4. DEVELOPMENT CONTRIBUTIONS POLICY – CENTRAL CITY HOUSING REMISSION

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The purpose of this report is to examine in detail and seek approval for proposed central city housing remission provisions which are to be included in the draft Development Contributions Policy.

CONTEXT OF REPORT

A report outlining the proposed draft Development Contributions Policy was considered at the December 2003 meetings of the Strategy and Finance Committee and the Council. As stated in the draft Development Contributions Policy, the Council has a policy of encouraging residential development within the central city (four avenues). Such development is encouraged to support central city businesses, to achieve the City Plan's consolidation approach to urban growth and to help create a vibrant '24 hour' city. The Council recognises that additional central city residents will help revitalise the central city of Christchurch.

As such, in addition to other remissions the report proposed a remission from the standard residential development contribution payable with respect to central city housing. Specifically, the report summarised the central city housing remission as follows:

"A reduction to 50% of the standard contribution is provided for residential development or subdivision in the inner city area defined as land lying within the four avenues."

The Council resolved (inter alia):

"2. That, with the exception of the section of the policy relating to reserve contributions for residential development in the area lying within the four avenues, the draft policy be approved for inclusion in the draft 2004/2007 Long Term Council Community Plan …

3. That further information be brought to the Committee in February 2004 on reserve contributions for residential development in the area lying within the four avenues."

This report is in response to resolution 3.

ANALYSIS OF PROPOSED REMISSIONS

Living Zones Within the Four Avenues

It is clear from discussions with the development community that the application of a development contribution remission for residential development in the central city living zones will encourage further residential development in this area. Firstly, the remission will make many previously uneconomic redevelopments become economically feasible, and secondly, this remission will send a signal to developers that the Council is supportive of continued residential development and redevelopment within the four avenues. Such a remission would appear to encourage continued and indeed additional residential development as envisaged.

While there are obvious benefits that could arise from the implementation of this remission there are also some negative consequences. The key negative consequence is the effect such a remission will have on the character of the living zones. While the City Plan provides for higher density residential development in the central city and the change of character that accompanies it, it is a common concern of central city residents groups that this character is changing too much and too quickly. Certainly it is clear that the pace of change in the central city residential areas has quickened in the last few years as a result of the buoyant residential property market and the resurgent demand for central city living.

Applying such a remission in the living zones in the current property cycle may well intensify this pace of change. However, if the property cycle were depressed, applying this remission in a depressed property cycle may well help stimulate continued central city residential development/redevelopment when it is most needed. If able to be turned on and off such a development contribution remission may act to even out the pace of central city development and therefore the change in character.

For the above reasons it is considered that while it is a good idea generally, such a remission in the living zones is currently unnecessary and would be better applied to stimulate a 'sagging' central city residential market if one arose in the future. Therefore, it is considered that the implementation of a development contribution remission for residential development in the central city living zones be postponed at this stage, but it be signalled in the draft Development Contributions Policy that this may be implemented in the future, the need for it being assessed three yearly as part of the LTCCP review cycle. As such, a remission for residential development in the central city living zones could be implemented in 2007. Note that the central city has been defined as that area within the four avenues, including the area bounded by Moorhouse Avenue, Hagley Avenue and Antigua Street, since the report to the Strategy and Finance Committee on 1 December 2003.

Central City and Central City Edge Zones (Residential/Commercial uses)

Currently, the reserves contribution payable for residential developments in the Central City zone is calculated as 0.5% x the total value of the construction (ie the same as for business developments). The draft Development Contributions Policy requires development contributions for residential developments to be calculated as follows:

"Cash equivalent of the value of 20m^2 of land for each additional residential unit created, at the time of building consent, less any contribution made at the time of previous subdivision."

Preliminary analysis indicates that some residential developments in these zones will attract a higher development contribution under the draft Development Contributions Policy (which arguably may result in fewer, smaller or more expensive developments). However, applying a targeted remission will give the Central City zone and Central City Edge zone a competitive advantage over similar high density developments elsewhere, thereby resulting in a comparative incentive.

Given the commercial nature of these areas, it is considered that, rather than encouraging straight residential development, it would be better to encourage mixed-use developments. A mixed-use development would typically involve commercial activity on the lower floors with residential development on the upper floors. Encouragement is needed for these types of development as some developers have indicated that they are not confident preparing mixed-use schemes given the potential for reverse sensitivity on the business or leisure activities included on the lower floors from the future residents above. Re-wording the Development Contributions Policy to allow for a development contribution remission on the residential component of mixed-use developments would encourage this type of development, thereby ensuring the city's commercial areas retain commercial activity on the lower floors, while promoting associated residential development on the upper floors. It is considered that this approach is more targeted than the blunt approach in the draft Development Contributions Policy as at 1 December 2003.

Effect on Other Development Contribution Remissions

Currently there are a number of reserve contributions remissions available for such things as the provision of elderly persons' housing and the retention of notable trees and heritage buildings, objects or places. At the direction of the Strategy and Finance Committee at its meeting on 18 August 2003, the draft Development Contributions Policy proposes a number of additional development contribution remissions, such as for the provision of artwork in public places and the provision of social/affordable housing, to a combined total of 50%. If a 50% remission is available as above for the provision of central city housing (ie in conjunction with business development in the Central City and Central City Edge zones) arguably there is less or no incentive for the retention of heritage buildings, trees or the provision of social housing for example. These competing aims either need prioritising in terms of maximum level of remission and/or each should be apportioned a smaller portion of the total 'remission pot.' Alternatively, some desired outcomes such as heritage retention could be provided for through other or additional means outside of the development contribution remission provisions (eg the application of grants).

On the basis of discussions with the development contributions staff team, it appears that 50% is the appropriate remission maximum. It is also apparent that some of the competing aims are of greater importance than others. On this basis, it is proposed that the maximum remission available for central city housing be reduced (from 50% to 25%) and that the maximum remission available for heritage retention be increased (from 20% to 25%), in order to afford these two priority aims equal importance.

PROPOSED AMENDMENTS TO DEVELOPMENT CONTRIBUTIONS POLICY REMISSIONS

Given the above assessment, the proposed remissions have been amended as follows:

"*Credit, remission, postponement or refund of development contributions for open space and recreation (up to 50% with respect to elderly persons' housing, up to 25% with respect to central city housing and heritage retention, and up to 20% in all other circumstances, to a combined total of 50%) will be therefore be given on a case-by-case basis at the request of the applicant in the following circumstances:*

(j) Central City Housing

- *where the residential unit development is undertaken as part of, or in conjunction with, business subdivision and development in the Central City zone or Central City Edge zone and where at least the ground floor is in commercial use.*

It is also proposed that the implementation of a development contribution remission for residential development in central city living zones be postponed at this stage, but that it is signalled in the draft Development Contributions Policy that this may be implemented in the future, being assessed three yearly as part of the LTCCP cycle.

Staff Recommendation: That the Strategy and Finance Committee approve the above proposed central city housing remission provisions for inclusion in the draft Development Contributions Policy, which is to be included in the draft 2004/2007 Long Term Council Community Plan.

Chair's Recommendation: That the above recommendation be adopted.