

Development Contributions Policy Review 2021

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Key proposed policy amendments



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Proposed change	Rationale for change	Impact
Increased use of catchments		
<p>It is proposed that sub-district catchments are used to allocate infrastructure costs and development contribution charges for the following activities:</p> <ul style="list-style-type: none"> • Water supply – based on pressure zones in the Christchurch supply and at a supply level for smaller community supplies. • Wastewater collection – based on pump station zones in the Christchurch scheme and at a scheme level for smaller communities. • Wastewater treatment and disposal – based on scheme level. • Public transport – metropolitan area serviced only. • Active travel – metropolitan area serviced only. <p>These activities have previously been assessed using single district-wide catchments.</p>	<ul style="list-style-type: none"> • Improves policy alignment with the development contributions principles in LGA regarding the use of catchments (section 197AB(g)(ii)) – <i>“grouping by geographic area avoids grouping across an entire district wherever practical.”</i> • Improves policy alignment with the development contributions commissioner’s findings in <i>Mapua Joint Venture v Tasman District Council</i>. Commissioners said that territorial authorities determining how to set their development contribution catchments should: <ul style="list-style-type: none"> • <i>Focus on communities that as a minimum are not contiguous.</i> • <i>If there is no consumption or benefit in an intervening area, then a new catchment is probably justified.</i> • More accurately allocates cost to those who benefit. • Improves transparency around relative costs of development in different parts of the district. 	<ul style="list-style-type: none"> • Moving to catchments will increase relative development contribution charges in greenfield development areas and smaller communities and decrease development contribution charges in infill development areas within the metropolitan area. • These impacts are largely obscured in the draft policy as changes to the schedule of assets on which development contributions charges are based, are having a more significant impact. <ul style="list-style-type: none"> • The exception is for Akaroa, where development contributions for water and wastewater activities at a catchment level have a significant impact. The proposed total development contributions charge for Akaroa will increase from \$21,586 to \$70,248. • Options for mitigating any effects from the proposed increase in development contribution charges in Akaroa are detailed in Attachment 4. • The staff recommendation is for the Council to propose no cost mitigation but to raise the issue in the draft Development Contributions Policy and consultation document and seek community feedback.



Proposed change	Rationale for change	Impact
Development contribution charges for community infrastructure		
<p>It is proposed that development contribution charges are set for community infrastructure for both residential and business development. Non-residential developments are proposed to be assessed as 1 household unit equivalent (HUE).</p> <p>Asset types to be included in the calculation of the development contribution charge include libraries, pools, sports halls, cemeteries.</p>	<ul style="list-style-type: none"> • A change to the LGA in 2019 means development contributions are able to be levied for any community infrastructure assets rather than just public toilets, play grounds and community halls. • Charging a development contribution for these assets will ensure all new developments fund a fair share of the cost of providing growth capacity in new facilities. • Charging non-residential developments the development contribution for 1 HUE, reflects the demand placed on these assets by businesses and staff, some of whom may not live in the district and thereby not otherwise contribute. It also reflects that calculating an accurate demand on infrastructure using business type or gross floor area is not possible. 	<ul style="list-style-type: none"> • An additional (though modest) development contribution charge. • Facilitates the planning and delivery of new community infrastructure assets to service forecast growth.
Development contribution charges for non-residential developments for reserves		
<p>It is proposed that development contribution charges are introduced for non-residential developments for reserves activities.</p> <p>Non-residential developments are proposed to be assessed as 1 household unit equivalent (HUE).</p>	<ul style="list-style-type: none"> • A change to the LGA in 2019 means non-residential developments can be required to pay development contributions for reserves activities. • Ensures non-residential developments fund a fair share of the cost of providing capacity in that will cater for growth. • Charging non-residential developments the development contribution for 1 HUE reflects the demand placed on these assets by businesses and staff, some of whom may not live in the district and thereby not otherwise contribute. It also reflects that calculating an accurate demand on infrastructure using business type or gross floor area is not possible. 	<ul style="list-style-type: none"> • Spreads the total development contribution requirement for reserves activities across a larger number of developments. • Minor reduction in development contribution charge for reserves activities for residential developments. • Does not increase the Council’s overall development contribution revenue for reserves activities.



Proposed change	Rationale for change	Impact
Change methodology for assessing demand		
<p>It is proposed that the methodology used to assess demand on water supply, wastewater collection and wastewater treatment and disposal infrastructure from non-residential development, is changed to be based on land use rather than a District Plan zone average.</p>	<ul style="list-style-type: none"> • Would enable more accurate assessments to be undertaken and would better align the demand on infrastructure with the development contribution requirement. 	<ul style="list-style-type: none"> • More accurate assessments. • Fewer special assessments required to be undertaken. • No change to overall development contribution revenue.
Small residential unit adjustment		
<p>It is proposed that the scope of the small residential unit adjustment is extended.</p> <p>The adjustment scales down the development contribution charge in line with the gross floor area (GFA) of the development. This means a residential unit with a GFA 70m² would be required to pay a development contribution of 0.7 of a HUE or 70 per cent of the normal charge.</p> <p>The current adjustment applies to residential units with a GFA less than 100m² and stops at 60m², meaning the maximum adjustment is to 0.6 HUE or 60 per cent of the normal charge. The GFA is further adjusted by it needing to be inclusive of a 17.05m² parking allowance. This means the adjustment has actually been applied to units with a GFA of 82.95m².</p> <p>It is proposed that the scope of the small residential unit adjustment is changed to apply to units with a GFA of less than 100m² including all garaging and potentially habitable accessory buildings and extended down to 35m² (the smallest permitted residential unit floor area under the District Plan).</p> <p>The exception to this proposal is development contributions for stormwater and flood protection which are proposed to continue to be calculated on actual impervious surface area (ISA).</p>	<ul style="list-style-type: none"> • Simplifies the adjustment for developers and Council staff administering the process. • Becomes consistent with the policy definition of gross floor area and its use in other parts of the policy. • Fairer approach for family flats. 	<ul style="list-style-type: none"> • Likely to result in a minor reduction in overall development contribution revenue. Methods of off-setting this through a large residential adjustment will be assessed in future. • Renders the current small standalone residential unit rebate scheme redundant – the scheme would be removed. • Will reduce ambiguity around the policy provision which can lead to conflicting views between developers and development contribution assessors.

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Neighbourhood parks catchments		
<p>It is proposed that a medium density catchment, based on the medium density and residential transitional zones of the District Plan, is introduced for the Neighbourhood parks activity.</p>	<ul style="list-style-type: none"> • Would enable existing parks facilities, located in medium density development areas experiencing growth, to be upgraded to a standard that better meets the needs of the increased local population. • Aligns with the medium density and transitional residential zones in the District Plan. 	<ul style="list-style-type: none"> • Enables investment in existing neighbourhood parks in areas of the city experiencing infill growth.
Change to schedule of assets for reserves		
<p>A large number of growth assets to be funded from development contributions in the reserves group of activities will be removed from the schedule of assets.</p> <p>Note that this is not a proposal but a requirement.</p>	<ul style="list-style-type: none"> • Several parks assets with a growth component are either fully funded or close to fully funded. • Changes to the future capital expenditure programme mean less future investment required to service growth demand. 	<ul style="list-style-type: none"> • Significantly reduced development contribution charges for all parks activities. • Significantly reduced development contribution revenue for all parks activities.
Calculating demand on infrastructure from non-residential development		
<p>It is proposed that demand on water and wastewater infrastructure from non-residential development is calculated based on land use (the type of business) rather than using an average demand by district plan zone.</p>	<ul style="list-style-type: none"> • Using zone average demand has resulted in a large number of special assessments being requested by developers where the actual demand is significantly below the assumed demand. • Special assessments can be time-consuming and expensive for both developers and the Council. 	<ul style="list-style-type: none"> • More accurate assessments. • Efficiency improvement. • Costs savings. • Improved customer experience.
Financial contributions		
<p>It is proposed that the policy includes reference to financial contributions being able to be used by the Council in future as well as, or instead of, development contributions.</p> <p>Financial contributions must be provided for in the District Plan. Any future use will therefore require a plan change.</p>	<ul style="list-style-type: none"> • Change to the RMA in 2020 has retained financial contributions as a funding tool for councils – they were previously to cease in 2021. • Development contributions and financial contributions are taken for different, but sometimes overlapping, purposes, but can't be taken for the same purpose for the same facility. They are therefore complementary. 	<ul style="list-style-type: none"> • Council would be able to require payment to offset environmental impacts of development. • May increase the Council's overall revenue – though that revenue would be required to be spent for the purpose it was taken.



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Utilities		
<p>It is proposed that the policy provisions relating to assessing developments undertaken by network utility operators is clarified.</p> <p>The current policy is clear that the pipes and lines of a network utility operator are not regarded as a development for the purpose of assessing development contributions (as detailed in LGA 197(1) (b)).</p> <p>The policy does not clearly state whether other developments owned or used by a network utility operator will be assessed for development contributions or not.</p>	<ul style="list-style-type: none"> • Improve clarity of policy. 	<ul style="list-style-type: none"> • Policy provisions are more clearly understood by network utility operators and development contribution assessors.
Development test		
<p>It is proposed that a clearly articulated “development test” is included in the policy.</p>	<ul style="list-style-type: none"> • The LGA requires that the Council must determine whether a development is a “development” before assessing for development contributions. • The LGA defines a “development” as “any subdivision, building (as defined in section 8 of the Building Act 2004), land use, or work that generates a demand for reserves, network infrastructure, or community infrastructure” (section 197(1)). • Reference is made in the policy to the Council making this assessment. However, the assessment methodology in the current policy uses the assessment itself as the development test. While this is likely to be the case in practice, the methodology detailed in the policy can more clearly align with the requirements of the LGA. 	<ul style="list-style-type: none"> • Improves legislative compliance. • Improves policy clarity.
Special assessments		
<p>It is proposed that a more complete definition of a special assessment is included in the policy, along with a clear description of the methodology used for a special assessment.</p> <p>It is also proposed that medical centres and courier depots are removed from the list of business types requiring a special assessment for development contributions.</p>	<ul style="list-style-type: none"> • Improve the clarity of the policy. • These types of business place a similar demand on infrastructure as other normal businesses. • The cost to Council and developers of a special assessment is therefore not warranted. 	<ul style="list-style-type: none"> • Efficiency improvement. • Costs savings. • Improved customer experience.

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Land valuation methodology		
It is proposed that the description of the methodology used for land valuations in situations where land is proposed to be taken in lieu of cash development contributions is clarified.	<ul style="list-style-type: none"> The methodology has been misinterpreted by some valuers. Clearer wording will reduce the chance of misunderstandings and protracted negotiations. 	<ul style="list-style-type: none"> Efficiency improvement. Costs savings. Improved customer experience.
Private development agreements (PDA)		
It is proposed that the policy is clear that all non-cash arrangements must have an appropriate documented agreement between the Council and the developer.	<ul style="list-style-type: none"> Some land in lieu of cash development contributions transactions haven't been correctly documented. Inconsistent documenting of non-cash transactions can create misunderstandings and introduce risk. 	<ul style="list-style-type: none"> Reduced risk for Council. More transparent link to financial delegations.
Council developments		
It is proposed that the policy wording be changed to improve clarity regarding the Council's requirement to pay development contributions on its own developments.	<ul style="list-style-type: none"> The requirement has been interpreted in a range of ways over the years. Provide certainty to Council staff regarding the need to pay development contributions. 	<ul style="list-style-type: none"> Consistent and transparent approach. Improved budgeting practices. Cost neutral to Council, apart from costs associated with the timing of debt transfer.
Crown developments		
<p>It is proposed that the policy wording regarding the Council inviting the Crown to pay development contributions is removed.</p> <p>The Crown is exempt from paying development contributions through section 8 of the LGA.</p>	<ul style="list-style-type: none"> Inviting the Crown to pay development contributions for its developments requires an assessment of the development contributions that would be required to be undertaken. This can be a time-consuming and expensive undertaking when developments are large and complex. There is no clarity regarding who should be sent the invitation to pay. Several reviews of local government funding have recommended that the Crown should pay development contributions – with no change resulting. The Council will continue to advocate for the Crown to be liable for development contributions. 	<ul style="list-style-type: none"> Cost savings for Council.

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Staged development		
It is proposed that the policy wording regarding the timing of assessments and payments for staged developments is clarified.	<ul style="list-style-type: none"> Has been incorrectly interpreted by some developers, resulting in occasional protracted disputes. 	<ul style="list-style-type: none"> Greater clarity and certainty for developers. Efficiencies for Council and developers through less risk of dispute.
Enforcement powers		
It is proposed that policy wording includes reference to the Interest on Money Claims Act.	<ul style="list-style-type: none"> New legislation. 	<ul style="list-style-type: none"> Legislative alignment.
Unlawful residential units		
<p>It is proposed that a section is added to the policy regarding unlawful residential units.</p> <p>These are normally family flats being used for rented accommodation and for which development contributions have not been paid.</p>	<ul style="list-style-type: none"> The current policy doesn't clearly state that such developments are not entitled to a previous demand credit, if subject to a development contribution assessment. 	<ul style="list-style-type: none"> Ensures these developments are assessed appropriately for development contributions.
Development contribution charges		
The proposed development contribution charges are a result of changes to a range of factors that feed in to the methodologies used to calculate the charges.	<ul style="list-style-type: none"> The rationale for the various changes is included in the relevant parts of this document. 	<p>In general the fees will change in the following ways:</p> <ul style="list-style-type: none"> Development contribution charges in central, and long established areas of Christchurch, will become relatively cheaper compared to other parts of the district. Development contribution charges in greenfield development areas, and areas outside Christchurch, will become relatively more expensive compared to other parts of the district. Development contributions for water supply, wastewater collection and wastewater treatment and disposal in Akaroa Harbour will become expensive compared to other parts of the district.

Analysis of policy options resulting in no recommendation for change

Policy issue considered	Options considered	Analysis
Life of previous use credits		
<p>The policy currently provides that previous use credits have a life of 10 years, after which the site reverts to having 1 HUE credit – the same as any undeveloped lot.</p> <p>With it now being 10 years on from the earthquakes of 2010/ 11, there is likely to be a large number of currently vacant lots carrying significant previous use credits that will expire over the next few years.</p> <p>The Council considered whether it should continue to limit the life of credits to 10 years or take another policy course.</p>	<ol style="list-style-type: none"> 1. Retain the current 10 year life of previous use credits. 2. Extend the life of previous use credits (to say 15 or 20 years) for central city lots only <ul style="list-style-type: none"> • A significant proportion of previously developed sites in the central city remain vacant since being cleared of earthquake damaged development. • Infrastructure in the immediate area largely has growth capacity – though this isn't the only infrastructure these properties use. • Might encourage (or at least not discourage) development in the central city. 3. As for option 2 but include (or apply only to) other areas of the district considered to be in a similar situation to the central city. 	<ul style="list-style-type: none"> • The Council's policy provides one of the longer previous use credit life-spans, e.g. same as Auckland Council, longer than Dunedin. On this basis the 10 year life is relatively generous. • Reserving infrastructure capacity for longer wouldn't be prudent stewardship of community resources – Council needs to be able to manage the networks efficiently. • While local infrastructure may have capacity for growth, the infrastructure needed that is further out from the development location often doesn't. • If development contributions aren't required, then ratepayers pay instead. • Targeting a particular part of the district to have extended credit life constitutes a development contribution rebate. It would be more consistent with Council policy to operate a rebate rather than an extended credit life approach.
<p>Recommendation – that the current 10 year life of previous use credits policy provision is retained in the draft development contributions policy</p>		



Policy issue considered	Options considered	Analysis
Development contribution charges for Akaroa		
<p>Introducing local area catchments for allocating the cost of providing infrastructure capacity for growth and calculating development contribution charges for water and wastewater activities results in a significant increase in development contribution charges for Akaroa Harbour communities.</p> <p>This level of charge could deter development in the area. This might particularly be the case for lower value developments for which the charge would represent a fairly significant component of overall development costs and for commercial developments required to pay multiple Household Unit Equivalent charges.</p> <p>Should the Council look to limit the development contributions charges for Akaroa, and if so how should it do that and to what extent?</p>	<ol style="list-style-type: none"> 1. Do nothing. <ul style="list-style-type: none"> • This would see developments in the Akaroa Harbour area which can connect to the Akaroa water and wastewater schemes being required to pay the full development contributions. 2. Cap the development contribution charges <ul style="list-style-type: none"> • This would see the development contribution for wastewater capped at a level that brought the overall development contribution charges for Akaroa back closer to or the same as over parts of Christchurch District. • This wouldn't be a significant cost due to the low level of development expected but any revenue foregone would need to be funded from rates over time. 3. Retain a district-wide catchment for wastewater collection and wastewater treatment and disposal <ul style="list-style-type: none"> • This would see all development in Christchurch district pay the same in development contributions for wastewater activities. • May be a risky approach as it requires developments in Christchurch to effectively subsidise developments in other parts of the district. 	<ul style="list-style-type: none"> • The number of developments each year in the Akaroa Harbour area is forecast to be very low according to the Christchurch City Council growth model. The higher charges therefore may not deter much, if any, future development. • There are very few development opportunities in the area primarily due to District Plan rules - Akaroa heritage overlay and Akaroa hilltops density overlay. Again, this limits the impact of higher development contribution charges. • It may be a positive impact to have the development contributions charges favour higher value future development in the Akaroa Harbour area. • It is likely to result in low value developments being less likely to proceed as the development contribution proportion of overall cost is increased. • It is not clear that somehow limiting development contribution charges would encourage (or at least not discourage) future development.
<p>Recommendation – that the Council does not propose any specific cost mitigation approach but raises the issue in the draft Development Contributions Policy and consultation document and seeks community feedback. This will enable community views to be included when considering options.</p>		

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