

Submission on the Christchurch City Council LTCCP Draft Development contribution levy policy

We do not wish to present our submission at a hearing and ask that this written submission be considered.

We are completing this submission both personally and on behalf of J&L Construction Limited, Murray Homes Limited and Jalto Holdings Limited.

Our submission relates to **Development Contributions**

Contact Name:	Murray Richard James Murray Homes Limited 2 Alloy Street Sockburn P.O. Box 11-198 CHRISTCHURCH
Phone (Day)	341-4025
Phone (evening)	355-1968
Phone (any time)	027-226-0186
Email	murrayj@murrayhomes.co.nz

Background

Murray Homes is a residential volume builder long established in the Canterbury market and providing home and land packages and design and build solutions to the retail market. We complete around 65 homes per annum, 55 of which will generally be on land that we have either developed (most often small scale in fill subdivisions of 1-7 new titles) or have purchased in complete titled state from developers on the retail market. Our activities are spread approximately equally between Christchurch City and Selwyn District with minor numbers currently in the Waimakariri District.

We are currently involved in the purchase of a 36 section subdivision off Cypress Street in Bromley subject to the vendor obtaining a subdivision consent for stage 1 of the project on terms and conditions suitable to ourselves. This is our most ambitious project to date and was based on the premise of bringing affordable home and land packages to the market priced between \$310,000 and \$350,000, specifically targeting first home buyers.

We have a number of concerns that we hope council will consider and address so as to ensure a stable, equitable and easily assessed development contribution environment .

SUBMISSION 1

We submit that it is not possible for a developer to determine from the draft policy statement nor from schedules 3 and 4 the extent to which there is a causation or linkage (direct or indirect) between any specific development being considered and the levies that may be applied to that development. As such it is not possible for a developer to determine the equitable or consistent application of development contributions to any development.

Discussion

It is not possible for us to determine from the policy statement nor from the schedules how the project costs have been determined nor how the allocation between renewal/backlog/unallocated and growth has been assessed. Further it is not possible from the information provided to determine in any way causation or linkage between the projects specified, the levies calculated and any specific development.

The concept of "areas of demand" in itself is a simplification of the real issues at stake here and appears to average out the assessed cost of growth across all developments rather than specifically determining the impact of each individual development on its own merits. It would appear to us that this provides for "administrative ease" at the expense of causality, equity and consistency.

We contend that when a democratically elected body takes a philosophical view that places the burden of cost for any activity on a very small and separately identified segment of the total population that they represent, the onus on that body to be transparent and equitable is magnified many times.

There is simply not enough information provided in a clear and understandable manner within the current draft policy and its attached schedules for either the development community as a whole and individual developers to determine accurately whether the allegation of service demand growth on any development is fairly applied and the calculation of the real cost of that growth appropriately made.

It is not democratic or equitable to apply such a policy in the absence of a robust and transparent process and the result becomes a tax applied to a very small sector of the local authorities constituents.

We are not saying that the philosophy behind the policy is inequitable but rather that the procedures behind its application must be developed completely and debated with rigor prior to its implementation.

Accordingly

We urge the council to delay the implementation of the policy until such time as sufficient. Clear and understandable information is available to allow the development community as a whole and as individuals to accurately assess causation / linkage between the growth demand of their projects and those projects / activities making up the levy being applied to their specific development both in terms of cost and real incidence.

SUBMISSION 2

We submit that there has been insufficient time allowed for the development community to properly assess the impact of the policy and prepare detailed and well thought submissions on what amounts to a very complex, detailed and important policy.

Discussion

The Local Government Act provides for a minimum of one month for submissions. Given the complexity of the proposed policy and the apparent lack of detailed information readily available from which a developer can properly assess the impact upon them, we suggest that the application of the minimum time frame provided under the act is not appropriate.

There has been insufficient time for rigorous debate or even the required level of exposure both to the development community who are immediately effected nor the general public who will ultimately be effected in the form of rising land and dwelling prices.

The impact of this policy is wide reaching and includes but is not limited to:

- Impact on growth and employment within the city in the short to medium term
- Impact on new dwelling and section prices in the medium term
- Impact on existing property values – medium to long term
- Impact on housing affordability in general and ultimately rental costs as property investors struggle to maintain a rate of return
- Impact on the overall environment of the city and the replacement of building stock once it reaches the end of its useful life.
- Impact on the retention of heritage within the city and the change of use of heritage buildings
- Impact on the economy of the city.
- How much development is really as a result of growth and how much simply relates to changing lifestyles or the city's current residents
- Has the councils statement that "the level of such development contributions does not generally act to discourage development been appropriately considered
- How can this policy align with the councils publicly stated aim of encouraging the development of vibrancy and vitality in the central city

These items appear to have received little or no consideration in the formation of this policy and have certainly not been heard in the wider community.

Accordingly

We contend that it is appropriate for this policy to be the subject of full and rigorous debate amongst the entire community and that efforts well above minimum statutory compliance are required in order to discharge the councils responsibilities in this matter. We understand that the process undertaken in Manakau City involved close, meaningful and real consultation and cooperation between the council, the general public and the development community prior to the implementation of the policy and that this resulted in workable compromise and the general acceptance and understanding of the policy. We encourage the Christchurch City Council to adopt a similar process and attitude.

SUBMISSION 3

We submit that a transitional period subsequent to the adoption of the Development Contribution Policy is required, in order to mitigate direct and specific hardship and potentially substantial losses to those in the development community who are currently engaged in the planning or early implementation of developments where consent has not at this time been applied for or issued.

Discussion

It seems reasonable that over the medium to long term, an equitable transparent, cause and effect related development contribution policy will be accepted by the development community and passed on to the end user of the "demanded product"

In the short term however developers who have projects at planning or early implementation stage will be unlikely to recoup or pass on the increased costs applied to the end user.

We assert this because:

- The timing of the introduction of this policy is well past the peak in market demand and we are now moving into what is well regarded as a declining market for our product. We contend that it will be 2 years at the earliest before any real movement in market prices will be seen again
- Many developments (particularly the larger ones) are financed in part with reliance on pre sales which are contractual obligations set profitably at a point in time. There is no ability whatsoever to recoup any cost increases either market related or regulatory under these circumstances
- Many builders and other sub contractors work on fixed price contracts which include the known and understood costs of obtain consent for the activity to be undertaken. A fixed price contract represents a valuable commodity to the buying public where bank lending is involved as they need certainty of price in order to establish a line of credit This is particularly true of low equity borrowers and first home buyers. A contract of this type offers no ability for a builder / sub contractor to pass on this proposed increased levies and (in particular for the smaller business) represents most if not all of their potential margin in jobs to be completed.
- The flip side of the fixed price contract is the non fixed price contract which places the burden of increased (and probably unexpected) cost on the end user / home owner. This is perhaps the most inequitable as this unsuspecting customer will have little idea of the size or incidence of the changes proposed, may have little opportunity to obtain additional funding (especially low equity first time buyers) and has little opportunity to be appraised of or understand the nature of the proposed changes given the apparent lack of public consultation on this occasion.

Accordingly

We contend that the council should ensure that transitional provisions covering at least 18 months (the outside timeframe for the completion of contracts currently being negotiated) are provided for within the provisions of the proposed development contribution policy eventually adopted.

SUBMISSION 4

We submit that the timing of the application of the various proposed levies (Resource consent, subdivision consent, building consent or service connection application) is far too open to interpretation and that the written content of the policy should be substantially upgraded to provide clarity as to what levies are applied at what stage and are payable by who.

Discussion

Whilst we are certain that it is not the Councils intent to introduce uncertainty as to the size and timing of application of the proposed development levies, we feel that there is the potential for exactly this.

We are particularly concerned with the simple process of being able to purchase an already titled piece of finished, titled land for construction of a dwelling (within the provisions of the city plan zone applicable to the site) with full confidence and understanding of the costs and levies that will be applied particularly at building consent stage.

The buyer of a residential section must be able to rightly assume that the retail price that they pay includes the provision of all appropriate services and amenities and that the responsibilities of the developer / subdivider were fully discharged prior to the issue of 224c and title for the section purchased.

It would seem that the current draft development contribution policy provides the opportunity for council to catch development levies not applied at subdivision time or apply a cost adjustment if the original assessment of growth impact levied on the developer was in error or prices have moved by applying a catch all at the time the end user or builder makes application for building consent.

We contend that this unfairly and inappropriately transfers the burden of cost to the end user of the completed product especially in the case of a procedural error or simply from the passing of time and typically rising costs.

Accordingly

We seek urge the Council to ensure that the wording of the policy is robust such that the above interpretation cannot be made and that once claimed at the time of subdivision, and given that the builder / owner is making application for a building that fits with the type of building (in size and use) anticipated at the time the subdivision development was approved, that no further development contributions are payable at the time of issue of building consent or services connection.

Finally – we thank you for the opportunity to submit and look forward to a successful and cooperative approach going forward that can result in the adoption of a Development Contribution Levy policy that is adopted and accepted by all affected parties as equitable, transparent and workable.

Yours sincerely

J&L Construction Limited, Murray Homes Limited, Jalto Holdings Limited
Murray James
DIRECTOR