SUBMISSION ON DRAFT LONG TERM COUNCIL COMMUNITY PLAN.

DRAFT DEVELOPMENT CONTRIBUTION POLICY.

I wish to talk to the main points in my submission at the hearings to be held between Thursday 25 May and Wed 7 June 2006.

I am completing this submission for myself.

My submission refers to Development Contributions.

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ATTACHMENT "A"

1/. "Existing applications" (Page 10 of the policy). This is considered unfair and unreasonable should the policy be adopted on the basis that there will be a number of developments across the city that will require a pre-selling phase prior to the consent application process These developments would have accounted for the existing contributions regime in the pricing mechanisms, and could render the developer no chance of recovering any portion of the increase in contributions. This is in part due also to the short period of notification and closure date for submissions.

2/. Assessment of non residential developments. The assessment for non residential based on gross floor areas takes no account for the demand on services as per the HUE model. EG 95% of the gross floor area could be warehouse, and thus have little to no demand on services.

3/. In addition to the proposed increases for contributions for capital expenditure, part of which is directed towards "halls and gardens" in much the same way that reserve contributions are directed, the requirement for an additional levy for the purposes of reserves, remains at 7.5%, which effectively is double dipping.

4/. Methodology/cost calculations. The Local Government Act requires development contributions to be assessed in a transparent and fair manner. The assessment of development contributions in section 5 of the policy and the schedule of charges in appendix 1 in particular, must be fair and reasonable. The complexity of the documents require some economic analysis as to reasonableness, methodology and so on. The ability to do this is limited by the short submission period and the methodology documents for inspection only.

5/. Fairness. The policy statement comments, that DEVELOPERS will now be required to meet "*the total growth component of the capital expenditure budgets*" This clearly demonstrates a total disregard for the direct link test between the development and the contribution to fund new or upgraded infrastructure. Without the calculations of the *growth component*, being available, it is totally conceivable that developers will be contributing towards non causal connections, which is contrary to the Local Government Act and hence totally unfair.

6/. When the policy is applied it results in massive increases in contributions, which simply cannot be passed on to the end user. In some cases, the contribution exceeds the value of the land. For example and Industrial warehouse presently being planned, which is largely dry storage, would under the present contribution regime, attract levies of $50,000, would be subject under the proposal for levies of $1,500,000. This is due to the application of the HUE model, relative to the gross floor area, which is patently unreasonable and unfair.

An further example is a modest 12 investment unit development proposed in the city.

	04	06
Contributions	$ 10,665	$147,000
Reserve @ $550 x 20m2	$132,000	$132,000
Totals	$142,665	$279,000
Increase in levies 95.56%		
Levies per unit	$ 11,888	$23,250

<u>Residential lot Belfast</u>

	$1,170	$10,809
Difference	$9,639	

Residential lot Linwood

	$888.76	$12,247
Difference	$11,358	

Residential Lot Woolston

	$888.76	$16,888
Difference	$16,000	
Residential lot Memorial Ave	$1,170	$12,497
Difference	$11,322	

7/. The new policies are patently unfair and unreasonable. As stated previously the single sector target to meet all capital expenditure shortfalls is unreasonable, particularly so when the wider community ie the rate payer is effectively being subsidized for capital infrastructure and services by the developers of this city. This demostrated where the policy states that the increases in contributions is directed towards community infrastructure, which is very difficult to prove as being a causal connection.

In addition, the development industry has been faced with significant cost increases in the area of land and construction costs, which have seen margins considerably reduced. The additional burden of costs will undoubtedly see a serious decline in development.

In the area of industrial development, which the city well needs more of, to maintain it's employment base, and overall prosperity, the situation is even more serious. Land cost increases, construction cost increases, coupled with very little by way of rental increases, have rendered a significant number of developments uneconomic. The imposition of additional non recoverable costs such as increased contributions will without doubt see this sector stagnate and die.

8/. Contestabilty/accountability – The development contribution policy established under the Local Government Act is not subject to a quasi judicial process. Once established the policy can only be challenged by way of a judicial review. For this reason , it is essential that the policy is fair, rigorous and transparent.

9/. Process. Following on from the last point , the limited ability to challenge the policy is made worse by the process the council has adopted to establish the policy. It has failed in it's duty to establish a special consultative process that reflects the importance of the issues.

10/. There is no justification for the identification of each area of demand. There is no link between the areas of demand and the list of capital expenditure.

11/. The contribution policy is contrary to other council policies seeking to encourage growth.

12/. The contribution policy does not provide for remissions.

13/. Section 8, sets out the "significant assumptions" as required by the LGA. These do not account for the increases caused by the policy.

14/. The elements of assessment underlying the policy are set out in section 3 (Determination of Development Contribution Charges). This covers matters such as level of service, growth models, funding model, and cost allocation methodology. This section requires review by an economist, but again the methodology documents are available for inspection only.

15/. Schedule of charges – The schedule of charges is set out in appendix 1. These charges relate to both network infrastructure and community infrastructure. The basis for the calculation of these charges needs to be tested given the significant increase in development contributions the council can impose.

Recommendation

The existing contribution policy should be retained. This proposal is a result of poor council management over many years, and capital expenditure items should have been foreseen well in advance which could then have been built into the general rates. City growth figures in terms of population for many years have been modest to say the least by most standards. If through negligence, the council now finds its'self underfunded, it should come clean to the ratepayer that this is the case, and publish the figure of what should be the increase to the general rates base, rather than targeting a single industry sector and penalizing it for the past and present poor management. The policy by it's very nature is taking a huge gamble, for the simple reason that market forces will prevail. Private capital and risk will not have the appetite for this regime, and will migrate elsewhere. There are a number of significant projects that are known, which will be caught by this policy and it is known in development circles, simply will not proceed. This being the case the burdon must fall back on the ratepayers either by way of increases in the general rate demand or increased council debt, as the developers would have left!

Long may the Peoples Republic of Christchurch revert back to the City that shines, and reflect fairness and equity.

Yours faithfully,

Roger Milsom