns in further detail below.

## 2. DEVELOPMENT CONTRIBUTION POLICY

2.1 Progressive generally opposes the Council's development contributions policy and requests that the Council retain and rely on the existing financial contribution provisions of its District Plan.

2.2 If the Council does adopt a development contributions policy, Progressive wishes to ensure that the policy meets the objectives set out below and takes into account s101 of the Local Government Act 2002, which requires the Council to consider in its funding decisions (among other things):

- (a) the distribution of benefits between the community as a whole, any identifiable part of the community and individuals; and
- (b) the extent to which the actions or inaction of individuals or a group contribute to the need to undertake the activity.

### Accords with the beneficiary principle

2.3 Progressive considers it fair and equitable for the Council to recover only *reasonable* capital expenditure costs associated with growth from those who *benefit* from the relevant works undertaken by the Council.

2.4 In terms of reasonableness, it is difficult from the draft LTCCP to determine whether the proposed development contributions are reasonable. For example, the proposed capital works may not be necessary, their cost may be under or overestimated, and the methodology for distributing those costs may be flawed.

2.5 In respect of those who benefit from the works, Progressive considers it appropriate to split the cost of development and associated infrastructure between ratepayers and developers, based on how much of the capital expenditure is considered to be for the benefit of other groups of ratepayers or ratepayers generally. For example, replacing a pipe with a projected lifespan of 10 with a new one of 50 years will add 40 years of service to existing property owners and beneficiaries, as well as the developer whose development may have triggered the need to upgrade. Because other existing and future ratepayers also benefit from such development, Progressive considers it unfair to levy only those responsible for the development.

2.6 Accordingly, most capital expenditure costs associated with growth should be allocated approximately across:

- (a) ratepayers generally and those undertaking development; and
- (b) those who benefit from the relevant works undertaken by the Council.

**RUSSELL McVEAGH 3**

- 2.7 To the extent consistent with this objective, Progressive supports the Council's first stated policy objective on page 59 of the draft LTCCP to obtain a "fair and reasonable contribution" towards the expansion of services from those responsible for development that places additional demands on the Council's provision of services.
- 2.8 The Council has apportioned the capital costs of growth between rates and development contributions in varying proportions depending on the service in question (refer page 65 of the draft LTCCP). However, the rationale for the apportionments is not clear and the proportion of the costs to be recovered via development contributions and rates needs to be reviewed to ensure that it reflects the benefit received by the developer and existing ratepayers.

**Development contributions not to brake economic growth**

- 2.9 The policy must be realistic in level of contribution it seeks to derive from the commercial sector and must not be set at a level that would brake economic growth. To the extent consistent with this objective, Progressive supports the Council's second stated policy objective on page 59 to:

ensure that the level of such contribution does not generally act to discourage development, recognizing that the contribution will be influenced by the complexity of site works and that this may act to discourage development of a particular area.

- 2.10 However, despite this policy, it appears to Progressive that the level of contributions to be levied on the commercial sector may be too high. The Council is seeking a reserves contribution as follows:

- (a) 7.5% of the value of additional business allotments at the time of subdivision (less any contribution made at the time of any previous building consent); and
- (b) the cash equivalent of the value of 2m<sup>2</sup> of land for each 100m<sup>2</sup> of new net building floor area created at the time of building consent (less any contribution made at the time of any previous subdivision).

- 2.11 Additional "service charges" will also be imposed on each lot and towards certain network infrastructure works. The type and number of these charges will depend on the area the development is located in, but appear to be significant.

**Appropriate balance between consistency and flexibility**

- 2.12 Progressive wishes to ensure that any development contributions regime adopted by the Council strikes an appropriate balance between consistency and flexibility in its approach to ensure a fair and equitable outcome. In order to achieve this, Progressive submits that the regime should:

- (a) be consistently and equitably applied, but provide sufficient flexibility to reduce, remit, or refund development contributions where the particular circumstances of a development make it fair and equitable to do so. There needs to be an ability to adjust the development contributions levied on an individual basis;
- (b) provide an appropriate procedure for the hearing of reviews or objections to any development contributions imposed; and

**RUSSELL McVEAGH 4**

- (c) contain a mechanism for the regular review of the development contributions policy, to take into account matters such as whether the growth rate assumptions are being met and whether the costs of capital are significantly greater or lesser than expected. If, as a result of a review, it becomes clear that development contributions have been set at too high a level, then there should be provision for the return or refund of any excess monies paid.

**No cross subsidisation**

- 2.13 It is important that a particular sector, such as the commercial sector, does not cross-subsidise the costs of capital works relating to developments in other sectors, such as the residential sector. It is not clear if the current policy results in this outcome.

**Basis of contributions to be transparent and workable**

- 2.14 Finally, it is important for the method of calculating development contributions to be transparent and workable, and sufficiently certain so as to enable developers to determine in advance the likely development contributions they face.

**3. DECISIONS SOUGHT**

- 3.1 Progressive requests the Council amend its draft LTCCP to give effect to its concerns expressed above, including any necessary consequential amendments.

**Progressive wishes to be heard in support of its submission.**

**Signature:**

**PROGRESSIVE ENTERPRISES LIMITED** by its  
solicitors and authorised agents **Russell  
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Heather Harris / James Gardner-Hopkins

**Date:**

6 May 2004

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