Elected Member Briefing (10-Year Plan) – 7 February 2018 ***Commencing at 9.30am in Committee Room One***			
Topic	**HCC Contact / Presenter(s)**	**Open / Closed**	**Time Req'd (mins)**
Recap on 10-Year Plan Process	Sean Hickey	Open	30
Consultation Document: Key Themes and Issues	Sean Hickey	Open	45
MORNING TEA			
Recap on Rating Impacts	Stephen Halliwell	Open	30
Separately Used or Inhabited Parts	Stephen Halliwell	Open	30
LUNCH			
Infrastructure Strategy: Key Themes	Paul Gower	Open	45
AFTERNOON TEA			
Draft Development Contributions Policy	Greg Carstens	Open	45
MEETING ENDS			

2018-28 10-Year Plan

Consultation

7 February 2018

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What we will cover

- Recap where we are at in the process
- Consultation Document – key issues
- Consultation process

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Recap

Where we are at in the process

March – Nov 2017
Developing the draft 10-Year Plan with elected members

December 2017
Council approve draft 10-Year budget

Mid Dec – Feb 2018
Staff prepare consultation document and supporting information

7 Feb 2018
Briefing: Process and key aspects of the consultation document and supporting information

8 Feb 2018
Council agree information requirements for 10-Year Plan submissions

Feb- March 28
Pre-formal engagement

15 Feb 2018
Briefing: Draft consultation document and supporting information

19 Feb - 16 March 2018
Audit of consultation document and supporting information

27 March 2018
Council approve consultation document and supporting information

29 March - 30 April 2018
Formal consultation and community engagement

30 April – 8 May
Staff analyse submissions and report on themes

15,16 (17)May 2018
Verbal submissions heard by Council

7-11 & 21-25 May
Second stage audit of 10-Year Plan

31 May (1/5 June)
Deliberations

11-20 June 2018
Audit of final 10-Year Plan

28 June 2018
Council adopt the final 10-Year Plan

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What we have achieved

Council have agreed:

- Community Outcomes
- Financial strategy metrics
- Key assumptions
- Pre-formal engagement process
- HIF Business Case
- Creation of a 10-Year Plan Consultation Document Reference Group
- Draft 10-Year Plan budget

By agreeing the above in December we are in a very good position to deliver a thorough consultation process.

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Consultation Document

- Local Government Act requires Council to produce a Consultation Document as part of the Special Consultative Procedure process for consulting on a 10-Year Plan
- The Consultation Document gives the community an outline of the issues facing Council and how it proposes to address these
- The document must cover:
  - The principal options for addressing each issue
  - The implications (including financial) of each option
  - The Council's preferred option
  - Likely consequences that the proposal will have on rates, debt and service levels
- Community has their say on the Consultation Document
  - We will be working with groups prior to the consultation period to help make strong submissions
  - We will encourage people to submit to ensure a clear and representative view from the community on the proposed options

Structure of the document

1. Introduction
2. Your Elected Members
3. Setting the scene/context
4. The financial strategy
5. Plan overview graphic – operating spend split and key capital projects
6. Key issues - an outline of each issue, options to address it, impact on rates, debt and service levels, Council's preferred option.
7. Other items of community interest
8. Infrastructure Strategy
9. Audit Report

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Consultation document - Key issues

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1. We need to stop borrowing to pay for day-to-day costs

- We are currently borrowing money to pay for the day-to-day costs of running the city that should be paid for by rates
- If we continue, we will take on more debt and the interest costs that go with it
- We would also limit our ability to borrow for other things in the future and any unforeseen events or emergencies that may occur
- The Council sees this practice as financially unsustainable
- The Council is proposing to address this issue by:
  - increasing rates
  - Moving to a capital value rating system faster
  - introducing a $500 fixed component of rates for every ratepayer (UAGC)
  - changing how rural rates are defined

1. We need to stop borrowing to pay for day-to-day costs

Options to address this issue:

1. Increase rates only
2. Increase rates **AND** move straight to Capital value rating system
3. Increase rates **AND** move straight to Capital value rating system **AND** introduce $500 UAGC

- Each option will show the dollars required to solve the issue in year 1 and solve it over 2 years
- Each option will be illustrated using a typical house at four valuation points ($250k, $400k, $550k, $700k)

The Council's preference is option three.

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2. Providing infrastructure for our growing city

- To meet population growth projections, Hamilton needs enough sections for an extra 12,500 houses over the next 10 years and 32,000 over the next 30 years.
- Rototuna is currently our main area for new housing subdivisions and it will reach capacity in four to five years
- Existing areas of the city are also growing and, over time, infill in existing areas will account for around half of the new houses
- To meet extra demand from more people, the city must fund the infrastructure needed to support both residential and industrial growth. This includes opening up a new area for housing over the next 10 years.
- We need to decide which growth scenario is best for Hamilton: one that prioritises opening Peacocke or Rotokauri growth cells.

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2. Providing infrastructure for our growing city

Options to address this issue:

1. Complete city-wide infrastructure and prioritise opening the Peacocke growth cell
2. Complete city-wide infrastructure and prioritise opening the Rotokauri growth cell

Note: Both growth scenario options above include the same city-wide infrastructure and infill projects, the difference is which greenfield growth cell to prioritise.

Council's preference is option 1

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3. Improving our transport system

- The number of people using our roads, cycleways and footpaths is increasing
- We need to invest in transport improvements to get improved outcomes for safety, congestion and choice of transport modes
- Access Hamilton strategy identifies projects for affordable, safe, responsive and sustainable transport in the city
- We need to decide how much we should spend on improving Hamilton's transport system and road safety

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3. Improving our transport system

Options to address this issue:

1. $220m transport improvement programme which delivers a significant number of projects from the Access Hamilton strategy
   – Note: assume $108m from HCC & $112m from NZTA
2. Staff and 10-Year Plan Reference Group currently working through how alternative option(s) are framed – discussion on day

Council's preference is option one

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4. Investing in community infrastructure

- A thriving city has community spaces and assets that enable people to come together and enjoy themselves
- As the city grows and changes, the Council needs to identify what community facilities are required and where
- Our Consultation Document describes the Council's strategy for investing in community infrastructure and the proposed set of projects to deliver it
- The document also lists projects not in the draft plan that the public may like to see included
- We need to decide how much we should spend on new and improved community infrastructure and what should we spend it on

4. Investing in community infrastructure

Council's preferred suite of projects	Projects not included in preferred option
Waikato Regional Theatre	Libraries network improvements
Indoor Recreation Facility	Complete key projects in the Hamilton Zoo Master Plan
Hamilton Gardens development + entrance fee	Rototuna Sports Park development
Central City Park	Sports parks drainage improvements
Rototuna community hub	Skate park
Garden Place	River Plan projects
Playground development	
Fenced dog exercise area	
Waiwhakareke development	
Park development	

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Consultation process

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Pre-formal engagement

- Pre-formal engagement seeks to encourage and support the community to make informed submissions on the issues important to them.

- Pre-formal engagement is underway:
  - Email invites sent to more than 450 organisations
  - Meetings being scheduled for February and March - the schedule of meetings is available on the OneDrive
  - Governance will send meeting requests to elected members for the hosted meetings:
    - Where hosts have requested specific elected members they will receive an invite. All other elected members will be included as optional attendees
    - Elected members should confirm their availability by responding to meeting requests
  - Presentation “How to make a good submission” is on OneDrive

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Getting it to the community

- Council approve audited Consultation Document **27 March 2018**.
- The Consultation Document is made available to the community **29 March 2018**:
  - The Consultation Document, submission form and all supporting information will be available online
  - Hard copy Consultation Documents and submission forms will be available at the main Council reception and all libraries
  - People can request a hard copy be mailed to them through our call centre
- At the same time, ratepayers will be sent a letter showing the change the proposed draft 10-Year Plan budget makes to their rates.

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Engagement activity in the consultation period

- During the consultation period staff will operate a mobile 10-Year Plan information stand
- People will be able to complete an electronic submission at the stand on a tablet or take home a prompt card to guide them online
- The dates and locations of the stand are to be confirmed. Elected members will be provided with the schedule
- Staff will be prepared to respond to questions and be able to connect people with their elected members or technical staff to answer specific questions
- Commonly asked key questions and answers from the information stands and emails will be published on the Council's website

Next steps to consultation

2018 timing	Progression point
8 February	**Council** agree identifying information requirements for 10-Year Plan submissions
February/March	**Pre-formal engagement -** meetings with organisations to encourage them to make submissions
15 February	**Elected member briefing**: to present and seek feedback on the draft Consultation Document, performance measures, rating policy and financial strategy
19 February – 16 March	**Audit** of Consultation Document and underlying supporting information for this and the draft 10-Year Plan
16 March	AuditNZ give Consultation Document **clearance** to proceed
27 March	**Council** approves the final Consultation Document
29 March	Consultation Document released to the community and **consultation period begins**

10-Year Plan

➘ Rates Impacts - Recap

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Residential rate changes at 9.5%

– before any rebates or remissions if applicable

Rating Valuations 2015		Existing Policy		Proposed Policy with 9.5%	
		Now 30:70 CV:LV	40:60 CV:LV +9.5%	100% CV	$500 UAGC
	$325,000	$1,731	$1,874 $143	$1,781 $50	$1,882 $151
	$405,000	$2,133	$2,313 $179	$2,217 $84	$2,219 $86
	$520,000	$2,490	$2,735 $245	$2,843 $353	$2,704 $214

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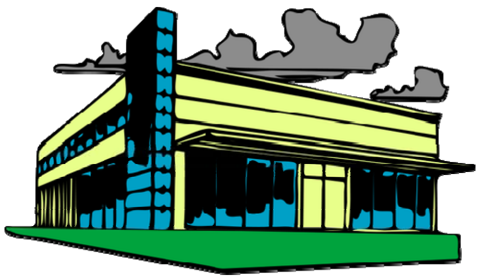
Commercial rate changes at 9.5%

– before any rebates or remissions if applicable

Rating Valuations 2015	Existing Policy: Now 30:70 CV:LV	Existing Policy: 40:60 CV:LV +9.5%	Proposed Policy with 9.5%: 100% CV	Proposed Policy with 9.5%: $500 UAGC
 $265,000	$3,479	$3,820 $341	$2,943 $(536)	$3,305 $(174)
 $500,000	$6,598	$7,238 $640	$5,542 $(1,056)	$5,783 $(816)
 $1,060,000	$13,050	$14,463 $1,413	$11,737 $(1,313)	$11,686 $(1,363)

Note: While most commercials decrease, there are big increases for the largest commercials.

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Do all $1,060,000 commercial properties decrease?

Rate Category Description	Land Value	Capital Value	LV:CV	SUIPs	2017/18 Actual	2018/19	Change $	Change %
Commercial General	210,000	1,060,000	20%	1	7,265.06	11,686.34	4,421.28	60.86%
Commercial + Water	220,000	1,060,000	21%	1	7,908.03	12,136.34	4,228.31	53.47%
Commercial General	295,000	1,060,000	28%	1	8,990.31	11,686.34	2,696.03	29.99%
Commercial + Water	315,000	1,060,000	30%	2	9,847.75	12,647.84	2,800.09	28.43%
Commercial General	465,000	1,060,000	44%	2	12,452.31	12,197.84	-254.47	-2.04%
Commercial General	495,000	1,060,000	47%	1	13,049.72	11,686.34	-1,363.38	-10.45%
Commercial General	770,000	1,060,000	73%	1	18,631.42	11,686.34	-6,945.08	-37.28%
Commercial General	880,000	1,060,000	83%	2	20,875.60	12,197.84	-8,677.76	-41.57%

41%

9.5%

59%

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Other (Previously Rural) rate changes at 9.5%

– before any rebates or remissions if applicable

Rating Valuations 2015		Existing Policy		Proposed Policy with 9.5%	
		Now	40:60 CV:LV +9.5%	100% CV	$500 UAGC
	$490,000	$1,326	$1,428 $102	$2,071 $745	$2,002 $675
	$720,000	$1,785	$1,944 $159	$3,038 $1,253	$2,701 $916
	$1,100,000	$2,775	$3,015 $240	$4,635 $1,861	$3,856 $1,082

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Overall - Ups and Downs

49%

9.5%

51%

Residential (52,000)

- Changes from -50% to 700%
- 2,785 increase more than 40%.
- 2,300 of which increase by an average of $620 (UAGC effect).

Biggest Increases $100,000+

Property Address	Land Value	Capital Value	SUIPs	2017/18 Actual	Differential	2018/19 9.5%	Change $	Change %
Maahanga Drive	33,000,000	239,300,000	173	1,347,064.24	Commercial	2,611,261.89	1,264,197.65	93.85%
Comries Road	12,500,000	135,000,000	121	636,056.10	Commercial	1,485,102.00	849,045.90	133.49%
Victoria Street	0	80,155,000	1	226,197.69	Utility	845,529.56	619,331.87	273.80%
Fraser Street	1,245,000	72,690,000	1	230,402.36	Commercial	766,831.29	536,428.93	232.82%
Te Rapa Road	12,100,000	99,900,000	1	527,509.99	Commercial	1,053,687.27	526,177.28	99.75%
Ward Street	9,200,000	76,200,000	69	409,287.70	CBD Commercial	827,422.52	418,134.82	102.16%
Victoria Street	0	31,975,000	1	90,240.47	Utility	337,601.54	247,361.07	274.11%
Kahikatea Drive	2,300,000	34,000,000	1	142,638.02	Commercial	358,949.70	216,311.68	151.65%
Ruakura Road	1,850,000	32,500,000	1	129,271.56	Commercial	343,136.25	213,864.69	165.44%
Rates Utility	0	24,106,000	1	68,035.26	Utility	254,644.18	186,608.92	274.28%
Victoria Street	0	21,857,000	1	61,688.90	Utility	230,934.55	169,245.65	274.35%
Dixon Road	1,145,000	36,025,000	156	71,901.55	Multi Unit Residential	231,708.90	159,807.35	222.26%
Gallagher Drive	4,550,000	30,900,000	1	179,558.69	Commercial	326,268.57	146,709.88	81.71%
Victoria Street	4,730,000	31,600,000	5	179,025.72	CBD Commercial	322,038.42	143,012.70	79.88%
Von Tempsky Street	3,830,000	27,900,000	1	156,479.22	Commercial	294,641.67	138,162.45	88.29%
Grantham Street	1,160,000	21,300,000	4	81,785.58	CBD Commercial	217,632.68	135,847.10	166.10%
Victoria Street	1,530,000	21,900,000	2	89,847.24	CBD Commercial	221,876.14	132,028.90	146.95%
Thackeray Street	8,250,000	36,700,000	37	272,094.81	CBD Commercial	401,874.60	129,779.79	47.70%
Bisley Road	3,325,000	24,888,000	10	137,833.25	Commercial	267,491.76	129,658.51	94.07%
Ward Street	810,000	18,300,000	11	69,340.56	CBD Commercial	193,735.80	124,395.24	179.40%
Minogue Drive	5,600,000	36,300,000	154	117,724.90	Multi Unit Residential	231,845.56	114,120.66	96.94%
Anglesea Street	4,060,000	25,100,000	1	146,992.23	CBD Commercial	253,142.18	106,149.95	72.21%

Biggest decreases - $35,000+

Property Address	Land Value	Capital Value	SUIPs	2017/18 Actual	Differential	2018/19 9.5%	Change $	Change %
Clem Newby Road	2,840,000	2,840,000	1	65,669.29	Commercial	30,451.63	-35,217.66	-53.63%
Ruffell Road	3,140,000	3,610,000	1	73,931.24	Commercial	38,569.20	-35,362.04	-47.83%
Te Rapa Road	4,330,000	6,600,000	1	106,522.14	Commercial	70,090.68	-36,431.46	-34.20%
Earthmover Crescent	3,050,000	3,050,000	1	70,524.26	Commercial	32,665.52	-37,858.74	-53.68%
Arthur Porter Drive	3,190,000	3,190,000	1	73,760.92	Commercial	34,141.44	-39,619.48	-53.71%
Home Straight	3,520,000	3,520,000	1	81,390.17	Commercial	37,620.40	-43,769.77	-53.78%
Earthmover Crescent	3,575,000	3,575,000	1	82,661.71	Commercial	38,200.22	-44,461.49	-53.79%
Waterview Drive	3,600,000	3,600,000	1	83,239.69	Commercial	38,463.78	-44,775.91	-53.79%
Clem Newby Road	3,770,000	3,770,000	1	87,169.91	Commercial	40,255.97	-46,913.94	-53.82%
Te Rapa Road	4,010,000	4,230,000	1	93,339.25	Commercial	45,105.43	-48,233.82	-51.68%
Te Kowhai Road East	3,900,000	3,900,000	1	90,175.37	Commercial	41,626.47	-48,548.90	-53.84%
Chalmers Road	4,030,000	4,030,000	1	93,180.83	Commercial	42,996.97	-50,183.86	-53.86%
Bryce Street	4,360,000	4,361,000	1	96,299.84	CBD Commercial	44,720.20	-51,579.64	-53.56%
Ruffell Road	4,220,000	4,220,000	1	97,573.43	Commercial	45,000.01	-52,573.42	-53.88%
Arthur Porter Drive	4,750,000	4,750,000	1	109,826.46	Commercial	50,587.43	-59,239.03	-53.94%
Arthur Porter Drive	4,960,000	4,960,000	1	114,681.44	Commercial	52,801.31	-61,880.13	-53.96%
Te Rapa Road	5,400,000	5,600,000	1	125,418.15	Commercial	59,548.38	-65,869.77	-52.52%
Clarence Street	8,900,000	13,700,000	1	209,273.36	CBD Commercial	138,574.92	-70,698.44	-33.78%
Te Rapa Road	6,150,000	6,150,000	1	142,632.97	Commercial	65,796.65	-76,836.32	-53.87%
Formation Drive	16,700,000	23,800,000	10	406,236.50	Commercial	256,021.74	-150,214.76	-36.98%

10-Year Plan

➘ Defining: “Separately Used or In habited Parts of a rating unit” (SUIP)




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Current numbers

Data Set	Numbers	Difference
Rating Units	56,987	
Separately Used or Inhabited Parts (SUIPs)	63,560	+3,427

Minimum count:

1 Rating Unit is 1 SUIP

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What is a Rating Unit?

- Defined by the Rating Valuations Act 1998
- Mostly 1 rating unit = 1 certificate of title
  - Can be more than 1 CT sometimes.
- Additions:
  - A rating unit that has a residential and commercial use (e.g. home business or flat above a shop)
  - Clubs on sports grounds (reserve land)
  - Registered Leases (s.115 Land Transfer Act 1952)

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Flat above commercial – 2 rating units

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Dinsdale

What are the extra SUIPs?

- Additional dwellings
- Multiple separate businesses in a single rating unit.

Seems easy but lets look at some real examples

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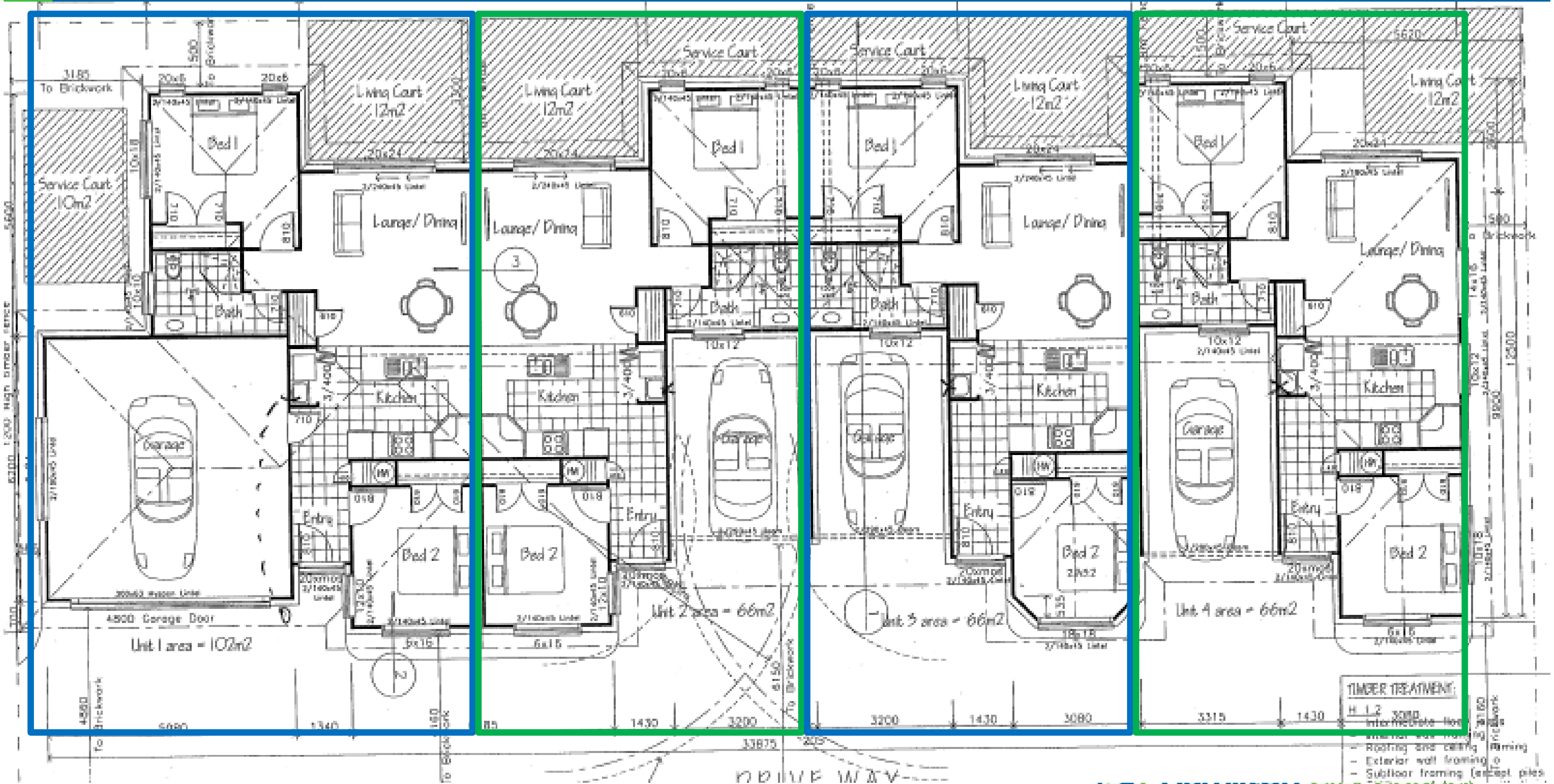
One title - two dwellings

Typical multi-unit -Four SUIPs?



Hamilton East

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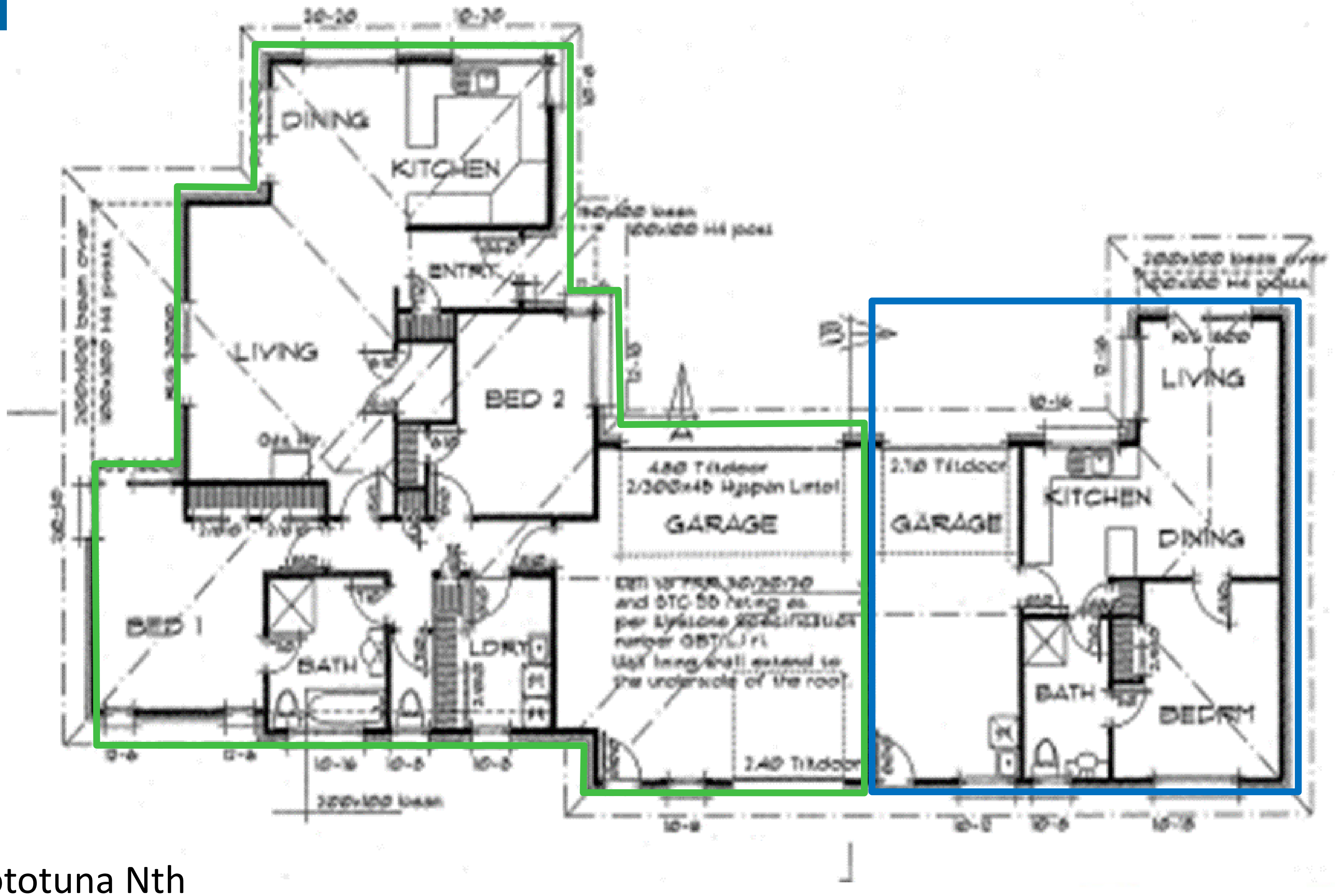
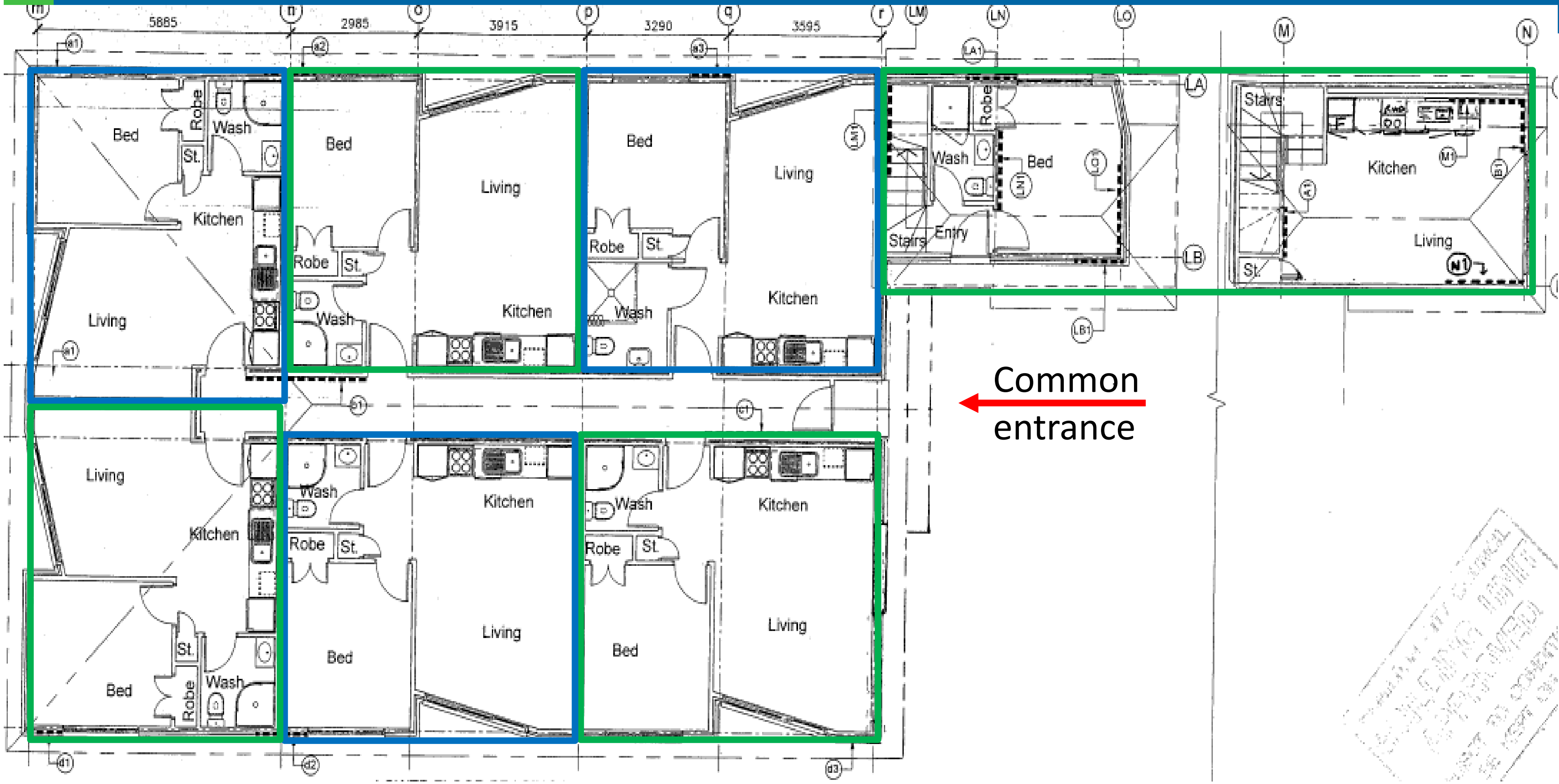
One or Two?



Rototuna Nth

Rototuna Nth

Seven?



Whitiora

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Whitiora

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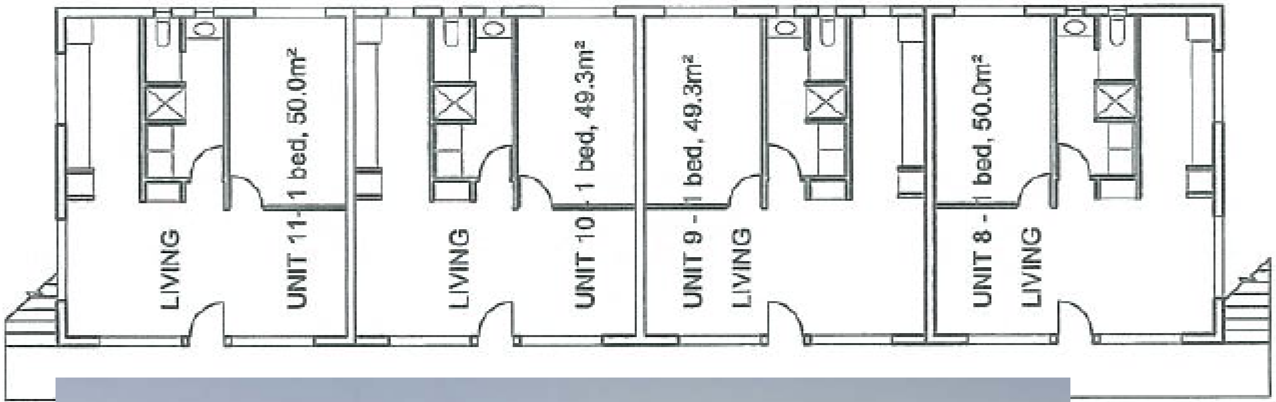
Change of Use Commercial to Residential – 13 SUIPs?



Land Use Consent granted to convert existing 13 unit motel into 13 unit apartment development (Bavarian Motel Lodge)

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Whitiora 2

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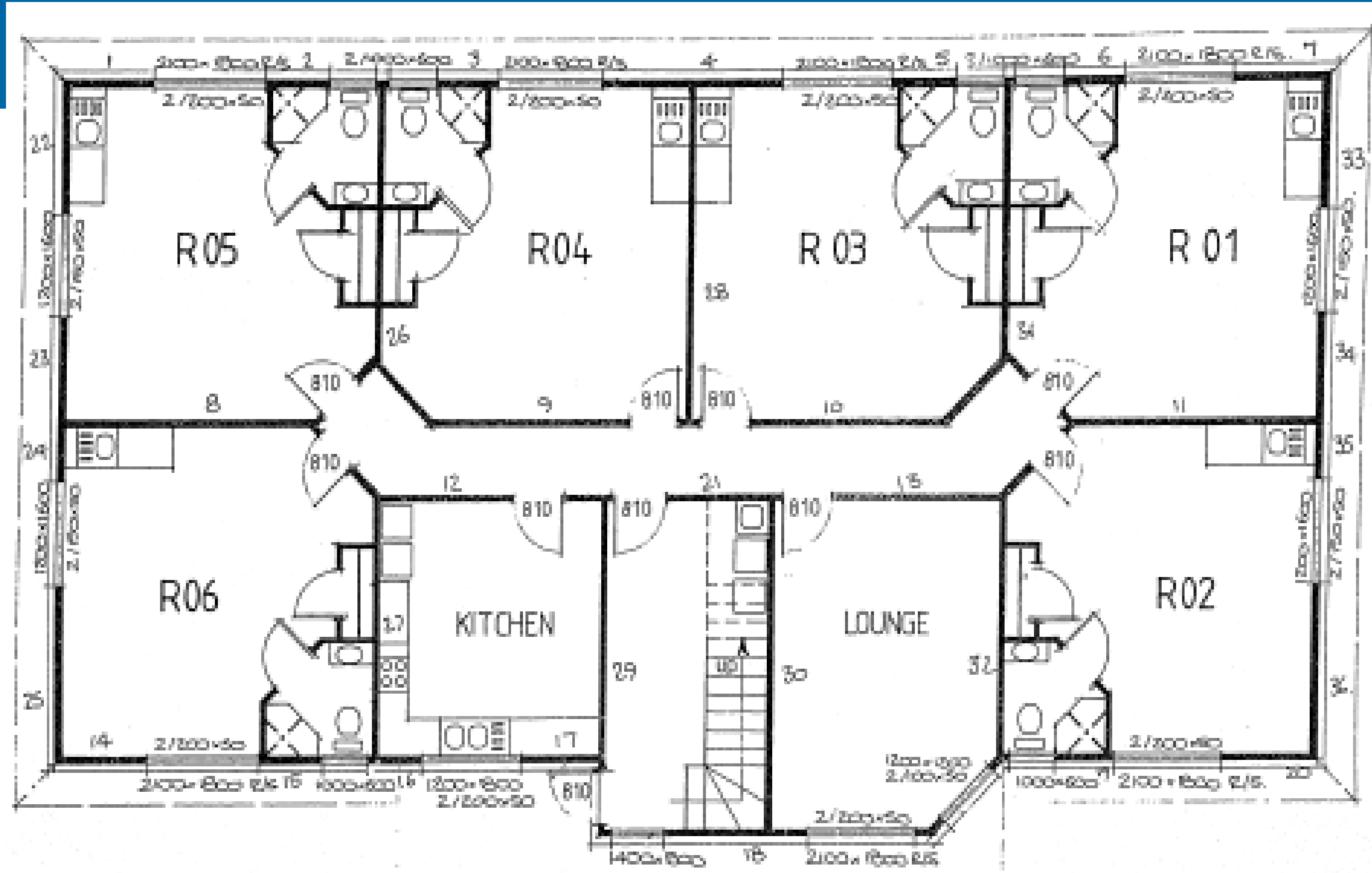
Separately rented units: SUIPs?



FLOOR PLAN –6 rooms, each with an ensuite, kitchenette and a communal lounge, kitchen & laundry. No garaging .

Silverdale

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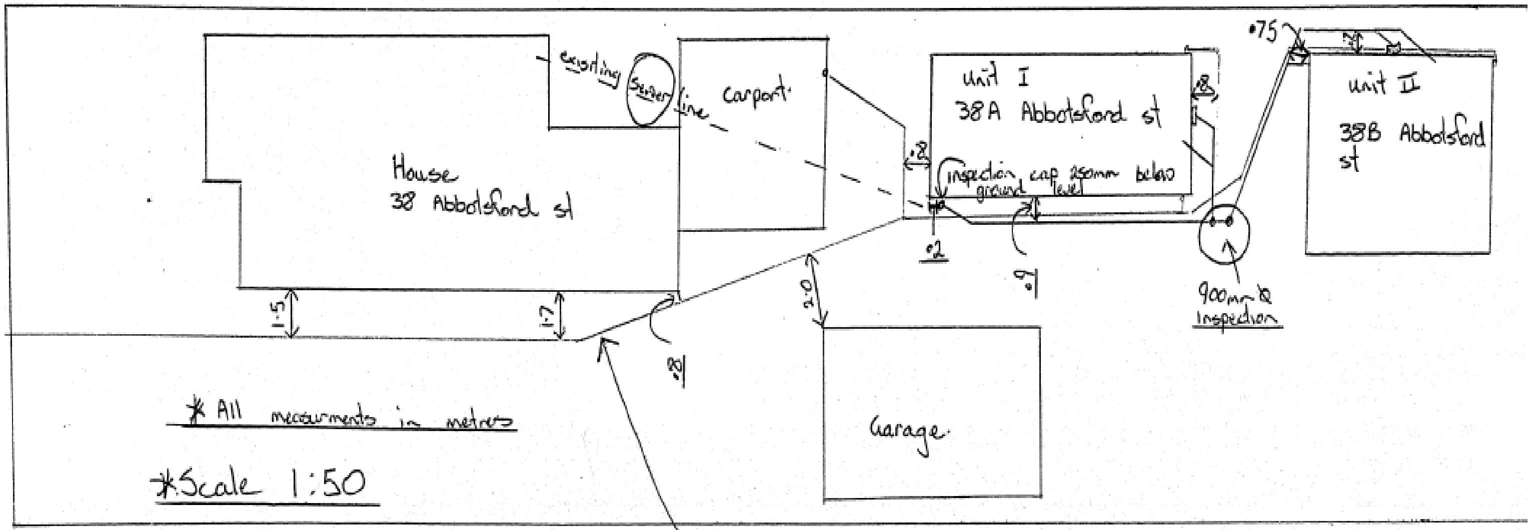
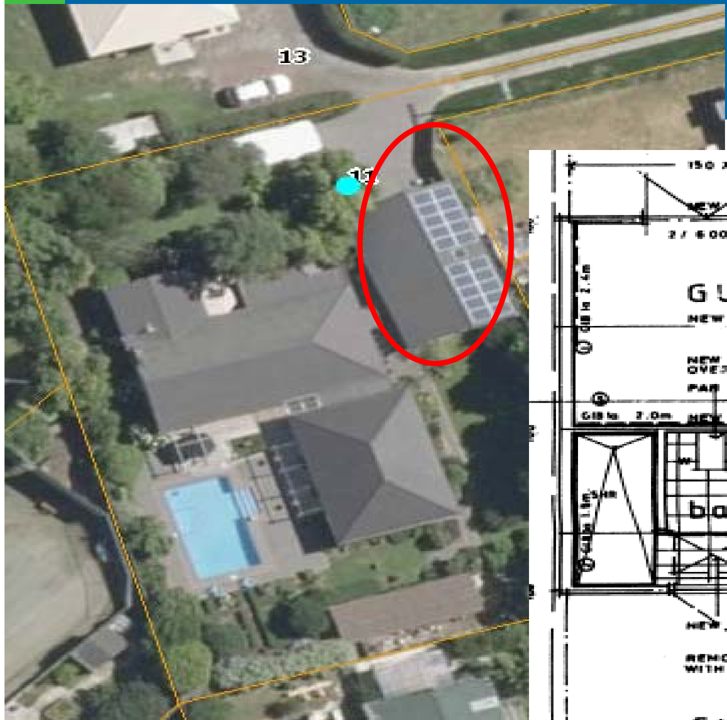
Silverdale

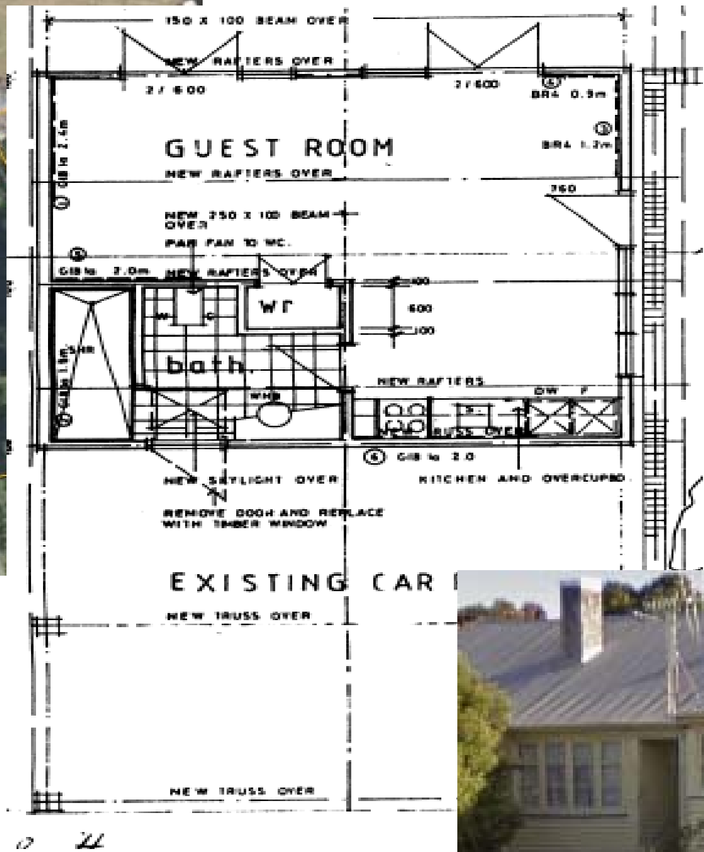
Ancillary Dwelling – 3 SUIPs



Whitiora 3

Ancillary Dwelling – 2 SUIPs?





One or two?

Dinsdale

Going..Going..MUST GO

Dinsdale, 180A Tuhikaramea Road

Contact agent for more information

4 2 2 1 2

About this listing

After 21 years of owning this elevated double brick property, they are leaving Hamilton and want to SELL!

Offering 4 bedrooms, 2 bathrooms, 2 living rooms and 2 kitchens.

The downstairs area is on a separate power metre, giving a great opportunity for a home and income or extended family scenario.

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Commercial v's Residential?

- Multi- Unit Apartments operating as a motel.
- 40 odd units – Unit Titles.
- No long term tenancies allowed, therefore rated as **commercial.**

How many SUIPs?

Each separately owned
Or
All owned by one owner

How hard are we going to look?

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Draft Infrastructure Strategy

7 February 2018

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What we will cover

- What is it?
- Our approach in preparing the draft
- Draft Infrastructure challenges and focus areas
- Draft significant capital decisions – 30 years
- Overview of 30 year estimates

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Infrastructure Strategy – What is it?

The purpose of the infrastructure strategy is to—

(a) identify significant infrastructure issues for the local authority over the period covered by the strategy; and

(b) identify the principal options for managing those issues and the implications of those options.

Local Government Act 2002 s 101B

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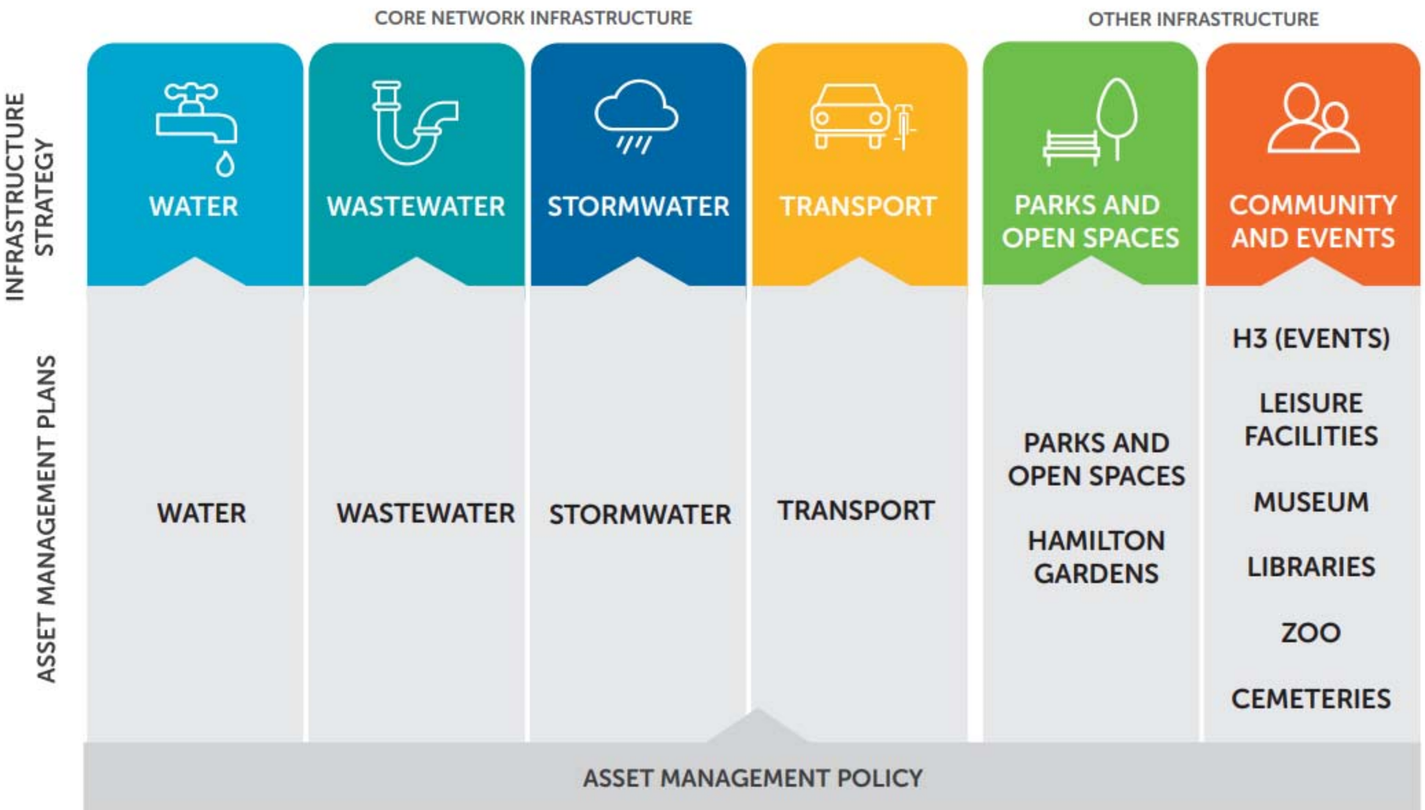
Infrastructure Strategy – activity types



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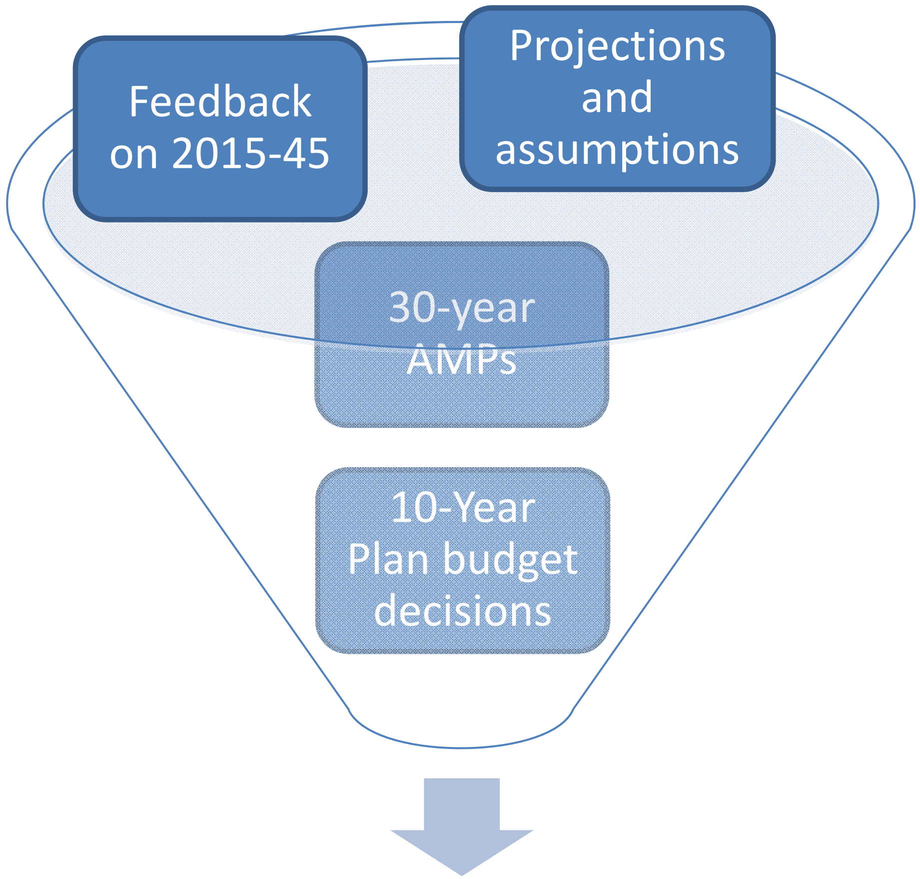
Infrastructure Strategy – The approach



Most likely scenario

Draft Infrastructure Strategy

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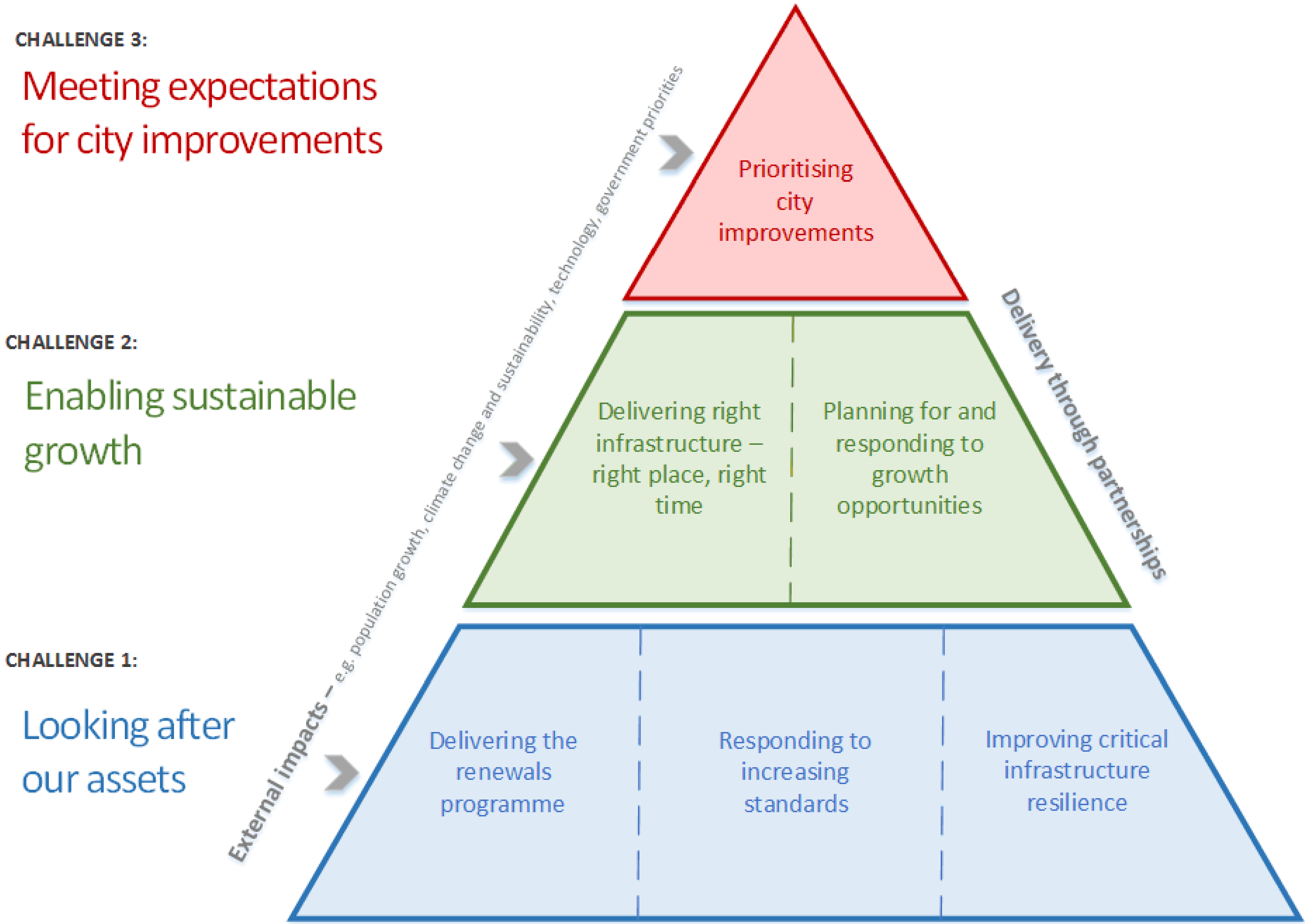
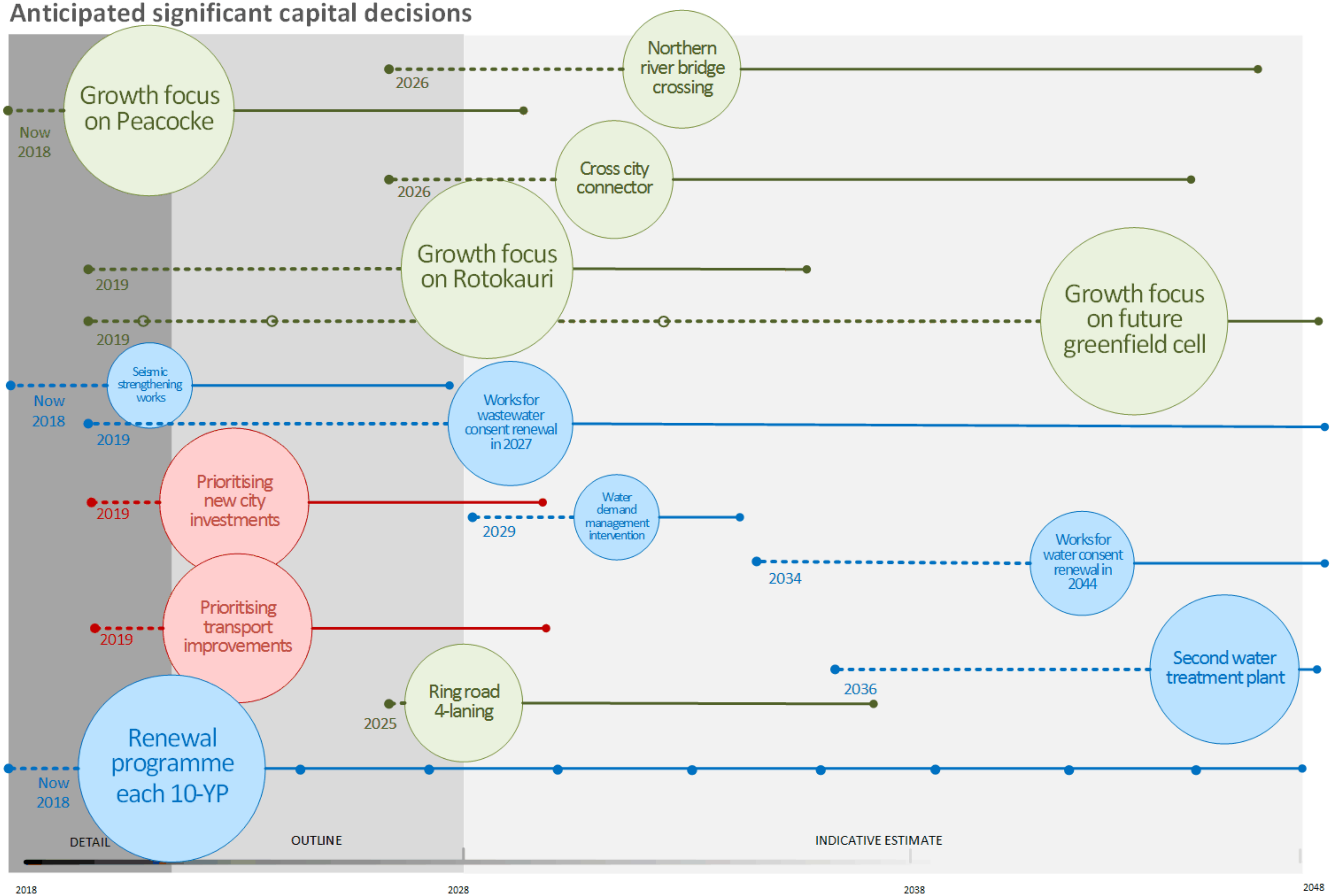
Infrastructure challenges and focus areas



Anticipated significant capital decisions



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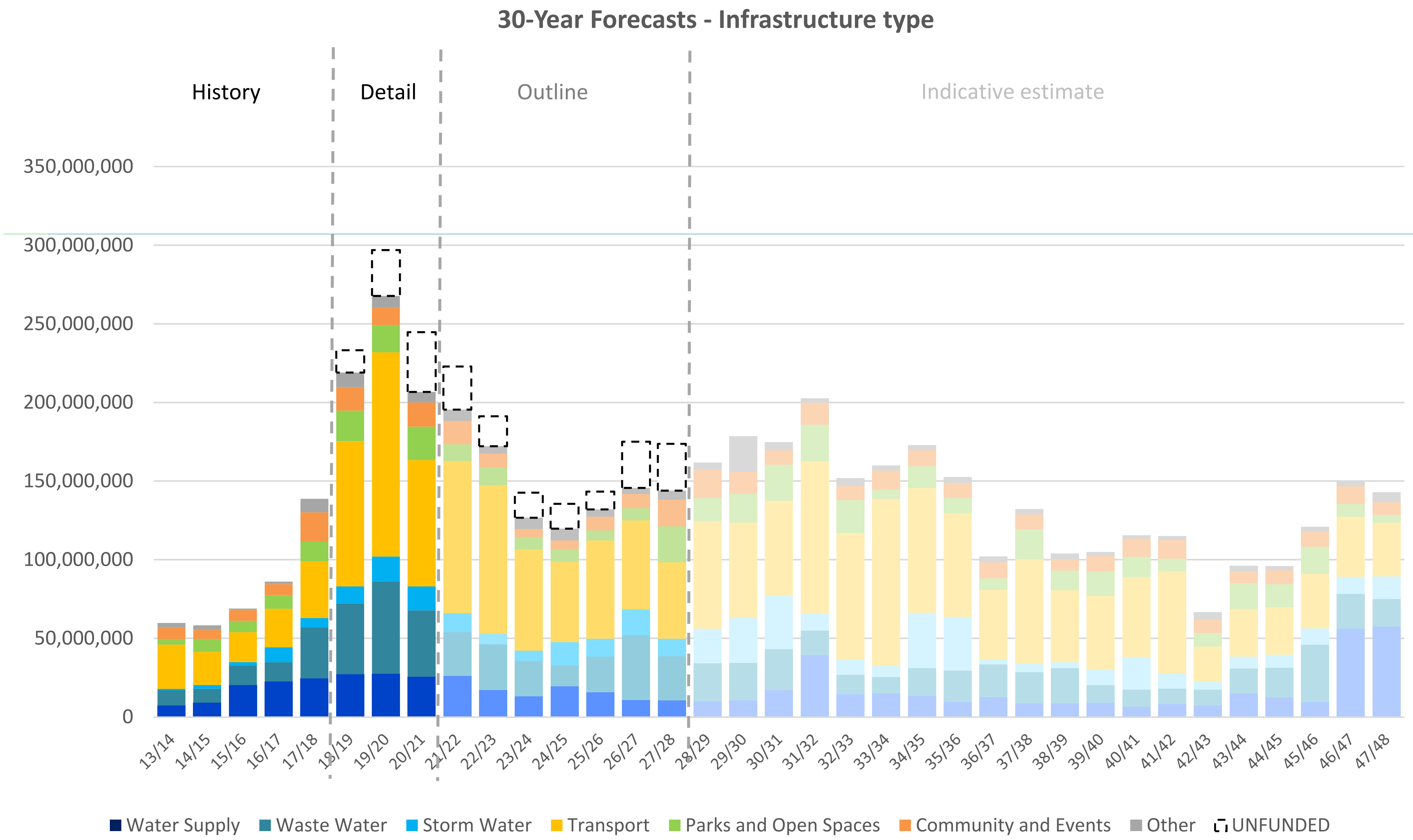

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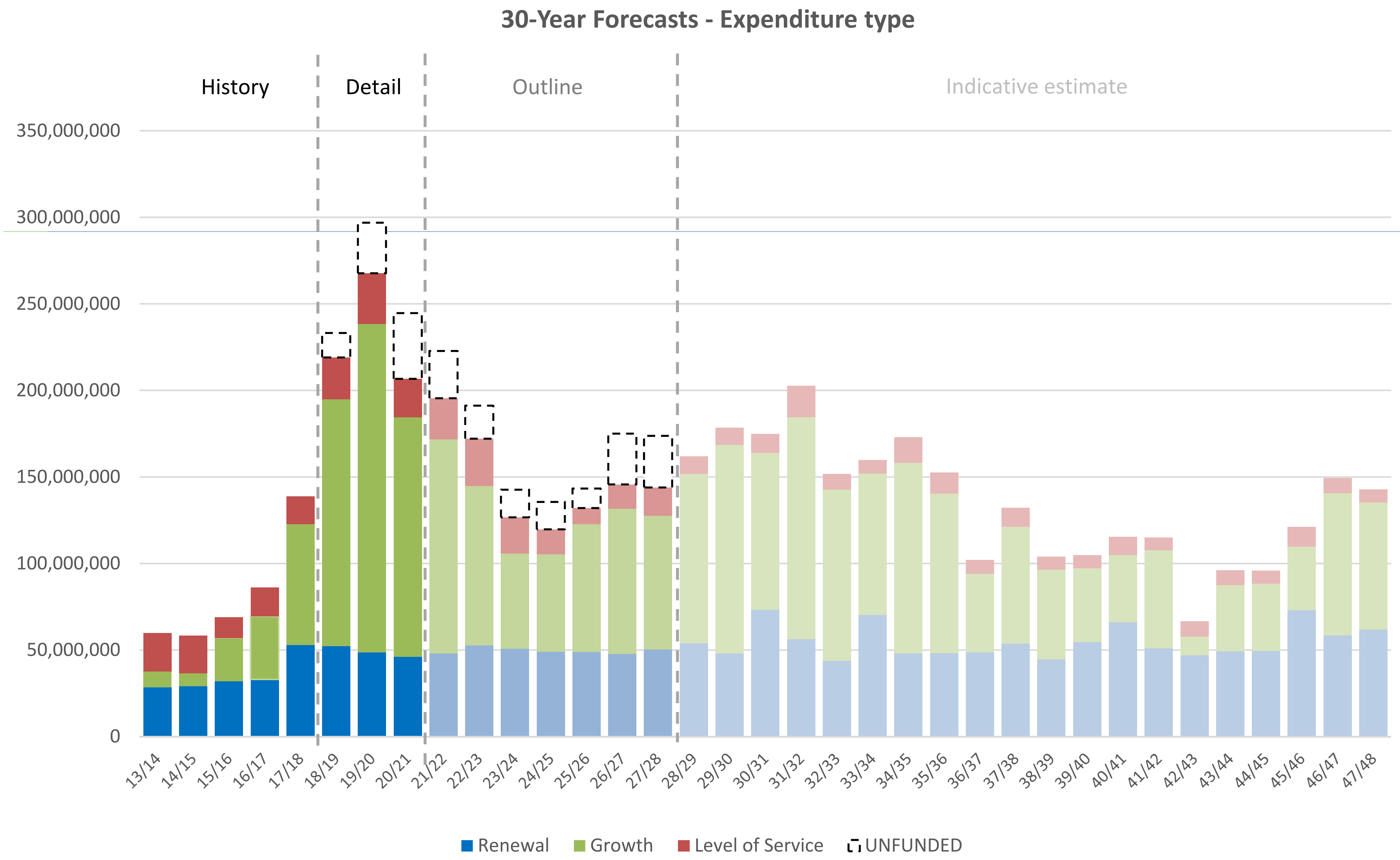

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Next steps to consultation

2018 timing	Progression point
7 February	Key aspects of the Draft Infrastructure strategy outlined and discussed by **Council**
19 February – 16 March	**Audit** of Draft Infrastructure Strategy and underlying supporting information
27 March	**Council** approves the Draft Infrastructure Strategy as part of underlying information for the 10-Year Plan
29 March	Draft Infrastructure Strategy available as underlying information for consultation on 10-Year Plan

DC Policy Review

Council Briefing

7th February 2018

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Contents

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Introduction

Purpose of this briefing:

- Outline the major changes for the policy review
- Get Councillor feedback/direction on key issues

Resolutions on options

6 December Council Meeting resolutions

Resolved: (Mayor King/Deputy Mayor Gallagher)
That the Council, for the purposes of preparing a draft Development Contributions Policy, approves the removal of the CBD remission provision.

Resolved: (Mayor King/Deputy Mayor Gallagher)
That the Council, for the purposes of preparing a draft Development Contributions Policy, approves the removal of caps on development contributions charges.

Resolved: (Mayor King/Deputy Mayor Gallagher)
That the Council, for the purposes of preparing a draft Development Contributions Policy, approves the introduction of development contributions charges for strategic capital projects that have costs programmed outside the 10-Year Plan period.

Resolutions on options

Notes re resolutions following testing and legal/economist advice:

Remove CBD remissions

- No application or legal issues, public submissions key

Remove charge caps

- No practical or legal issues, public submissions key
- Several isolated “extreme” outcomes – options for Council to address suggested in later slide

Charge DCs for strategic assets funded in years 11-30 of IS

- Legal and economic issues identified

Resolutions on options

Recovering capex beyond 10 Year Plan period

Legal and economist advice:

- Recommend caution, it places tension on the primary DC legal test being causation aka "causal nexus"
- But, still appropriate to recover past 10YP period, but only to selected projects that meet legal and economic tests
- Timing of benefits should be tied to timing of project
- Refund risk – lower project certainty
- Low cost certainty – project costings in years 11+ are indicative estimates only

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Resolutions on options

Selecting year 10+ projects (ctd)

- Legal risk is determined on a project by project basis
- List likely to be reasonably short, but include substantial projects

Recommendation – Staff to determine projects for inclusion based on legal and economist advice, and include in Draft Policy for adoption 27 March

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Staff recommendations

6 December Council Meeting report:

Council have the opportunity to consider further staff recommended policy improvements, based on:

- legal advice
- new/better evidence and data
- learnings from current policy application
- improving transparency
- enhancing the usability of the policy

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Staff recommendations

Add new sector – “low demand industrial”

- Currently policy has only one industrial charge category “industrial”
- This is a general classification, assumes 9 vehicle trips per day (NZTA)
- Covers all industrial land use e.g. manufacturing, warehousing, storage, factories
- But, 80% of industrial land use is low demand usage, 2.1 trips per day (NZTA)
- Not equitable
- Leads to admin heavy remissions and complaints
- No impact on total revenue – just distributed differently
- **Recommend** introducing “low demand industrial sector”

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Staff recommendation

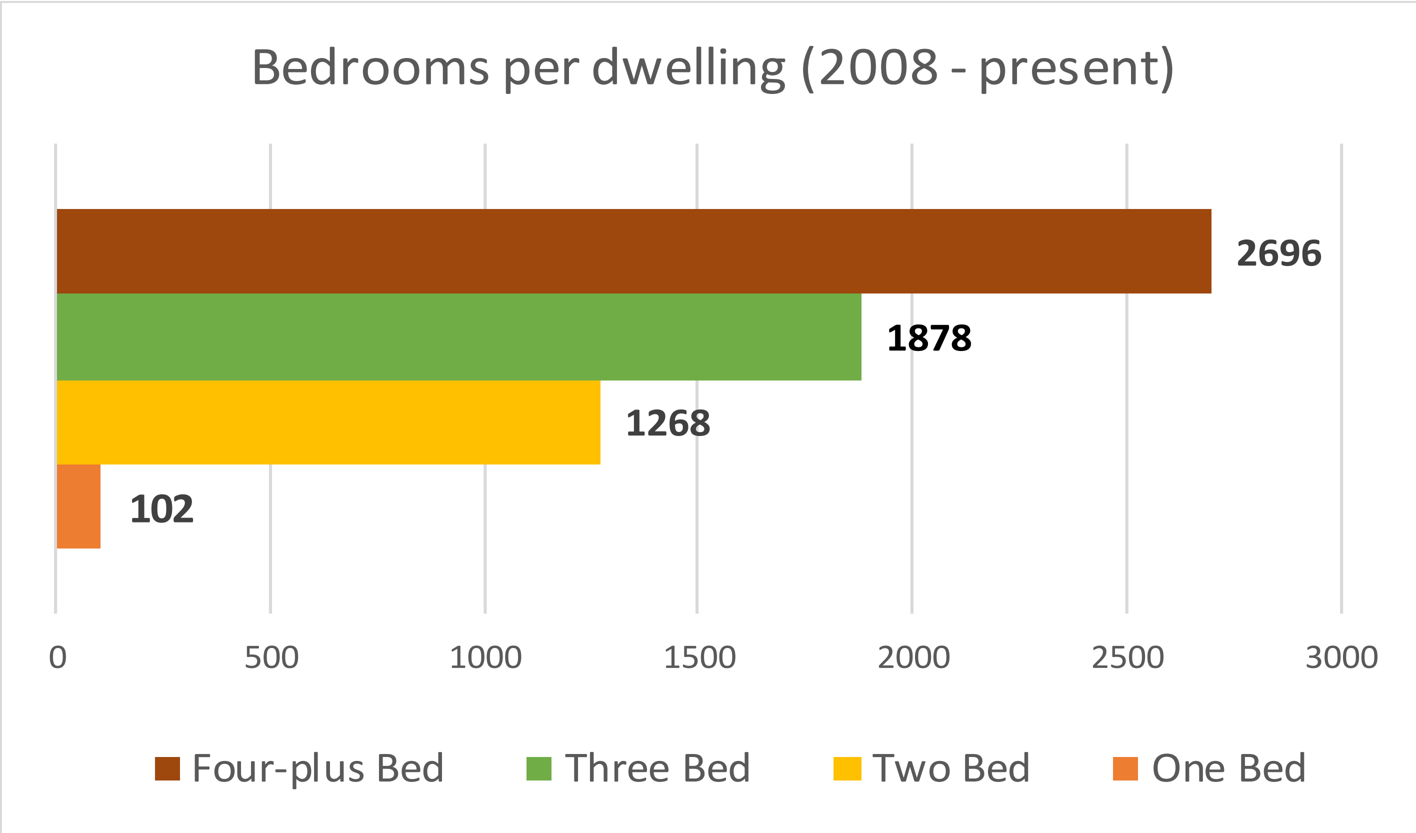
DC charges should reflect demand

Demand is driven by the number of people in a household

Which is very closely related to # bedrooms per household

Staff recommend amending the policy to charge DCs based on the # bedrooms per new dwelling

Charging by # bedrooms



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Charging by # bedrooms

- Average daily demand for Council services (water, wastewater, transport etc) is proportional to the number of people living in a dwelling.
- Current DC Policy determines that 2/3 of a HUE of demand is generated by attached dwellings, or dwellings on small lots (<350m^2).
- *But,* access to better data shows this assumption is flawed
- Staff propose a more robust and equitable method to apportion DCs – by the number of bedrooms
- Policy provisions will define “bedrooms” by taking all rooms and excluding non-relevant areas (reduce “gaming”)
- Successfully used by Tauranga.

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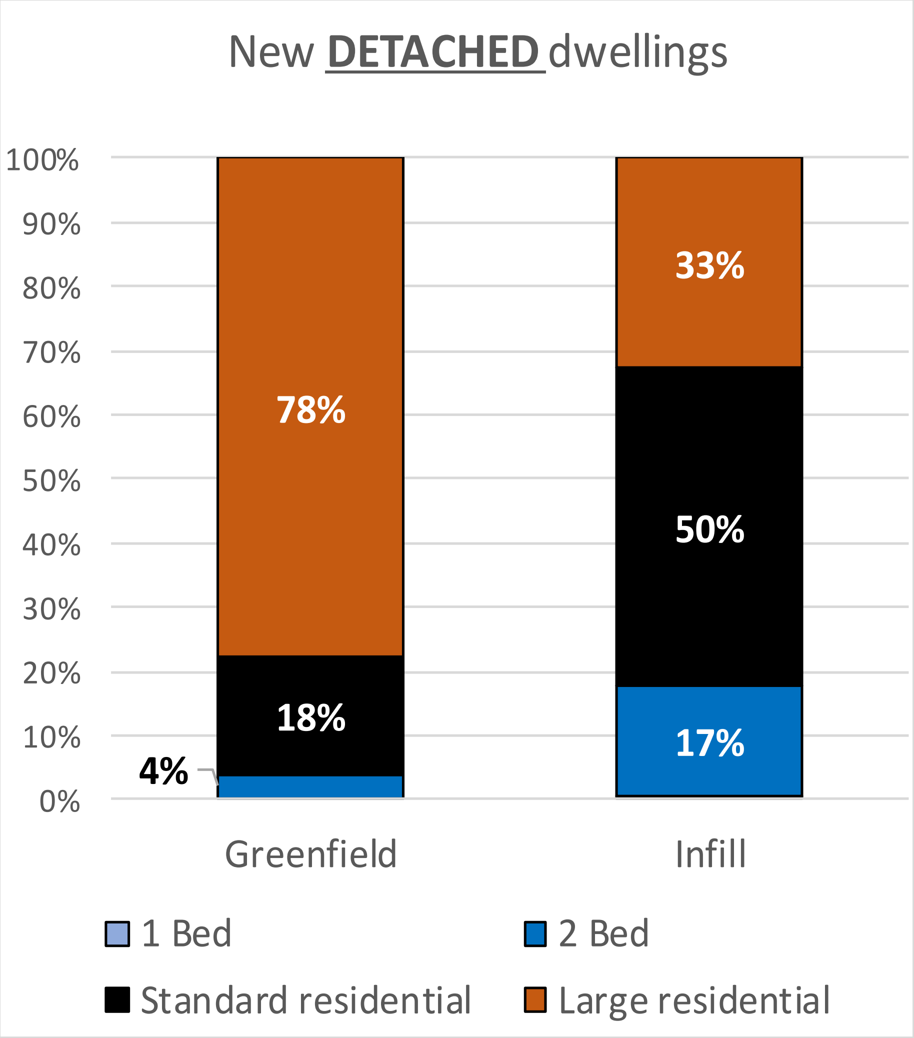
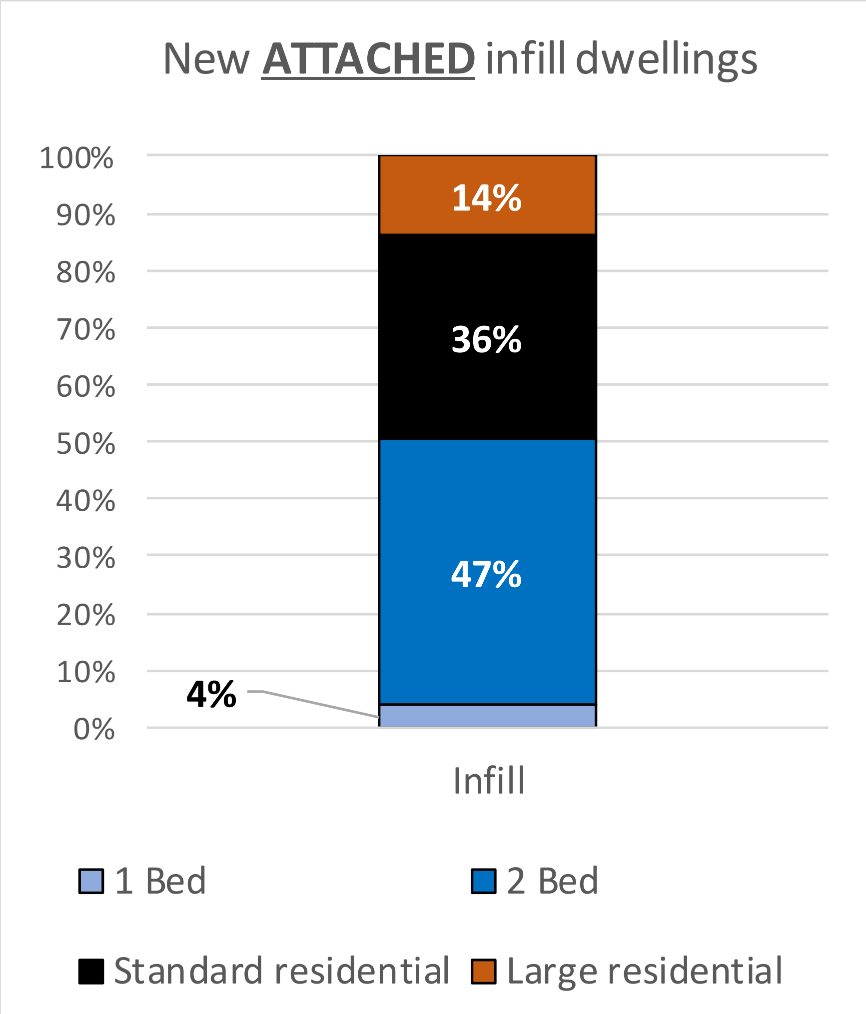
Charging by # bedrooms



Evidence base (detached)

- Currently (almost all) detached houses pay 1 HUE
- But, rating database (2008 – present) shows that most new greenfield dwellings are "large residential" and generate over 20% *more* than 1 HUE of demand.

Charging by # bedrooms



Evidence base (attached)

- Rating database (2008-present) shows 50% of new attached dwellings were 3 or more bedrooms
- Generating 1 HUE of demand, but paying only 1/3 or 2/3 of a HUE/DC currently

Charging by # bedrooms

Benefits

- Charge better represents average demand usage
- Certainty/consistency
- Demand based, not location based
- Based on robust data, better aligned with LGA

Number of Bedrooms	Current Policy*	Proposed	
	% of HUE paid	Demand factor (HUEs)	Eg for $30,000 standard res.
1	33%	48%	$14,317
2	<u>33%</u> or 66%	69%	$20,686
3	33%, 66%, or <u>100%</u>	100%	$30,000
4+	100%	123%	$36,834

*Location dependent. Most common <u>underlined</u>

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Charging by # bedrooms

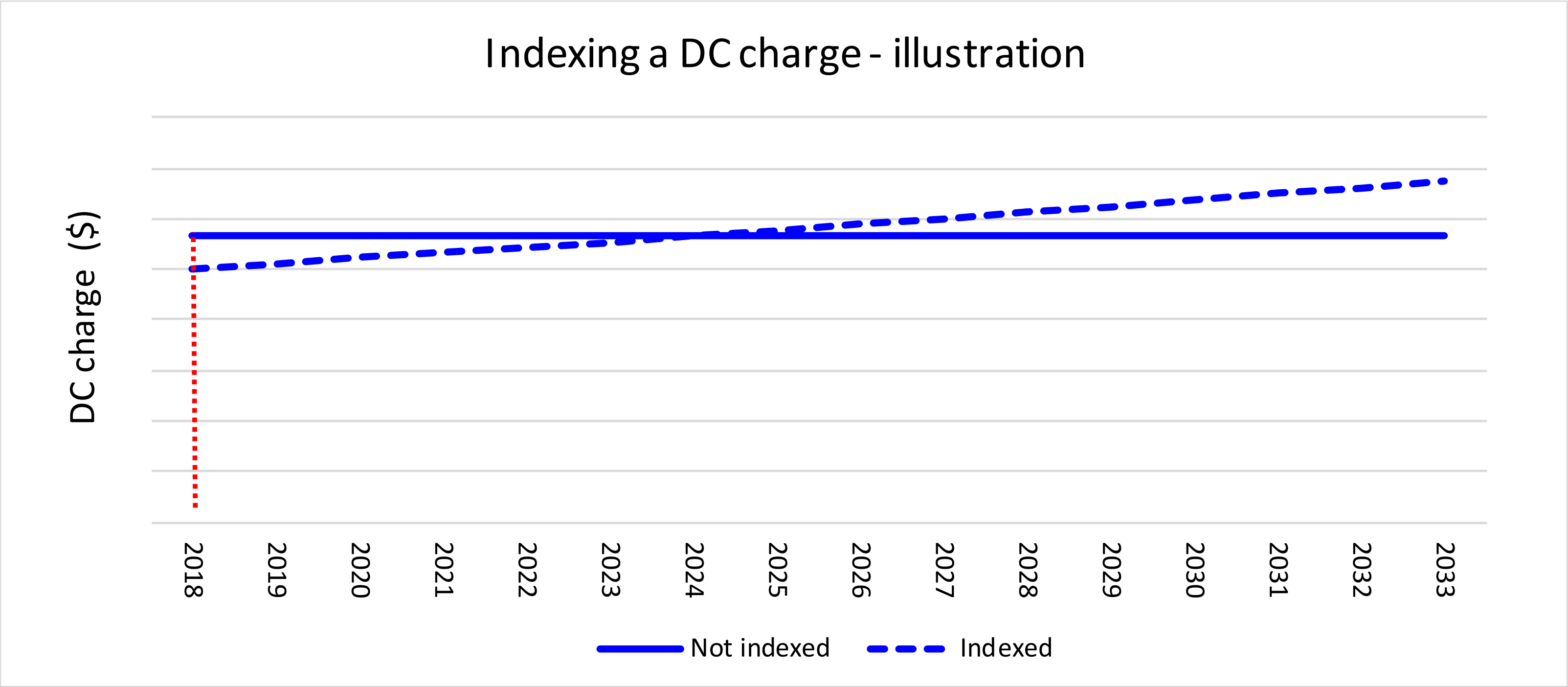
Financial impact

- Long run – nil. DC Model fully recovers regardless
- Affects the distribution of charging not the total amount recovered

Indexing

Indexing

- Increase designed to keep contribution constant in real terms over time
- To achieve fairness over time, referred to as *“intergenerational equity”*



Indexing

- Key issue in recent legal challenge (PCNZ)
- Lowers charges in earlier years, higher at end of recovery
- Net effect on long term recovery – nil
- Net effect on DC revenue – long term some increased finance costs recovered through charges anyway.
- Economists support – options to stagger introduction
- More necessary now because of high charges and long recovery periods
- Tauranga decided against – legal reasons
- Risk of challenge exists, but is considered low – indexing lowers charges in early years

Recommendation – index charges

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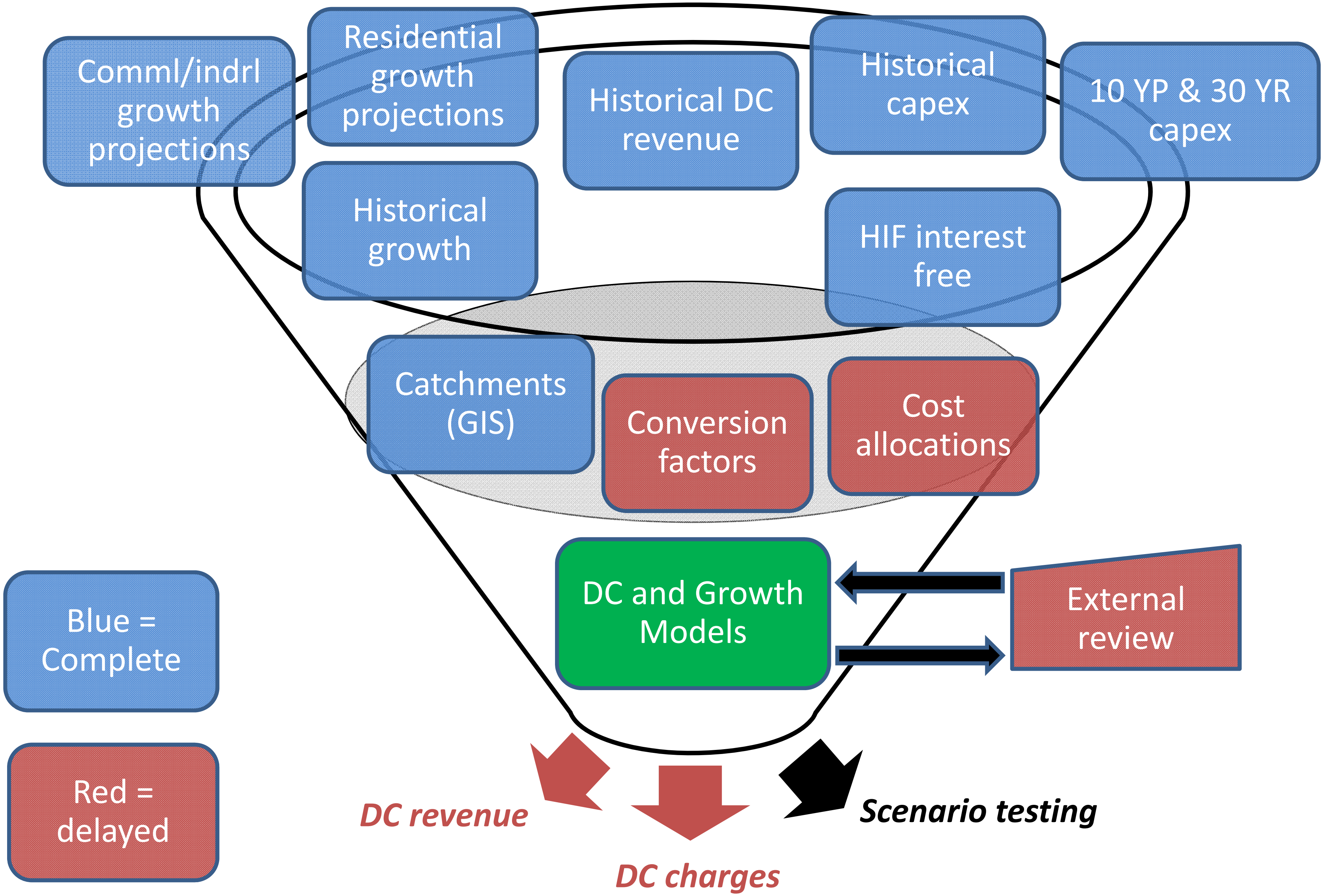
Calculating charges



Charge modelling issues

There have been some challenges and delays in completing the modelling of DC charges and revenue

- Would have expected draft charges by now – but not ready yet
- Technical resourcing issues & deferred draft LTP budget
- New software in place across all the models
- Confident of robust charges and revenue projections in draft policy for Council adoption 27 March.

What to expect with the new charges

- DC charges will be substantially higher
- Likely to be among the highest in the country across multiple charging categories
- Due to much bigger growth capital programme; and
- resolutions to remove caps and to introduce of capex outside 10YP

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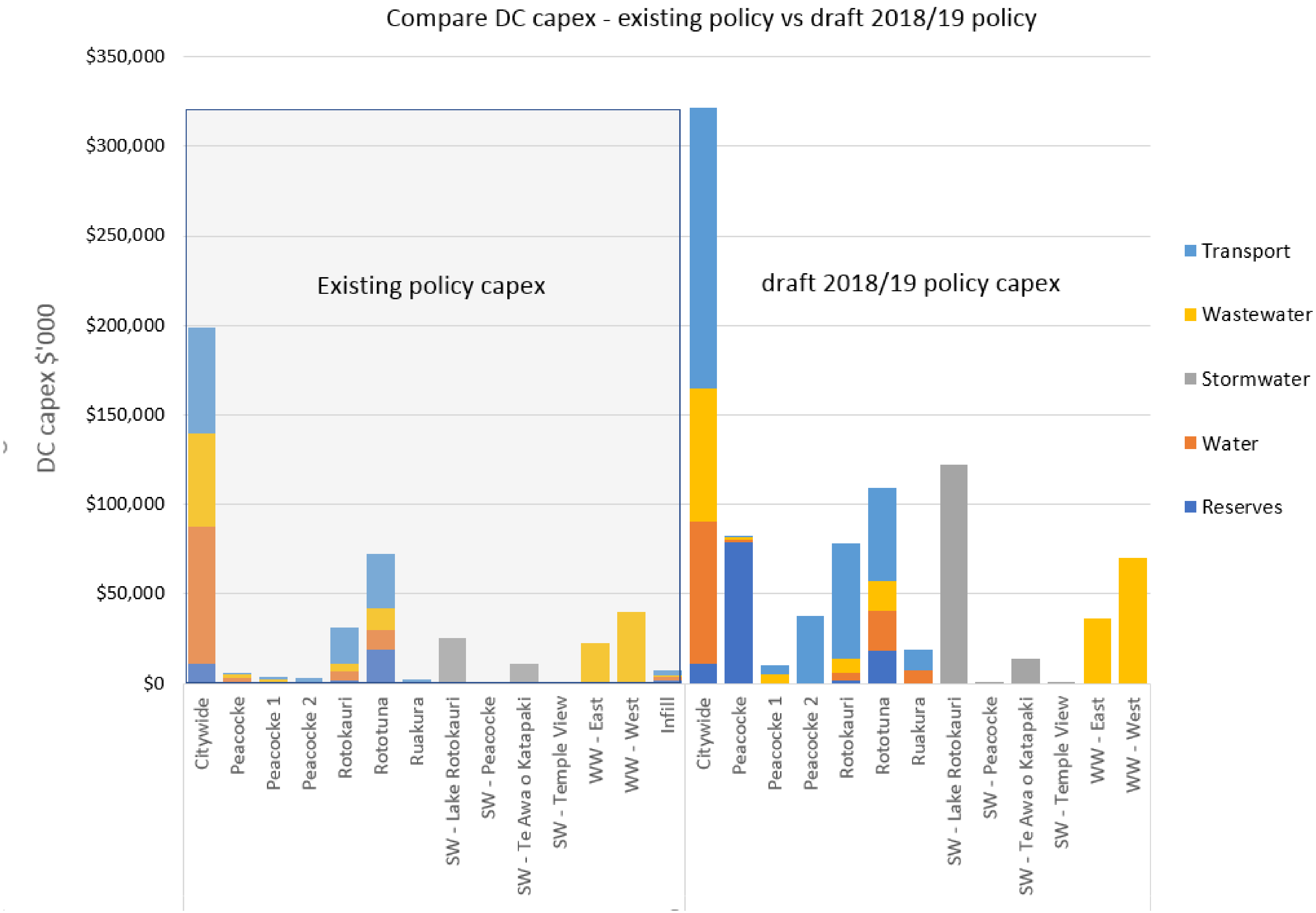
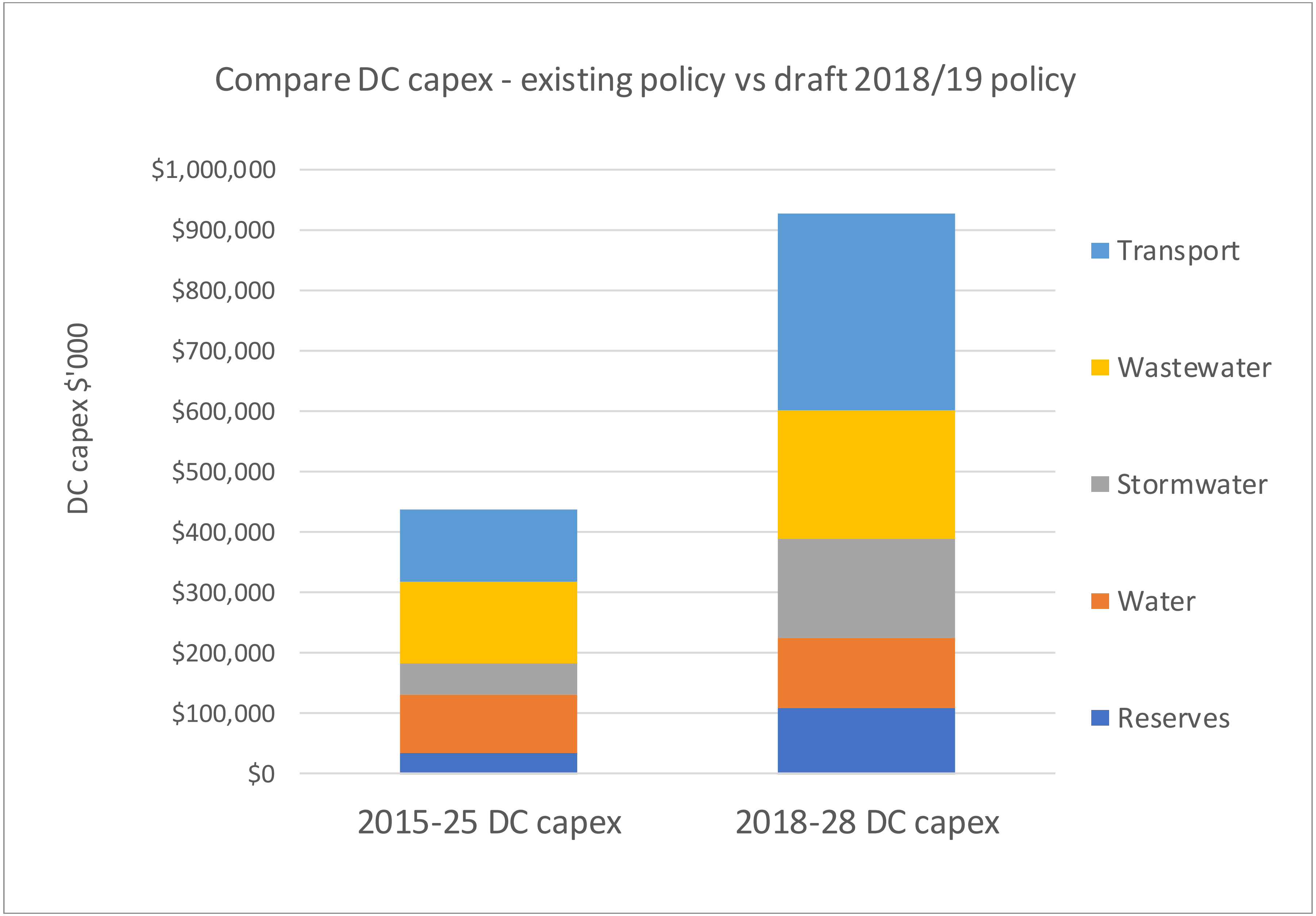


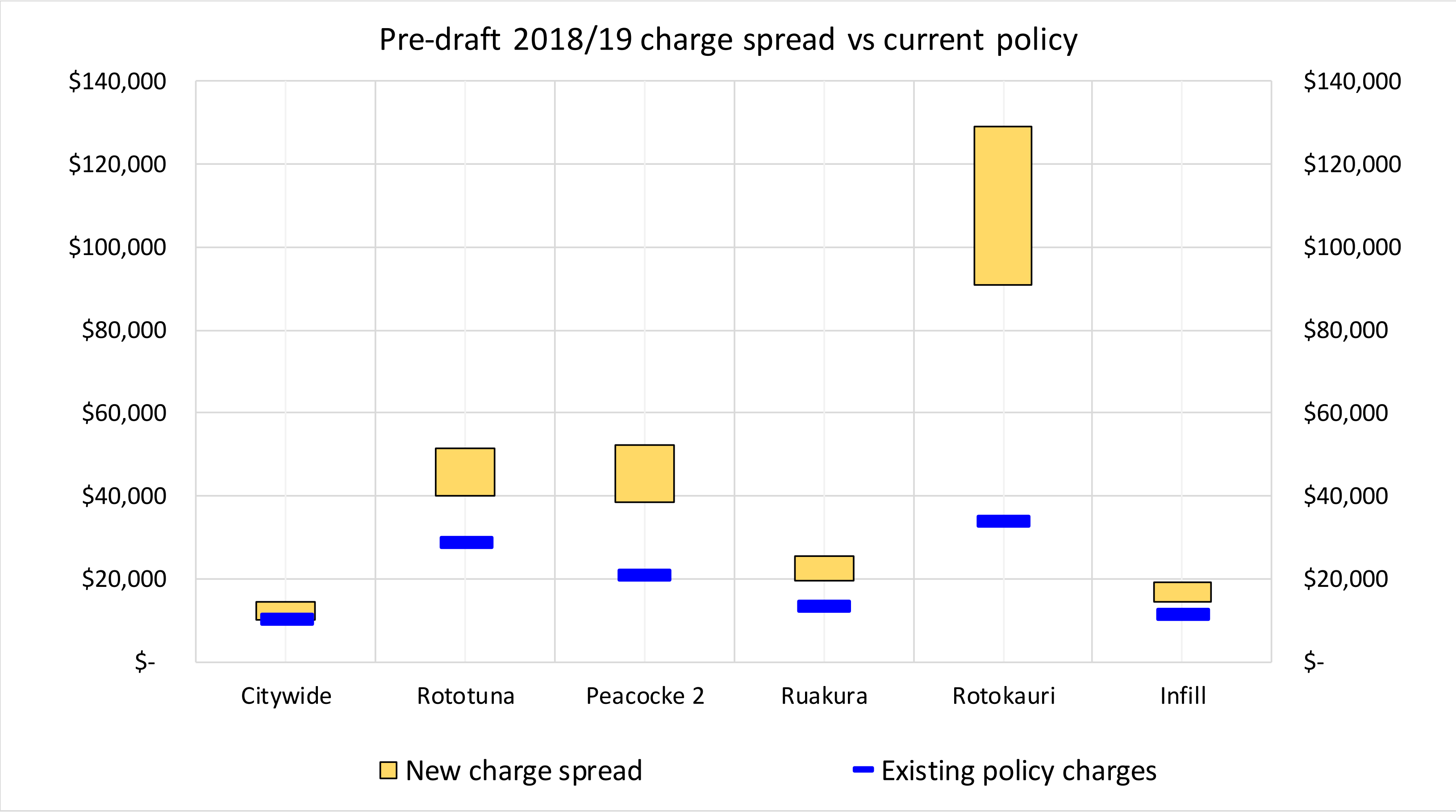
Compare DC capex - existing policy vs draft 2018/19 policy
DC capex $'000
$350,000
$300,000
$250,000
$200,000
$150,000
$100,000
$50,000
$0
Existing policy capex
draft 2018/19 policy capex
Transport
Wastewater
Stormwater
Water
Reserves
Citywide
Peacocke
Peacocke 1
Peacocke 2
Rotokauri
Rototuna
Ruakura
SW - Lake Rotokauri
SW - Peacocke
SW - Te Awa o Katapaki
SW - Temple View
WW - East
WW - West
Infill



Compare DC capex - existing policy vs draft 2018/19 policy
$1,000,000
$900,000
$800,000
$700,000
$600,000
$500,000
$400,000
$300,000
$200,000
$100,000
$0
DC capex $'000
2015-25 DC capex
2018-28 DC capex
Transport
Wastewater
Stormwater
Water
Reserves

What to expect with the new charges

Draft charges (subject to completion of model inputs)



Exception management

Rotokauri

- $90-130k per section, stormwater alone is $40-60k
- About 4,000 HUEs to recover $92m, $63m outside 10 YP.
- Currently proposing to recover capex out to 2033

Temple View

- circa $100k. Due to modelling limitations,
- Staff view - doesn’t represent fair recovery (only average of 15 HUEs per year of growth until 2058)

Options include

- Proceed with charges as modelled
- Cap specific charges (functionality still exists)
- Don’t recover capex out so far (e.g. Lake Rotokauri to 2033) – future policies will pick it up

Seeking guidance from Elected Members

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Economic impacts

Sensitivity report

- Investigating the sensitivity of high DCs on development and the Hamilton market - Fraser Colegrave (Insight Economics)
- Due 9 March, ideally should be made available to Elected Members prior to 27 March in case it influences charge decisions

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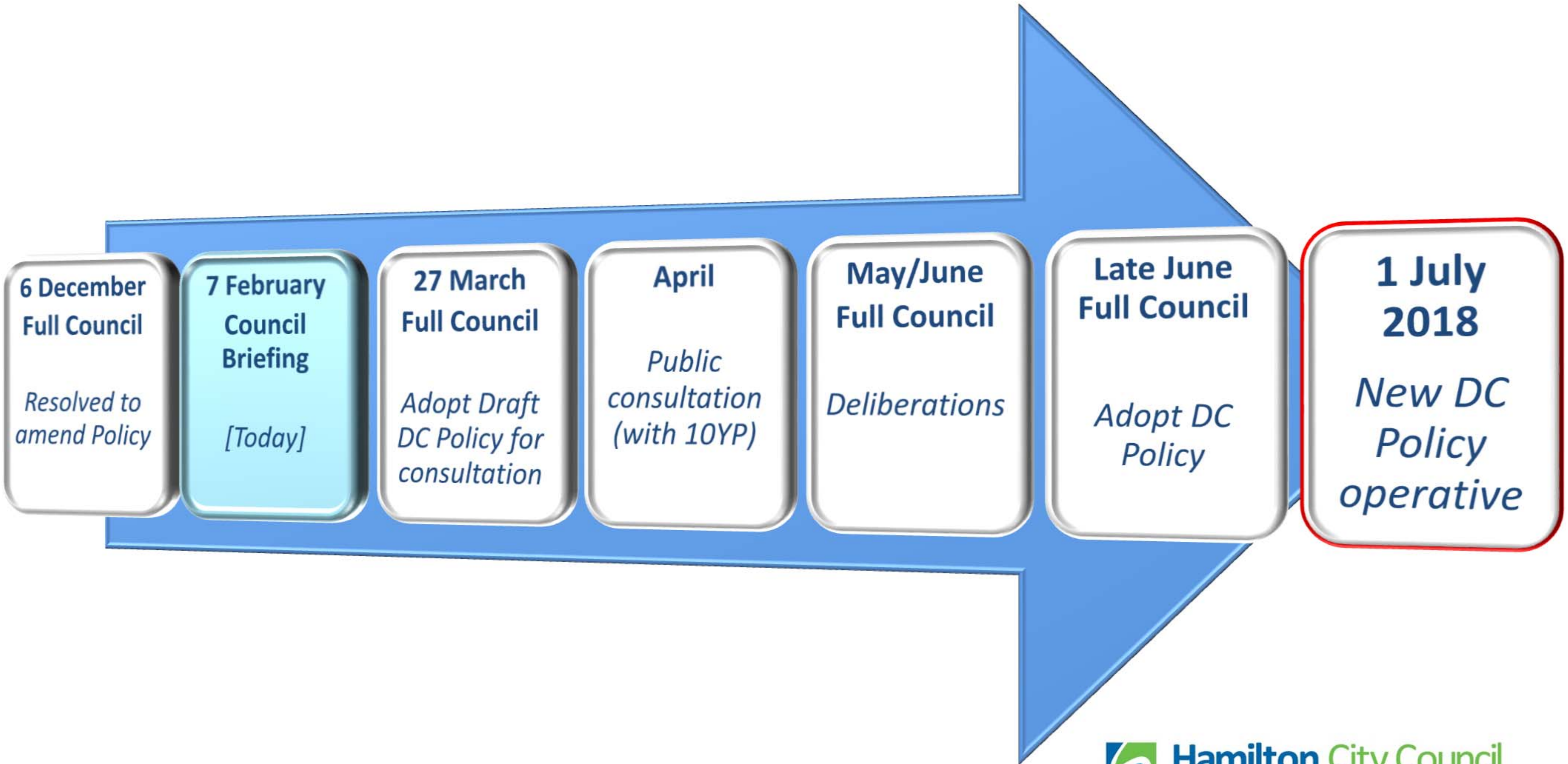
Roadmap



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Questions?

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