
REPORT 1
(1215/52/05IM)

**DEVELOPMENT CONTRIBUTIONS – POLICY
UPDATE**

1. Purpose of Report

To report back to the Subcommittee on work that was requested in 2006 and to advise on options for changing the Development Contributions Policy that would enable the Council to fund some planned capital expenditure for community infrastructure using development contributions, and to amend provisions that apply to other types of infrastructure.

2. Recommendations

It is recommended that the Subcommittee:

1. *Receive the information.*
2. *Recommend to the Strategy and Policy Committee that it recommends to Council that development contributions be applied as a funding tool for growth related capital expenditure for the following community infrastructure projects in the 2006/16 LTCCP.*
 - *Keith Spry Pool*
 - *Wellington Regional Aquatic Centre*
3. *Recommend to the Strategy and Policy Committee that it recommends to Council that the Development Contributions Policy be amended to include the Northern Gateway Project (Roading).*
4. *Recommend to the Strategy and Policy Committee that it recommends to Council that having considered each of the projects above, it finds that there is no demonstrable case supporting departure from the key funding principle in the existing Development Contributions Policy that development contributions fund 100% of growth related capital expenditure.*
5. *Instruct officers to prepare amendments to the Development Contributions Policy to give effect to the recommendations for consideration by the Strategy and Policy Committee.*

6. *Note that the proposed changes to the Development Contributions Policy will require an amendment to the 2006/16 LTCCP which will be consulted on at the same time as the draft 2007/08 Annual Plan and that the Development Contributions Subcommittee will hear submissions on the proposed amendments to the Development Contributions Policy and report its deliberations and recommendations to the Strategy and Policy Committee.*

3. Background

3.1 Activity

The Development Contributions Policy (the Policy) took effect on 1 July 2005. The table below illustrates the activity generated by the policy since it was implemented.

	2005/06	YTD 2006/07	Total
Assessments			
On building consents	557	524	1,081
Other types of consents	423	168	591
Total number of assessments	980	692	1,672
DC required			
On building consents	170	142	312
Other types of consents	208	124	332
Total number of DCs required	378	266	644
Total amount invoiced	\$139,920	\$543,661	\$683,581

The Policy provides that Council may grant remissions in exceptional circumstances. The Committee (under delegated authority in its terms of reference) approved a remission in August 2006.

The applicant sought remission based on several factors but primarily stated that the original consent application was made prior to 1 July 2005 so the application should be considered under the Transitional Provisions of the Policy. The Subcommittee agreed with the applicant and granted remission. The assessment of \$254,066.49 was withdrawn and the applicant paid \$28,884.

3.2 Work Requests from the Subcommittee

When the Subcommittee reviewed the Policy in 2006, it requested the officers to undertake further work to identify options for funding growth related capital expenditure for community infrastructure.

The Subcommittee also requested that further work be done on the provisions of the Policy for reserves, including correcting an error identified in June 2006 (just prior to the adoption of the amended policy) regarding the mapping of the Overseas Passenger Terminal.

4. Discussion

4.1 New Infrastructure – Community Infrastructure

The Policy¹ recognises that population growth places pressure on community infrastructure. Double digit growth assumptions (as a percentage of base 2001 population figures) are expected for:

- Population
- Households, and
- Employment

Charging development contributions for growth related capital expenditure on community infrastructure advances community outcomes. The relevant outcomes are:

- Opportunities for active and passive recreation in Wellington will be diverse, safe affordable, accessible and attractive.
- Wellington's communities will have ready access to multi-use indoor and outdoor facilities and spaces.

The cumulative effect of a significant growth in population places increased demand on existing facilities which ultimately reduces accessibility. Development contributions can fund new capacity to maintain accessibility; however it is not an appropriate funding method for renewals² or increases in service levels.

For development contributions to be applicable the methodology on page 57 needs to be applied to planned capital expenditure shown in the LTCCP. This was considered for capital expenditure for libraries, swimming pools, community centres and the indoor sports centre. An analysis showed that most of the planned expenditure was ineligible for funding from development contributions because it was to fund renewals or increases in service levels to all residents and the growth component could not be identified. The Indoor Sports Centre project was ineligible principally because the project has been promoted to meet existing need and demand. It was identified that the increased capital expenditure budgeted to increase capacity from 8 to 12 courts would have an element of growth related expenditure. However, the Council has already agreed that this would be funded using a targeted rate. Clause 10.2.2 of the policy does not allow the Council to use development contributions where another source funds the growth component of the project.

¹ See section 8. The policy projected an increase on the 2001 census figures of 8.2% in population and 9.5% in households by 2011. The 2006 census figures show that these projections have already been surpassed. By 2021 the expected increases are 13.4% and 19.2% respectively. The policy assumptions are derived from medium projections. A high projection provides for a population increase of 30% by 2026.

² S 204 (1) (b)

Two swimming pool projects were found to be eligible for funding from development contributions, because much of the investment is attributable to growth. Appendix three shows the development contributions that arise from an analysis of the growth related expenditure within the projects.

4.2 Changes to Roading and Traffic Provisions

4.2.1 Northern Gateway

This project is currently in the LTCCP and a change to the Policy, such as is shown in Appendix four would enable development contributions to be applied.

Future urban development of the land currently used for port and railyards will generate a substantial amount of new vehicle traffic onto an important gateway route into and out of the city as well as substantial increase in pedestrian numbers between the new development, public transport hubs and the rest of the central city. This will require improvements to be made to the road corridor and to key intersections to facilitate this growth and ensure that congestion is managed appropriately. The methodology used has been to:

- (a) define a sub-catchment comprising the areas of future development;
- (b) estimate the quantum of future development using the best available information available;
- (c) calculate the EHUs based on floorspace and number of residential units
- (d) model the traffic generation, flows and levels of service based on the expected development and compared to the existing situation;
- (e) design an improved road corridor and intersections to cope with the estimated increase in traffic;
- (f) estimate the capital costs of improvements;
- (g) estimate the citywide funded proportion of the improvements;
- (h) apportion the costs of improvements relating to the sub-catchment to each EHU of the proposed development area.

4.2.2 Johnsonville Roading Improvements

Any decision to amend the LTCCP by including this new initiative is expected to have a consequential effect on the Policy. The specific changes cannot be shown until the Council makes a decision to approve the project.

4.3 Mapping Changes - Overseas Passenger Terminal

During the review of the Policy as part of the 2006/16 LTCCP, it was recognised that the Overseas Passenger Terminal (OPT) had been mapped incorrectly. As it was discovered during the consultation phase of the 2006/16 LTCCP the error was unable to be corrected and the Subcommittee requested that it be revisited this year.

The particular error is that the OPT is currently mapped in catchment N (central) rather than catchment K (inner city). The contributions payable under each catchment are identical, except that in catchment N there is no local purpose reserves contribution payable but in catchment K each residential EHU

must contribute \$2099 to local purpose reserves. That contribution is made up of inner city projects found in section B6.1.1 of the Policy.

It is noted that the OPT is within the Wellington Waterfront and that there are current negotiations proceeding to redevelop the site. The potential developer of the site is aware of this issue and the consultation process will ensure that the interested parties are made aware of the proposed change.

4.4 Policy and Legal Considerations

Most of the proposed changes, as itemised in Appendix Two, are either minor corrections or changes to the text of the current policy to give effect to the objective. The appendix distinguishes the corrective changes from the substantive changes (for example the inclusion of community infrastructure).

There are numerous provisions in the Local Government Act 2002 (the Act) that prescribe the legal requirements that the Council is required to address in order to make changes to the Policy. These requirements are addressed in Appendix one.

4.5 Future Work

Further work to review the Policy is intended and progress on this will be reported to the committee later in the year.

4.5.1 Reserves

Work is progressing on reviewing and updating the Reserves section of the Policy. At present the following provision is made for reserves:

- Citywide reserves – covering the growth related portion of existing LTCCP budgets for parks and gardens
- Greenfields – local purpose based on a formula in the Policy
- Inner city catchment – contribution to existing inner city projects as detailed in section B6.1.1 of the Policy.

The reserve provisions seek development contributions for the growth related capital expenditure in the 2006/16 LTCCP. However it has been identified that this approach has its limitations.

A programme will be implemented over the next financial year to review the current approach and explore an alternative method. It requires the bringing together of the Capital Spaces Open Space Strategy, reserve management plans and citywide asset plans (such as the Tracks and Playgrounds policies) to quantify the open space and reserve needs projected to meet the growth of Wellington.

The focus of this work will be on:

- contribution to citywide assets (such as the outer green belt)
- the projected growth of the inner city catchment and forecast needs for the catchment

- the projected growth of infill housing, in particular in areas such as the Johnsonville – Airport growth spine
- greenfields development (particularly in the north and the work being undertaken to develop the draft Northern Reserves Management Plan)

4.5.2 Review Zones

The Policy's catchment zones show the potential usage and growth in demand that influences capital expenditure. It is intended to review these zones to improve the accuracy of the policy for areas of benefit and development contributions per EHU.

4.6 Communication and Consultation

The proposal would be subject to the special consultative procedure. Consultation would be undertaken in conjunction with the draft Annual Plan 2007/08 with a specific consultation plan designed (as in previous years) to ensure the development community is made aware of the changes.

5. Conclusion

Changes to the current Development Contributions Policy will enable the Council to fund planned growth related capital expenditure using development contributions. Some changes will have a significant effect as they extend the scope of the policy and change the development contributions payable for infrastructure that is already covered by the Policy.

Contact Officer: *Wayne Murphy, Senior Policy Advisor*

Supporting Information

1) Strategic Fit / Strategic Outcome

The policy supports the Council's future infrastructure needs and advances the development of the policy to accommodate community infrastructure.

2) LTCCP/Annual Plan reference and long term financial impact

The policy links to the LTCCP. Changes to the policy amends the LTCCP.

3) Treaty of Waitangi considerations

Not applicable.

4) Decision-Making

Options are presented in terms of the opportunity cost for timeframe in implementing changes to the policy.

5) Consultation

a) General Consultation

The proposals can only be implemented by way of Special Consultative Procedure. This can be conducted in concert with the draft Annual Plan 2007/08.

b) Consultation with Maori

Maori will be consulted during the Special Consultative Procedure.

6) Legal Implications

Statutory requirements are noted in the report. Council's legal advisors have been involved in preparing the proposed changes to the policy.

7) Consistency with existing policy

The recommendations are consistent with core principles of the Development Contributions Policy and are in response to a decision by Council requesting further work to be done on the policy.....

Analysis of legal issues for changes to the Policy

LG 02	Requirement	Policy
106 (2) (a)	Summarise and explain the capital expenditure identified in the LTCCP that the Council expects to incur resulting from growth.	The LTCCP provides for the following: <ul style="list-style-type: none"> • Keith Spry Pool • Wellington Regional Aquatic Centre • Northern Gateway
106 (2) (b)	State the proportion of that capital expenditure that will be funded by development contributions.	The proportion of expenditure to be funded by development contributions takes into account the objective that development should pay 100% of growth related expenditure, while recognising the use of catchments aids transparency. The schedule to be added to Appendix B of the policy quantifies the proportion of capital expenditure that is to be funded by development contributions.
106 (2) (c)	Explain why the Council has chosen the funding tools it intends to use.	See part nine and 12.3 of the Policy. No changes are proposed to comply with this requirement.
202 (2)	Specifies the level of contribution payable indifferent parts of the city	Appendix A of the Policy to be amended to add a new citywide infrastructure type 'Community infrastructure'.
202 (1) (b)	Specifies when a development contribution will be required	See part three of the Policy. No changes are proposed to comply with this requirement.
201 (1) (c)	Prescribes conditions and criteria applying for remission, postponement and refund of development contributions	See 2.6 of the Policy. No changes are proposed to comply with this requirement.
201 (b)	The significant assumptions underlying the calculations	See part eleven of the Policy.
Sch 13	A schedule that shows how the development contributions are calculated	Amend section 12.1 of the Policy by introducing new Community infrastructure section. Appendix B shows the methodology. This appendix to be amended by including a schedule for the three projects shown above.
102 (6) and 94	Amending the Development Contributions Policy shall be audited as it amends the LTCCP	N.A

APPENDIX 2

Proposed Changes to Development Contributions Policy

Page	Policy Ref	Change	Type
9	2.4	Amend / update schedule	substantive
	6	Insert new catchment maps Swimming Pools Northern Gateway	substantive
	6 K: Inner City	Change boundary of Zone K and Zone N	correction and substantive
43	8.2.6	Delete word 'below' and replace with 'in 2.5.5'	correction
48	11.1.2	Step Two – change '(refer to 3 above)' to read '(refer to 9 above)'	correction
48	11.1.2	Insert line between steps three and four	correction
48	11.1.2	Delete 'in the District Plan' and replace with 'clause 5 'Definitions'.'	correction
52	12.1.12	Replace with Citywide reserves and community infrastructure Citywide reserves and community infrastructure comprise amenities such as the botanic gardens, sporting facilities, swimming pools and open space. They are destination reserves and facilities that provide active recreational facilities to the city community. Increased demand can come from anywhere in the city	substantive
52	12.1.13	Replace with Growth impacts on these amenities in a number of ways including degradation in the quality of the amenity, overcrowding, changes in activities and usage by residents, etc. Capital works are continually required to upgrade these reserves to accommodate increased usage and to purchase new land and assets. Works are planned to cater for growth to ensure cost effective use of the Council's resources and assets.	substantive
52	12.2.1	In addition to citywide development contributions, capital works are.... Examples include Development of local community infrastructure such as playgrounds and open space to service a new subdivision or to cater for additional growth in household units within existing suburbs or the inner city.	substantive

APPENDIX 2

Page	Policy Ref	Change	Type
52	12.2.2	It is anticipated that specific catchments will be defined from time to time as specific local works are required to mitigate the impact of growth on the local community. There are specific catchments for water supply, wastewater, reserves, roads and community infrastructure.	substantive
54	12.2.11 12.2.12	Insert new provisions relating to Northern Gateway roads.	
55	Appendices A And B	Change tables to include community infrastructure Amend in conjunction with changes to catchment zones	substantive
57	Appendix B B1.1.2	Add '(f) community infrastructure'	substantive
58	Appendix B B2.1.1	Add community infrastructure	substantive
59	B5.1.1	New roading catchments and new projects to be added to Roding table.	substantive
New	B7	Insert new section for community infrastructure	substantive

Community infrastructure

B2.1.1

Activity	Planned capital expenditure	Gross contribution amount	Less subsidy receivable	Net contribution amount	Expected increase in EHUs	Development contribution per EHU
Community Infrastructure						
Swimming pools	\$12,324,000	\$5,362,000	\$0	\$5,362,000	9175	\$584.41

B7.1 Community infrastructure – Catchment based

B7.1.1 Community infrastructure is predominantly used by residents of the local area, but people resident in other areas of the city may also use the facilities, depending on the type of facility. Some local purpose community infrastructure can also be used on a less frequent basis by all residents and by visitors to the city. A ratio is applied to fairly reflect the expected predominant usage under the following methodology:

- (a) Determine the expected area of benefit. If the facility is intended to service a part of the city, define the catchment using the most suitable census area units.
- (b) Determine whether the potential for a local facility to be used by residents living outside the catchment area is likely to be significant. For example where the local facility is part of a network or hierarchy of facilities there is potential for it to accommodate citywide growth. An example of this is shown in B6.1 of this policy (Reserves).
- (c) Determine the capital expenditure. Where capital expenditure is for increased levels of service, renewals and growth, only the growth component is eligible for funding by development contributions.
- (d) Apply the benefit ratio where expected growth related usage is a combination of local catchment zone and citywide.

	Planned capital expenditure	Growth component	Expected increase in EHUs	Development contribution per EHU
Local Project				
Keith Spry Pool	\$6,000,000	\$3,381,793	3849	\$879

- (e) The growth component is quantified by:
 - An increase in funding required to provide additional capacity in a planned facility upgrade, or
 - The proportional change in EHUs in a community or citywide.
- (f) Mixed benefit projects are assessed on the basis of data indicating where users are domiciled

Section 12 – Development Contributions for specific catchment areas

Northern Gateway Sub-Catchment

12.2.11 The future urban development of the land currently used for port and railyards will generate a substantial amount of new vehicle traffic onto an important gateway route into and out of the city as well as substantial increase in pedestrian numbers between the new development, public transport hubs and the rest of the central city. This will require improvements to be made to the road corridor and to key intersections to facilitate this growth and ensure that congestion is managed appropriately.

12.2.12 Therefore a sub-catchment has been defined based on the areas of future development which will generate the majority of the increased traffic and turning movements.

B5.1 Roading

Three traffic and roading catchments are identified for new roads. Two come as part of the Northern Growth Management Plan. The third recognises the response to growth around the port and railyards land at the northern gateway to the city.

This capital expenditure is included in capital projects CX311 and CX493 respectively as budgeted in the Council's LTCCP and related amendments. The calculation of development contributions in the following table identifies the proportion of the capital expenditure relating to growth divided by the estimated growth in EHUs.

Northern Gateway	Planned capital expenditure	Subsidy	Proportion relating to growth	Growth EHUs	Development contribution per EHU
Intersection and roading improvements	\$10,000,000	\$2,500,000	\$2,500,000	3845	\$650
Total	\$10,000,000	\$2,500,000	\$2,500,000	3845	\$650