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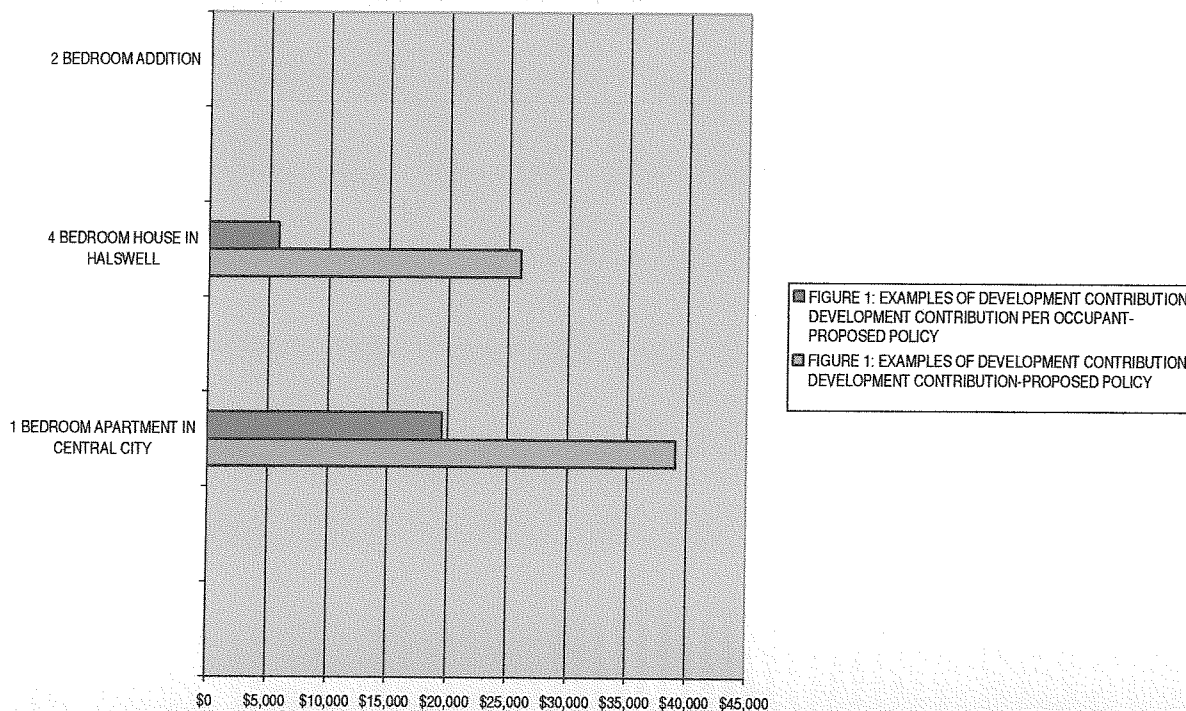
SUBMISSION ON DEVELOPMENT CONTRIBUTION POLICY

The new proposed Development Contribution Policy has serious fairness and market implications.

The market flaws are obvious- the Council sets the development contribution very high to try and get in more money, but they are set so high they have the reverse effects as development reduces and property prices drop to reflect this. I have two developer clients and stories of others who are holding off on development until they hear what the Council policy on development contribution will be, if it is as currently planned they won't proceed and the Council will get no income. This submission concentrates on the fairness rather than the market aspects.

In any form of taxation there is always some unfairness, but the way the proposed policy is written is too unfair. I will discuss these flaws and provide solutions to reduce this. My solutions are concepts at this stage. Council officers would need to develop them further. The submission includes further discussion on my rationale and where the concepts need further development.

The concept of the Development Contribution Policy is to recover costs from growth, namely population increase. To show the excesses of unfairness here are three examples of theoretical projects: a 70 sqm one bedroom apartment in a complex in the central city, a new four bedroom house in Halswell subdivision and a two bedroom addition on an existing house. The one bedroom unit with an occupancy of 1-2 pays a development contribution of roughly \$39,050 about \$15,000 per person, the four bedroom house with an occupancy of 4-5 pays a development contribution of roughly \$26,000 about \$5800 per person and the two bedroom addition with an occupancy of 2 pays no development contribution, \$0 per person.



The Mayor had said he want 30,000 people to live in the central city in the future. People living in the central city add vitality, reduce loads on transport, and reduce urban sprawl. From the above example the incentives set up by this policy do the reverse.

The extreme differences are due to the following flaws in the proposed policy: reserve contribution based on land value not growth; the policy is based entirely on a the very blunt instrument of 'household unit' with no allowance for the actual number of occupant in a household unit and the policy does not contemplate taking a development contribution where an existing site is added to or a small house is demolished and a larger one built in its place.

The Council officers have talked about basing fees on 'house hold unit equivalent' as becoming 'accepted practice' amongst local bodies round New Zealand- I beg to differ, just because others do things wrongly does not mean Christchurch should follow blindly, in fact if the Council follows the principles I envisage then other Councils would likely follow. The concept of household unit does have some limited validity- a household may have younger members that put less strain on infrastructure, a family may do things together and share transport and visit reserves together, but one size does not fit all. Adding additional factors to the strict concept of household unit allows the Council more flexibility and fairness.

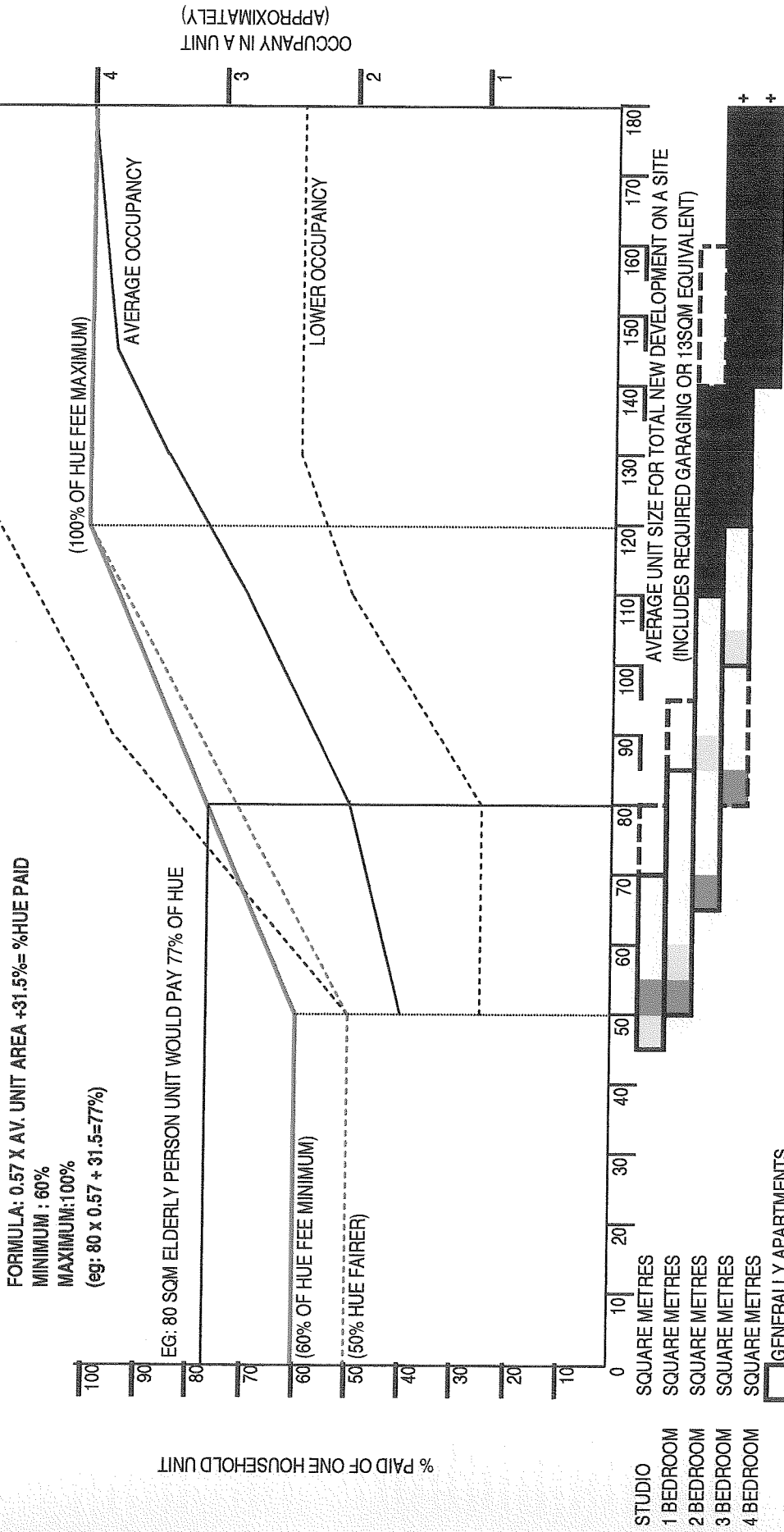
The fairest way to counter this would be to base it on the number of bedrooms, but developers will always get around that by creating many 'studies' and 'living rooms'. My solution is to retain the household unit as a base, tempered on the area of the unit, the population of a household roughly follows the area. It's not exact, but it is no where near as blunt as one size fits all.

In figure 2 below I have shown some typical unit types- from studios and one bedroom unit up to three bedrooms townhouses. There is overlap between unit types. The model could be extended to charge more for very big units and houses but I haven't investigated that. Note the dots show Auckland City and North Shores proposed minimum apartment sizes (including an allowance of 13 sqm minimum of parking) I don't suggest Christchurch follow suit in this regard- the market very much dictates here what works and what doesn't but it gives some rigour to the diagram.

I have then estimated an average sort of occupancy based on unit size, with the Council's data they could improve this, but it's only to show there is a correlation between size and occupancy and therefore what sort of growth is caused.

Working purely on occupancy say a 80sqm unit (the current maximum size of the Council's elderly persons unit) would pay round half the development contribution of say 150 sqm unit, however the household unit concept has some validity, and the Council still needs to raise the money for infrastructure and reserves somehow. Therefore I propose a model based on figure 2 ie:-if the average unit size of the development is less than 120sqm the household unit factor is reduced on a sliding scale down to 50sqm (including garaging) -less than that is in the realms of the slum lord. This is actually easy to administer as a developer must provide at planning stage the total residential floor area, this would be simply divided by the number of units and the average unit size produced. This gives some break to smaller units to reflect their lower loads in infrastructure, use of community facilities and reserves.

FIGURE 2: GRAPH FOR CALCULATING REDUCTION OF DEVELOPMENT CONTRIBUTION BASED ON AVERAGE UNIT SIZE
 (ALSO SHOWS TYPICAL UNIT TYPES & RANGE OF SIZES)



The next inequity is that of reserve contribution – which pays for parks, cycleways and purchasing big chunks of the Port Hills. The Local Government Act forces the Council into setting the contribution on the value of the land it sits on, not growth –therefore established areas that have high property (e.g.: central city) values effectively subsidise low land values such as greenfield developments, creating a disincentive to develop in such areas, the antithesis of the Council's growth goals.

The solution to this is that the act is based on the maximum; the Council is not obliged to charge the maximum. There is already an abundance of parks in existing areas, especially the central city with Hagley Park and Latimer and Cranmer Square that are not over utilized; whereas greenfield developments nearly always need new reserves. Note that greenfield sites have the advantage they can often offset the reserve contribution by giving lands for reserves, something already developed areas cannot do.

Therefore I propose that the reserve contribution would be based on following:

- 1) set a cap of \$15,000 maximum reserve contribution for any additional unit. There is no way reason that one HUE should pay more than three times that of another when the additional load/ growth they add is the same.
- 2) Setting the reserve contribution as a % of the maximum allowable relative to the current Council zoning system. This generally mirrors high density inner city density (and affects property values) for example per additional HUE as per figure 3: (be cautious about these figures-there has been limited valuer input)

central city: 30% of the maximum allowable reserve contribution approx. \$9,000 per HUE (currently about \$1500 per sqm x 20=\$30,000 per additional HUE)

L4: 50% of the maximum allowable reserve contribution –approx. \$5,000-\$9500 per HUE (currently about \$10-19,000)

L3: 75% of the maximum allowable reserve contribution –approx. \$4,500 per HUE (currently round \$6,000 or more)

L1/ L2/LH in existing established suburbs: 75% of the maximum allowable reserve contribution –approx. \$3,750-15,000 per HUE (could be very high in the affluent suburbs eg: Fendalton \$1000 per sqm x 20=\$20,000 per HUE currently and Redcliffs can be \$2000 per sqm x 20= \$40,000 per HUE currently!!! both with adequate greenspace so the \$15,000 cap is needed)

L1/ LH in Greenfield development: 100% of the maximum allowable reserve contribution –approx. \$5,000-15,000 per HUE

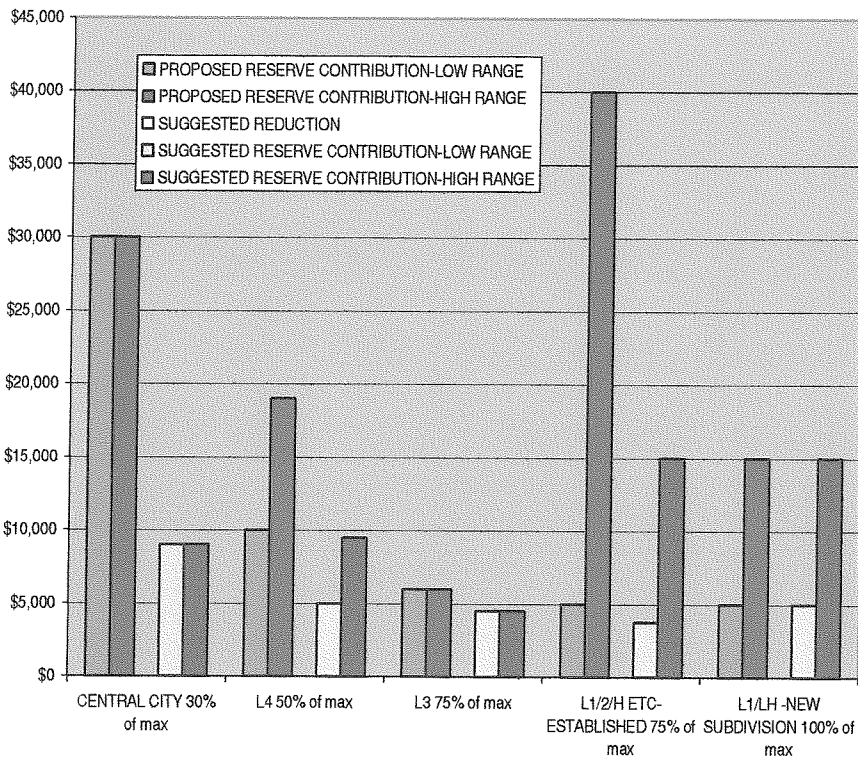


FIGURE 3: RESERVE CONTRIBUTION REDUCTION BY ZONE-CURRENT PROPOSAL & SUGGESTED

With regard to reserve contributions in general- the figures talked about are gigantic -\$152 million over 10 years, this figure is higher than any other infrastructure or community category. I suspect the reason it is so much more is because the way the Local Government Act is written the Council can charge this without having to name specific projects whereas other areas must be balanced against actual projects. The other advantage with basing reserve contribution on actual projects is that they could be paid for by the areas that use them-eg: central city parks paid for by the reserve contributions generated by the central city.

This zeal for greenspace paid for developers needs to be tempered by the fact that a lot of this is buying up the Port Hills, something enjoyed by all Christchurch residents, yet paid mainly by the few; and that the city needs a more mature attitude to reserves and parks. We are the garden city, not the park city, there is a subtle but important difference- garden tends to mean private garden, park the common land. Christchurch needs to start thinking beyond being a big town and how it should be a real city with a compact and vibrant centre. Charging huge amounts to affluent suburbs and central city development for reserves they do not need and will not be provided will slow or stop development in these areas and encourage sprawl.

All the solutions I have made so far tend to reduce the overall pool of development contribution the Council can gather. Apart from reserve contribution, this may have to be made up by other development. One area of development that does not pay its share that could help cover this is that of additions and replacement to existing sites. An addition of new bedrooms or the demolition of a 100sqm cottage being replaced by a 200 sqm house adds a considerable number of occupants or growth- more load on sewer, stormwater, greenspace, community facilities etc.

Once again the blunt instrument of 'household unit' prevents the Council trying to recoup the growth costs, and again the solution I propose is to charge for this kind of development on the additional area excluding garage space added to the site (although there could be some argument that a new garage may add a load on the stormwater system if it replaces a non-hard paved area). This would be set on a much lower rate than a new development of an additional unit as: there is no additional household being formed, the capacity for new

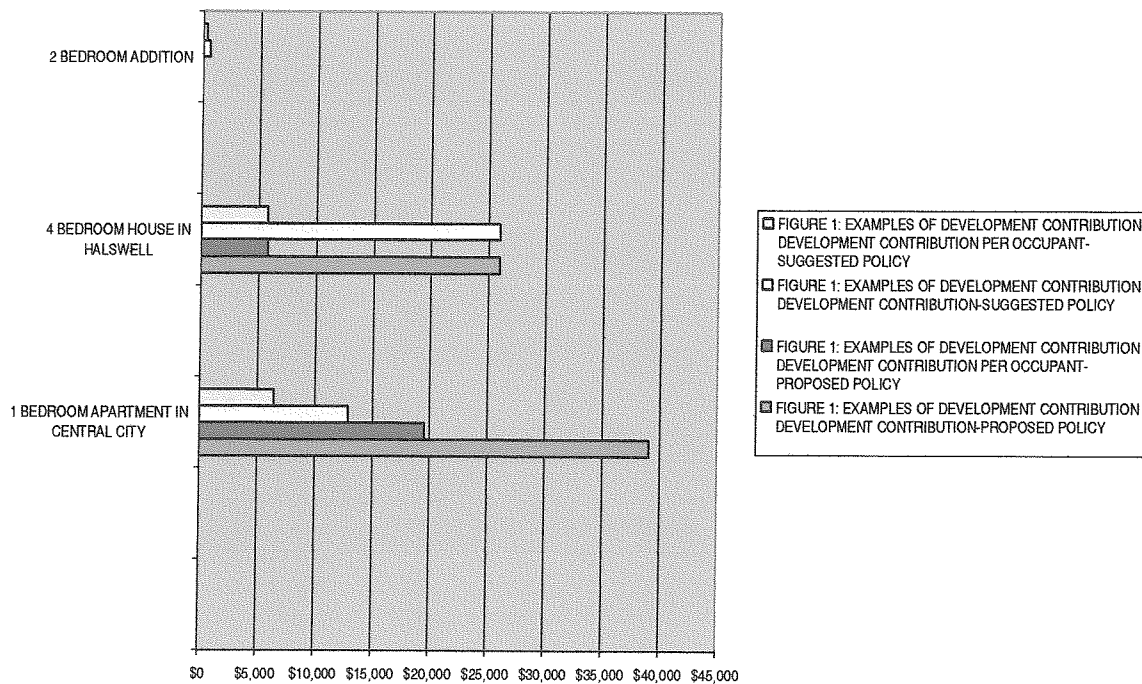
unfairness being created if people only add living space not bedrooms (so there is no real growth in occupancy) and that an existing house/development is assumed to have 'paid' reserve contribution in the past.

The suggested method of charging would be as a percentage of household unit based on area added- a precedent for this has already been established in the proposed Development Contribution Policy for non-residential units. I suggest setting this at round 0.001 household units per non-garagable square metre added so therefore if you added 150sqm x 0.001= 0.15 (15%) of a new additional unit, 150sqm is a decent sized house in itself. A 30sqm addition would pay 30 x 0.001= 0.03 of a new additional unit- say in Shirley this would give a development contribution of round \$650 (from a Council example)

This alternative proposal need considerable further thought so there is consistency between new development and adding or replacing existing, but I believe it is essential that growth from additions and replacement should contribute in some way. Politician's may find it hard to charge the average person for putting on an addition to their house, it being far easier to hit the allegedly rich developers, but they must remember if they want to raise the revenues for growth they should cast as wide a net as possible. While developers may not provide many votes, they can vote with their feet and will not develop in Christchurch if the development levies are too high. If growth from additions and replacement are not charged for directly then this cost should be included in general rates rather than being passed unfairly on to the development community.

Finally, with my proposed changes and my original examples-see the below diagram this would create a revised figures of:

The one bedroom unit of say 70sqm in the central city with an occupancy of 1-2 would now pay a development contribution of roughly (\$30,000 reserve x central city remission of 75%= \$9,000 + \$9050 for infrastructure/community fees = \$18,050 X average unit area reduction of 28.5% for a 70sqm unit = \$12,905, roughly \$6,450 per person compared originally with \$15,000 per person, the four bedroom house in Halswell with an occupancy of 4-5 would still pay a development contribution of roughly \$26,000 about \$5,800 per person and the two bedroom addition of say 30sqm with an occupancy of 2 would pay about \$600, or about \$300 per person. This give a more even result per occupant. The Council can of course tweak everything in development but the concepts appear sound.



In conclusion, the Council should alter their proposed development contribution policy so that is fairer and less onerous by: reducing the development contribution of small units to reflect the lower occupancy; not charge the maximum reserve contribution in the central city and surrounding areas to reduce the distortion caused by land

prices which will likely stop or seriously hamper residential growth in these areas; and spreading the charges to include additions and replacement of existing houses to reflect the increase in growth they cause in a modest way.

Appendix

Further discussion of the above and some additional points.

Transparency of policy:

The maps provided with the policy are excellent. To provide transparency once the policy is established for any residential developer these should be incorporate into two on-line mega maps that are updated regularly. One would have the dollar cost per HUE for all infrastructure/ community charges for each census area unit- this could very easily be made combining the maps and costs per HUE. The other map would show what figures the Council is using for land value per square metre in each area, whether this is done on census value or whatever. A developer provided with this information could assess what the development contribution would be on a potential site rather than getting a nasty surprise at PIM stage when a lot of expensive work has been done and the site bought. The Council should be upfront and not afraid to say what they are charging.

Actual Credits for Development Contribution:

Clause 2.4.2 of the policy discusses the storing of Development/ financial Contribution in dollar amount. This must also be linked to CPI, and updated yearly so that future changes, new additions and additional units added to buildings can be assessed fairly.

Transparency of Remissions: From the meetings the Council held remission on heritage, elderly, art work, public housing, and the like will not be based on a consistent and transparent policy but determined on a case by case basis. Clearly this is unacceptable- the Council must be up front, not doing a deal on each project- this causes favoritism & cronyism where the Council decides what scheme is more worthy than others, it is not acceptable; developers also need an element of certainly up front so they can make decisions.

Water supply and Conservation & Water Meter Fees

Every additional HUE is currently proposed to pay \$1499.72 for water supply and conservation. Does this include the cost of a water meter, currently charged at \$425 per additional unit?

Further discussion on reduction of development contribution based on average HUE area:

- The average unit area graph is based on car parking being included, a fairer approach would be to exclude garaging, but this makes it harder for planners to work out the average area. The system I've developed simply divides the residential floor area for a project by the number of units. If no car parking is provided for a unit to compare apples with apples then 13 sqm (and 18 sqm for two parking spaces) is added to the unit size for consistency. Residential floor area should exclude common circulation / space, definitely balconies, any parking additional to the minimum parking required. It should include only the parking provided except for the minimum 13sqm per unit where no parking is required or included in residential floor area (eg: underground parking), this distinction is important as say in L3 2 car parks are required, but if a 1 bedroom unit is added planners usually allow only one park to be provided –if calculations are based on that required it could easily add another 13 sqm to a one bedroom unit that shouldn't be there.
- It is important that the average area is calculated on the total new development, not on the total development. Otherwise this could lead to some unhappy results- for example someone builds a new studio unit of 40sqm + 13 sqm car parking on to their existing 175sqm house. If its done on total development area then the average unit size would be $175 + 53 = 228 \text{ sqm} / 2 \text{ units} = 114 \text{ sqm}$ - therefore the tiny studio unit added would be paying a full development contribution rather than say 60% of a HUE
- It is also important it is kept as an average unit area or else planners will spend hours calculating the development contribution for each unit then adding up the lot

- It is critical that the system is kept on a sliding scale as shown on my graph rather than in area bands- (eg:50-69sqm=35% reduction, 70-89sqm=20% reduction 90-110sqm=10% reduction) because otherwise developers will start demanding designers design to these bands seriously hampering design quality. The sliding scale is easy to calculate, either by graph or formula.
- One advantage with this system is it allows illegal sleepouts and the like with kitchens to pay a development contribution that is not huge by allowing a reduction for the area. It also give elderly person housing a remission as this is a maximum of 80sqm (note: the City Plan needs changing –the maximum area of an elderly person unit should really be 85-90sqm -80sqm is just too tight)

Further discussion on development contribution being paid for additions/ replacement of existing HUE's:

- A danger to the charges suggested is that a relatively new unit/ site that has recently paid large development contribution on the new system will do an addition and pay even more for development contribution (eg: a 150sqm house pays \$20,000 development contribution, then adds a large addition of say 100sqm for an additional \$2000 D.C. ($0.001 \times 100\text{sqm} \times \$20,000$), a total of \$22,000, whereas the next door neighbours build a new house with a total of 300 sqm but only pay say \$20,000. The way to avoid this is have a second check process, where the addition plus existing house would be taken as though it were a new unit built on the same site and compared with the CPI adjusted development contribution that has actually been paid on the site and the amount paid would be the LESSER of either the difference between existing paid and new calculated or as per my proposal above (0.001 HUE per sqm added) to a minimum of 0 of course in case new fees are less than that paid plus inflation-unlikely but possible. This sounds complicated but in reality it should be reasonable simple.
- This submission proposal is based on the size of the existing house/ development on site. Rules would have to be established, perhaps similar to that in the proposed section 2.4.1 on historic credits if the site is bare or the house that was on the site has been demolished before design with a partial credit depending on when demolition occurred. The Council could perhaps give an automatic credit of a minimum of 100sqm of house area in any circumstance. When measuring an existing house that is proposed to be added to, demolished or recently demolished the Council could check against their aerial record, and give credit for single storey area only unless the developer provided photographic, historic plans or other evidence showing area to other levels. Obviously existing house area would exclude garaging as charges for additions/ replacement are based on non-garagable area.
- To create a seamless policy between development contribution on new units and additions to/ replacement of existing units instead of giving one HUE credit for each section/replaced house the first unit would be treated as an addition or replacement.