PROPERTY COUNCIL
of New Zealand

LOCAL GOVERNMENT ACT 2002

To : Christchurch City Council

Re : Draft Long Term Council Community Plan

SUBMISSION BY THE PROPERTY COUNCIL OF NEW ZEALAND INCORPORATED ON THE LONG TERM COUNCIL COMMUNITY PLAN

PROPERTY COUNCIL OF NEW ZEALAND INCORPORATED (at the address for service given below) makes the following submission on the draft Long-Term Council Community Plan (the "LTCCP"):

Background

1. The Property Council is a not for profit organisation that represents New Zealand's Commercial, Industrial, Retail, Property Funds and Multi Unit Residential Property Owners. The Property Council represents all the forms of commercial property and property investment in New Zealand.

2. The Property Council actively involves itself with central, local and other government associated bodies, promoting the views, goals and ideas of our members.

Consultation

3. The Local Government Act 2002 codifies the requirement for a *minimum* period of one month for submissions on the draft LTCCP. The comprehensive nature of the proposals and methodology outlined means that it is extremely difficult for submitters to fully understand the implications of the proposals or make a fully

informed submission. The Property Council considers that there are issues concerning this territorial authority's LTCCP (e.g. development contributions and revenue strategy) that require further work. Our members are available to work with officers to address matters that will be raised in this submission, at a later date. In view of the above, Property Council requests an extension of time for 1 month from the time this information is available to fully analyse the impact on members.

Development Contributions (first principles approach applied by the Property Council and prescribed pursuant to the Local Government Act 2002)

4. As a general rule, the Property Council is concerned that a number of territorial authorities have not provided sufficiently rigorous and adequate information, which codifies how those authorities determine that a particular capital cost or percentage of cost is related to growth, and to business growth in particular.

5. Development contributions were introduced into the Local Government Act 2002 as a funding mechanism to assist territorial authorities to fund their capital expenditure on ***additional capacity in infrastructure and facilities***, required to meet the demands of 'growth'. This requires that the 'growth' portion of capital expenditure is distinguished from expenditure required to raise levels of services to existing users, to raise environmental standards, or to provide additions to meet the demand of past growth, also known as 'catch-up'. This distinction is a central component of development contributions and receives considerable attention from the Property Council.

6. In assessing the ongoing asset development programme of each territorial authority, the Property Council assesses each methodology used by a territorial authority to justify its development contribution policy, against the methodology prescribed in Schedule 13 of the Local Government Act 2002.

7. This territorial authority must provide asset management information required, which clearly identifies:

   (i) information on the current state, condition and capacity of assets;

   (ii) clearly defined, target levels of service and the level of service being delivered;

(iii) detailed analysis support the current programme of works and projects, their purpose (distinguishing between the drivers for the capital expenditure) and cost;

(iv) the correlation of the outcome of works to the anticipated growth that the authority needs to cater for in its infrastructure planning; and

(v) allocation of the capital costs attributable to growth to units of demand (new homes, office blocks, commercial property developments etc).

8. This territorial authority's development contributions policy must be based on a 'causal nexus' between the work required and the associated growth or development. Failure to base a development contributions policy on the 'causal nexus' exposes a territorial authority to a challenge via a judicial review in the High Court.

9. This territorial authority may be aware that proceedings for a judicial review of North Shore City Council's development contributions policy have been filed with the High Court in Auckland. The Property Council recommends that this territorial authority demonstrates vigilance to ensure that its analysis and allocation of costs always and everywhere supports the 'causal nexus' between the development contribution and associated growth or development.

10. Property Council does not agree that developers should be targeted via excessive contributions in order to minimize rate increases. Developers are not the "drivers" of growth but in fact provide a valuable service (in partnership with the CCC) to provide infrastructure serving demographic growth.

11. Any development contribution levy should only be applicable to the immediate development area at that time. It is not reasonable to levy developers for the costs of historic or future works outside their development.

HUE Calculations – for non-residential property

12. The Property Council is concerned that there is no back-up information or clarity on the methodology on how the HUE's have been set for commercial developments. We understand one of our members has requested this information, but as yet it has not been provided. This is not consistent with providing transparency to a major development levy policy shift as proposed. We believe this matter alone could place the Council at risk of a Judicial Review of this proposed policy.

Growth Cost Makeup

13. The methodology in defining the various components that the development levy has been set against has not been disclosed to us.

The elements include;

- The method used to apportion the "growth" element to a project.
- how that growth element has been applied to HUE's
- the attachment of the various HUE's to differing land use types for Transport.

Given the major costs proposed and the levies being adopted, the level of disclosure in our view is completely inadequate.

Financial Model

14. We have been given examples of the likely cost of the proposed development levies by some of our members. The levels proposed are totally unacceptable being equivalent to over 10% of the construction cost of a new development, or up to 50% of the land value for some commercial developments. There is not the financial capacity to absorb such costs, even if they are justified (which we reject). The economic outcome will likely include a reduction in land values for some commercial land, the deferment or cancellation of some proposed developments, the relocation of some developments to other "more friendly" locations, and certain serious financial difficulties for some developers who are

"caught" in the transition period where they have forward lease commitments based upon costs excluding this new levy.

Rates and revenue strategy

15. The Property Council submits that minimal rate increases are an important means of attracting business sector development to any one community. A business-friendly economic landscape – facilitated in part by any given territorial authority – encourages job-rich investment.

16. The Property Council acknowledges that territorial authorities face three specific cost drivers:

    (i) inflationary cost-pressure associated with asset management and asset development;

    (ii) inflationary cost-pressure associated with internal operating costs (e.g. council staff wages and salaries); and

    (iii) new and increasing costs associated with new or enhanced council activities (e.g. administering provisions of the Building Act 2004, or undertaking a Special Consultative Procedure pursuant to Part Six of the Local Government Act 2002).

17. However territorial authorities should be willing to investigate different ways of funding projects e.g. targeted rates, debt funding, and reserves. Every community needs funding to grow and develop. The Property Council does not subscribe to the idea that short-term underinvestment in infrastructure and services is necessarily appropriate or in a community's long-term best interests. But we do challenge every territorial authority to rigorously assess its capital spending to determine whether the benefit of each project outweighs the cost of funding that project through continual rates increases.

City Mall Upgrade

18. It is vital that the central city is vibrant and healthy. We applaud the current steps to get expert advice on ways to turn around the downwards slide in the prime central city shopping area loosely known as The City Mall.

19. The health and vitality of the central city is a wide benefit and need. We totally oppose a targeted rate for the city mall upgrade. This is a citywide facility and should be spread across all of Christchurch.

Car parking

20. We oppose a car parking fee rise of 10%, which is then to be put into subsidizing all rates across all sectors of the city. Two years ago the City Council increased car parking charges to pay for central city marketing. This Community Plan proposes to do away with this marketing being funded by car parking and also to add a further $1.55 million in car parking charges which will act as a further disincentive for people to come to the central city. This is totally unacceptable.

Conclusion

21. The Property Council wishes to be heard on this submission.

22. The Property Council reserves the right to be heard on such matters as may arise from other submissions or such further information as may be obtained.

DATED this 5th day of ~~April~~ May 2006.

[Insert Name] R I CHORCHER, PRESIDENT (SI)
On behalf of The Property Council of NZ Incorporated

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