

# CHRISTCHURCH CITY COUNCIL

## LONG TERM COUNCIL COMMUNITY PLAN 2006-2016 Draft Policy on Development Contributions ("Policy")

TO: Christchurch City Council  
PO Box 237  
Christchurch 8003

Date: 5 May 2006

Email: [ccc-plan@ccc.govt.nz](mailto:ccc-plan@ccc.govt.nz)

### PROLOGUE

1. This document forms, as it were, a Prologue to the Submissions that follow.
2. The Prologue takes the position that in the time leading up to 5 May it has not been possible for Council to provide practical access to the methodology by which individual developers can assess the development contribution levy they would require to pay if Council's draft Policy were approved.
3. It has been equally impossible for Submitters to provide detailed Submissions on how the development contribution levy will impact on their own developments. Accordingly, both Council and the Submitters are woefully unprepared to exchange information, enter into dialogue and determine how best to reach a consensus on what would be an appropriate development contribution levy.
4. I believe there is a general understanding from Council that at present there are not answers to the complaints that have been made, they recognise the very real prospect that if the Policy in its present form were to proceed, there would be severe financial hardship and an immediate decline in development, whether from land development, new home owners, commercial and industrial developers. There is the prospect of severe economic repercussions for the business community and the City.
5. However, the answers will not come in two days of Submissions. The best that can be achieved in the time available is that in the period between the close of Submissions and the beginning of June, Council and the business community can continue to provide information and that they establish a basis upon which a transition phase be put in place with the prospect that the Policy be phased in over a number of years.
6. In the period June 2006 to June 2007 Council, the business community and ratepayers need to take a fresh look at the capital expenditure programme, the level of service they expect and how they would fund the capital works programme. The development community, as part of the business community, is now fully aware of what is being asked of them. They know it is essential to work with Council to develop the solutions. Allow them the opportunity to put their business skills and experience in assisting Council in providing for and coping with growth.
7. Hopefully, our Submissions at the Council Hearing in June can primarily focus on what would be an acceptable transition phase and how a long term development

contribution policy be established that meets Council's statutory obligations under the Local Government Act while providing an appropriate contribution towards the City's infrastructure.

The Submissions in June can hopefully form part of an information-gathering exercise and create public awareness of the complex issues that face the City and the choices ratepayers have. The Submissions will address micro and macro economic and social impacts. They will expand on what is now contained within these Submissions.

A handwritten signature in black ink, consisting of several fluid, connected strokes.

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### SUBMISSIONS

#### 1. The Submitters

These Submissions are made on behalf of those Christchurch developers and interested parties named in the **Schedule** to these Submissions. The developers undertake residential, commercial and industrial property development in Christchurch. They range from those who undertake major subdivisions and buildings through to the small property developer. They have one thing in common, namely a serious concern that if Council adopt the present policy it will result in a substantial drop in the value of their properties, significant increase in development costs and, in some instances, prevent them from completing their development in view of the prospect that the development will realise little or no profit. Developers will provide you with their own submissions in which they will detail how the policy will impact on their own developments. These Submissions are primarily intended to address the underlying principles upon which the Policy is based and pose questions that Council needs to address before it approves the adoption of a Development Contribution Policy.

#### 2. Introduction

2.1. On page 1 that precedes the Council's Policy Statement it states in paragraph 2:

*"Council's policy is that the total growth component of the capital expenditure budgets will be funded by development contributions. This is because Council wants the development community and not the ratepayers to fund the growth arising out of development as a fair reflection of the benefit distribution from that growth, and in line with the community outcomes Council seeks to achieve."*

While this statement is not within the body of the Policy document, it nevertheless puts on record in one simple paragraph the approach Council takes in the Policy. It expects developers to bear the **total** cost of the **growth component** in capital expenditure rather than make a judgment call on how best to distribute such cost between the developer and the community. There is no attempt to weigh up the benefits or address the complex issues that surround the apportionment of costs between the interested parties.

- 2.2. Secondly, the Policy is based on a "fair reflection of the benefit distribution", presumably on the presumption that developers gain a financial benefit at the expense of the community. The quoted paragraph highlights the perception that Council does not see the benefits of development and the growth in the number of homes, businesses and people, necessary to improve the quality of experience of living in Christchurch and providing employment to its citizens.
- 2.3. There is an underlying suspicion that Council in an attempt to unrealistically restrict the level of rate increase sees the business community as a convenient source of revenue. Council fails to appreciate that by imposing what is a significant increase in the development contribution levy, it is undermining business growth and a willingness to invest in this City. Council has no understanding of the economic impact of the Policy. It has not undertaken any assessment on the present level of profitability, the developer's ability to pass on the cost, its impact on related businesses and the overall impact on growth.
- 2.4. Council possibly sees a small blip on the market that might continue for the remainder of this year. They may believe that other inflationary pressures will solve the problem. They may believe there is fat in the system. They may not believe there is any link with how business is conducted in Christchurch and how it is conducted outside Christchurch and in other major centres in New Zealand and Australia. With respect, Council does not have the knowledge and expertise on how its Policy will affect property values, the ability to raise money, and the ultimate cost of land and buildings to the consumer. Council's willingness to proceed with a policy which, as far as they are aware, has unknown implications suggests a cavalier disregard for the welfare of businesses and Christchurch's continued growth.
- 2.5. Council has not explained how the Policy will impact on other Council policies. It has adopted the approach that rather than clutter the present policy with the requirement of other policies, the Council will later exercise its discretion to reduce the Development Contribution Levy and/or provide financial grants. That approach is open to abuse and is contrary to Council's statutory obligations that the Policy that is implemented be predictable, consistent and equitable.
- 2.6. Has Council identified those policies where there will be an adverse impact? The Council's policy in respect of the Inner City is a case in point. Council's example of twelve apartments in the Central City on 1,000 m<sup>2</sup> with a land value of \$720,000: The proposed contribution is \$281,400 (\$23,450 per unit) required to be paid on Scheme Plan Approval. The development was marginal even before the imposition of the proposed contribution. The only effect now is that the land value will decline 40%. This cost is imposed, in part, in recognition that there be an allocation for reserves with little evidence that reserves be provided in the immediate vicinity of the development so it be used by the residents. There is no policy to grow the Inner City. The reverse is in fact the case.
- 2.7. These Submissions pose a number of questions that Council and developers need answers to before the Policy be adopted:
  - (i) Has there been sufficient consultation to inform Council, developers and the general community of the content and effect of the Policy?

- (ii) Does the Policy satisfy Council's statutory obligations and, in particular, those under the Local Government Act 2002 ("LGA")?
- (iii) Does the Policy adversely impact upon other Council policies?
- (iv) Does Council have an understanding of the economic impact the Policy will have on development, associated businesses and the community?
- (v) Is Council aware of how other Councils throughout New Zealand have established their own policies and how those experiences and their situations in both similarities and differences provide useful examples of how best to proceed?
- (vi) Is this the beginning of a process and logic that will see Councils in the years ahead imposing an ever-increasing burden on development and growth?
- (vii) When does a Council levy become a tax as opposed to a genuine recovery of additional capital costs incurred by the community as a result of property development taking place?
- (viii) Does the Policy amount to a "blame tax" with little attempt to establish causation/linkage between property development, growth and Council's capital expenditure programme?

### 3. Consultation

- 3.1. The LGA provides that there be a **minimum** period of one **month** for Submissions, a woefully inadequate time especially given Easter and Anzac Day in which Council endeavours to consult with the business community on what is essentially a very complex matter that will adversely impact upon the business community. It is impossible for developers in the time available to understand the impact of the Policy and have an opportunity to be involved in the consultation process that will have meaningful outcomes for all parties.
- 3.2. The Policy is contained in the 85 page document entitled "Draft Development Contribution Policy" and supporting maps, the 23 page Contribution Policy Growth Model and reports on each item of capital expenditure outlined in Schedules 3 and 4 applying the growth component methodology and individual costings. Parts of the Policy are contained in written reports and others on the website. The Policy deals with macro and micro issues.
- 3.3. While the Policy and PowerPoint presentation summarise the issues it has not been possible for Council, in the time available, to discuss and answer specific queries that have been raised by developers. It is difficult, if not impossible, to examine how Council has determined which particular capital expenditure and what proportion of that expenditure is directly related to growth generated from property development.
- 3.4. Council says it expects comprehensive Submissions to assist in the establishment of the Policy. If that be the case, Council needs to revisit the timeframe within which the Policy be fully implemented allowing a transition period while Council addresses queries on capital expenditure, its inclusion and its cost before meaningful consultation can take place.

#### 4. Statutory Obligations

- 4.1. Property developers accept that Council may impose a development contribution levy on them for Council's capital expenditure programme where the levy is established in accordance with Council's statutory obligations under the LGA. Those statutory obligations include requirements that:
- (i) The "cumulative effect" of development **requires** new or additional assets or assets of increased capacity and, as a consequence, Council incurs capital expenditure to provide reserves, network infrastructure and community infrastructure;
  - (ii) The development generates a **demand** for reserves, network infrastructure or community infrastructure;
  - (iii) There is predictability and certainty about sources and levels of funding;
  - (iv) The Council adopt special consultative procedures;
  - (v) There must be an explanation of and justification for the way each development contribution is calculated and the significant assumptions underlying the calculations, including an estimate of the potential effects;
  - (vi) Council must demonstrate in its methodology it has attributed units of demand to particular developments on a consistent and equitable basis;
  - (vii) There must not be double dipping where Council receives payments from other sources.
- 4.2. The word "growth" is used extensively throughout the Policy. It is not used in the LGA, rather the Act talks of "generating a demand" and has "the effect of requiring" and suggests the need for collective causation/linkage to require the incursion of capital expenditure.
- 4.3. The Policy does not address how Council will apply the Policy when there are a number of influences and, in some cases, competing influences, as to whether there be an item of capital expenditure, what is intended to be achieved and how the cost of that item may be divided to satisfy the needs and/or meet various policy objectives.
- 4.4. In Schedules 3 and 4 capital expenditure has been apportioned between "renewal", "backlog", "unallocated" and "growth". Capital expenditure that is included within "renewal" and "backlog" is understood. They satisfy a level of service. "Unallocated" presumably encompasses those items of capital expenditure where decisions are made on capital expenditure where there is no causal linkage with development. "Unallocated" capital expenditure in both Schedules 3 and 4 total only \$943,928. It suggests an exact science, a mathematical calculation where there is little room for judgment.
- 4.5. Take the case of the Bus Exchange expansion in the transport category: It is predicted to cost \$55 million. Of that sum, \$5,395,508 has been attributed to meeting "backlog" and \$49,604,492 has been attributed to "growth". None of the capital cost remains unallocated. In this example, what are the factors

that weigh upon Council in wishing to proceed with the Bus Exchange expansion?

- The wish to encourage use of public transport as an end in itself?
  - Support the business activities of the Red Bus Company?
  - Support the growth of the Inner City?
  - The Council's present Bus Exchange has not been designed to cope with a reasonable level of growth – compensate for previous failings?
  - Cope with an increasing number of people including residents of existing properties, development properties, growth of business activities generally and tourism in particular?
  - What proportion should be fairly attributed to the developer of Inner City apartments who will have little use for a Bus Exchange?
  - What would Council attribute to those who live outside the City who travel into Christchurch and what should be attributed to residents living in a new subdivision in Halswell?
- 4.6. How are the statutory standards met when apportioning capital expenditure to meet competing claims of responsibility? Council answers this question by saying it has a **methodology** relying on the assumption the Bus Exchange will take an additional 50,000 commuters and relating that back to the growth in the number of properties and growth of commercial and industrial space. This is not the correct answer. It is not capable of a mathematical formula based on numbers through the door, on the assumption they all come from "growth", which in turn comes from "development".
- 4.7. If Council is to satisfy its statutory obligations it needs to express within the policy the criteria upon which it can demonstrate sufficient "effect" as to warrant the imposition of the development contribution levy in regard to a particular item of capital expenditure. That criteria can best be expressed by recognising the factors that are included in the decision on whether to provide capital expenditure and the extent of that capital expenditure.
- 4.8. If Council is upfront in the Policy on such factors, developers will have an opportunity to assess whether proper weight has been given as to the effects of their development on the level of capital expenditure.
- 4.9. Few developers have seen and even fewer will have understood the development contribution policy growth model that explains:
- What the level of growth is predicted to be in individual Areas of Demand?
  - What the allocation of capital expenditure will be in particular Areas of Demand?
  - What is the causation/linkage to developments within particular Areas of Demand as opposed to being in other Areas of Demand?
- 4.10. A case in point is what is the basis upon which the Ferry Road Bridge and 4-lane highway be included in any particular Area of Demand? How does Council intend to apportion the causal effect between the growth in residential

properties in Sumner with those of all Christchurch residents who desire to travel to Sumner for a swim at the beach?

- 4.11. Council may talk of an expected level of service that needs to be maintained as a consequence of the growth in numbers. Competing interests are not capable of such simple solutions.

## 5. Household Equivalent Units

- 5.1. The Environment Court in *Retro Developments Limited v Auckland City Council* – Judge Newhook:

*“Having conceded that ultimately it is individuals, not households, that produce a demand for public open space, we found it surprising that Mr J postulated that Council considered that the number of new households was a reasonable proxy for the number of additional people likely to be living in a new development. We found this did not sit well with the research results... about average occupancy at different size dwellings and we were concerned once again .... Council may have generalised matters to an inappropriate extent and may not have clearly focused on the increased demand for public open space brought about by increased population attracted by the subject developments.*

*Assuming these philosophies have had an impact on Council's approach to the setting of levies... we are concerned Council may have allowed itself to take insufficient account of the key issues of fairness, consistency and likely demand arising from a particular development.”*

- 5.2. This case deals with financial contributions rather than development contributions nevertheless, the LGA requires that the methodology be equitable and consistent and there be **causal connection** between the requirement to pay a development contribution and the property development – whether that be singular or cumulative.
- 5.3. Council's policy **makes no distinction** whether there be a 1-bedroom unit or a 5-bedroom home. It does not recognise the likely number of residents within each development nor does it recognise that property development may arise from **changing community and family needs** rather than growth in total population – witness the sale of the family home when the children have left, moving into the small apartment.
- 5.4. Household equivalent units for commercial property development is based on square meterage. This ignores the kind of growth that different business activities generate and the consequent need for capital expenditure. To achieve administrative ease, equity and consistency will not apply. The local shopping centre in comparison to a mall, a warehouse to a doctor's rooms, will all be treated on the basis of floor area. The causal connection between the business activity and the demand placed on capital expenditure is not apparent.

## 6. Reserves

- 6.1. Council estimates the cost of further reserves at \$152 million and calculates that if reserve contributions were recovered at the rate of 7.5% (the maximum levy) the Council would earn \$147 million. Based on that simple logic,



Council assumes it is not necessary to exercise its judgment as to whether or not the property development gives rise for the need for additional reserves.

- 6.2. There are a number of motivations as to why Christchurch wishes to increase the number of its reserves beyond simply providing for increased population and property development. Reserves improve the overall quality of life within Christchurch, they may be to protect heritage, provide recreational opportunities for all citizens, to improve existing reserves and they may be because new developments demand further reserves. The Policy does not readily explain Council's requirements and, accordingly, it is impossible to conduct an effective consultation process and to satisfy Council's statutory obligations, namely to establish "causal effect".

## **7. Timing of Payments**

- 7.1. It is proposed that the development contribution on property development be payable upon Council granting scheme plan approval at the very early stage of any development and a long time removed from when the developer will receive settlement proceeds. It is unrealistic to expect a developer to pay for services well in advance of when they will be required on that development and impose a severe cash drain that will need to be funded during the length of the development.
- 7.2. There would be no risk to Council if payment of the development contribution levy were deferred until the issue of the 224 Certificate, a period just prior to the completion of the development with the sale of sections providing cashflow. Council's failure to understand how the business of property development is conducted is amply demonstrated.

## **8. Transition Period**

- 8.1. Council is aware that there will be a number of developers in the course of undertaking developments and entering into commitments that take no account of the proposed increase in development contribution. It is not possible before 1 July 2006 for many of those developers to complete their development to such a stage as to avoid the imposition of the new levy. Significant commercial hardship will arise with no right of recourse. The consultation period is insufficient to allow developers to take account of the increased levy. At the very least Council should allow a transitional period within which no increase take effect so as to allow a reasonable period of grace.
- 8.2. Council, with a history of minimal rate increases, in one short step attempts to impose a significant levy on property development. This is at a time when there is already a slow down in the property market with no opportunity for property prices to increase to take account of the levy. The likelihood will be that major property developers put their property development on hold to await improvement in the market to take account of increased costs. Smaller developments with limited ability to maintain holding costs will likely suffer a significant loss in earnings. At the very least Council should defer the inclusion of larger items of capital expenditure to avoid the prospect of property development in Christchurch being put on hold.
- 8.3. Council should appreciate that many property developers have, and are capable of, choosing where it is best to conduct development. Christchurch has never been as good a business environment as elsewhere in New

Zealand. Auckland offers better opportunities with increasing numbers of new residents and a property market where a reasonable level of demand is maintained.

- 8.4. Manukau, a case in point, provides excellent development opportunities. We are quoted \$4,000 to \$5,000 development contribution levy and 6.5% reserve contribution with section prices substantially higher than those in Christchurch. In that instance, Manukau recognised the need to only provide a relatively small increase in development contribution levy rather than impose in one step a recovery of all capital expenditure that might otherwise have been claimed.
- 8.5. In the short time leading up to our filing these Submissions Council has indicated a willingness to discuss the level of contribution and, in particular, a transition period to phase in the Policy. It is not possible in the current timeframe to reach finality. It is hoped in the period between filing these Submissions and the Submissions being heard in June, Council and developers will have further opportunities to agree on what is an acceptable policy that Council and the development community can both live with.

## 9. Conclusion

In summary, our conclusions are:

- (a) The consultation process has been far too short for the introduction of a policy of this significance and magnitude.
- (b) The request that developers comment critically on the Policy and items of capital expenditure and/or put forward alternatives, given the paucity of information available, is unrealistic.
- (c) There has been no demonstrated attempt to show a "nexus" or link between any specific capital expenditure project and the catchment of benefit, as the LGA requires.
- (d) There is no explanation for the determination of growth proportion in undertaking the capital project, vis-à-vis increased level of service or renewal. The bare figures available are suspect. Transparency is fundamental.
- (e) The Policy does not take account of other Council policies and it does not take account of Christchurch's specific needs and conditions, whether for the City or for developers. It is promoted without any understanding of the macro or micro market conditions.
- (f) The process and outcomes of this Policy would discourage property development. That will have a flow on effect to the business community. Every section sold, every house built requires, in turn, new business for a whole range of activities and products.
- (g) Council appears to opt for "ease of administration". Council seems to take no account of the major issues and implications this Policy will have in an attempt to commence at an early date a new revenue source. There are real issues of accuracy and equity.

- (h) The Submitters consider there are far too many unanswered questions as the Policy now stands. As such, it is inequitable and promotes inconsistencies and is contrary to the provisions of the LGA.
- (i) The Submitters wish to be heard in support of this Submission. The matters are sufficiently serious for a minimum of three hours to be set aside for their concerns.

**Dated** 5 May 2006 at Christchurch

**Simon Mortlock**, Partner  
**Mortlock McCormack Law**

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## **SCHEDULE**

### **Names of Parties – Submitters**

#### **Organisation**

BBS Group of Companies  
Connell Wagner Ltd  
DGM Group  
Dymand Family Trust  
Fox & Associates  
Franco Farms Limited  
Halswell Junction Properties  
Harrison Grierson Consultants Ltd  
J.L.Design & Build  
Mike Greer Homes Ltd  
Murray Homes Limited  
Ngai Tahu Properties Ltd  
Pegasus Property Ltd  
RD Hughes Developments Ltd  
Rock Hill Limited  
Rockmac Limited  
Spreydon Lodge Limited  
Westmoreland Nominees Ltd  
Worsley Farm Ltd

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- 4.4. In Schedules 3 and 4 capital expenditure has been apportioned between "renewal", "backlog", "unallocated" and "growth". Capital expenditure that is included within "renewal" and "backlog" is understood. They satisfy a level of service. "Unallocated" presumably encompasses those items of capital expenditure where decisions are made on capital expenditure where there is no causal linkage with development. "Unallocated" capital expenditure in both Schedules 3 and 4 total only \$943,928. It suggests an exact science, a mathematical calculation where there is little room for judgment.
- 4.5. Take the case of the Bus Exchange expansion in the transport category: It is predicted to cost \$55 million. Of that sum, \$5,395,508 has been attributed to meeting "backlog" and \$49,604,492 has been attributed to "growth". None of the capital cost remains unallocated. In this example, what are the factors

that weigh upon Council in wishing to proceed with the Bus Exchange expansion?

- The wish to encourage use of public transport as an end in itself?
  - Support the business activities of the Red Bus Company?
  - Support the growth of the Inner City?
  - The Council's present Bus Exchange has not been designed to cope with a reasonable level of growth – compensate for previous failings?
  - Cope with an increasing number of people including residents of existing properties, development properties, growth of business activities generally and tourism in particular?
  - What proportion should be fairly attributed to the developer of Inner City apartments who will have little use for a Bus Exchange?
  - What would Council attribute to those who live outside the City who travel into Christchurch and what should be attributed to residents living in a new subdivision in Halswell?
- 4.6. How are the statutory standards met when apportioning capital expenditure to meet competing claims of responsibility? Council answers this question by saying it has a **methodology** relying on the assumption the Bus Exchange will take an additional 50,000 commuters and relating that back to the growth in the number of properties and growth of commercial and industrial space. This is not the correct answer. It is not capable of a mathematical formula based on numbers through the door, on the assumption they all come from "growth", which in turn comes from "development".
- 4.7. If Council is to satisfy its statutory obligations it needs to express within the policy the criteria upon which it can demonstrate sufficient "effect" as to warrant the imposition of the development contribution levy in regard to a particular item of capital expenditure. That criteria can best be expressed by recognising the factors that are included in the decision on whether to provide capital expenditure and the extent of that capital expenditure.
- 4.8. If Council is upfront in the Policy on such factors, developers will have an opportunity to assess whether proper weight has been given as to the effects of their development on the level of capital expenditure.
- 4.9. Few developers have seen and even fewer will have understood the development contribution policy growth model that explains:
- What the level of growth is predicted to be in individual Areas of Demand?
  - What the allocation of capital expenditure will be in particular Areas of Demand?
  - What is the causation/linkage to developments within particular Areas of Demand as opposed to being in other Areas of Demand?
- 4.10. A case in point is what is the basis upon which the Ferry Road Bridge and 4-lane highway be included in any particular Area of Demand? How does Council intend to apportion the causal effect between the growth in residential



properties in Sumner with those of all Christchurch residents who desire to travel to Sumner for a swim at the beach?

- 4.11. Council may talk of an expected level of service that needs to be maintained as a consequence of the growth in numbers. Competing interests are not capable of such simple solutions.

## 5. Household Equivalent Units

- 5.1. The Environment Court in *Retro Developments Limited v Auckland City Council* – Judge Newhook:

*“Having conceded that ultimately it is individuals, not households, that produce a demand for public open space, we found it surprising that Mr J postulated that Council considered that the number of new households was a reasonable proxy for the number of additional people likely to be living in a new development. We found this did not sit well with the research results.... about average occupancy at different size dwellings and we were concerned once again .... Council may have generalised matters to an inappropriate extent and may not have clearly focused on the increased demand for public open space brought about by increased population attracted by the subject developments.*

*Assuming these philosophies have had an impact on Council’s approach to the setting of levies... we are concerned Council may have allowed itself to take insufficient account of the key issues of fairness, consistency and likely demand arising from a particular development.”*

- 5.2. This case deals with financial contributions rather than development contributions nevertheless, the LGA requires that the methodology be equitable and consistent and there be **causal connection** between the requirement to pay a development contribution and the property development – whether that be singular or cumulative.
- 5.3. Council's policy **makes no distinction** whether there be a 1-bedroom unit or a 5-bedroom home. It does not recognise the likely number of residents within each development nor does it recognise that property development may arise from **changing community and family needs** rather than growth in total population – witness the sale of the family home when the children have left, moving into the small apartment.
- 5.4. Household equivalent units for commercial property development is based on square meterage. This ignores the kind of growth that different business activities generate and the consequent need for capital expenditure. To achieve administrative ease, equity and consistency will not apply. The local shopping centre in comparison to a mall, a warehouse to a doctor’s rooms, will all be treated on the basis of floor area. The causal connection between the business activity and the demand placed on capital expenditure is not apparent.

## 6. Reserves

- 6.1. Council estimates the cost of further reserves at \$152 million and calculates that if reserve contributions were recovered at the rate of 7.5% (the maximum levy) the Council would earn \$147 million. Based on that simple logic,

Council assumes it is not necessary to exercise its judgment as to whether or not the property development gives rise for the need for additional reserves.

- 6.2. There are a number of motivations as to why Christchurch wishes to increase the number of its reserves beyond simply providing for increased population and property development. Reserves improve the overall quality of life within Christchurch, they may be to protect heritage, provide recreational opportunities for all citizens, to improve existing reserves and they may be because new developments demand further reserves. The Policy does not readily explain Council's requirements and, accordingly, it is impossible to conduct an effective consultation process and to satisfy Council's statutory obligations, namely to establish "causal effect".

## **7. Timing of Payments**

- 7.1. It is proposed that the development contribution on property development be payable upon Council granting scheme plan approval at the very early stage of any development and a long time removed from when the developer will receive settlement proceeds. It is unrealistic to expect a developer to pay for services well in advance of when they will be required on that development and impose a severe cash drain that will need to be funded during the length of the development.
- 7.2. There would be no risk to Council if payment of the development contribution levy were deferred until the issue of the 224 Certificate, a period just prior to the completion of the development with the sale of sections providing cashflow. Council's failure to understand how the business of property development is conducted is amply demonstrated.

## **8. Transition Period**

- 8.1. Council is aware that there will be a number of developers in the course of undertaking developments and entering into commitments that take no account of the proposed increase in development contribution. It is not possible before 1 July 2006 for many of those developers to complete their development to such a stage as to avoid the imposition of the new levy. Significant commercial hardship will arise with no right of recourse. The consultation period is insufficient to allow developers to take account of the increased levy. At the very least Council should allow a transitional period within which no increase take effect so as to allow a reasonable period of grace.
- 8.2. Council, with a history of minimal rate increases, in one short step attempts to impose a significant levy on property development. This is at a time when there is already a slow down in the property market with no opportunity for property prices to increase to take account of the levy. The likelihood will be that major property developers put their property development on hold to await improvement in the market to take account of increased costs. Smaller developments with limited ability to maintain holding costs will likely suffer a significant loss in earnings. At the very least Council should defer the inclusion of larger items of capital expenditure to avoid the prospect of property development in Christchurch being put on hold.
- 8.3. Council should appreciate that many property developers have, and are capable of, choosing where it is best to conduct development. Christchurch has never been as good a business environment as elsewhere in New

Zealand. Auckland offers better opportunities with increasing numbers of new residents and a property market where a reasonable level of demand is maintained.

- 8.4. Manukau, a case in point, provides excellent development opportunities. We are quoted \$4,000 to \$5,000 development contribution levy and 6.5% reserve contribution with section prices substantially higher than those in Christchurch. In that instance, Manukau recognised the need to only provide a relatively small increase in development contribution levy rather than impose in one step a recovery of all capital expenditure that might otherwise have been claimed.
- 8.5. In the short time leading up to our filing these Submissions Council has indicated a willingness to discuss the level of contribution and, in particular, a transition period to phase in the Policy. It is not possible in the current timeframe to reach finality. It is hoped in the period between filing these Submissions and the Submissions being heard in June, Council and developers will have further opportunities to agree on what is an acceptable policy that Council and the development community can both live with.

## 9. Conclusion

In summary, our conclusions are:

- (a) The consultation process has been far too short for the introduction of a policy of this significance and magnitude.
- (b) The request that developers comment critically on the Policy and items of capital expenditure and/or put forward alternatives, given the paucity of information available, is unrealistic.
- (c) There has been no demonstrated attempt to show a "nexus" or link between any specific capital expenditure project and the catchment of benefit, as the LGA requires.
- (d) There is no explanation for the determination of growth proportion in undertaking the capital project, vis-à-vis increased level of service or renewal. The bare figures available are suspect. Transparency is fundamental.
- (e) The Policy does not take account of other Council policies and it does not take account of Christchurch's specific needs and conditions, whether for the City or for developers. It is promoted without any understanding of the macro or micro market conditions.
- (f) The process and outcomes of this Policy would discourage property development. That will have a flow on effect to the business community. Every section sold, every house built requires, in turn, new business for a whole range of activities and products.
- (g) Council appears to opt for "ease of administration". Council seems to take no account of the major issues and implications this Policy will have in an attempt to commence at an early date a new revenue source. There are real issues of accuracy and equity.

- (h) The Submitters consider there are far too many unanswered questions as the Policy now stands. As such, it is inequitable and promotes inconsistencies and is contrary to the provisions of the LGA.
- (i) The Submitters wish to be heard in support of this Submission. The matters are sufficiently serious for a minimum of three hours to be set aside for their concerns.

**Dated** 5 May 2006 at Christchurch

  
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## SCHEDULE

### Names of Parties – Submitters

#### Organisation

BBS Group of Companies  
 Connell Wagner Ltd  
 DGM Group  
 Dymand Family Trust  
 Fox & Associates  
 Franco Farms Limited  
 Halswell Junction Properties  
 Harrison Grierson Consultants Ltd  
 J.L.Design & Build  
 Mike Greer Homes Ltd  
 Murray Homes Limited  
 Ngai Tahu Properties Ltd  
 Pegasus Property Ltd  
 RD Hughes Developments Ltd  
 Rock Hill Limited  
 Rockmac Limited  
 Spreydon Lodge Limited  
 Westmoreland Nominees Ltd  
 Worsley Farm Ltd