

**4 May 2006**

**SUBMISSION TO THE CHRISTCHURCH CITY COUNCIL ON  
ITS DRAFT DEVELOPMENT CONTRIBUTIONS POLICY  
2006/16**

**1.0 Introduction:**

This submission is presented by Pegasus Property Ltd. Pegasus Property is well established in Canterbury as a property developer, project manager and homebuilder. We currently have undertakings in Christchurch City, Selwyn Waimakariri, and Palmerston North Councils. We project manage any development being considered beginning with subdivision consents through to the completion of the building work and landscaping.

Our submission is based on our views of the draft policy pertaining to residential development.

**2.0 Executive Summary**

Pegasus Property accepts that there is a place for fair and transparent development contributions. However, we are concerned that five of the basic assumptions on which the draft policy has been made may be flawed. This may be cause for judicial review. We are also concerned that the council has not provided enough information regarding the direct financial implications to our company that will allow us to make an informed decision regarding the soundness of this policy. Finally, we are concerned that there are far wider implications of the proposal to the existing ratepayers, to the future of the city as a whole and to the commercial and social well-being of those who may chose to live in Christchurch in the future.

We seek a delay in the introduction of the draft policy to allow for further consultation to take place to resolve these issues.

## 3.0 General Issues

### 3.1 Assumptions

The policy is based on a number of assumptions. Five assumptions need further analysis, as they appear flawed:

- That there is a direct causal relationship between every extra Housing Unit Equivalent (HUE) and infrastructure pressure. Since developers build the HUEs, you say, then they are responsible for the increased pressure. Where is the proof? We support the view that developers are not the sole cause of pressure but that population numbers, vehicle numbers and market demands, inter alia, cause infrastructure pressure. Without proof, the developer cannot be made fully responsible for the costs of increased pressure on infrastructure. [Interestingly, without proof that an extra HUE on a site does in fact double the infrastructure pressure from that site, then there is room for argument when working out credits. It would be possible to argue for a historical credit (designed to recognise that a development may replace existing demand to service activity which in itself places no extra demand on the infrastructure) (s2.4.1, p11 of the full report) when subdividing a one-house site into two, to cover not only the existing house, but also the new one. That is, by pushing down a four bedroom, two bathroom house with a double garage and replacing it with two two-bedroom, single bathroom, single garage houses, where is the additional infrastructure pressure? This can be extrapolated to larger projects. This could undermine the whole policy].
- That this proposal is fair and reasonable. The Local Government Act (LGA) allows for “fair” contributions from developers. Where is the analysis to prove that this approach is fair?
  - The identification of the “growth” component of the city’s infrastructure caused by development is unclear. Where is the proof that CCC can maintain its existing infrastructure and upgrades now, described in the report as backlog and renewal, without needing extra funding from somewhere? It is unproven, to us, that this new policy, specifically aimed at future development, does not, in fact, lump developers with current outstanding infrastructure liabilities.

- In addition, developers are almost entirely driven by economics created by demand from changing demographics and population needs. Is it fair to impose costs on those providing the resources the current population requires? How much of the increased infrastructure pressure is being created simply by changing household profiles, rather than population increase?
- That this proposal does not act to discourage development. You describe one of your key policy objectives is “to ensure that the level of such contribution does not generally act to discourage development” (P 7 full report). We dispute the soundness of this statement. From our perspective, we will have little choice but to reconsider the developments we undertake, as the implied level of contribution increase will likely make most projects economically unviable.
- That developers will not hand the charges on to the buyers. The report states “The Council is conscious that development contribution charges should be recovered at the earliest opportunity and should not be unfairly borne by future potential purchasers of subdivided sites” (P19). This defies all accepted market driven business practices. Developers will pass on the charges.
- Area of demand-what justification is there to set these? This policy alone will divert the ability of developers to respond to demand. Developers do not create demand, the market does that. Successful development responds to a shortage created in part by community need. Needs change as demographics change. Without more detail on how these areas of demand have been formulated, and the related fee schedules, we cannot discount the possibility of further inherent unfairness in the draft policy.

### 3.2 Consultation

The generic concept of the development contribution does have some merit. We have accepted its introduction in the past few years because of our acceptance of fairness, a certain level of responsibility and also because the market has supported the introduction of the fees (we have been able to pass them on).

However, we believe that the serious nature of the level of change to the policy, its implications to us, other developers and all current and future ratepayers warrants considerable dialogue between interested parties, beyond the standard one-month. We do not believe that there has been adequate time to evaluate:

- The most fair and transparent options for funding new infrastructure;
- The detail of the impacts on the size and nature of the development projects that we undertake and the repercussions to our business and to other developers;

In addition, has a commercial impact report been prepared? The suggested cost increases could have severe implications for the commercial development of Canterbury. Has adequate consultation taken place to allay such concerns? On the flip side, also, have the commercial implications for developers been considered, such as those already committed to projects based on current assumptions?

Has an environmental impact report been prepared for the greater Canterbury area? The ECANZ 10 year plan makes no mention of this draft amendment that may well impact on areas outside of Christchurch.

We truly believe that there must be a way for a city the size of Christchurch (we are not large) to resolve these basic issues without the need for regulation that may hinder the natural growth of the city. We do not believe that this policy has the right balance. More consultation may find the correct balance.

### 3.3 Lack of analytical detail

The draft policy has not enough detail to allow us to ascertain the direct impact that there will be on projects that we work on. We have discussed with other affected groups, such as Masterbuilder, the possible level of cost increase. Without further explanation from CCC we are not in a position to support the policy. The introduction to your draft policy states: "This Development Contributions Policy seeks to establish a transparent, consistent and equitable basis for requiring development contributions." (P 7 full report). This policy is not transparent.

We believe that the draft policy also lacks sufficient analysis of other possible impacts such as:

- Possible negative flow-on effects to existing ratepayers:
  - Developers may stop providing housing that the market wants;
  - The costs of new houses/units will go up;
  - Small commercial (shopping centre) type developments will slow, reducing services to existing communities;
  - If this policy does limit development, as we believe, how would CCC respond to a possible ratepayer decline or stagnation?
- Possible negative flow-on effects to other councils:
  - The Selwyn District Council 10 year plan does not allow for increased development contributions-how would it meet increased pressure?
  - There seems to be some discrepancy between CCC direction and ECANZ policy. Eg. Traffic congestion (P65 ECANZ 2006/16 policy), sustainable development (P13 ECANZ 2006/16 policy) and capital expenditure intentions (P83 ECANZ 2006/16 policy).
  - Recent council and market factors have created the spread of subdivisions outside of Central ChCh (eg Northwood, Aidenfield). These are known in the USA as sleeping suburbs, areas that provide no services or facilities other than housing. These are in part created by the availability of cheaper rural land. Has CCC analysed the “sleeping suburbs” in America from the 1970s? The disadvantages are numerous. We believe that this policy will further promote sleeping suburbs. There is plenty of dialogue, too, about developments such as Pegasus Town and the flow-on effects of such developments outside of a city (water pressure, traffic congestion). The flow-on causal infrastructure costs of such developments may well outweigh those of increased development inside the city. Surely CCC has some responsibility to consider the greater impacts of their own policies on the councils around it. ECANZ lists as one of its high community outcomes: “Rural land is mainly for farming and horticulture” (P11 ECANZ 10 year plan).

## **4.0 Legal issues**

4.1 We wish to query the legality of the comment: “The council will not refund a development contribution where any specific project does not proceed, unless the activity for which the development contribution was taken is not provided” (P26). Selwyn District Council allows for the “refund of money and return of land if the development does not proceed or the refund of money or return of land if not applied to specified reserves purposes, in accordance with s209 and s210 of the Local Government Act”.

4.2 We would like more CCC information to allay concerns that there may be some double dipping between this proposal, the Local Parks Acquisition Programme and the Resource Management Act. Page 17 of the report sets out the Reserves purchases from the Port Hills Acquisition Programme. It states that “local reserve purchases are being made as part of the Local Parks Acquisition Strategy to balance infill housing in Living 3 Zones and to meet the goal of the strategy to ensure that at least 90% residents in the urban city environment live within 400 metres of a reserve. In addition, additional local reserve purchases are being made in areas such as Addington, Riccarton, Central City, St Albans, Papanui and Inner City East. District reserve purchases are also occurring on a larger scale. It is possible to interpret potential double dipping under the RMA Act, too, as set out in s6.3 on P25 of the report.

## **5.0 Democratic Processes**

We believe it is undemocratic to advise that the council “does not consider it appropriate to provide a formal review process” (P26).

## **6.0 Summary**

We accept that there is a need to introduce initiatives to meet the increasing costs of infrastructure growth. However, the basic assumptions on which this initiative has been drafted need further analysis. It appears to us that the draft proposal is a case of cutting off your nose to spite your face. The detrimental impacts of the proposal may far outweigh the advantages. Without more detailed transparency from the council of the assumptions made and the actual financial ramifications of the initiative, we cannot accept it as fair, transparent and logical.

I do not wish to present this submission orally, but am available for further industry consultation.

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