

SUBMISSION ON DRAFT LTCCP 2009-2019

Name of Submitter: Johns Road Horticultural Limited
c/- Cardno TCB
P. O. Box 13 212
Christchurch

Attention: Richard Graham

Phone: 03 366 5428

Email: richard.graham@cardno.co.nz

We do wish to be heard in support of this submission.

SUBMISSIONS

THE NEW CONTRIBUTIONS ARE UNFAIR

1. The proposed increase in development contribution levies unfairly places the burden of capital expenditure on new and existing infrastructure on new property development rather than spreading the cost of this expenditure across all ratepayers. The proposed increases place an unfair cost on prospective purchasers of new sections and homes while existing homeowners get a relatively free ride with minimal rate increases each year. The cost of expenditure on new and existing infrastructure should be spread equally across all ratepayers within the City and development contributions should be reassessed and reduced in line with an equitable city wide approach to funding infrastructure.
2. The draft LTCCP states that it is Council policy to fund 'assets that are new or relate to level of service improvements' by way of capital subsidies, development contributions, or debt repayment. There is no reason why these funds should not also be sourced from rates as all homeowners derive a benefit from new assets and service improvements on existing assets.
3. In larger developments the majority of the new infrastructure, such as sewer and stormwater pipes, watermains and roads, is constructed by the developer at their cost and then vested in the Council. The Council therefore gets the new infrastructure provided at no cost but still seeks a contribution on top of the new asset from the developer. An assessment mechanism should be included within the development contribution methodology whereby the extent of new trunk services being provided are eligible for a discount on the total contribution payable in the same manner as the vesting of land for reserve purposes reduces the cash contribution required for reserves.
4. Under the current DCP structure having received a vested asset from a developer and taken a contribution on top of that the Council is still able to levy rates on these new properties and in effect has 3 opportunities to derive income in the form of assets or cash from the creation of a new section or home.
5. The proposed 2009-2019 DCP amendments include excessive increases in charges which cannot be justified. As an example the Waterways and Land Drainage contribution for the Otukaikino catchment is proposed to increase from \$339.55 incl GST per HUE for the 2008/2009

year to \$6589.58 incl GST in 2009/2010 an increase of 1940%. The total development contribution in the Otukaikino catchment will increase from \$9987.20 incl GST per HUE in 2008/2009 to \$18368.56 incl GST in 2009/2010 which is an overall increase of 184%.

6. While significant development is likely within the proposed Living G North West Belfast zone all new infrastructure in the development will be provided at the developers cost. Currently 1500 residential HUEs are anticipated which will result in a potential development contribution (excluding reserves contribution) collection of \$27,552,840 incl GST for the City. This is an absurd amount of money for which no logical explanation can be provided as to why this amount of money is required within the Otukaikino catchment area. As a further example all stormwater resulting from this development is intended to be treated on site and discharged to existing waterways with no new infrastructure required to be constructed by the Council. Any ongoing maintenance costs in years to come following completion of the development will be met by rates levies.
7. A further example is the increase in Community Infrastructure contributions across the City which have a 225% increase in contribution level from \$874.47 incl GST in 2008/2009 to \$1974.37 in 2009/2010. The cost of assets such as Cemeteries should not require contributions from new section or dwelling owners as these assets are clearly also used by existing homeowners who are equally likely to require a cemetery plot and should be contributing equally. Libraries are assets that will improve the local amenity for a wide range of people and again the costs should be funded equally across all homeowners via rate levies.

THE PROPOSED DEVELOPMENT CONTRIBUTIONS SIGNIFICANTLY EFFECT HOUSING AFFORDABILITY

8. There is little appreciation amongst staff and councillors of the impact that the new policy will have on new developments, the cost of new homes, growth in business, and the flow on effect to the community. The assumption underlying the proposal is that the Council must remain as the sole supplier of such services. The imposition of a capital levy on certain classes of ratepayers not only has the effect of locking such ratepayers to the Council's services but also excludes the entrance into the market of new suppliers who would survive by providing alternative or cheaper services. This has a detrimental effect on efficiency and innovation and may lock in environmentally unsustainable services. It also places an ongoing funding burden on the Council, and consequently ratepayers, and inexorably, leads to anti-competitive behaviour. For Christchurch to attract business and jobs it must have a flexible and competitive infrastructure. The debate surrounding the funding of the upgrade and expansion must be accompanied by a rigorous and objective analysis of the efficiency and consequences of all the alternative approaches. This is required by the pertinent legislation and in terms of general competition law.
9. The current economic costs of development within the Living G North West Belfast zone that can be directly attributable to Council consent process, fees, and levies now account for at least 50% of the cost of a small lot priced at an affordable market level. Further increases in development contributions only serve to have further negative impacts on housing affordability levels as ultimately any increase in contribution is included within future purchase prices.
10. An affordable section needs to be priced no higher than \$150,000, because after building costs, an affordable house beyond reach if the site becomes more expensive. The proposed development contribution increases described in paragraph 4 above will result in the \$150,000 section becoming \$160,000 being an increase of 9.4%.

11. The affordability issue becomes even more disturbing when an increase in land cost of 9.4% is set against a current financial climate of continuing reduction in house prices.

CONSULTATION PERIOD HAS BEEN INSUFFICIENT

12. It is submitted that the Council should have allowed more than the minimum statutory period of one month for the consultation process due to the significance of the policy and the complexity of the issues.
13. The consultation process has not reflected the importance of the issues or taken account of the fact that there are no appeal rights to either the outcome of this process or to a contribution assessment.
14. It is submitted that the Council's responsibility is particularly acute because the Council is effectively the monopoly supplier of the services such as waste water and water supply. In addition to the obligations under the LGA the Council has a heightened responsibility to demonstrate through the consultation process that the charges are efficient and that they are not set at a higher level than they would be in a competitive market. The submission is that the consultation process has been flawed in a number of respects.
15. Council staff have made submissions on the proposed new DCP which includes further information relating to the calculation of equivalences for non-residential development. This information should have been available when the Draft LTCCP document was released and not only become available on 1 April 2009, halfway through the consultation period.

LACK OF CAUSAL NEXUS BETWEEN NEW DEVELOPMENT AND CONTRIBUTION TO FUND GROWTH

16. The supporting material does not demonstrate the direct link (causal nexus) between the development and the contribution to fund new or upgraded infrastructure; that cross subsidies between existing ratepayers to new residents and vice versa have been avoided.
17. The supporting material does not establish a fair breakdown of cost in the case of works relating to a related catchment or area that are purely to serve growth needs or to serve the existing population as well, taking account of the off-setting factors such as where the driver for the capital cost relates (in part) to improved level of service for existing residents where prior levels are below the desired standard, and/or the costs relate to deferred works. For many of the activities e.g. water and wastewater a City-wide approach is taken, and no explanation is given for this approach, which requires developer/investors in one part of the City to fund completely, unrelated capital expenditure.
18. This approach cannot be justified for wastewater disposal, which is isolated in a piped network system. While upgrades of the treatment system should be shared amongst the majority of the City, pump stations and other infrastructure in many cases clearly serve defined catchments.

POLICY IS INEFFICIENT AND CONFLICTS WITH OTHER POLICIES

19. The policy is inefficient as it disregards relevant economic theory. The model is preoccupied with the Council's perception of what is equitable with respect to payment by so called new residents to the City and has no regard at all to economic efficiency. The Council has not shown why it is more efficient to fund from development contributions in preference to other broad based tax (eg general rate) for some projects/activities.
20. The increase in development contributions in the next financial year will result in an increased collection for the Council and will provide additional funds to be put towards projects to which they are allocated. This is in complete conflict with the proposed policy to spread the cost of new infrastructure and capital expenditure over the life of the asset by increasing the levels of Council debt. The purpose of raising debt levels is to reduce Council expenditure in the short term yet the DCP seeks to significantly increase Council income in the short term. The draft LTCCP does not adequately demonstrate that such a significant increase in development contribution income is required when expenditure is to be covered from debt sources.
21. The Mayor writes in The Press (26 March 2009) that by increasing debt levels to fund these items any increases in rates can kept to a minimum. In order to be equitable across all households within the City the level of any development contribution increase should also be minimised. The current proposed levels of increase in 2009/2010 are 184% for development contributions in the Otukaikino catchment and 3.90% for rates in the same zone. There is clearly a discount being applied to rates paid by existing homeowners by purchasers of new sections or dwellings who are being financially penalised by extraordinary levels of development contributions in the first place and significant increases in the current contribution levels.
22. The model makes various erroneous assumptions for instance, that existing capacity is being efficiently used and therefore that the estimated new capacity including the growth component is necessary.
23. It also wrongly supposes that all new commercial development, for instance, industrial activity that depends on growth in markets external to the district may have little relationship to the district's population growth. Secondly, the expenditure could relate to upgrading of facilities to accommodate the growth in demand but in respect of efficient pricing funding would not generally discriminate between new and old customers.
24. The submitter questions whether all the proposed works are necessary, for example world trends and technology are moving towards decentralisation of sewer and stormwater treatment, with both being treated on site rather than transported to a central point where they become an environmental problem.
25. Can the Council be sufficiently certain that this expenditure will be necessary and the items in question required in the future, for example will not the use to which people put libraries change with the growth in information technology? Has the impact of the historical advance of technology been factored in?

ASSUMPTIONS RELATING TO GROWTH

26. In fact new development and subdivision will comprise a significant proportion of existing residents who are relocating with their surrendered capacity being taken up by new entrants.

New entrants will contribute to the cost of growth related to so called existing ratepayers without any reciprocal arrangement.

27. Developers could choose whether they wished to make their own arrangement while if they wished to join the council system the question of cost recovery should be competitive.
28. The Council's projections does not allow for third party supply of services, for instance, developers could use existing water rights to supply households with water, provide sewage treatment and build roads. Third party provision of utilities is becoming commonplace. Such provision should help to avoid the Council effectively establishing a monopoly.

TIMING OF PAYMENT

29. The proposed policy requires payment of contributions within 12 months of the date of assessment. The submission is that this is too short a timeframe, particularly in terms of staged developments, and should be extended to a minimum of 3 years. Even in single stage developments of say 25-20 lots 12 months is not a reasonable length of time to be able to complete all development works following issue on consent and DC assessment particularly if construction is delayed by inclement weather.

RESERVE CONTRIBUTION

30. The submission supports the reduction in reserve contribution from the current \$13806.00 incl GST to the proposed \$8641.00 incl GST.
31. The submission notes though that the significant reduction in reserve contribution from that determined under the 2007-2009 DCP demonstrates the uncertainty in calculating the level of contributions that may be required and the Council cannot provide any certainty that the figures proposed in the 2009-2019 DCP are accurate.
32. The reduction in reserves contribution indicates that all developments charged under the 2007-2009 DCP have been overcharged and should be entitled to a refund as the model used to determine this levy is proven by the reassessment under the 2009-2019 DCP model to be fundamentally flawed.

The submitter wishes to be heard at the hearings held between Monday 11 May and Monday 18 May 2009.

Dated 16 April 2009



.....

For Johns Road Horticultural Limited

