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Closed date: 30 April 2015

2015-16 Draft Development Contributions Policy Proposal Summary

Background

The Development Contributions Policy provides Council with a means of recovering the costs of some specific growth infrastructure required for new development, where development results in an increase in demand on the city's infrastructure. The policy is required to be reviewed at least every three years as per the Local Government Act 2002.

Council's Development Contributions Policy was first adopted in 2005, and is generally amended alongside the Council Long-term Plan.

Reasons for proposal

Development contributions are a key component of Council's strategy for funding growth-related capital expenditure.

Reviewing and updating the Development Contributions Policy ensures that the Council's development contribution charges are based on the capital expenditure forecasts and assumptions in the Council's 2015-25 Long-term Plan.

Analysis of Reasonably Practicable Options

The table below contains an analysis of the reasonably practicable options for funding Wellington City Council's growth related capital expenditure:

Options	Analysis
Development Contributions (Local Government Act 2002)	<p>The Council incurs a certain amount of capital expenditure, to provide assets of increased capacity to cater for growth in the city. As the cause of this expenditure, it is only fair that a portion of this cost is recovered directly from the development community through the collection of development contributions.</p> <p>While this does create a significant upfront cost for development, if these costs were not funded by the development community the main alternative would be to increase rates by a substantial amount to fund these costs. Council's view is that this would impose an unfair financial burden on the ratepayers of the city.</p>
Financial Contributions	Financial contributions are similar to development

(Resource Management Act 1991)	contributions, and are used to fund capital expenditure where the spending is required to mitigate the environmental effects of developments. The financial contributions system is open to merits based appeal through the Environment Court, which adds cost, time and uncertainty for Council. For this reason, Council has chosen to use development contributions for majority of cases, rather than financial contributions. Financial contributions are used for circumstances where the Council's Development Contributions Policy does not apply. The Council's approach to financial contributions is summarised in the draft Development Contributions Policy, but set out in detail in the Council's District Plan.
Rates (either targeted or general rates)	<p>This option would involve collecting rates from the growth community (targeted rates) or the whole community (general rates) over a specific timeframe, to fund the cost of growth-related capital expenditure.</p> <p>General rates – this would impose the cost on the whole community rather than targeting the funding of these costs at the growth community which has caused these costs to be incurred.</p> <p>Targeted rates – this would target funding to areas of growth in the city. Charging targeted rates on selected areas that generally create the demand may be viewed as not being fully consistent.</p>

Summary of Proposed Amendments to the Policy

The following table outlines the key policy changes that are proposed and the reasons for these changes:

Area	Proposed change	Reason
Growth projections and development contribution charges	Reflect the forecasted growth assumptions and capital expenditure in the Long-term Plan 2015-25 LTP	The policy has been updated to ensure consistency with the Long-term Plan planning documents and assumptions.
Assessment guidelines for non-residential development	The average space per office worker assumption has been revised from 21m ² to 16m ² per person. This equates to 42m ² per Equivalent Household Unit (EHU), based on an average number of persons per household in Wellington of 2.6 (per 2013 census).	To bring the assumption in line with the Government's 'Workplace Standards and Guidelines for Office Space' (July 2014), and for consistency with modern workplace practice.

Green Building Remission	Amendment to the criteria under '2.6.5 Green Building Remissions', to enable remission applications within 12 months of registering for green star certified rating with the New Zealand Green Building Council (NZGBC).	This change is for practicality purposes and advice was sought from the NZGBC.
LGA Amendment Act 2014	Minor updates to ensure compliance with the Local Government Act 2002.	To ensure consistency with the new legislative requirements that came into force in 2014.