

Elected Member Briefing – 2 September 2020
Committee Room 1

Time	Topic	HCC Presenter(s)	Open / Closed	Time Req'd (mins)
9.30am	DC Policy Review Session 2 (Council)	Greg Carstens	Open	60



DC Policy Review 2020/21

Policy development direction

2 September 2020

Briefing Purpose

- Following EM request at the DC Briefing 1 on 19 August, to present possible DC Policy options for change in a reviewed 2020/21 DC Policy
- For staff to take questions and seek direction from EM's on potential changes to the DC policy, to allow staff
 - to undertake options analysis,
 - undertake modelling
 - Update the development community
 - estimate financial impacts (incl. DC revenue)
 - Develop policy provisions

Purpose of a DC Policy

Purpose of DC Policy (per LGA)

“to recover a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term”. The policy will:

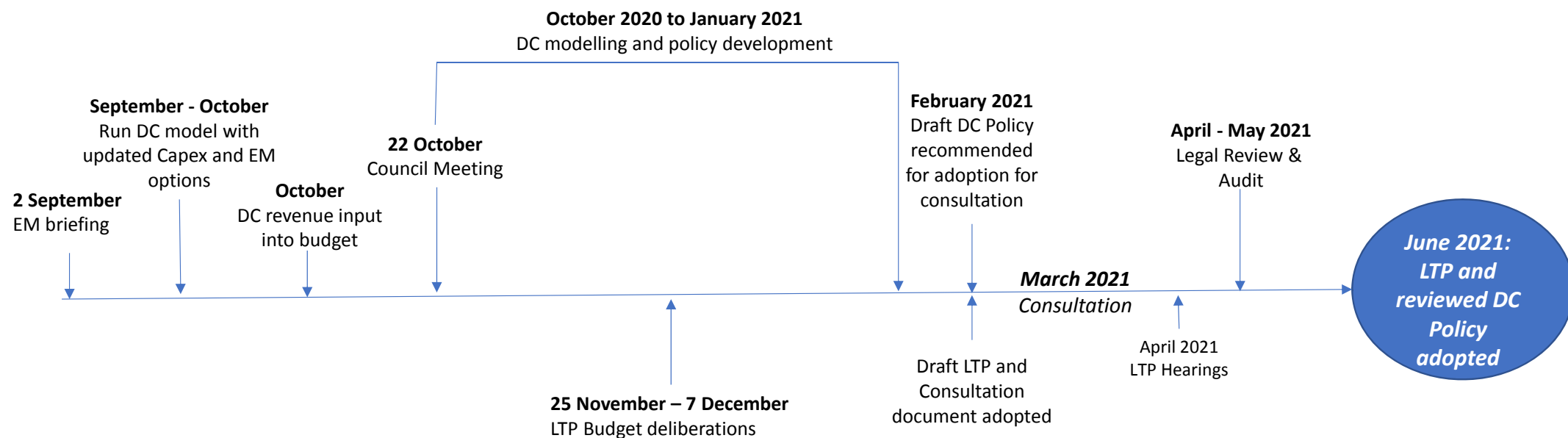
a) Provide predictability and certainty in Council’s overall funding and financial strategy;

b) Establish a policy framework for the calculation of development contributions;

c) Enable the development community to understand how and in what proportions it pays for infrastructure which supports growth;

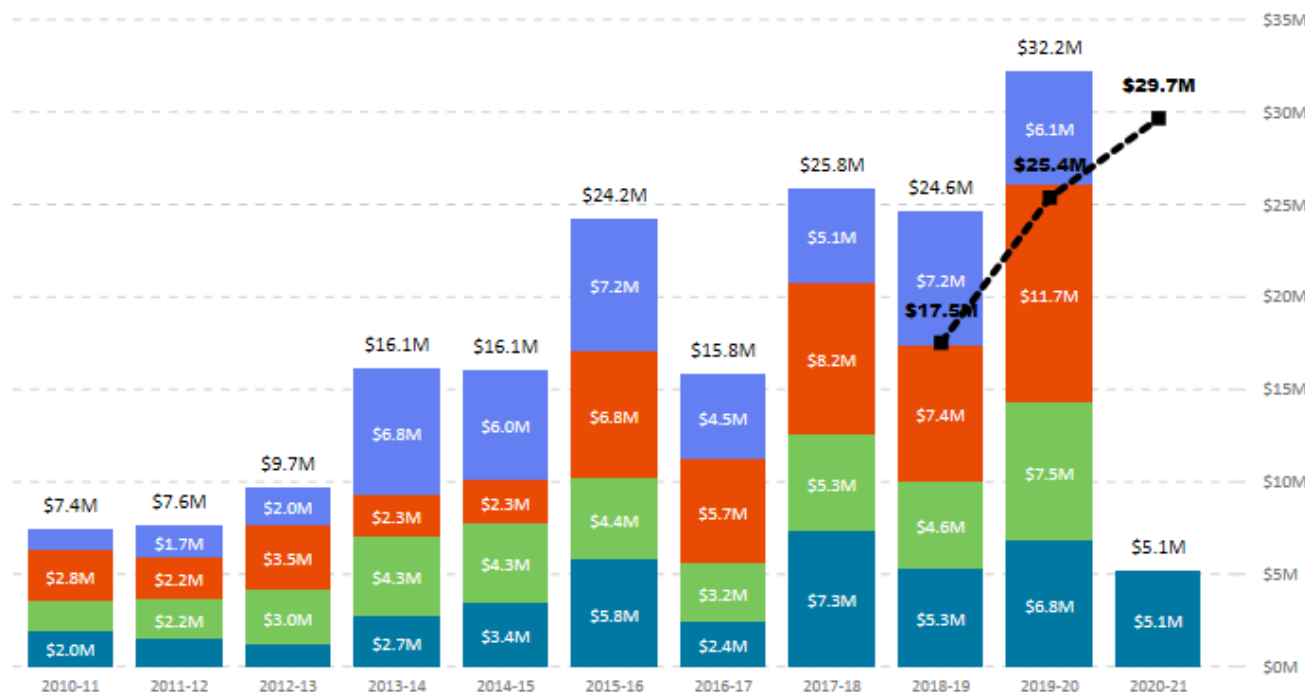
d) Set development contributions at a level which will assist Council fulfil its role and purpose under the LGA 2002

Timeline to adoption



DC revenue

- DC revenue (cost recovery) is a substantial contributor to funding HCC growth infrastructure
- Generally speaking, if DCs don't fund it, rates do (unless an alternative used e.g. targeted rate, IFF)
- Total revenue since HCC's first DC Policy is \$227M



Policy option: Include Community Infrastructure?

- Currently not collected
- Parks and Playgrounds collected under Reserves
- LGA amended in April 2019 to allow collection of DCs for Community Infrastructure
- Examples:
 - Rototuna Library, rec centres, Southend, Claudelands
- Consistent with 'building communities' approach to growth
- Will result in DC charges increasing overall
 - Opposing effect if Section 101 is used to reduce/cap DC charges

Policy option: Cap DC charges?

- The concept that growth should pay for growth has been a guiding principle in Council's financial strategy
- Council has a legislative obligation (s101 LGA) to "*consider the impact on the community of the allocation of liability for capital expenditure*".
- Council may reduce (but not increase) its DC charges in accordance with this provision, by setting a maximum level of charge or "cap"
- Council may determine that the impacts are significantly adverse to the community, and therefore warrant a reduction.
- Won't cause DC's in any other area to increase

Policy option: Cap DC charges?

- Council has done this in the past (2013-2018) for non-residential development, CBD, and residential intensification zones (RIZ)
- Current DC policy has only (minimal) caps in Rotokauri and the CBD remission
- Caps will reduce Council's future DC revenue
- Any capped amount becomes paid for through rates
- Caps, if strategically deployed, are likely to induce development and increase economic activity
- Developers generally support, non-developers oppose

Policy option: Incentivise infill?

- Achieved through DC charge caps
- Should be aligned with the District Plan and other key HCC strategies/plans
- Recommend that it aligns to current District Plan until a new one is adopted.
- Potential to encourage use of the Urban Design Panel

Policy option: Incentivise infill?

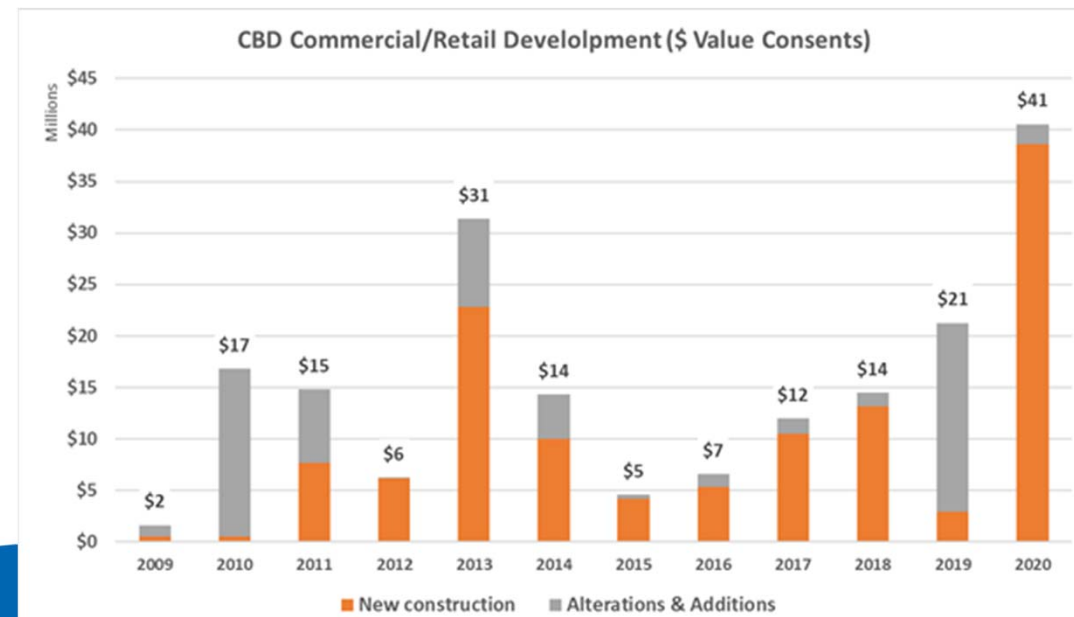
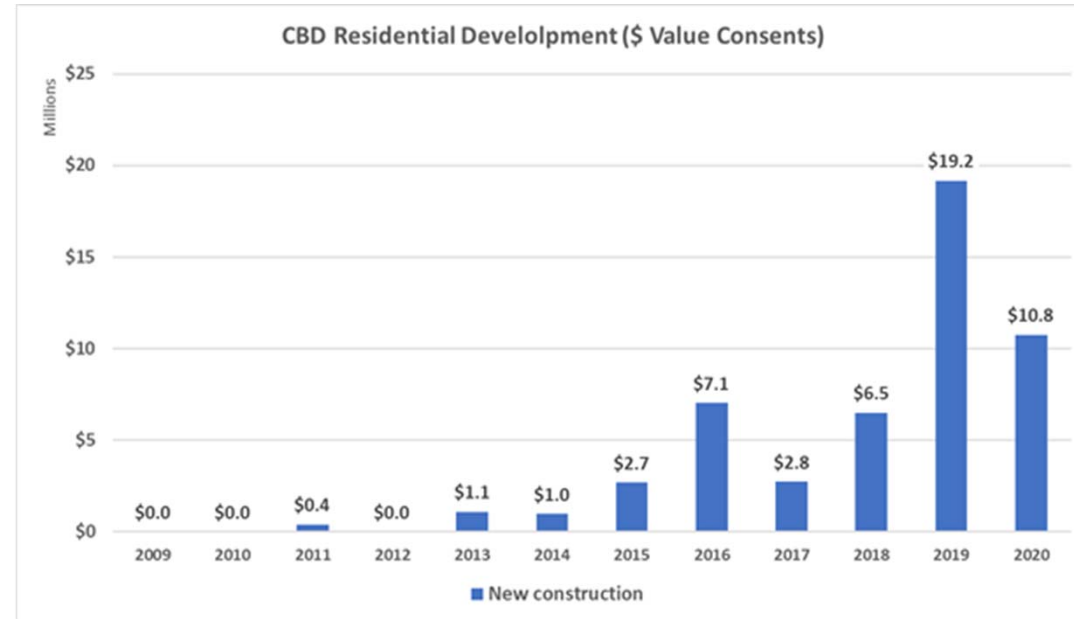
- Focus on:
 - Residential Intensification Zones?
 - Medium density zones?
 - Suburban Centres?
 - Commercial Fringe?
 - Northern end of the CBD?
- Note - Increased infrastructure needs and funding in infill areas to provide for increased growth will lead to increased DCs for infill areas.

Policy option: Continue CBD remission?

- Current automatic remission of 66% is up for review / ends 30 June 2021
- Evidence that it encouraged development in CBD
- Increase or decrease?
- Offset by rates
- Vibrant CBD benefits whole city
- Consistent with the Central City Transformation Plan (CCTP)

Policy option: Continue CBD remission?

- Positive effect evidence based? Yes
- Construction activity in the CBD has increased since 2013 when the CBD remission was introduced.
- Developer feedback is that the CBD remission enables new growth and promotes development.
- The remission has come at a real cost to the Council and ratepayers.
- Graphs to the right to 2018. Will be updated



Policy option: Include reserve charges for non-residential development?

- Challenging to calculate/justify
- No increased DC revenue, but shifts burden of payment from residential to non-residential development
- Not recommended by staff

Policy option: Support community housing?

- Another form of capping DC charges – reduction is rates funded
- Encourage more community housing
- Issues:
 - Subsidising Central Government?
 - What defines “community housing”? Community Housing Provider
 - What about other community development – e.g a church or community hall or school?
- A change from current DC Policy which distinguishes between the types of houses/buildings and their demand, not who is in the buildings/houses

Alternative to DCs: Targeted rate?

Targeted rates are an alternative or complementary growth funding mechanism to DCs, which:

- shift costs from the developer/purchaser toward to the property owner.
- must be re-set each year
- do not mitigate the overall high level of funding required to enable growth.
- are easier to implement in growth cell than in the infill
- Require significant time/effort to establish

Outstanding issues from previous review

- Developers identified a number of DC Policy aspects not resolved for them after the current policy was adopted in 2018, including:
 - Remission criteria
 - Gross Floor Area Definition
 - Milestones when DCs are paid
 - Private Developer Agreements
 - High charges
 - Refunds on subdivision estimates
 - Model and cost allocations
 - Transparency of Policy/model

Early consultation - Developer Review Group

- Staff have engaged with Property Council and key stakeholders
- We want and they wasn't early consultation and opportunity to feed into policy development
- Early warning of changes and certainty for their business planning are critical for developers
- Enable developers to plan for changes

End.

Questions?