



11 May 2007

Christchurch City Council  
P O Box 237  
Christchurch

Dear Sir / Madam

**Re: LTCCP - Submission**

We attach herewith our submission to your 2007 Amendment to your Draft Policy on Development Contributions. We understand submissions close today and hearing of submissions will start from 5 June 2007. We have indicated **we would like to be heard.**

If you require any further information please contact the writer.

Yours faithfully

Kim Sanders  
**COMPANY ENGINEER**



10 May 2007

**SUBURBAN ESTATES LIMITED SUBMISSION**

**LTCCP – DEVELOPMENT CONTRIBUTIONS POLICY**

**2007 AMENDMENTS**

- 1 Even though Suburban Estates was a member of the Development Contribution (DC) Working Party (WP) our original submissions to the 2006 hearings have not significantly changed. In fact our concerns are greater because the WP was given a huge amount of information which was supposed to justify the methodology. The development sector of the WP continually questioned many aspects of the methodology. The new policy has not fully addressed those issues and the charges have been increased by at least \$3,000 per HUE in the year since the 2006 draft policy.
- 2 SEL submits that:
  - 2.1 The draft policy is still unfair, unreasonable and not transparent;
  - 2.2 The methodology that underlies the policy is flawed, particularly with regards to growth apportionment;
  - 2.3 The draft policy defeats the stated intention to “ensure that the level of contribution does not generally act to discourage development” and is contrary to other Council policies seeking to encourage growth;
  - 2.4 The new charges will seriously burden purchasers of sections on current and future developments. The market of all residential property will increase further. The irony here is the people paying the extra are generally existing Christchurch ratepayers and first home buyers. Developments may not happen due to economic reasons, therefore Council may not receive sufficient funds to pay for their capital works;
  - 2.5 Council has brought all these costs in but has not rezoned sufficient land to provide for the projected demand for growth over the next 10 years. Eg most of the South West Area Plan is earmarked for the year 2016 (too late!).

**North Shore Decision**

- 3 The judicial review on the North Shore City Council DC policy stated that Council had made an error of law on several matters including complying with the requirements of the Act, adopting a narrow concept of economic efficiency in the causative approach, and excluding appropriate consideration of the distribution of benefits and equity and proportionate allocation.

- 4 On reading the North Shore decision, one can see a very close similarity to the Christchurch City Council's process. North Shore also had a Working Party, they addressed issues of concern but their final policy still did not meet the satisfaction of the wider development community. It led to the judicial review and as yet we do not know how they propose to deal with their errors in law.
- 5 All parties are waiting to see how North Shore react to the decision.
- 6 We suspect this is where Christchurch City Council is heading, judicial review. Unless, the development community can be convinced of the fairness of the policy with good causal connection and proportionate allocation in all respects.

### **Capital Works Budget & Growth Apportionment**

- 7 Our main submission is that the policy is invalid because, in many respects, there is no direct link (or causal connection) between the development types and the contribution required to fund new, additional or upgraded infrastructure
- 8 The WP recommended and the Council resolved to have the Capex audited. I will not have any confidence in the growth apportionment component of the Capex until it is independently audited.
- 9 The policy needs to include a similar summary of capital works projects as before in the 2006 draft (Appendix 3 & 4) so that people can see what projects you have removed from "Past Projects" and the actual growth components of each works item.
- 10 Table 7.1 shows an increase over the last year for the combined Capital Works for infrastructure & leisure (not including reserves) of \$112million. It was \$621M in 2006 (Appendix 3 & 4 combined), it is now \$733M. However, the growth component has reduced from \$288M to \$235M. This reduction is good but a very close study of the new Appendix 3 & 4 needs to be done. I have only recently been given a copy and I note transport charges have made significant reductions to the growth, "but" many of the infrastructure budgets have increased (extras after only one year?).
- 11 If the total growth component has gone down, how has the HUE charge gone up at least \$3000? I understand that it is partly due to a gross error. If so this error needs to be audited independently (along with the Capex audit). I am afraid to say that I have no confidence in a budget that had mistakes which had that kind of effect on the HUE base price (up to \$3,500 increase (+25%!) makes a \$37M difference over 10 years).
- 12 We do not believe growth should pay towards Banks Peninsula issues. There is no causal connection there. Council should treat different towns separately, just like Selwyn and Waimakariri do. If Council wish to subsidise Banks Peninsula upgrades then that must come from alternative funding.
- 13 The working party identified many projects on the capital works budget which were "contentious" due to how much of it was being charged to DCs. My advice to the working party was to put all of those projects into the same pot and charge the percentage of the population increase (stated in Clause 45 of the WP report). That is, if the City was projected to increase by 10% over the next 10 years then charge 10% of the capital works budget to growth. Examples of overcharging (in our view) are the Ocean Outfall (20% growth but has recently been increased), treatment plant upgrades (generally 100% plus several recent increases), most transport charges (generally 20% to growth), Bus Exchange (42% but has since been reduced), Pools (42%), Libraries etc. The whole City will benefit from these projects and whilst developers should pay

their fair share, they should not pay more than the population increase, in accordance with population growth.

- 14 I submitted a schedule to the Working Party which showed the effects of apportioning many "contentious" Capital Works projects as a percentage of the population increase. This reduced the community & infrastructure per lot cost down from \$10,570 (before the increase) to between \$4,536 & \$6,712. My suggested compromise of reducing the fee to \$6,712 per lot was frowned on by Council staff and never mentioned again! However, my proposal is available upon request and whilst I have made some broad assumptions, it does represent a fair compromise which would not likely be contentious or challenged in Court. Furthermore, it is then consistent with the DC values of Selwyn and Waimakariri.
- 15 Infrastructure contributions to the extent being asked for have never been charged before. That does not mean we do not expect to pay more. The WP were told Christchurch rates were lower than other Councils. The Working Party heard evidence that rates were significantly lower in industrial areas in Christchurch. Whilst a rates increase may not be well received, the rough calculation of the shortfall if my suggested compromise DC of \$6,712 was used equates to an increase of only about \$65 per year for each City rating unit.
- 16 The WP recommended and Council resolved to make comparisons with other District's charges. There is compelling evidence that Christchurch City Council have set their DCs significantly higher than other Districts.
- 17 Please note, that Appendix 2 attached to the Working Party report giving a comparison of District's DCs showed totals in the Christchurch City rows which do not reflect the \$3,000 extra that officers have now included. Therefore the comparative DCs are now Waimakariri \$11,403 to \$15902, Selwyn \$16976 to \$22335, Christchurch (greenfields) initially \$27579 but now proposed to increase to at least \$30,349. For the record it is quite clear to us, as a land developer in all three Districts, that the majority of the DC increase will always be passed on to our clients who are the section purchasers and subsequent homeowners/ratepayers. Furthermore, it will result in more developers working in the two outer districts and therefore more people moving to them (the past population movements from CCC to Selwyn & Waimakariri are already significant and must be a concern to you).

### Growth Model

- 18 The growth model is not the same as the UDS growth model. The DC says over the next 10 years 12500 (8.8%) extra houses will be created, the UDS says 15010. If the UDS is right Council will receive an extra \$30M on infrastructure charges from 2510 extra houses. I would question this 8.8% growth model when past increases were quoted to the working party (page 11 Growth Model Session) to be 10000 new houses from 2001-06 and 9100 from 1996-2001 (19100 in 10 years). I would therefore conclude the UDS figure of 15010 for 2006-16 will be easily achievable and should be used as the DC figure in order to be consistent. Unless of course CCC want to put the hand brake on growth.

### **Specific Issues - Reserves**

- 19 Given the revision of the reserves policy to a cost based system which makes a standard charge of \$13,806 for sections above \$183,930 in value, we have no objection to the reserves charging policy. However we believe development should be continued to be given concessions on the following:

- 19.1 That credits be given for enhancement works carried out on the reserve land within a new subdivision (eg footpaths, trees, planting, etc.) as is currently the case.
- 19.2 Given that retention areas and wetlands are on Council's preferred wish list and that amenity values are gained from waterway enhancement, a developer must receive some reserve credits for creating them. Currently a developer is credited for any reserve land not inundated by a 5 year storm flood. That credit should remain.

### Specific Issues – Network Infrastructure

- 20 Sewer & Water Supply - These per lot charges have increased from \$1647 to \$7,639 (2006 figure, over 4 times) to \$10,274 Inc GST (2007 figure, over 6 times). How could these charges increase so much, where is the justification? Is the developer paying for all of the upgrades in this field when very clearly the existing ratepayers benefit, and some of the upgrades are to comply with the existing discharge consents? For example, new Ecan rules require only one or two accidental spills into rivers per year (rather than previously 6 or 8). These spills are generally caused by infiltration into old leaking pipes during rainfall. Upgrades (proposed to be paid by developers) will fix all those problems. However, the need for the upgrades are caused by new environmental standards and not new development. Similarly, new developments produce pipework which has a lifespan of 80 maintenance free years. Therefore for the next 80 years new development's rates will pay towards renewals within existing areas of the City "as well as" paying a significant amount up front at the development stage. This is double dipping.
- 21 Surface Water Management - These should be site specific. Most subdivisions deal with their own surface water management. It is usually dealt with "within the subdivision" via treatment and detention areas making stormwater run-offs no more than what occurs in it's current rural undeveloped state. This should be recognized in the policy as a remission. If & when off-site works are required that should be charged specifically and not as a City wide charge. Otherwise it will be contested as not having causal connection.
- 22 Transport – We have acknowledged that the growth portion has reduced, however charges still need to be proved to be correct by audit. Existing houses use improved roads (including out of district people, Selwyn & Waimakariri – including Pegasus Town), therefore a developer should only pay for a fair percentage based on proportionate allocation.
- 23 Leisure Facilities – we remain convinced leisure facilities should be substantially covered by rates with development paying a fair percentage based on proportionate allocation. There must be a direct link between the development and the new or upgraded leisure facility. Developers should not be expected to subsidise Council's social policies such as free library services and better non-profit making swimming pool facilities. Note that the Waimakariri charge is only \$170 per lot, that may be acceptable.

### Transition Provisions

- 24 Council resolved to introduce the new policy on a transitional basis at one third, two thirds, then 100% after 3 years. After the resolution was made it was decided the transition did not apply to the current charges of \$1647 per lot. We do not agree with that as the current charges were a base cost which previously covered new works, the very works which are being contested in the Capex. Where is the fairness or

transparency in deciding just to discount the increase when the increase “includes some of the existing charge”?

- 25 Furthermore, the transitional discounts which reflect the existing component at 15% of the new are wrong at 57% & 28%. They should be discounted at no less than 59.3% for Year 2009 and no less than 29.7% for Year 2010 because:
- the revised HUE charges for infrastructure & leisure range between \$14,641 & \$16,500. The existing charges of \$1647 is 10% of \$14,641 and 11.2% of \$16,500, not 15%. Therefore using the higher figure the transitional discounts (if you do not agree with Item 24 above) should be no less than 59.3% & 29.7%.

### **Implications of the draft policy**

- 26 We submit that the draft policy will have the following negative impacts on growth:
- 26.1 It will restrict development to the extent that it may not occur (probably developments will move to a neighbouring District), therefore Council may not receive funds to pay for the Capital Works that they chose to carry out; or
- 26.2 The people will pay. The extra costs will go straight on the top of the section prices. Is this fair? It will have the effect of increasing the value of all property. We believe this is not having regard to Section 5 of the Resource Management Act “.....which enables people & communities to provide for their social, economic, and cultural well being.....”?
- 27 A consequential significant reduction should be made in the level of charges and the proportion of contributions sought from development. This should be in the range of a proportionate charge in accordance with the projected population growth.
- 28 The WP was continually told by Council experts that the methodology can be discounted if Council so resolve. Such a discount can be considered if Council think the charges will have a negative impact on the City. Other Council’s in New Zealand have done this. We submit that Christchurch City Council should resolve to permanently discount DCs so that the level of contribution does not act to discourage development. Then we, as a city, can have the most successful development strategy in the country, which will produce lower cost sections a larger choice for our citizens, infrastructure that is planned and paid for. A city, where everyone can benefit from sustainable and viable urban growth.
- 29 Finally, developers are at present being criticised in the press for not producing affordable housing and therefore excluding the first home buyers from the option of a new home. "We say" our business is purely based on supply and demand. For as long as there is a shortage of zoned land (as at present) and high inequitable development contributions, the price of sections will never reduce to the affordable housing level. The best you, as a Council, can do is make a compromise and reduce development contributions, fund the balance out of rates, and to rezone more land quickly. That way development companies will remain working in the CCC and the market (due to a higher supply and competition) will lower the price.
- 30 SEL confirms that it wishes to be heard in support of this submission.

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