

**DEVELOPMENT CONTRIBUTION POLICY REVIEW WORKING PARTY**  
**IDENTIFIED ISSUES AND OPTIONS**  
**(interim draft for Workshop F)**

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# KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

## 1. LEGAL/PHILOSOPHICAL

### Summary of issues as submitted:

(includes causal nexus, developer/community split, definitions of growth)

- Correct balance to encourage development - Kim
- Transparency, reasonableness, fairness issues – Kim
- New owners (existing ratepayers) hit by high DCs - Kim
- Greater share of sewer upgrades should be paid by community – Kim
- Treatment plant upgrades benefit existing as well as new - Kim
- New areas rates which have provided new works help pay for renewals elsewhere - double dipping?? – Kim
- Additional cost due to compliance/increase in LOS should not be paid by DCs – Kim
- Transport and Leisure should be paid from rates, or only a small % or fixed sum from DCs - Kim
- %age chargeable to growth too high (various examples) - Kim
- DC rate to equate growth rate - 10% - Kim
- Fairness to encourage developer interest in ChCh – Dave C
- Ensure Council is recompensed for enhancements that service additions – Dave C
- Developers to pay costs and services in new developments - Dave C
- Legal framework inadequately addressed, esp causal nexus and Council judgement - Simon
- Split should be determined on what is sustainable and what is in accord with Council’s Policy Objectives – Simon
- Growth definition - Population growth v. usage growth - Hamish
- Growth definition - Res/ business split for transport - Hamish
- SPM model definition of growth – Tim
- “Old” Projects, previously rates funded (Appendix 3) should not be included – Mark, Warren, Hamish, Kim, Murray
- DCs shouldn’t fund sewers or other projects not upgraded in past through lack of funds - Kim
- need to inform ratepayers, put rates up - Mark

**Clarification on Issues:**

**Options:**

**Impacts:**

**KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY**

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# KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

## 2. CAPITAL WORKS PROGRAMME

### Summary of issues as submitted:

- Need for early developer input and feedback – Warren
- Clarity of access to PDAs where works programme not conclusive – Hamish
- Necessity for project if growth doesn't happen - Kim
- Lack of surplus capacity in infrastructure limits growth – Murray
- Set up Council/developer group to review and communicate – Murray
- Need to reprioritise – Anna
- May not achieve its aims – Anna
- Lack of discussion on private sector contribution – Anna
- Are all capital works for short, medium, long term, esp. 1-7 years, included in 2006 LTCCP? - Simon
- Concerns about accuracy/adequacy of capital works programme – Mark, Hamish

### Clarification on Issues: (workshop E agreed points)

- There is a need for greater transparency of the asset programme.
- The programme should be made available to the public
- There is a need for greater clarity and accuracy of calculations and inputs—“market intelligence”.
- The policy should be strategic about its long term vision.
- Form an association of developers who will be involved in the policy building process earlier on.
- A mechanism for council to interact with developers outside of the annual process (quarterly?). If an organization is set up for this than council should recognize and work with them.
- The capital works programme should be audited professionally although not by an accounting firm.

### Options:

The LTCCP capital expenditure for the next 10 years should be disclosed to such a level that it meets all the community needs.

- This is the formal process to receive all community views.
- The developer group may need more detailed consultation
- This could be a summarised set included in the LTCCP with the detail available on the internet
- The data should relate with and be reconciled to the asset management plans as required by Sched 10 Cl 2.1.d

### Impacts:

#### Pros

- Full disclosure – all needs satisfied
- Reconciled and single source of truth
- Improves the selection of capex projects
- More useful consultation
- Early consultation may avoid inappropriate projects being locked into the capex program

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

<ul style="list-style-type: none"> <li>• The level of disclosure should be governed by the most enquiring citizen</li> <li>• If the information is not known or is based on provisional lump sums, the capex statement should say so.</li> <li>• The DC policy schedule and calculations should be based on the wider capex schedule.</li> </ul> <p>The DC schedule and calculations should not be the authoritative source of Capex, DC's merely use the data.</p>	<p><b>Cons</b></p> <ul style="list-style-type: none"> <li>• Unable to disclose all the detail – we don't know the answers</li> <li>• We could not withstand an audit – may put the DC charge at risk.</li> <li>• The community may want better and earlier consultation as well – why not improve the capex selection consultation for all – why pick only one sector for consultation.</li> </ul>
Ongoing Council/Developer joint infrastructure and development planning	
Audit of capital works programme	

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 3. METHODOLOGY

#### Summary of issues as submitted:

- Methodology based on a static rather than dynamic model - Simon
- No account of diffs in demand small v. large res. units - Andrew
- Lack of info on non- resid HUE conversion factors - Tim
- Credits - need to ensure that only additional matters assessed for DC – Warren
- Apply 2006 discounted policy historic credits to earlier policies? – Hamish
- All existing titles should have 1 HUE credit - Murray
- Definitions and applications unworkable, inc. “undeveloped” – Tim
- Challenges LECG economic efficiency model – Simon

#### Clarification on Issues: (workshop E agreed points)

- Recommendation for a greater clarity in the changing levels of service and demand.
- Working Party advised that a fundamental problem is not with what the Council says their objective is, but how that objective is implemented and practiced.
- Recommendation that the Council objective be “obtain fair and reasonable contributions for additional growth demand for infrastructure, reserves and community infrastructure from development that generates that additional demand”.
- Agreed that the example figure of 20m<sup>2</sup> is not fair or reasonable.
- Recommendation that there be consideration given to the way in which HUE’s are built up (applying a factor relating to size).
- Noted that there be consideration of the fact that the policy is being read in an environment of competition.
- The impact of the policy is something the Council should consider as well as other sources of recovery and consider alternative charges.
- Recommendation that there be a clear process for acknowledging/determining credits on the site in advance of demolition.
- Recommendation that all titles (or consents applied for DC’s paid) created before 1 July 07 should have one HUE credit or the non residential equivalent.
- Recommendation that Appendix 5 needs further explanation to support figures (perhaps as a background statement).
- Recommendation to re-visit the definition of “undeveloped” and “developed”, possibly using new definitions, around “vacant lot” suggested by a member.
- Recommendation that the impact of the 10% sliding scale (page 12) on property purchases be re-visited (noted that whether or not the sliding scale issue stays or goes depends on whether the 1 HUE credit three bullets above is adopted).
- Recommendation that the methodology should include a discount to allow for uncertainty/credit-subsidisation

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

Options:	Impacts:																																								
<p>1) Methodology for Reserves DC (a cost-based option)</p> <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;">LOS /1000pp</td> <td style="width: 20%;">A ha</td> </tr> <tr> <td>x estimated population</td> <td>B</td> </tr> <tr> <td style="border-top: 1px solid black;">÷</td> <td style="border-top: 1px solid black;">1,000</td> </tr> <tr> <td>= reserve land required</td> <td>Z ha</td> </tr> <tr> <td> </td> <td></td> </tr> <tr> <td>- vested greenfields</td> <td>C ha</td> </tr> <tr> <td style="border-top: 1px solid black;">Net purchases required</td> <td style="border-top: 1px solid black;">D ha</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2"><u>Costed at average values:</u></td> </tr> <tr> <td>Vested land</td> <td>\$C</td> </tr> <tr> <td>Purchased land</td> <td>\$D</td> </tr> <tr> <td style="border-top: 1px solid black;">Total land cost</td> <td style="border-top: 1px solid black;">\$E</td> </tr> <tr> <td colspan="2"> </td> </tr> <tr> <td colspan="2">Add reserve development growth costs:</td> </tr> <tr> <td style="padding-left: 20px;">Landscaping</td> <td>\$F</td> </tr> <tr> <td style="padding-left: 20px;">Playgrounds</td> <td>\$G</td> </tr> <tr> <td style="padding-left: 20px;">Amenities</td> <td>\$H</td> </tr> <tr> <td style="border-top: 1px solid black;">Total capex for DCs (sum E to H)</td> <td style="border-top: 1px solid black;">\$I</td> </tr> <tr> <td>÷ projected HUE growth</td> <td>J</td> </tr> <tr> <td>= city wide avg. contribution</td> <td>\$K/HUE</td> </tr> </table>	LOS /1000pp	A ha	x estimated population	B	÷	1,000	= reserve land required	Z ha	 		- vested greenfields	C ha	Net purchases required	D ha	 		<u>Costed at average values:</u>		Vested land	\$C	Purchased land	\$D	Total land cost	\$E	 		Add reserve development growth costs:		Landscaping	\$F	Playgrounds	\$G	Amenities	\$H	Total capex for DCs (sum E to H)	\$I	÷ projected HUE growth	J	= city wide avg. contribution	\$K/HUE	<ul style="list-style-type: none"> <li>• Would require comparison to statutory maximum on assessment so some method of land valuation is still required.</li> <li>• Annual opening population and area adjustment would provide a 'backlog' calculation against the adopted LOS</li> <li>• Any unspent reserves funds in excess of backlog requirement should be applied to reduce capital programme costs in the above workings.</li> <li>• Ensures methodology is responsive to changing demand, costs and levels of service (both in planning and charging)</li> </ul>
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<p>2) Allocation of reserve credits:</p> <p>1. Residential – with analysis of residential occupancy rates Council could modify the city-wide HUE charge above with a weighting based on dwelling size (<b>two or more</b>)</p> <table border="0"> <tr> <td>e.g. Dwellings &lt; 50m<sup>2</sup></td> <td>1.5</td> </tr> <tr> <td>Dwellings &gt; 50m<sup>2</sup></td> <td>3.0</td> </tr> <tr> <td>Average occupancy</td> <td>2.5</td> </tr> </table> <ul style="list-style-type: none"> <li>○ Planning and charging would simply modify the citywide average by occupancy weighting</li> <li>○ Requires update with SNZ estimates</li> <li>○ As reserves strategy matures could be further refined with differential catchments (adds complexity)</li> <li>○ Need to determine if rural lots limit still appropriate if this method is adopted.</li> </ul> <p>2. Non-Residential Reserves Contribution</p>	e.g. Dwellings < 50m <sup>2</sup>	1.5	Dwellings > 50m <sup>2</sup>	3.0	Average occupancy	2.5	<ul style="list-style-type: none"> <li>● Further refines the average citywide HUE charge above for fairness and balance</li> <li>● Maintains clarity for estimating developer costs</li> <li>● Addresses cost imbalance in high density areas</li> <li>● The same weighting could be applied to infrastructure charges to reflect occupancy demand differences (may be an oversimplification compared to growth input to allocating infrastructure costs e.g. doesn't directly link to surface water management)</li> </ul> <p>(see 4. RESERVES ISSUES for discussion)</p>
e.g. Dwellings < 50m <sup>2</sup>	1.5						
Dwellings > 50m <sup>2</sup>	3.0						
Average occupancy	2.5						
<p>3) Credits and Timing issues</p> <p>(see 7 TRANSITIONAL AND TIMING )</p>							
<p>4) Non-residential Equivalents information</p> <p>Appendix 5 – include explanation of how equivalences are derived for different zones (planning) and land uses (charging)</p>							
<p>5) Definitions</p> <p>clarify “developed” and “undeveloped” around ‘vacant lot’ concept’</p>	<ul style="list-style-type: none"> <li>● Need to ensure vacant lots which change use are assessed where demand is intensified – e.g. temporary parking requiring change in land use consent without subdivision</li> <li>● Changes here impact what credits are available to carry forward</li> </ul>						

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 4. RESERVES

#### Summary of issues as submitted:

- Industrial DCs but no provision in industrial areas - Mark
- Central city costs – 20m2 excessive for high value land - Andrew
- Less rigorous assessment than other DCs – Andrew
- Huge diff. between 7.5% and 20m2 - Warren
- 7.5% too high and not justified – Kim
- Res. Contribs should not pay significantly towards metro/regional reserves – Kim
- Credits/remissions for dev. enhancement works – Kim
- Charges in high density areas too high - Kim
- Impact on high density, inner city and elsewhere - Murray
- Clarity of reductions where effects mitigated on site - Hamish
- Land purchase for stormwater mgt – future dev - Hamish
- Dual function – no double dipping - Hamish
- Need for transitional period awaiting downstream facilities – Hamish
- Remission for waterway enhancement on reserves - Kim
- Include guideline of 80m2 per lot for rec. reserve and 50m2 for stormwater reserve (cf Chris Freeman) - Kim

#### Clarification on Issues:

#### Options:

- 1) Move from valuation-based charge to cost per HUE charge (see options under METHODOLOGY for possible solution)

#### Impacts:

##### Pros

- Link to capital programme for reserves
- Assists transparency and accountability
- Integrity of method between planning and charging
- Certainty through known maximum charge per HUE (may be capped on assessment by statutory value based maximum in some areas)
- Removes distortion generated by 20m2/7.5% approach
- Provides better tracking and response mechanism to planning staff as growth and costs change

##### Cons

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

	<ul style="list-style-type: none"> <li>No methodology to calculate demand equivalence for non-residential</li> </ul>
<p>2) Non-Residential Reserves Contributions</p> <ul style="list-style-type: none"> <li>Decision required whether to continue to charge non-residential (see discussion paper attached - <i>Reserves Development Contributions for Business Subdivision and Development</i>)</li> </ul>	<ul style="list-style-type: none"> <li>Reserves LOS is population based (x ha. Per 1000 population)</li> <li>What portion of residential growth is generated by commercial presence in the city?</li> <li>What portion of reserves programme is required to mitigate the effects of non-residential development?</li> <li>What benefit does business derive from reserves?</li> <li>If non-residential charge is retained it would require apportionment of the capital programme over the combined residential/non-residential HUE growth to determine non-residential charge/HUE (what would be the non-residential equivalence - FTE? – adds complexity)</li> <li>Non-residential charge would need to be cost base and would thus reduce the residential allocation to avoid double-dipping.</li> <li>Would require a non-residential equivalent for differing land use (difficult to establish) or other mechanism for allocating reserves growth costs and calculating the business portion of the reserves capital programme.</li> <li>As the statutory maximum for reserves is only on additional lots we can currently only charge on subdivision</li> </ul>
<p>3) If DC's are charged on industrial / commercial developments</p>	<p><b>Pros</b> Revenue is used to support the provision of local and regional reserves which provide the desired environment that attracts businesses to locate and flourish in Christchurch. It also supports the communities and population that work and use the businesses in making Christchurch the place people wish to live and work.</p> <p><b>Cons</b> Existing industrial / commercial areas require further enhancement to provide the required environment. Difficult to identify a clear link between the development and the quantum of the charge that should apply, no simple measure or assessment available. Difficulties in knowing what revenue will arise as current processes can work against the levy of a DC charge.</p>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

<p>4) Remissions and offsets for reserves enhancements or extra-overs</p>	<ul style="list-style-type: none"> <li>• see options under 5 REMISSIONS/INCENTIVES regarding Transactions for enhancements or extra-overs – should be purchased as part of growth capital programme to ensure consistency across all developments</li> </ul>
<p>5) Dual Function offset</p> <ul style="list-style-type: none"> <li>• Developments now guided by the requirements of the Proposed Natural Regional Resources Plan which places responsibilities on developers to manage and control first flush conditions on site. Should policy reflect the potential mix use of some areas.</li> </ul>	<p><b>Pros</b></p> <ul style="list-style-type: none"> <li>• Possibly best utilisation of land areas, which demonstrates and integrated approach</li> </ul> <p><b>Cons</b></p> <ul style="list-style-type: none"> <li>• Park amenities not always available</li> <li>• Would require careful and consistent assessments in order to calculate DC charge, which could be time consuming and open to challenge and increase un certainty at early stages of development</li> </ul>
<p>6)</p>	

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 5 REMISSIONS/ INCENTIVES

#### Summary of issues as submitted:

- What about the incentives package ref. in rec. on LTCCP? - Warren
- Remission or incentive for inner city housing, including recognition of non-resid use - Warren
- Criteria/guidelines of 2004 policy - Hamish
- Fund incentives from rates - Murray

#### Clarification on Issues: (staff comments)

- The Council has already determined that development of special significance to the community will be incentivised by appropriate means –the issue here is whether the DCP is an appropriate means.
- The 2004-14 DCP provided for the remission of the development contribution for reserves payable, for the full value in the case of approved reserve development works; up to 50% with respect to elderly persons' housing; up to 25% with respect to central city housing and retention of natural and physical heritage items; up to 20% with respect to provision for surface water management, esplanade reserves or strips and social housing; and up to 5 % with respect to the provision of artworks in public places, to a combined total of 50%, on a case by case basis at the request of the applicant, where specified criteria were met.
- Except for a transitional remission to ease the policy into existence, the 2006/16 DCP does not provide for any remissions or reductions to be applied for or granted, in order to keep the policy transparent.
- When adopting the draft 2006/16 DCP for inclusion in the draft 2006/16 LTCCP at its meeting on 2 March 2006, the Council also resolved:
  - (a) *That, in order to mitigate the effects (in a rates neutral manner) of the Development Contributions Policy in discouraging development in areas of special significance to the city, staff identify appropriate criteria that can be added to existing grants programmes to recognise in whole or in part development contributions made.*
  - (b) *That a report be submitted for council approval at the last meeting in June 2006.*
- The preparation, submission and approval of that report was superseded by the nature of the submissions received on the DCP and the Council's subsequent resolution:
- "to review the basis, structure and application of the 2006-16 development contributions Policy as adopted by the Council on 30 June 2006, and, if appropriate, to recommend a revised policy for the Council to consider as part of an amended LTCCP in 2007."
- Provision for remissions or other incentives which reduce the development contribution payable is still sought by some of Working Party members.
- If attempting to encourage or discourage development of special significance to the community, need to get the balance right between:
  - Achieving the Council's strategic objectives;
  - Consistency among all Council policies;
  - Easing pressure on rates;

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

<ul style="list-style-type: none"> <li>○ Managing debt;</li> <li>○ Avoiding sending the wrong signals to the community; and</li> <li>○ Discouraging development.</li> </ul>	
<b>Options:</b>	<b>Impacts:</b>
<p>1) Rely on existing and future means of incentivising development of special significance to the city outside of the DCP - a remission-free DCP.</p>	<p><u>Positive:</u></p> <ul style="list-style-type: none"> <li>• Council recovering all capital costs it incurs as a consequence of development – no more, no less – is one of 4 commonly accepted principles of cost recovery that, if appropriately applied, are likely to lead to efficient cost recovery. DCP is one tool that assists in funding the capital works programme. Will not compromise purpose of the DCP, which is to recover costs of growth, and will keep it transparent, consistent with Chris Jenkins and LECG’s recommendations.</li> <li>• LGA 2002 allows for DCs to be set at less than the full cost of growth anyway, e.g. inequitable DCs in the central city could otherwise be resolved via a capped DC.</li> <li>• More equitable that incentives to ‘do or not do’ certain types of development of significance to the community should be funded by the community.</li> <li>• Remission-free DCP a better indication to developers of the costs of Council-provided services to different locations.</li> <li>• Administration costs and level of discretion available to Council and compliance costs to and uncertainty over future costs for developers minimised.</li> <li>• Consistent with Council’s March 2006 resolution.</li> <li>• Existing incentives to which appropriate criteria could be added to recognise in whole or in part DCs made have yet to be identified and the criteria determined.</li> <li>• Community support likely.</li> </ul> <p><u>Negative:</u></p> <ul style="list-style-type: none"> <li>• Council will be reliant on other Council means of incentivising development of special significance to the community funded by</li> </ul>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

	<p>ratepayers or third parties, e.g. environmental grants programmes.</p> <ul style="list-style-type: none"> <li>• Funding of incentives outside DCP limited, in short term, to existing other Council incentives, which may not achieve their aims through them being used for purposes beyond or outside what Council intended them for and other Council objectives may be adversely affected, e.g. central city revitalisation.</li> <li>• Funding of incentives outside DCP possible, in the long term, through future additional, and possibly purpose-specific incentives, subject to further determination as to what, when, how and why.</li> <li>• Financial effect on ratepayers has not been costed, except to extent that existing Council incentives are presently funded through the LTCCP.</li> <li>• Results in higher DCs than in the 2004-14 DCP, e.g. lack of central city housing remission skews development towards more profitable high quality, high value residential units and business activities. Could be overcome through other appropriate amendments, however.</li> <li>• Projects will not go ahead, development will slow down, developers will pass on DCs via higher sales prices, developers' valuation of land will fall and development will adversely affect things of special significance to the community.</li> <li>• Developer support unlikely.</li> </ul>
<p>2) Complement the existing and future means of incentivising development of special significance to the city through the DCP - include remissions in the DCP.</p>	<p><u>Positive:</u></p> <ul style="list-style-type: none"> <li>• Council's activities required to be aligned with and support its strategic directions and the community outcomes – this is one means of doing so.</li> <li>• Will complement other Council means of incentivising development of special significance to the community, in addition to allowing some recovery of the cost of growth.</li> <li>• A less 'blunt' way of recouping the costs of development from individual developers.</li> <li>• Where large greenfield subdivisions designed so as to reduce or increase their impact on Council infrastructure, will benefit developers through lower DCs and Council through lower</li> </ul>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

infrastructure costs, or will recover from developers through higher DCs higher infrastructure costs to Council. Clear nexus between their development and a reduction in costs would need to be demonstrated by the developer.

- Could be used to influence the nature and location of development across the city and Banks Peninsula.
- Could take the form of reinstatement of the 2004-14 remission criteria, which includes a central city housing remission in (a means of buffering higher land values there).
- Developer support likely.

### Negative:

- Contrary to Chris Jenkins and LECG's recommendations, as remissions lead to large transaction costs, legal challenges and can lead to policy collapse in extreme situations.
- Ignores fact that LGA allows for DCs to be set at less than the full cost of growth anyway.
- Important to distinguish, and not confuse, the broad strategic directions that Council is endeavouring to achieve on behalf of its community and the more tangible/operational outcomes the subject of historic remissions under the 2004-14 DCP. Potential to confuse RMA and LGA.
- 2004-14 remission provisions a starting point only, as they aren't wide ranging, don't align with all relevant strategic directions and weren't subject to robust justification and development. Clearer, more transparent and measurable criteria required for future remissions. Well-defined administration guidelines and processes also required.
- Which, if not all, of the Council's strategic directions should be supported via remissions and how? Following fundamentals yet to be determined: particular outcomes which the DCP can be used as a means to encourage or discourage, whether remissions apply to all activities or just reserves and identification and justification of locality-specific remissions other than central city, although the strategic directions suggest remissions could potentially apply to

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

growth-related development which:

- provides affordable housing;
  - provides central city housing;
  - provides community facilities;
  - develops reserves to specified standards, i.e. works in lieu of cash;
  - provides multi-functional reserves;
  - provides recreational activities;
  - protects heritage items, including archaeological sites;
  - protects and enhances significant natural features, such as waterways, outstanding natural landscapes, ecological heritage sites, indigenous habitat, etc;
  - enables and utilises innovative resource, energy and cost efficient construction and water supply, sewage and stormwater disposal infrastructure which minimises the costs imposed on Council;
  - is consistent with good urban design principles, including connectivity;
  - provides public artwork;
  - provides infill, rather than greenfield development, particularly in the central city and neighbourhood renewal areas; and
  - promotes alternative transport modes, e.g. walking and cycling.
- Remissions mooted for something developers are likely to do anyway to be competitive in the market, e.g. develop quality subdivisions and provide elderly persons housing. Little discussion of potential remissions which they may find more onerous.
  - Assumes that the DCP should be concerned with quality developments, when other means outside of DCP and Council already provide incentives for providing quality development, e.g. the market and Urban Design Protocol.
  - Discourages developers to reduce other costs they can control.
  - Remissions provide incorrect economic signals to the market about

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

	<p>the true costs of development and could create an arbitrary distortion to the DCP. Current DCP too blunt an instrument for the central city, as DCs for reserves are not based on demand or growth but on the statutory maximum provided under the LGA2002.</p> <ul style="list-style-type: none"> <li>• Where developers don't have to face the true cost of development, they tend not to take it into account in deciding where to develop.</li> <li>• Often a relatively quick payoff for the developers at the Council's/community's expense, through loss of information and revenue for capital works programme, funding of shortfall by ratepayers and reductions in service quality due to congestion. Financial effect has yet to be costed. Central city housing remission fails to recognise that Council's also subject to higher land values there when purchasing reserve land.</li> <li>• The greater the level of Council discretion, the greater the uncertainty as to the final cost, the compliance and administration costs and potential inconsistency/inequity in application. Detailed criteria for granting remissions and publishing the reasons why remissions are granted would help mitigate these, however.</li> <li>• Actual extent to which 2004-14 DCP remissions used not huge or varied – as at June 2006, 49 and 37 remission applications made out of 1178 subdivision and 12656 building consent applications respectively, of which 47 and 34 granted, 2 and 2 declined and 1 building consent application awaiting determination respectively. All primarily for elderly persons and central city housing.</li> <li>• Contrary to the Council's March 2006 resolution.</li> <li>• Community support unlikely.</li> </ul>
<p>3) Transactions          Vesting reserves land and development or amenities: Reserves Contribution (RC) assessed per HUE – value of vesting reserves assets agreed and contracted – net difference settled as remaining RC balance due or as contract payment to developer as part of capital programme spend</p>	<ul style="list-style-type: none"> <li>• Need to maintain transparency, accountability and fairness of application of DCP – these are not remissions</li> </ul>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

Extra/overs – should be contracted as part of the growth capital programme to avoid clouding administration of DC and ensure all growth costs are allocated consistently.

- Transparency/ accountability/ fairness

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 6 OTHER TLAs

#### Summary of issues as submitted:

- Lack of coordination with Waimakariri and Selwyn encouraging sprawl - Andrew
- Difference in charges encouraging outlying growth – Kim
- Lower density retained in Selwyn under UDS – Kim
- Compare rating regimes and costings with Selwyn, Waimakariri and other major centres - Simon

#### Clarification on Issues:

Options:	Impacts:
Coordination with Waimakiriri and Selwyn <ul style="list-style-type: none"> <li>• This issue is addressed via the UDS</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
Difference in charges encouraging outlying growth <ul style="list-style-type: none"> <li>• The UDS includes as an action to be completed in the first couple of years of strategy implementation to:               <ul style="list-style-type: none"> <li>○ Ensure that development contributions policies, and in particular the units of demand, reflect the infrastructure costs arising from development.</li> <li>○ Going forward, there is also the opportunity to have one growth model for the UDS area.</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
Lower density retained in Selwyn under the UDS <ul style="list-style-type: none"> <li>• It is true that lower densities are proposed for future Greenfield development in both Selwyn and Waimakariri in the UDS than proposed for Christchurch. However, the proposed density of 10 hh/ha is higher than is currently being achieved. Densities are likely be reconsidered at the first strategy review, particularly in light of the experience gained from the first few years of strategy implementation.</li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>
<ul style="list-style-type: none"> <li>• Compare rating regimes and costing with Sewlyn, Waimakariri and other major centres - <b>see next page</b></li> </ul>	<ul style="list-style-type: none"> <li>•</li> </ul>

# KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

## Council Comparisons

	Waimakariri		Selwyn		Christchurch		Auckland			
<b>Population - 2001</b>	36,900		28,000		344,100		380,154			
<b>Population - 2006</b>			34,260							
<b>No of ratepayers - UAGC</b>	18,715		14,430		165,739		158,052			
	Net GST		Net GST							
<b>Total Revenue (net of vested assets)</b>										
Rates	25,519	54.3%	15,584	37.3%	202,952	54.0%	370,505	57.3%	130,909	501,414
Development Contributions	3,835	8.2%	6,550	15.7%	9,093	2.4%	30,745	4.8%		
Financial Contributions							8,580	1.3%		
Fees & Charges	9,868	21.0%	9,827	23.5%	84,173	22.4%	131,367	20.3%		
Subsidy	7,327	15.6%	4,211	10.1%	18,843	5.0%	70,995	11.0%		
Others ((inc Div & Int)	422	0.9%	5,570	13.3%	60,983	16.2%	33,964	5.3%		
<b>Total Revenue</b>	<u>46,971</u>		<u>41,742</u>		<u>376,044</u>		<u>646,156</u>			
<b>Rates</b>										
Per capita	692		557		590		975			1,319
Uniform	18,846	73.9%	9,410	60.4%	16,942	8.3%				
Rate base (value basis)	Land Value	6,673	26.1%	Capital Value	6,174	39.6%	Capital Value	186,010	91.7%	
		<u>25,519</u>			<u>15,584</u>			<u>202,952</u>		
	GST Inc									
<b>Average residential Rates</b>	Rangiora		11 Moore St		Chch					
Rate base (value basis)	Land Value (100k)	255	CV \$178k	224	CV \$260k	1,061				
Uniform		1,373	Uniform (10 rat)	1,537	Uniform	115				
		<u>1,628</u>		<u>1,761</u>		<u>1,176</u>				
<b>Business Rates</b>	Rangiora									
Rate base (value basis)	Land Value (\$20€	1,409			Per \$1m CV	5,379				
Uniform		1,390				115				
		<u>2,799</u>				<u>5,494</u>				

# KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

## 7 TRANSITIONAL AND TIMING

### Summary of issues as submitted:

- Extend and phase in progressively - Hamish
- Cash flow issues – pay at code compliance
- Clarify when payment required – once only unless land use changes – Kim
- Time limit for assessment – Kim
- 2 year freeze to give certainty? - Mark

### Clarification on Issues:

#### Options:

##### TIMING AND CREDITS

- All undeveloped lots receive 1 HUE historic credits for all services/activities and reserves (most old charges were lot based therefore commercial lots paid same dollars as residential lot = 1 HUE. May be some transitional adjustments required for DCP06 assessments)
- All new undeveloped lots created on subdivision will be assessed 1 HUE (thus net increase in number of lots are charged 1 HUE per lot) = Subdivision charge paid at 224c
- Additional demand added at building consent = net increase in HUEs charged = Building charge paid at code compliance.
- HUE credits on demolished or destroyed buildings survive 5 years (?) then lapse to undeveloped status of 1 HUE per lot if consent application to replace not received in that time. (should also lapse if consent application then lapses or is cancelled)
- Demolished/destroyed credits to be calculated at point of demolition consent or as soon as possible following destruction, and recorded against the related title(s).
- Actual credits become irrelevant except for some transition adjustments

#### Impacts:

- Certainty of credits and charge for undeveloped lots.
- Protects residential retail market from new DC charges for 1 dwelling/lot.
- Eliminates requirement to track interim HUEs indefinitely
- Simplifies entire credit and assessment process for staff and developers
- Eliminates confusing zone-based non-residential ‘subdivision portion’ and defers full charge to completion of build when full demand is created.
- Allows developer/owner to preserve credits while planning replacement but recognises the former capacity used may have been absorbed by continuing growth - avoids keeping credit records in perpetuity
- Addresses lack of pre-amalgamation DC credit history on Banks Peninsula
- No further rates impact as formula used to calculate the DC levy includes funding implication to point of demand creation. Also, DCP06 moved the timing of the building charge to code compliance from uplift of consent. Thus we are already in transitional collection gap.

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

<ul style="list-style-type: none"> <li>• Further define ‘Undeveloped’ lot to address certainty.</li> <li>• Clarify use of land use or service connection triggers for assessing demand where no related subdivision or building consent.</li> </ul>	
<p>TRANSITION (suggestions received)</p> <ul style="list-style-type: none"> <li>• Remove DCP06 Past Projects <ul style="list-style-type: none"> <li>○ Past projects are presently allocated on consistent basis to future projects</li> <li>○ The argument for removing is that the projects were approved for rates based funding in prior LTCCPs</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Effectively provides a transitional reduction as the ‘full’ DC for growth capacity will take several years to be built up in the capital programme by ignoring the surplus capacity in projects approved prior to the LTCCP 06-16.</li> <li>• Requires further analysis to determine impact in DC charges and rates</li> <li>• Will increase rates from current budget</li> </ul>
<ul style="list-style-type: none"> <li>• Extend transitional discounts in some form for one or more years increasing charge over time. (a single discount rate on the total infrastructure charges assessed for all areas. Full HUEs assessed will be carried forward regardless of discount level as per DCP06)</li> </ul>	<ul style="list-style-type: none"> <li>• Simple to implement and calculate</li> <li>• Fair as all get same percentage discount based on the allocated cost of growth</li> <li>• Further transitional discounting will have additional rates impact for further delay in collecting ‘full’ DC</li> </ul>
<ul style="list-style-type: none"> <li>• Determine appropriate portion to be charged to growth community (distribution of benefits – could be by way of permanent discount to keep allocation of growth cost visible). <ul style="list-style-type: none"> <li>○ Still 100%?</li> <li>○ What basis for different amount?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Would acknowledge a portion of benefit from growth goes to the whole community</li> <li>• May also be seen to acknowledge that no calculation based on averages is ‘perfect’, however providing a permanent discount for this assumes you always end up with an overcharge.</li> <li>• Further rates impact from current if &lt;100%.</li> </ul>
<ul style="list-style-type: none"> <li>• Two year freeze for certainty <ul style="list-style-type: none"> <li>○ Policy/methodology/activities?</li> <li>○ Levies/catchments?</li> <li>○ All?</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>• Would not reflect the Annual Plan updates to the Capital Programme</li> <li>• If subsequent Annual Plan changes to the Capital Programme were at a level which triggers an amended LTCCP then the DC levies should be revised to reflect those changes in growth, demand and costs. This would leave some new growth expense out of the DC levies until the subsequent review – effectively a further transitional discount</li> </ul>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 8 CONFIDENCE IN THE SYSTEM & PROCEDURES

#### Summary of issues as submitted:

- Incorrect asset inputs = inflated cost/HUE - Mark
- Procedures to correctly and efficiently administer the process – Mark
- Inadequate council resources for significant forward planning – Mark
- Accuracy of inputs into growth model – Hamish
- Split between backlog, renewal, growth etc. – Hamish
- Cost allocations in Apps 3 & 4 - Tim

#### Clarification on Issues:

Options:	Impacts:
<ul style="list-style-type: none"><li>• Options under Capital Programme</li></ul>	<ul style="list-style-type: none"><li>• Should increase confidence in planning and deriving levies</li></ul>
<ul style="list-style-type: none"><li>• Simplification through options under Reserves and Transitional &amp; Credits</li></ul>	<ul style="list-style-type: none"><li>• Should help increase confidence in charging system and procedures and aid internal and external administration.</li></ul>

## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 9 GENERAL CENTRAL CITY

#### Summary of issues as submitted:

- Distinct from Suburbs - Anna
- Need for incentives for developers - Anna
- Need to be innovative, sustainable and agreed – Anna
- Need to excite developers' interest in the central city – Dave C

*See also reserves and other issues eg.*

- Central city costs – 20m2 excessive for high value land - Andrew
- Charges in high density areas too high - Kim
- Impact on high density, inner city and elsewhere - Murray
- Remission or incentive for inner city housing, including recognition of non-resid use - Warren

#### Clarification on Issues:

##### Options:

##### Impacts:

- Central city to be a separate catchment
- Separate funding source for incentives
- % reduction for central city
- Recognise difference between small and large resid. units.
- Re- introduce remissions policy for central city only
- More accurate valuations than at present
- No charge for local reserves in central city
- Greater recognition of previous activity on site

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## KEY ISSUES AS IDENTIFIED BY THE DCP WORKING PARTY

### 10 GENERAL

#### Summary of issues as submitted:

- Minimise delays to developers – Dave C
- Encourage positive Council staff attitudes – Dave C
- Easier to develop greenfields – Dave C

#### Clarification on Issues:

Options:	Impacts:
•	•
•	•

# Attachment 1

## Reserves Development Contributions for Business Subdivision and Development.

### 1.1 Mitigating the Effects of Business Subdivision and Development

The subdivision and development of land for the purposes of business activity also creates potential adverse effects on both the amount of open space in the city and the general amenity values of business areas <sup>1</sup>.

Amenity is altered by building structures and car parking. Physical spaces for people, both workers and visitors, for leisure activities are lost. Business development usually implies an increase in the employment in an area, and this additional population also requires areas of open space in the vicinity for their leisure needs. The adverse changes to the environment that business development may create, both within and adjoining areas of business activity can be ameliorated by:

- Providing open space for tree and garden plantings to increase the amenity values of business areas that are otherwise dominated by buildings and hard surfaces;
- Providing opportunities to meet the leisure needs of workers and visitors to business areas;
- Providing linkages for walking and cycling through business areas;
- Enabling the visual and environmental improvement of business environments through the provision of public open space; and
- Enabling the development of planted areas as “green lungs” to mitigate the high level of buildings and hard surfaces within business areas.

### 1.2 LTCCP 06/16 Community Outcomes.

The Community Outcomes as described in the LTCCP envisage the strengthening of the Garden City image and the use of the city’s special amenity qualities to attract business development. There is also the need to protect the natural environment that surrounds the built areas within the city and provide a network of different parks with free recreation facilities to encourage recreation and sporting activities. An outcome of this is a network of green linkages and corridors across the City, providing access to walkways and cycle ways for people to commute and move around local areas to shops, recreation facilities and businesses.

Parks are spread throughout the City serving community need, with a mixture of sports parks, local parks, riverbanks, and garden parks in every suburb. However as part of growth in the city development of greater linkage networks is required as the city grows in area and density. Open space needs to be provided that is safe, secure and crime free. Positive recreation opportunities also need to be provided for young people. With unhealthy life styles the promotion and participation in recreation, sport and leisure activities, and education about the benefits of active living will become increasingly important. As development occurs the natural environmental must be protected and enhanced, and public awareness of, and participation in, this is raised. To achieve the outcomes below development will need to contribute to a pleasant and attractive City, enhance the aesthetic amenity values of the city and streets, and reinforce the Garden City image. It will be important to use Christchurch’s special qualities to enhance economic activity.

<sup>1</sup> City Plan Vol. 2 14.1.3 and 14.1.4 and Objectives 12.2,12.5, and 12.7

**Community Outcome<sup>1</sup> 1: *A City for Recreation, Fun and Creativity***

*Leisure time being valued and recognition given to the arts, sports and other recreational activities, contributing to the City's economy and identity and to the health and well-being of its residents.*

This results in:

- More people participating in leisure, physical and sporting activities.
- Everybody being included in the creation and enjoyment of the arts and festival events.

**Community Outcome 2: *A Healthy City***

*The City's residents living long, healthy and happy lives.*

This results in:

- More people in Christchurch living healthy lifestyles.
- The City environment being good for the health of the community.

**Community Outcome 3: *An Attractive and Well Designed City***

*Christchurch being a vibrant centre and having attractive neighbourhoods and well designed transport networks. The City's heritage and resident's lifestyles are enhanced by this urban environment.*

This results in:

- Christchurch being attractive and well maintained.
- The City's heritage being protected for future generations.
- The City being designed to meet current needs and future challenges.

**Community Outcome 4: *A City of People who Value and Protect the Natural Environment***

*Our lifestyles reflect our commitment to guardianship of the natural environment in and around Christchurch. We actively work to protect, enhance and restore our environment for future generations.*

This results in:

- Everybody takes responsibility for their impact on the natural environment.
- Biodiversity is restored, protected and enhanced.
- The City is managed to minimise damage to the environment.

### **1.3 Current Trends and Changes in Business Development and the UDS.**

Changes in light industrial zones has seen the emergence of residential dwellings above businesses as part of recent subdivision trends. The Urban Development Strategy currently being developed proposes greater mixed use zoning in the city and the creation of activity centres as focal points across the city for greater land use intensity, an active public realm, and mixed use. Activity centres will be where people shop, work, meet, relax, and often live.

This will create the need for greater open space networks combined with these activity centres to meet the recreational and leisure needs of the community as growth occurs.

### **1.4 Buffer Zones and Amenity Amelioration**

Buffers with residential areas are covered in the City Plan, but the city has also secured considerable open space reserves through acquisition using reserve development contributions in the central city e.g.

Turners and Growers site park, and major parks adjoining industrial zones e.g. Port Company Land Heathcote, Canterbury Park, Marylands Reserve.

Local parks development in industrial zones e.g. Francella Reserve in Bromley , Bromley Old School Reserve, Addington Prison Reserve, Carmen Reserve Hornby, Waterloo Reserve Hornby, Wairakei Reserve.

Plans will be provided showing the relationship between current business zones and the open space zones.

## **1.5 Open Space Activities to be Funded by Growth**

In business zones there are some requirements in the City Plan zone standards to landscape the street frontages which serves only to mitigate the visual impact of buildings from the street. New subdivisions and developments in business areas have been contributing towards new reserves as outlined below.

- Provide open space across the whole city.
- Green open space buffer around industrial areas
- Open space in high density business areas.
- Green linkages through all zones.
- Visual diversity with trees and colourful gardens.
- Greenery amongst the built environment.
- Protecting conservation areas and places such as regional parks.

## **1.6 Summary**

**A contribution to the reserves development within Christchurch City from business subdivision and development should continue for the reasons outlined above.**

**This has resulted in the level of service currently provided in the city of open reserves space, amenity plantings, recreational opportunities etc. that the residents currently enjoy.**

**Levels of contribution from business subdivision and development need to be reconsidered for the central city and possibly future UDS Activity Centres.**

**Richard Holland**

**Network Planning Team Leader Greenspace.**