

**In The Matter Of:**                    **Local Government Act 2002**

**To:**                                        **Christchurch City Council**

**Ré:**                                         **Draft Long Term Council Community Plan**

**Submission By:**                    **The National Property Trust Limited**

### **Background**

1. The National Property Trust ("NPT") is a publicly listed investment trust on the New Zealand Stock Exchange, with property investments from Dunedin to Auckland. In Christchurch, NPT owns three significant properties located at Hereford Street (Torrens House, commercial offices), Print Place (Industrial Property) and Eastgate Shopping Centre. In addition, NPT manages two other leasehold retail properties at Hornby and Avonhead.
2. NPT has the experience and background within the property industry to constructively submit on elements of the Christchurch City Draft Long Term Council Community Plan ("LTCCP") that as proposed, will have a serious negative economic impact on Christchurch as a place to own and develop property.

### **Plan Presentation**

3. Comparisons with the current year's budget (05/06) or financial statements with the proposed yearly LTCCP financials should be detailed within this presentation. No normal commercial business would only present forecast figures when reviewing plans for future fiscal years without some base to work from. We submit that for sensible review and reasonable transparency, the LTCCP presentation is deficient in not providing these comparable figures.

### **Consultation Period**

4. Under the Local Government Act 2002, a minimum period of one month is required after the presentation of the Draft LTCCP for submissions. For relatively minor changes in policy and planning, this is reasonable. However the LTCCP proposed includes some MAJOR fundamental changes in revenue for Council in the form of the proposed Development Contributions Policy ("DCP"), which has been presented, as we understand it, WITHOUT any prior significant consultation with that community sector effected, being the property and property development sectors within Christchurch.
5. NPT became aware of the likely implications of the DCP at a Forum held by the Property Council, where senior Council Officers presented the draft DCP proposals. It is significant that at that meeting, which was supported by a power-point presentation, that the officers did NOT present examples of the

levy on new developments. When asked, it was suggested that it would take "too long", and that some earlier examples were being "re-visited" as they were not sure they were correct.

6. NPT has subsequently requested and received some examples of the potential levies proposed, which we attach to this submission as Appendices.
7. NPT has also requested the detail and methodology for assessing the Household Unit Equivalent ("HUE") Conversions as they have been applied to non-residential property in Appendix 5 of Volume 2. This information is fundamental to the application of DCP to non-residential land. This information, after three requests was provided to us at 5.11pm on Thursday 4 May (one day before submissions close), which gives NO real time to constructively analyse and comment prior to the closing time for submissions being Friday 5 May.
8. NPT therefore submits that in our opinion, both morally and legally, the Christchurch City Council has not complied with their consultation obligations, and as a consequence, with some reluctance, we reserve our position as to either individually, or with others, instigating legal remedies relative to this matter.

### **Development Contributions**

9. The DCP is new, and therefore it is even more incumbent upon the Council to consult with the sector effected prior to considering this policy, and on presentation of the policy to provide full transparency on the allocation methods used. Given the significance and potential cost of the DC's, an economic assessment of the effects of this proposed policy should be available to assess the major economic impact on both commercial property owners and the City.
10. We submit that the policy and information as presented within the LTCCP relative to this new DCP is not adequately transparent, and our understanding is that an economic assessment impact study has not been completed on the effects of this new policy on non-residential property.
11. Our understanding is that Development Contributions ("DC"s) must only include those projects or costs outside the boundaries of the development site that are DIRECTLY attributable to growth to service THAT development (*Vol.2, Clause 1.2.1*). Excluded are those cost elements that are due to policy changes, or that are either normal renewals (which would also include upgrades to current specifications) or back-log works that have been considered for some time or have lagged behind normal implementation. Also excluded must be costs that are incurred for other reasons that do not relate to development growth.
12. In studying the LTCCP, we do not accept that many of the projects and costs that have been allocated as "growth" within Appendices 3 & 4 (Vol.2) have the required direct link to land or property development. The extent and impact of these projects is major. Much more detail and information is required from Council to clarify how the "growth" element of each of these projects has been defined.

13. By way of one example, may we take the Traffic Project of the Blenheim Road Deviation, where it is suggested that \$7.047m has been “allocated” to “Growth”. This project, we suggest, has little to do with city growth, and neither has it anything to do with traffic congestion.
14. I have travelled this area frequently, and have surveyed 3 staff members of NPT, some of whom have travelled the Hornby – City route at peak times for up to 20 yrs. Not one of us identify the Riccarton Avenue roundabout as a traffic problem, and it rated as one of the better intersections for traffic flow compared to Curlett’s Rd, Lincoln Rd, Sockburn Roundabout, Parker St and Annex Road/Hanson’s Lane. As such, for traffic growth relative to development, we cannot accept this allocation.
15. Additionally, changes in lifestyle by existing residents cannot be attributable to DC’s. Again we refer to traffic as an example and the increase in car ownership per household due to “Japanese Imports”. That increase has NO direct link to land or property development, and that increase in existing residents’ car ownership has had a far greater impact on traffic generation within the general city and arterial streets than land use developments.
16. In the short time NPT has had available to review the schedules, we have serious concerns as to the allocation of the “Growth” element to many capital projects, and the direct link for that allocation to development. We also consider that the direct link to non-residential development is even more tenuous, to which we object.

#### **Impact of Development Contributions Proposed**

17. To understand the implementation of the DCP proposed, NPT requested and obtained the likely DC’s for some development examples as attached.
18. The level of DC’s proposed equates, in our assessment for those examples, at between 11% and 14% of the likely costs for those developments other than the land cost. That level will make those developments uneconomic to proceed, as there is no avenue open to “pass on” that cost. It is naïve to suggest that rentals could rise to cover, and we can say with certainty that will not happen. Neither is there any avenues open or contra to reduce direct development costs. Before this additional cost, the commercial and financial develop risk was high, and there is no “fat” to cover additional costs.
19. Given that scenario, NPT will likely curtail all future capital development investment within Christchurch, and allocate those investments and resources to other regions where we can economically develop. We do not believe we are the only major commercial property owners in this position.
20. NPT does not object to the principle of DC’s provided:
  - a. The link between the development and the growth cost is direct and real, and is clearly “connected” to that development activity.
  - b. The level of DC does not have a significant negative economic impact on normal property development, or redevelopment of an existing asset.
  - c. The Council projects allocated as related to growth are clearly directly related to that element.

- d. There is a fair regime surrounding the imposition of DC's and an independent review mechanism be available to owners for any Council imposed DC should the owner wish to object.
21. The Household Unit Equivalent ("HUE") proposed allocation for residential developments is a reasonable unit, which should be understood by that sector.
22. We do however have real difficulty with the HUE conversion for non-residential developments, and the proposals within the LTCCP are to us unrealistic, non-transparent, and by any measure, in our view, unfair.
23. At time of submission, NPT has not had sufficient time to reasonably analyse the further information supplied by Council on May 4<sup>th</sup>. This information has provided further detail on the assessment method used to convert HUE's to non-residential property as presented in Appendix 5 (Vol.2). We therefore reserve our position to comment further on this critical aspect at submission presentation.
24. In relation to the DCP, we do believe there could be a strong counter-argument, that commercial developments (non-residential) should be exempt from DC's, excepting those infrastructure costs immediately adjacent to any major development site. The real growth driver is people/population increases through housing and new residential subdivisions, while commercial development merely provides the economic support for those residents as places of work and commerce.
25. We have yet to analyse the traffic HUE conversion, but it is a fact that almost all car day trip generations commence from and end at a residence, and therefore any growth element should be residential property based, not non-residential. To also attach to non-residential is "double-dipping".

### **Transitional Period**

26. The immediate imposition of the DCP as at 1 July 06 as proposed we suggest is not possible, and will result in a major confrontation between Council and the Christchurch property sector. This is not a situation that either party should encourage.
27. Given the significance of the policy, NPT suggests that the DCP be deferred for 12 months, and that the Council fully consults with the property sector to fully review the DCP, and implement for the year 07/08 with "no surprises". In particular, the policy for non-residential property and HUE Conversions to be fully re-visited.

### **Summary**

28. Our current analysis and understanding is that the DCP is flawed in several respects:
  - a. The consultation period and information provided leading up to the closure of submissions on this policy has been inadequate.
  - b. Many projects allocated within Schedules 3 and 4 of Vol.2 do not have a sufficient direct link to development growth.

- c. The HUE's Conversion to non-residential land are not valid and unfairly and unreasonably penalise non-residential property developments.
- d. The combination of the above results in DC's set at levels for non-residential land uses that will discourage commercial development within Christchurch to the detriment of the City's economic wellbeing.

**NPT Request**

29. NPT requests that the Development Contribution Policy for Non-residential land as proposed within the LTCCP be withdrawn, and that full consultation with the commercial property sector be undertaken prior to considering any future DCP for commercial property.

30. NPT does wish to be heard on this submission, and wishes to reserve the right to be heard on matters as may arise from other submissions or on further information as may be obtained.

**Dated** this 5<sup>th</sup> day of May 2006



**K R WHITESIDE**

**On BEHALF OF:  
The National Property Trust Limited  
Level 5, Torrens House  
195 Hereford Street  
PO Box 4445  
Christchurch**

**Prospective Development Contributions – As Supplied By Christchurch CC**

**Example 1a**

Greenfields Development  
Location – Woolston / Ferrymead  
Section size 23,000 m<sup>2</sup>  
Section Land Value - \$5.5m  
Retail Building Area – 10,000 m<sup>2</sup>  
At-grade Parking Area – 11,500 m<sup>2</sup>

Proposed Development Contribution - \$2.543m or 46% of Land Value

If also Subdivided as an extra lot – Dev. Contribution - \$2.956m or 54% of Land Value.

**Example 1b**

Same as for 1a except Location – Hornby / Wigram

Proposed Development Contribution - \$2.406m or 44% of Land Value

If also Subdivided as an extra lot – Dev. Contribution - \$2.818m or 51% of Land Value.

**Example 2**

Adding 430 m<sup>2</sup> GLA to Eastgate Shopping Centre level 1 within the existing roofed area to relocate a Gymnasium

Proposed Development Contribution - \$92,864.12, or 12% of construction cost.

Note that this proposal does not add any extra area for stormwater, creates no additional demands for water, waste-water or traffic!

<b>Prepared For:</b>	Keith Whiteside (The National Property Trust Ltd)		
<b>Address</b>	Example 1a		
<b>Location:</b>	Woolston South		
<b>Land value:</b>	\$5,500,000		
<b>Existing Lot Area m.sq.:</b>	23,000.0		
<b>Value per 20 sq metres:</b>	\$4,783		

DCP 2.4.1

DCP 2.4.2

DCP 4.1

DCP Schedule 1

**Indicative Assessment**

Activity	Catchment	HUE Credits		Assessed HUEs		DC Rate	DC Charge	
		Historic HUE A	Actual HUE B	HUE C	Change D=C-(A+B) - minimum = nil			
Community Infrastructure Community Facilities	South				-	\$386.96	D x E \$0.00	
Network Infrastructure Transport and City Streets	City Wide	0		440	440.0000	\$2,627.67	\$1,156,174.80	
Water Supply	Christchurch	0		168	168.0000	\$1,499.72	\$349,710.96	
Wastewater Collection	Heathcote	0		168	168.0000	\$2,081.61	\$349,710.96	
Wastewater Treatment and Disposal	Christchurch	0		168	168.0000	\$3,211.42	\$539,518.56	
Parks & Open Space Stormwater	Heathcote	0		47.3	47.3000	\$5,204.91	\$246,192.24	
<b>Total Community and Network Infrastructure</b>								<b>\$2,543,549.04</b>
<b>Reserves</b>								
Maximum of:		Average Value	Additional Units or Lots					
7.5% of property value of additional lots		\$5,500,000	x 1	x	7.50%	\$412,500.00		
5.0% of property value of additional 1000 sq m. rural lots			x	x	5.00%	\$0.00		
the value of 20 sq.m. per additional residential units			x			\$0.00	\$412,500.00	
<b>Total pre GST</b>								<b>\$2,956,049.04</b>
<b>GST</b>							12.50%	<b>\$369,506.13</b>
<b>Total</b>								<b>\$3,325,555.17</b>

Maximum calculation as prescribed in DCP Schedule 1

**Please note:** This is an estimate only. The calculations have been based on information provided by the developer and calculated as per the Draft Development Contributions Policy as included in the Draft LTCCP 2006/16. Calculation methods and rates are subject to change as part of the formal adoption process for the LTCCP 2006/16



<b>Prepared For:</b>		Keith Whiteside (The National Property Trust Ltd)	
<b>Address</b>		Example 1b	
<b>Location:</b>	Hornby South		
<b>Land value:</b>	\$5,500,000		
<b>Existing Lot Area m.sq.:</b>	23,000.0		
<b>Value per 20 sq metres:</b>		\$4,783	

DCP 2.4.1

DCP 2.4.2

DCP 4.1

DCP Schedule 1

**Indicative Assessment**

Activity	Catchment	HUE Credits		Assessed HUEs		DC Rate	DC Charge
		Historic	Actual	HUE	Change		
		HUE	HUE	HUE	HUE D=C-(A+B) - minimum = nil		
		A	B	C		E	D x E
<b>Community Infrastructure</b>							
Community Facilities	West				-	\$1,807.31	\$0.00
<b>Network Infrastructure</b>							
Transport and City Streets	City Wide	0		440	440.0000	\$2,627.67	\$1,156,174.80
Water Supply	Christchurch	0		168	168.0000	\$1,499.72	\$251,952.96
Wastewater Collection	Avon	0		168	168.0000	\$1,261.81	\$211,984.08
Wastewater Treatment and Disposal	Christchurch	0		168	168.0000	\$3,211.42	\$539,518.56
Parks & Open Space Stormwater	Heathcote	0		47.3	47.3000	\$5,204.91	\$246,192.24
<b>Total Community and Network Infrastructure</b>							
							<b>\$2,405,822.64</b>

Maximum calculation as prescribed in DCP Schedule 1

Reserves	Average Value	Additional Units or Lots				
Maximum of:	\$5,500,000	x 1	x	7.50%	\$412,500.00	
7.5% of property value of additional lots		x	x	5.00%	\$0.00	
5.0% of property value of additional 1000 sq m. rural lots		x			\$0.00	\$412,500.00
the value of 20 sq.m. per additional residential units						
<b>Total pre GST</b>						
<b>GST</b>						12.50%
<b>Total</b>						<b>\$3,170,612.97</b>

**Please note:** This is an estimate only. The calculations have been based on information provided by the developer and calculated as per the Draft Development Contributions Policy as included in the Draft LTCCP 2006/16. Calculation methods and rates are subject to change as part of the formal adoption process for the LTCCP 2006/16



<b>Prepared For:</b>	Keith Whiteside (The Natioanl Property Trust Ltd)	
<b>Address</b>	Example 2	
<b>Location:</b>	Linwood	
<b>Land value:</b>	\$5,500,000	
<b>Existing Lot Area m.sq.:</b>	23,000.0	
<b>Value per 20 sq metres:</b>	\$4,783	



Activity	Catchment	HUE Credits		Assessed HUEs		DC Rate	DC Charge	
		Historic HUE	Actual HUE	HUE	Change			
		A	B	C	D=C-(A+B) - minimum = nil	E	D x E	
<b>Community Infrastructure</b>								
Community Facilities	East				-	\$575.43	\$0.00	
<b>Network Infrastructure</b>								
Transport and City Streets	City Wide	1298.0000		1316.9200	18.9200	\$2,627.67	\$49,715.52	
Water Supply	Christchurch	495.6000		502.8240	7.2240	\$1,499.72	\$10,833.98	
Wastewater Collection	Avon	495.6000		502.8240	7.2240	\$1,261.81	\$9,115.32	
Wastewater Treatment and Disposal	Christchurch	495.6000		502.8240	7.2240	\$3,211.42	\$23,199.30	
Parks & Open Space Stormwater	Avon	108.1667		108.1667	-	\$696.75	\$0.00	
<b>Total Community and Network Infrastructure</b>								\$92,864.12
<b>Reserves</b>								
Maximum of:								
7.5% of property value of additional lots		Average Value	Additional Units or Lots					
5.0% of property value of additional 1000 sq m. rural lots		\$5,500,000	x 0	x	7.50%	\$0.00		
the value of 20 sq.m. per additional residential units			x	x	5.00%	\$0.00		
			x			\$0.00	\$0.00	
<b>Total pre GST</b>								\$92,864.12
<b>GST</b>							12.50%	\$11,608.02
<b>Total</b>								\$104,472.14

**Please note:** This is an estimate only. The calculations have been based on information provided by the developer and calculated as per the Draft Development Contributions Policy as included in the Draft LTCCP 2006/16. Calculation methods and rates are subject to change as part of the formal adoption process for the LTCCP 2006/16