

MINUTES

WEDNESDAY 25 MAY 2005

9.24 AM

**Committee Room One
Ground Floor, Council Offices
101 Wakefield Street
Wellington**

PRESENT:

Mayor Prendergast
Councillor Foster (Chair) (9.28am – 11.40am)
Councillor Armstrong
Councillor Goulden
Councillor Ruben
Councillor Shaw

APOLOGIES:

Councillor Shaw

001/05DC **CONFIRMATION OF CHAIR**
(1215/52/05/IM)

NOTED:

The meeting commenced at 9.24am. In the absence of Councillor Foster, the meeting called for nominations for a member to chair the meeting until Council Foster arrived.

RESOLVED:

THAT the Development Contributions Subcommittee:

- 1. Agree that Mayor Prendergast chair the meeting until Councillor Foster arrives.*

(The meeting adjourned at 9.25am and re-convened at 9.28am. Councillor Foster took the Chair.)

002/05DC **APOLOGIES**
(1215/52/05/IM)

RESOLVED:

THAT the Development Contributions Subcommittee:

1. *Accept apologies for absence from Councillor Shaw for Wednesday 25th May 2005.*

NOTED:

Councillor Shaw had advised that he would be unavailable on Wednesday 25th May 2005 but would be present at the remainder of the meeting.

003/05DC **CONFLICT OF INTEREST DECLARATIONS**
(1215/52/05/IM)

NOTED:

There were no conflicts of interest declared.

004/05DC **PUBLIC PARTICIPATION**
(1215/52/05/IM)

NOTED:

There was no public participation.

005/05DC **ORAL SUBMISSIONS – DEVELOPMENT CONTRIBUTIONS
POLICY**
(1215/52/05/IM)

NOTED:

1. Robert Linterman and Ian Cassells (Whats New Group) expressed concern that the proposed policy was simply an additional tax on developments, a “double dip” on developments that benefit the whole city, not only those who pay. Also concerned that it would act as a disincentive to development. Cited the Hannah’s development of an example of benefit to the City of developments – submitted a BERL Report that Whats New commissioned to demonstrate this benefit. Mr Cassells expressed his concern that the Policy was a ‘done deal’ and that his submission would not alter the Subcommittee’s decision. See

Submission 16 for further details.

2. Mike Fox (Wellington Registered Master Builders Association) advised the Subcommittee that the District Plan encouraged infill housing, and the Policy would stifle such development. The City's building stock is ageing, needs improving, this Policy will act as disincentive. Mr Fox said that the differing fees across the City were unfair, penalised the suburbs that already face significant contributions levied through roading contributions and reserves fees, etc. Should be a uniform levy across the whole city. The 2004 Building Act is also putting huge costs on small builders/homeowners, and the new fees will increase that burden. See Submission 21 for further details.

(The meeting adjourned for morning tea at 10.24am and reconvened at 10.38am.)

3. Jason Goodall (Russell McVeagh for Progressive Enterprises) and Dr Douglas Fairgray (Market Economics Ltd) agreed with the principle of the Development Contributions Policy but asked if Council does adopt a policy it must be fair and reasonable to all. The non-commercial ratio of 2.6 fulltime employees being equal to 1 EHU doesn't represent reality and should be more like 5 or 6 FTEs to 1 EHU. Progressive supports Council's proposal to offer credits for the existing gross floor area of a site to be developed. Progressive asks for consideration to be given to allowing apportionment of the fees over 10 years. See Submission 23 for further details.

(The meeting adjourned at 11.40am Wednesday 25th May 2005 and reconvened on Thursday 26th May 2005 at 9.22am)

PRESENT:

Mayor Prendergast (9.22am – 12.22am)
 Councillor Foster (Chair)
 Councillor Armstrong
 Councillor Goulden (9.22am – 10.02am) (10.06am – 11.45am)
 Councillor Ruben
 Councillor Shaw

4. Rodney Callender (Lincolnshire Farms Ltd, Best Farms Ltd, Stebbings Farmlands Ltd) explained the background to the developments of the Farms, particularly the water supply to the new subdivisions, and long lead time before profits are realised and the debt levels carried in such developments. He is concerned that the fee structure doesn't take into account developers who build the required infrastructure 'up front'. In his case, he built 3 reservoirs to service current and future subdivision, neighbouring developers connected to

it without any refund back to him, and then he was charged by Council for connecting to the reservoirs he had built. Similar experience regarding provision of new subdivision roading. See Submission 7 for further details.

(Councillor Goulden left the meeting at 10.02am and returned to the meeting at 10.06am.)

5. Mark McGuiness (Willis Bond & Co Ltd) explained that his firm is not against paying a 'fair share' but he is concerned that the fees proposed will impact on Wellington's competitiveness as a city. Building costs are already slated to increase by 20% in the next 2 years. There are economic levers that are out of Council control that are coming into play. A flat dollar charge per EHU will increase the cost of low cost housing as a percentage of value. Could make it harder for people to buy their first home. If Wellington had a 4-5% growth rate it wouldn't be a problem, but it is so low already that it will slow development. Suggests that fees be payable upon building consent rather than resource consent to discourage developers from marketing 'off the plan' thereby delaying the payment of the fees as long as possible. The policy needs to state when and how it will be reviewed from time to time. See Submission 20 for further details.
6. Norm Wright (Woodridge Estates Ltd) explained that his company are generally in agreement with the draft Policy provided that, with respect to water supply, the fee only be applied to capacity over and above what the developer has already supplied. With respect to Roding, Mr Wright stated that two of the four nominated roading projects in Area J would have no benefit to Woodridge's areas – suggested splitting Area J into two, one for Grenada and one for Woodridge. See Submission 15 for further details.

(The meeting adjourned for morning tea at 10.22am and reconvened at 10.37am.)

7. Andrew McKenzie (Joyce Group Ltd) explained that his company is involved in the provision of Student accommodation in the city. He suggested that the fees for a single person occupation should be less than for (say) a four person occupation unit. He gave examples of two recent projects where the draft Policy if applied would have resulted in a 10-fold increase in the fees payable. He stated that such a Policy would make such projects uneconomic. See Submission 12 for further details.
8. Gerald Fitzgerald, Hayden Wilson (Kensington Swan, representing Building Solutions, CAS Property Management, City Living Group Ltd, Willis Bond, Globe Holdings Ltd, Land Equity Ltd, and Prime Property Group) advised the Subcommittee that the companies they

represent accept that most Councils have decided to adopt a Development Contributions Policy, but urged Council to remember that development is a competitive market and the Policy will impact on where a developer decides to put their money. They said the draft Policy needs further work, timeframe for consultation too short, benefits of development not adequately considered. Council is following the same 'top-down' approach that other Councils assume that Section 199 of the Local Government Act 2002 permits, but argue that Section 101(3) and the Thirteenth Schedule of that Act require a 'bottom up' approach. If Council is proven legally wrong then the contributions collected could represent a significant contingent liability. Refund provisions are not well covered, It is unclear when, by what mechanism and to whom refunds will be paid. Refunds should be paid to those who paid them and only to the landowner (if different) if that was agreed under the Sale & Purchase Agreement. Unclear as to whether contributions will be used to retire debt on CAPEX already incurred. Council is reminded that development is market driven, the Policy will drive up costs, dampen the market, have a bigger impact on low cost projects. See Submission 18 for further details.

(Councillor Goulden left the meeting at 11.45am.)

9. Bernie Harris (Federation of Wellington Progressive and Residents Associations) told the Subcommittee that the FWPPRA had no objection in principle with the draft Policy, but had some difficulty with the details of it, particularly a concern about double-dipping with respect to depreciation, problems with the definition of 'growth' in the policy, and the lack of criteria for dealing with applications for exceptions to it. Fees for developers still too low. See Submission 13 for further details.
10. Ian Leary (Spencer Homes) advised that he believed the maps in the Northern Growth framework area were not refined enough to distinguish well between developed and undeveloped areas. He understands the higher levies required of undeveloped areas, because of the need for new/greater infrastructure but \$14,000 is too high. Actual cost to developer of greenfields section is \$30-\$40,000, which includes infrastructure. Subsequent sections get hit with another \$14,000. Infill development is slowing, building margins are closing up. This 'big hit' increase will further slow development. Mr Leary explained that a development value of \$20 million would incur an increase of \$700,000. See Submission 17 for further details.

(Mayor Prendergast left the meeting at 12.22pm)

(The meeting adjourned for a 5 minute break at 12.30pm and re-convened at 12.35pm.)

11. Michael Taylor (individual) submitted that proposed levies were too low and would fail to pay for a share of the existing infrastructure that any new development has the benefit of. Mr Taylor believes that if the value of the infrastructure used by a development exceeds the existing Council debt incurred in providing it, then the development should pay a proportionate share of that cost. See Submission 24 for further details.

12. Daniel Newman and Brent Slater (New Zealand Property Council) advised the Subcommittee that it believed the draft Policy was quite sound but it needed further refinement , especially in the area of non-residential development. Mr Newman argues that non-residential development does not impact on park and reserves and therefore should be exempt from that part of the levy. See Submission 25 for further details.

The meeting concluded at 1.08pm on Thursday 26th May 2005..

Confirmed: _____
Chair
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