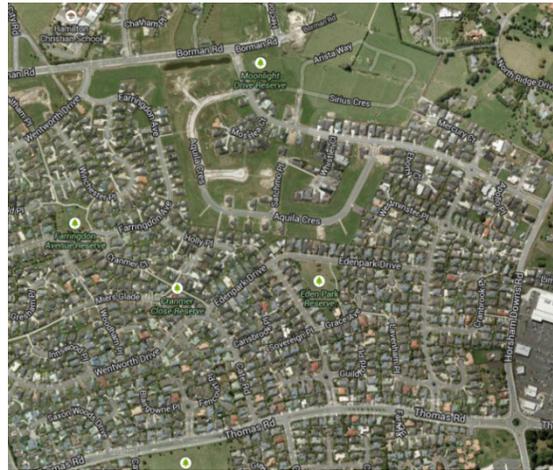


Elected Member Briefing (LTP) – Topic List - 12 July 2017

Topic	Presenter	Time Req'd (mins)
10 year Plan Programme Overview	Sean Hickey	60
PWC Report back on financial strategy assessment	Richard Briggs	60
Morning Tea		15
Growth Update - Potential Enabling Works	Blair Bowcott / Andrew Parsons	60
Lunch		60
Introductions to Development Contributions	Sean Hickey / Greg Carstens	60
Draft Significance & Engagement Policy	Sean Hickey	45

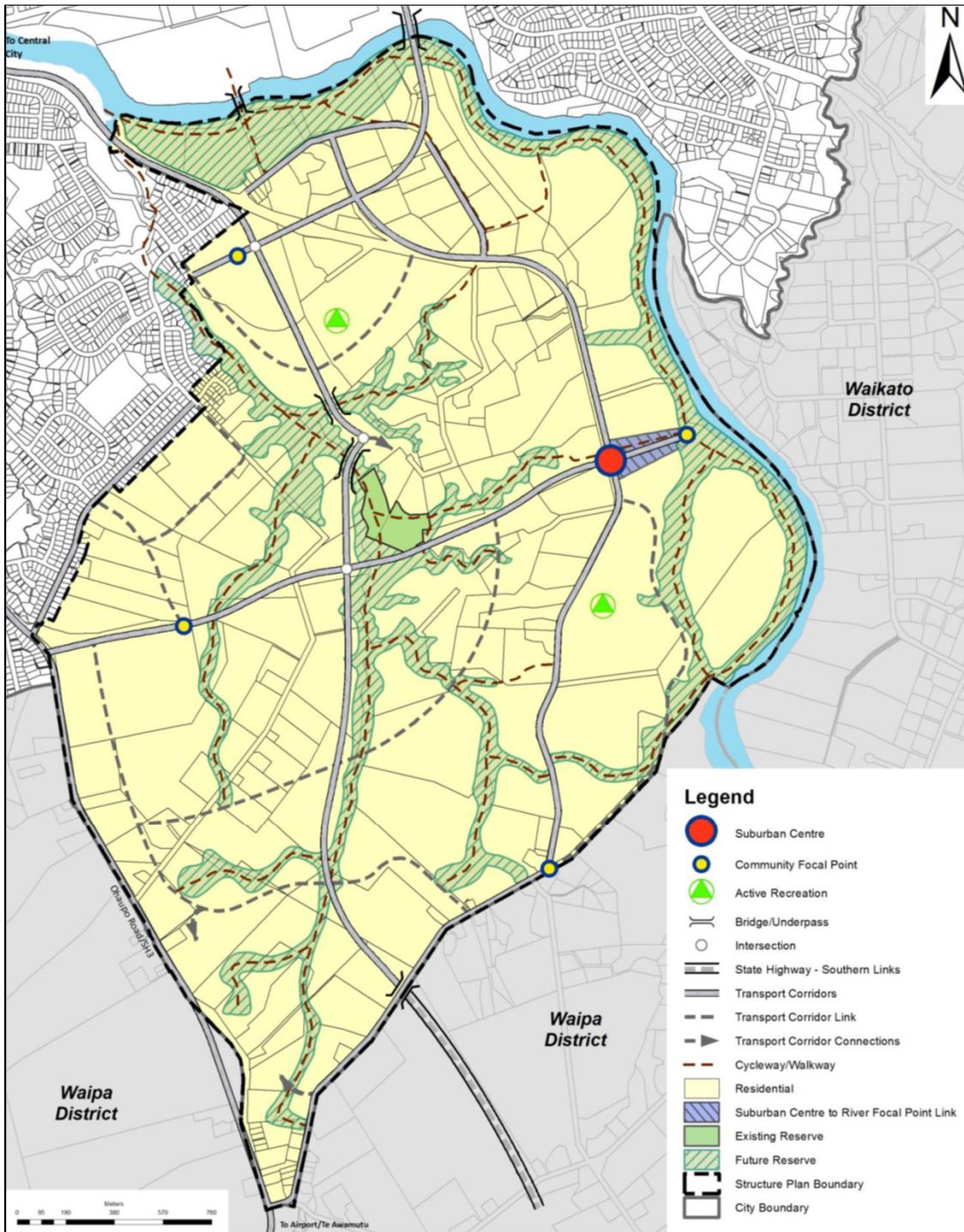
Growth Update

Peacocke Enabling Works Options



12 July 2017

Peacocks



↘ Infrastructure Tasks Underway

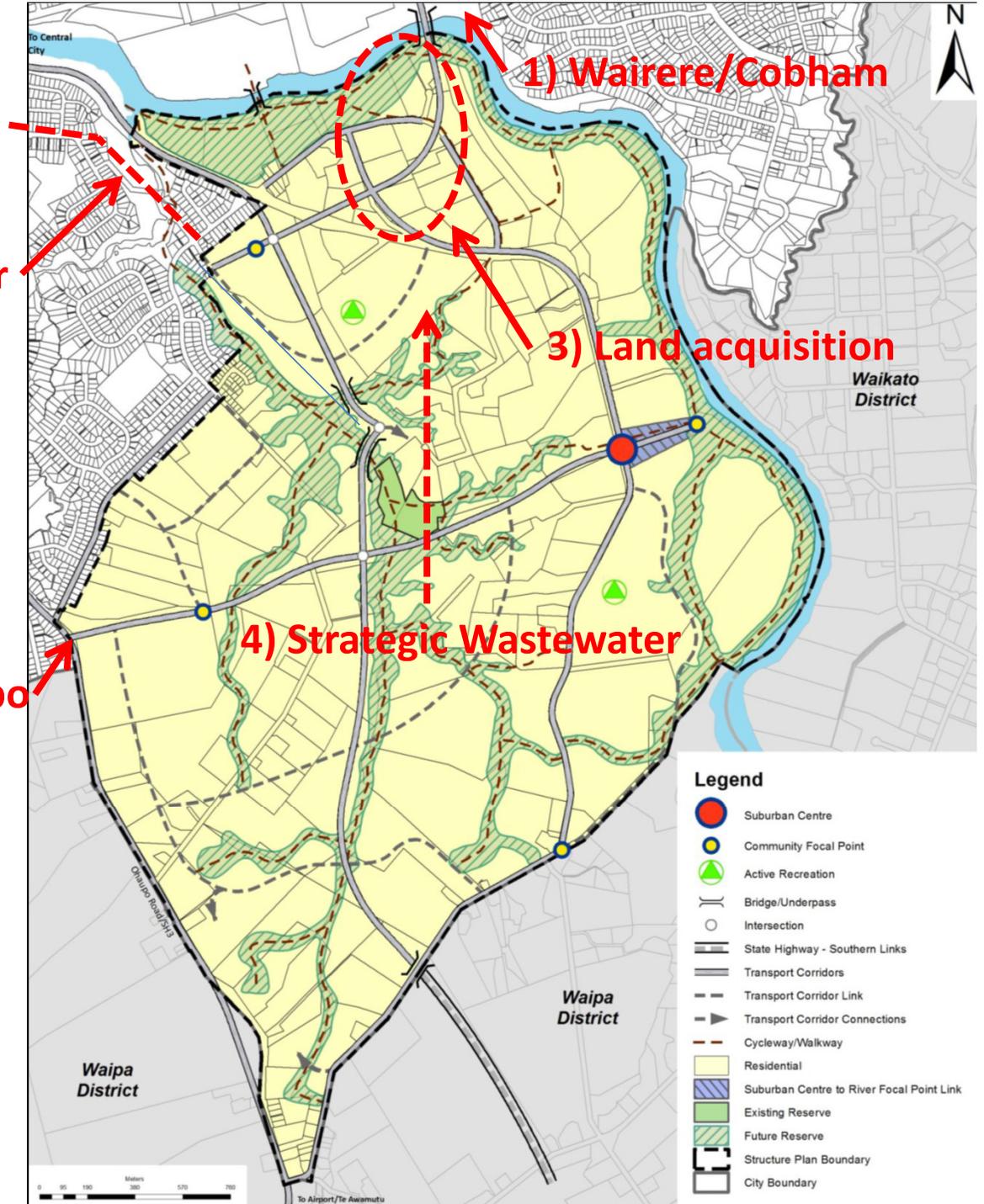
- Passive land acquisition where required
- Environmental monitoring work and associated pre-construction conditions of designation (in partnership with NZTA)
- Detailed design of Ohaupo Road / Dixon Road intersection based on Council approved Business Case
- Detailed design of the Wairere Drive / Cobham Drive interchange

Peacockes Enabling Works

5) Bader Corridor

2) Dixon/Ohaupo

6) Master Plans



↘ Potential Enabling Tasks

1. Call construction tenders for the Wairere Drive / Cobham Drive interchange
2. Call construction tenders for the Ohaupo Road / Dixon Road intersection
3. Proactively acquire land associated with the bridge and strategic wastewater components
4. Prepare detailed design, lodge consent applications, and prepare construction documentation for the Wastewater Transfer Pump Station and associated rising main to Wairere/Crosby area
5. Investigate and design minor works between Normandy Ave and Waterford Cres to manage route safety
6. Preparation of Master Plan(s) for the northern area

Note: Items 3-6 subject to agreement to retrospectively cover through HIF

↘ 1) Construct Wairere/Cobham

Call construction tenders for the Wairere Drive / Cobham Drive interchange

- Design phase funded and underway
- Construction phase part funded
- Estimated additional \$9m-\$14m HCC share required for construction - additional to 2015-25 provision
- Potential to call tenders for construction Feb/March 2018 (subject to land)
- The additional \$9m-\$14m likely to be required across first or second years of 2018 10-Year Plan and not in 2017/18 financial year

Risks: Land, construction cost subject to public tender process, NZTA agreements

↘ 2) Construct Dixon/Ohaupo

Call construction tenders for the Dixon/Ohaupo intersection

- Design phase funded and underway
- Construction phase funded in 2015-25 10-Year Plan
- Potential to call tenders for construction Feb/March 2018
- This option is subject to land purchase

Risks: Timing of Land purchase, construction cost subject to public tender process, NZTA agreements

↘ 3) Land Acquisition

Resolution to proactively acquire land (River bridge and wastewater components)

- To date, land is purchased where property owners request
- A small amount of land has been acquired to date
- Active acquisition of land for the bridge and strategic wastewater would likely cost \$10m-\$15m subject to valuations
- Approximately \$8m is provided in the 2015 10-Year Plan for land acquisition
- Cost would likely be spread over 2017/18, 2018/19 and 2019/20

Risks: Time (if full PWA process required), final cost subject to valuation process, NZTA agreements

↘ 4) Strategic Wastewater

Design, consent applications, and construction documentation for the Wastewater Transfer Pump Station and rising main to Wairere/Crosby area

- Currently unfunded
- Critical lead infrastructure
- Estimate \$1.5m - \$2.0m to get ready for construction
- Technically challenging
- Dependent on land and access

Risks: Time, Technical, RMA, Land, cost

↘ 5) Bader/Norrie/Peacocke Corridor

Investigate and design minor works between Normandy Ave and Waterford Cres to help manage route safety

- Currently unfunded
- Investigation and design estimated to cost \$100k
- Could look to include within existing Southern Links budgets
- Can be progressed after a decision to proceed with the Housing Infrastructure Fund

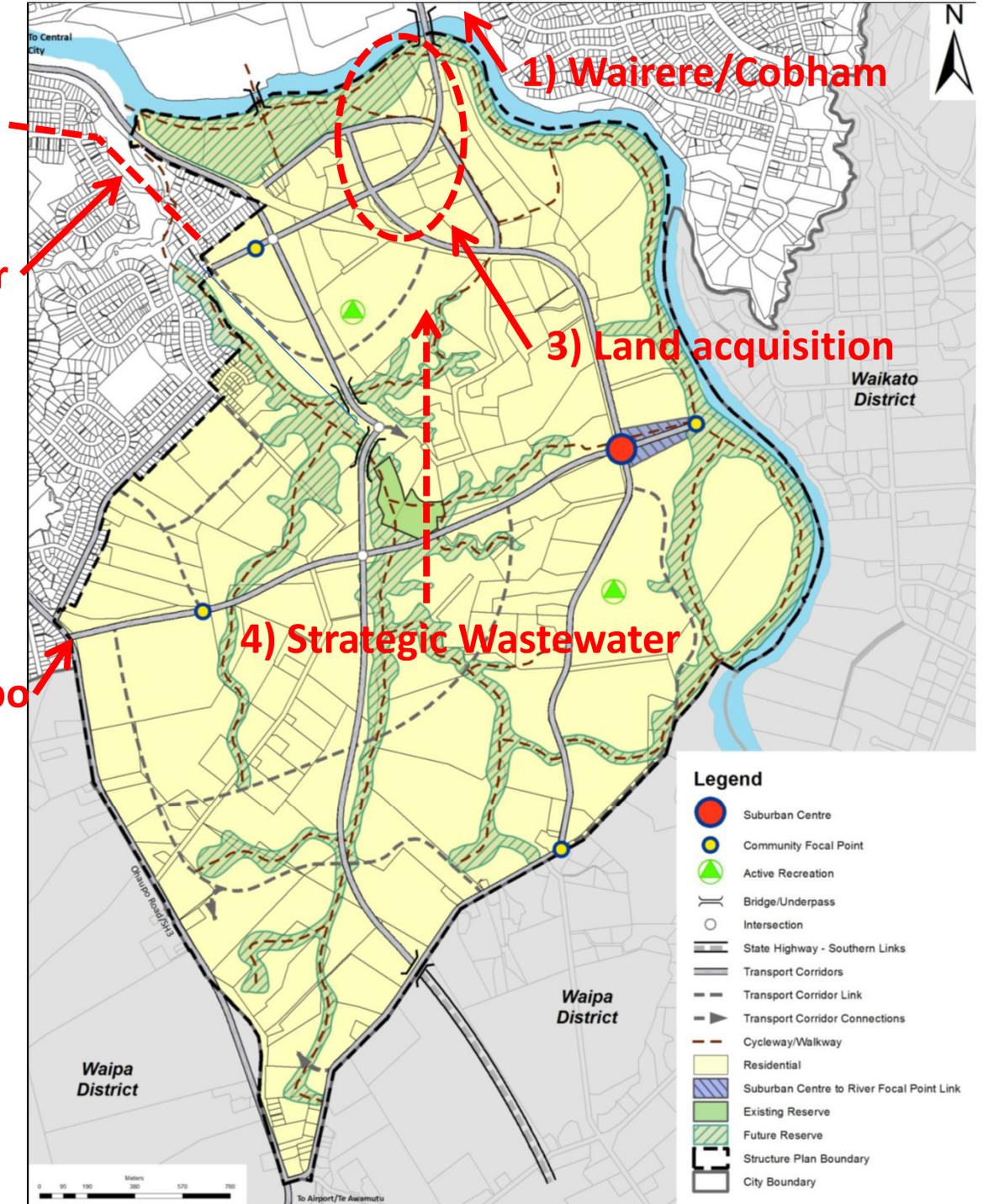
Risks: Increasing congestion and potential safety deterioration until new River bridge open

Peacockes Enabling Works

5) Bader Corridor

2) Dixon/Ohaupo

6) Master Plans



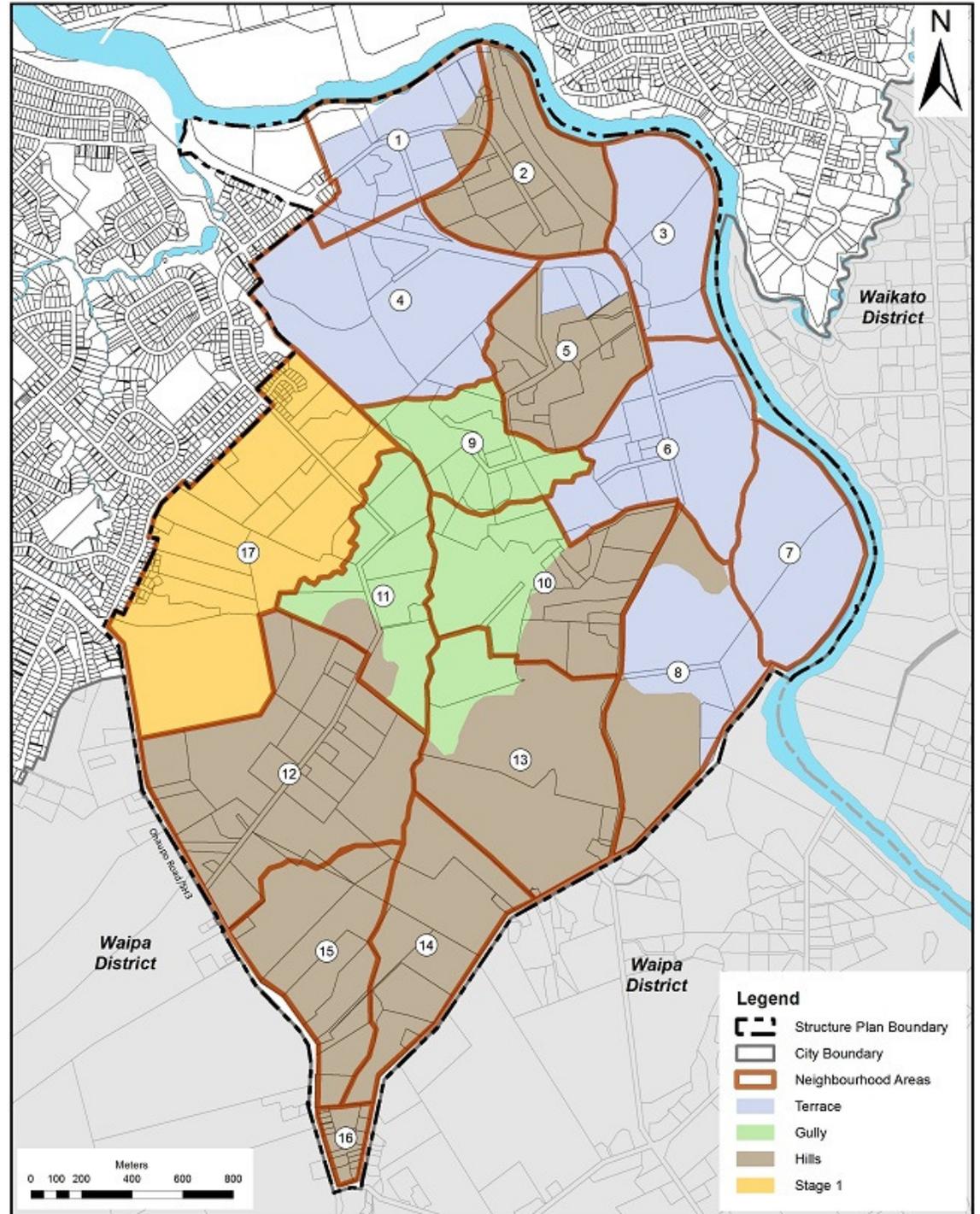
↘ 6) Master Plan(s)

Progress Master Plan(s) for areas 1, 2 and 4

- Identified and required by the Partly Operative District Plan
- Areas 1, 2 and 4 largely cover the area associated with land acquisition (option 3)
- Unfunded as expected to be developer led
- Difficult to estimate costs
- Assume \$0.5m - \$1.0m total for areas 1, 2 and 4
- Can be progressed after a decision to proceed with the Housing Infrastructure Fund

Risks: RMA process, consultation outcomes, cost

Council led Master Plan for areas 1, 2 & 4



Introduction to Development contributions

10-Year Plan Briefing

12 July 2017

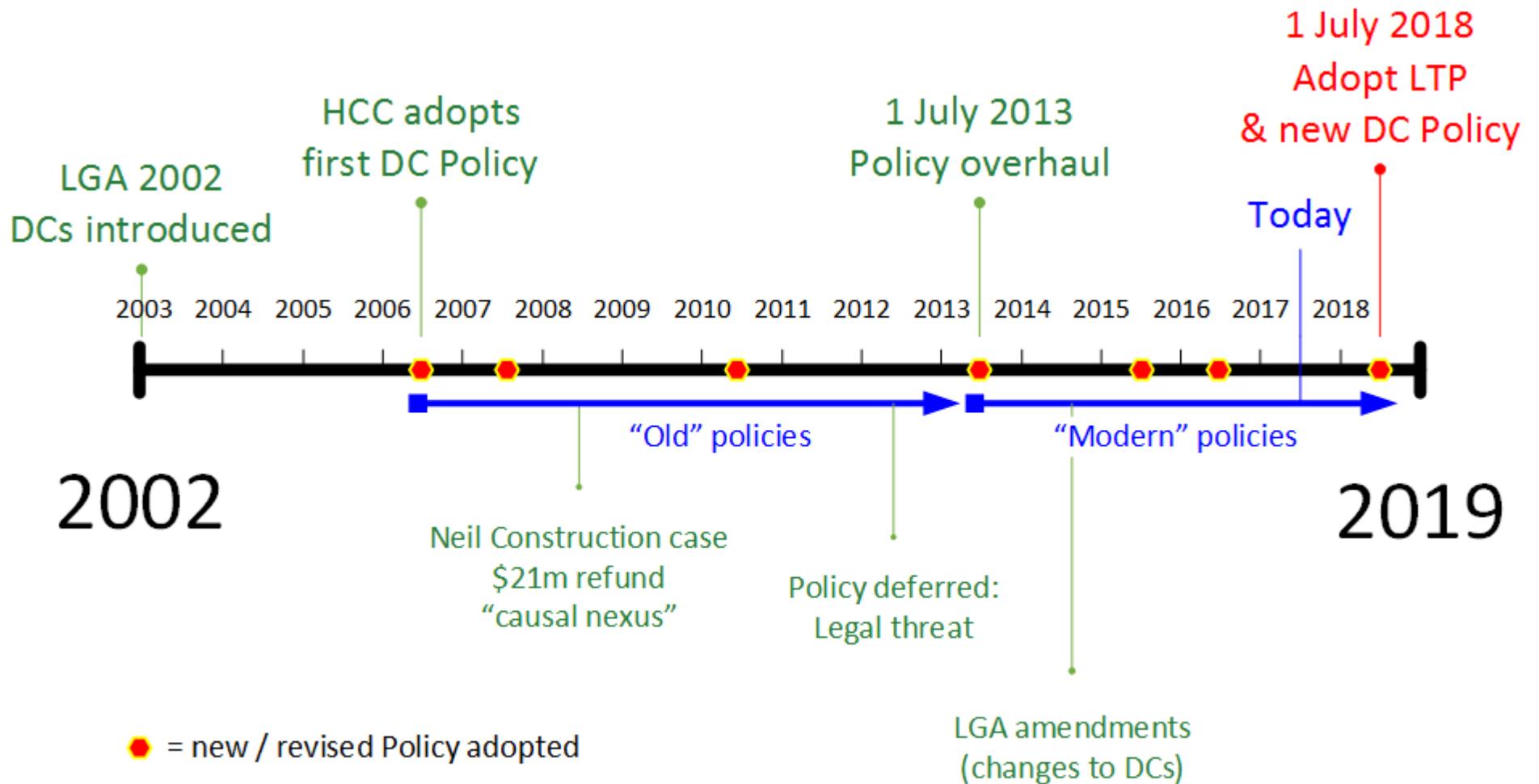


Contents

This introduction to DCs includes:

1. History
2. What is a DC?
3. The DC Policy
4. The DC Model
5. DC revenue
6. Legal context
7. Roadmap
8. Glossary

History



What is a development contribution?

- A development levy calculated and collected under LGA 2002
- LGA 2002 Purpose of DCs is to recover costs of long term growth from those developing, in a fair/equitable way
- Introduced in 2002 to address limitations of the RMA's Financial Contributions (FC) scheme
- DCs are a significant one off charge, up front when you develop.
- Calculated and advised at the time consent is granted
- Must pay before 224c or Code Compliance (CCC) is issued
- DCs recover capital costs, and are not a revenue gathering tool

What is a development contribution?

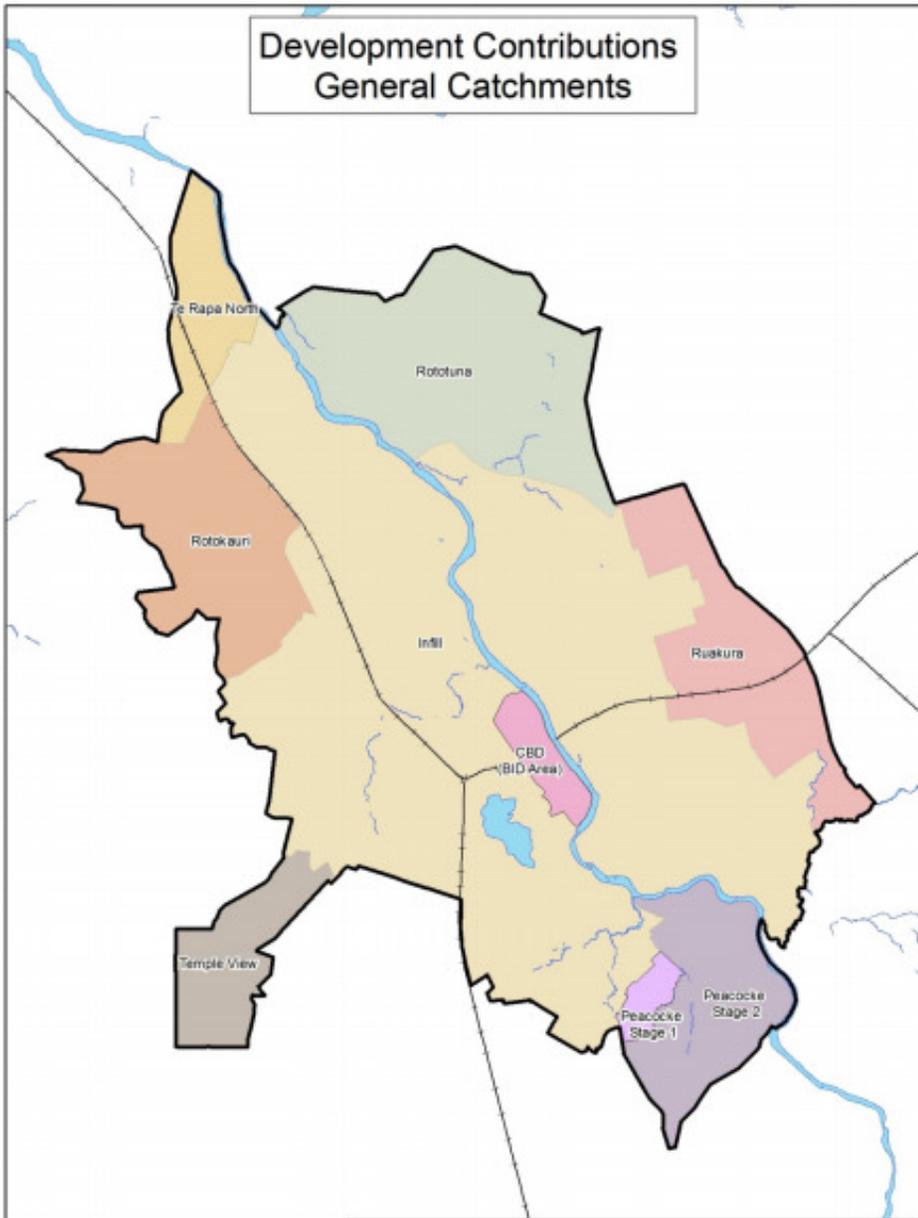
- Charged by “activity” i.e. water, wastewater, stormwater, transport, and reserves (but not community infrastructure)
- DCs vary depending on:
 - your location (catchment)
 - development type (commercial, industrial, residential etc.), and
 - how big your development is (new floor area or # houses)
- DC charges are fixed until the next Policy review, typically every 1-2 years

What is a development contribution?

How are DCs calculated?

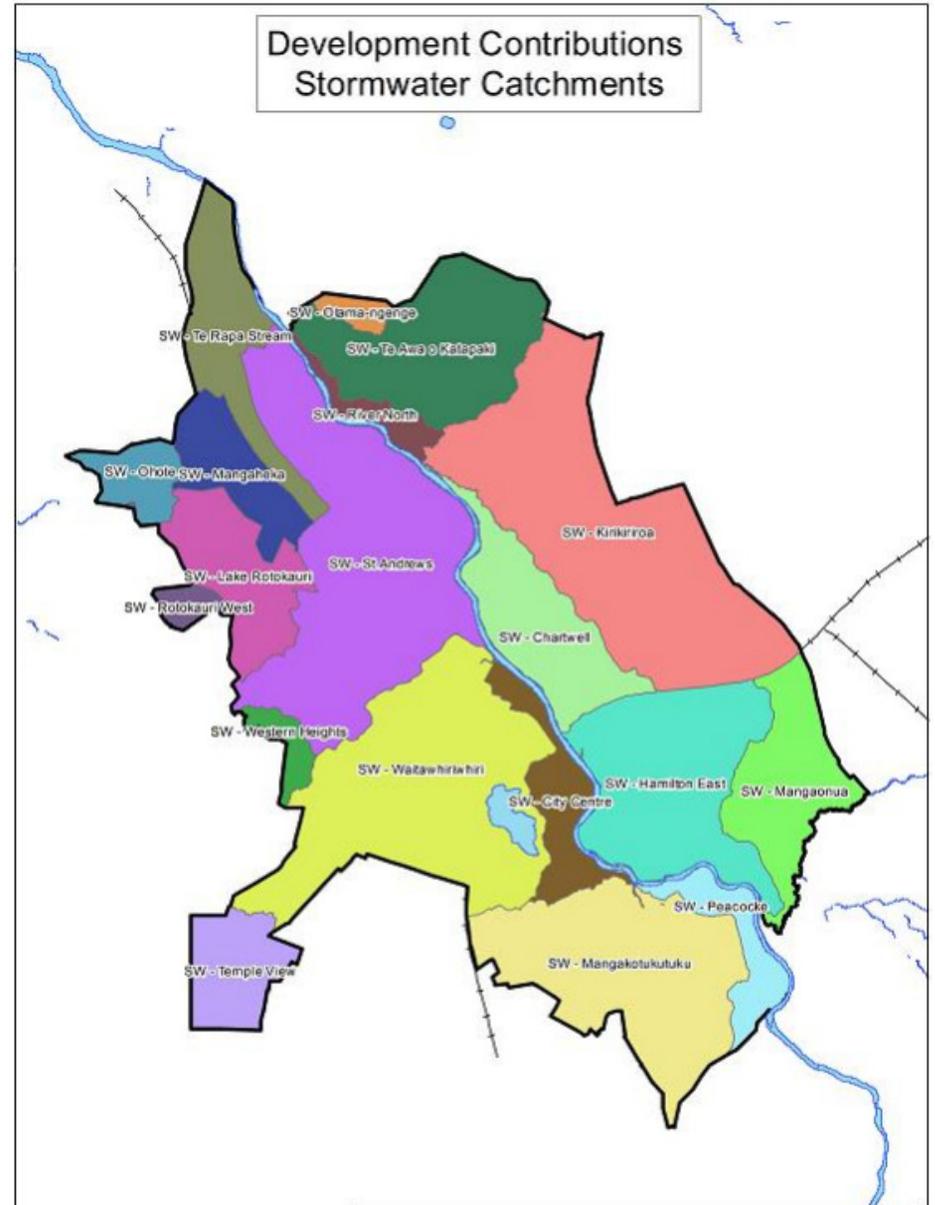
- Put simply, divide growth capex by expected growth in HUE's for each year.
 - A Net Present Value (NPV) calculation is used because money is more valuable today than the promise of it tomorrow
 - HUE stands for “Household Unit Equivalent”
 - One HUE is a daily average household's demand for council services (water, wastewater, stormwater, transport, reserves)
 - HUE's are the basic unit of growth for calculating DCs, and projections for the future will align with 10 YP (NIDEA Low)

Development Contributions General Catchments



Disclaimer: HCC does not guarantee that the data shown on this map is 100% correct.

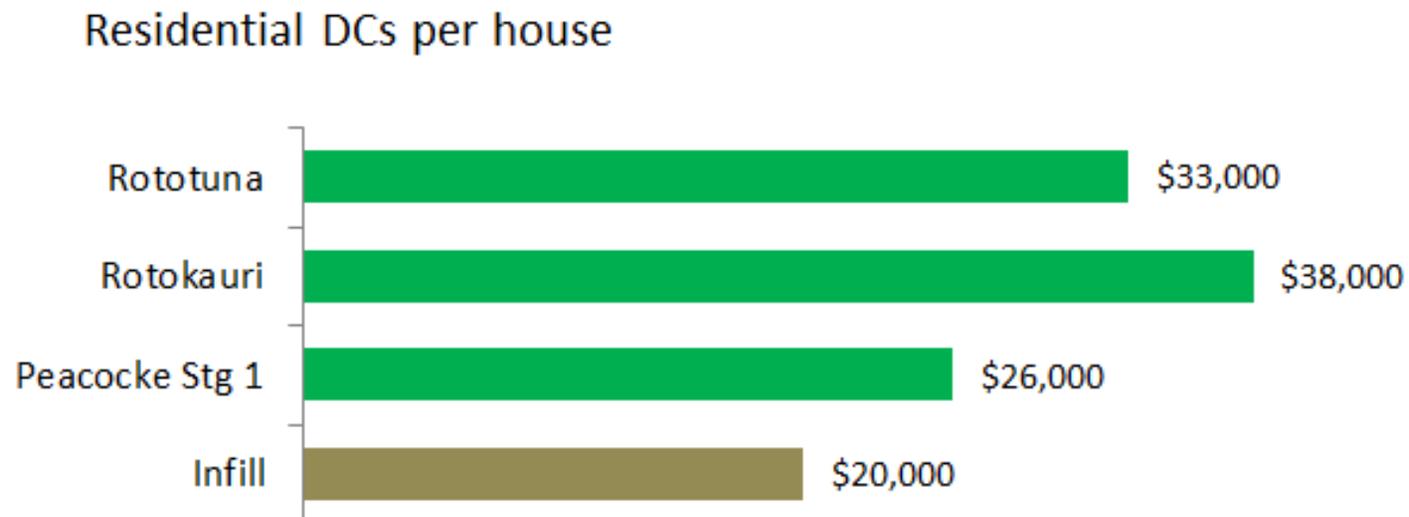
Development Contributions Stormwater Catchments



Disclaimer: HCC does not guarantee that the data shown on this map is 100% correct.

What is a development contribution?

- \$ DC per new dwelling in Hamilton are currently (averaged):



DC Policy

- Council must adopt a DC Policy in accordance with LGA 2002
- Should always be adopted with the 10YP, and may be updated at an Annual Plan
- Current policy operative 1 July 2016
- LGA 2002 includes a Purpose and seven Principles, which set prescriptive rules for developing a DC policy
- Purpose is to recover costs of long term growth from those developing, in a fair/equitable way

DC Policy

What do DC's pay for?

- Majority of \$ DC relate to large citywide “network” infrastructure (plant, reservoirs, arterial roads)
- Source of misunderstanding by developers
- Except for minor exclusions, councils can't collect for community infrastructure anymore (LGA amendment 2014)

Wastewater, Storm Water, Water	
Plant	Reservoirs, Treatment Plants
Bulk	City-wide e.g. WW Interceptors, Ring Mains
Trunk	Services multiple areas
Local	Services individual properties



Roothing	
Major Arterial	Major roads e.g. Ring Road
Minor Arterial	e.g. Borman Road
Collector	e.g. Moonlight Drive
Local	Low volume/high access roads



DC Policy

- LGA Principles provide a fair/equitable mechanism to share costs between ratepayer and developer by assessing
 - who benefits from the new infrastructure
 - and who created/caused the need for it
- This process is referred to as “cost allocations”
- Council must use DCs for the purpose they were collected i.e. spend on same activity in same catchment
- Refund only if substantial project removed from long term planning entirely

DC Policy

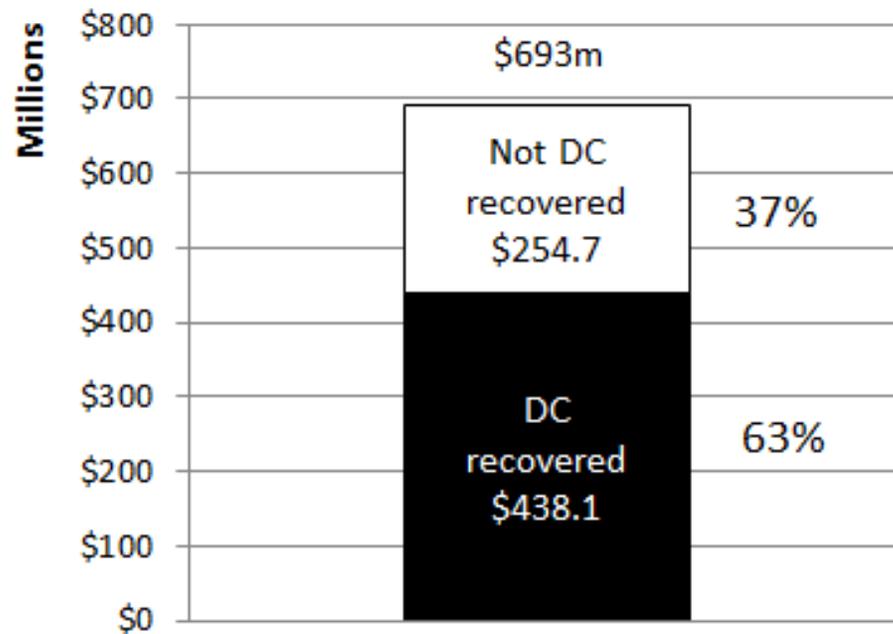
What is HCC recovering through DCs currently?

1. Historical growth projects (\$152m, currently back to 2001)
2. 10-Year Plan projects (\$286m)
3. Projects outside the 10-Year Plan (currently nil from 2026 onwards)
4. Interest (\$245m)
 - Must meet LGA requirements – including asset still providing capacity, and cost allocation rules
 - In total, Council is recovering \$683m in capital (64%) and interest (36%) over 40 years through its current Policy

DC Policy

How much of the total growth costs can Council recover?

DC recovery of "growth" costs



- Total growth capex = \$693m, DC's recover \$438m
- Graph illustrates the overall outcome of the "cost allocation" process
- Ratepayer funds capex not recovered through DCs (white bar)

DC Policy

There are two main types of reductions to DC charges (expanded on next slides):

1. Case by case remissions (operational)

- an application of Policy (Section 18)
- based on the features of an individual development “actual demand”
- Required by LGA 2002

2. Policy positions to reduce charges

- e.g. CBD, capped charges
- Are decisions by previous Councils to reduce certain charges
- Are options for Council to consider as part of this Policy Review

DC Policy

1. Case by case remissions (operational)

Through the LGA, a policy must have a remissions section:

- This is an LGA requirement, not an Elected Member decision
- Successful if there is evidence of significantly lower demand for services from a development than modelled/expected
- Referred to as an “actual demand remission”
- Or if a developer provides significant assets that provides Council balance sheet relief
- May be confirmed through a Private Developer Agreement (PDA)
- CEO has a \$1.5m Delegated Authority to approve remissions provided for in the Policy only

DC Policy

2. Policy positions on reduced DC charges

- Council originally resolved in 2013 to reduce certain DC charges:
 - 100% remission in the CBD
 - capped business sector rates (have not increased since 2011).
 - some High Density (HD) housing reductions
- Option to retain, change or remove
- Consider economic, strategic, and balance sheet impact of options
- Currently ratepayer meets all the costs of these reductions

DC Policy

3. Council could also consider:

- Recovering DCs for projects beyond the 10YP period
 - E.g. from years 10-20, and possibly also years 20-30.
 - Explicitly provided for in LGA 2002 (since 2014)
 - Selected projects only (must demonstrate provides benefit to developments today)
 - Would require external peer review
 - Can increase risk profile – previous Council didn't for that reason
 - DC revenue impacts can be modelled but new DC Model needs to be operational first (end September).

DC Policy

4. Council could also consider:

- Delaying the point at which it collects DCs
 - Council is legally entitled to e.g. withhold issue of 224c (at subdivision) until DC's are paid
 - But, it could choose to bypass this trigger point and collect at a later stage e.g. building completion stage
 - Would provide developer's some cashflow relief
 - Potentially stimulate development
 - Council would act as “banker” and take on greater financial risk

DC Model

- Calculates \$ DC charges (growth capex ÷ growth in HUE's)
- \$ DC are fixed until the next Policy review, typically every 1-2 years.
- Run scenarios and model impacts (e.g. removing caps or introducing new capex)
- Model's logic is built according to the rules set out in LGA 2002
- Requires sophisticated and complex modelling techniques / software
- Peer reviewed

DC Model

DC and Growth Model Rebuild

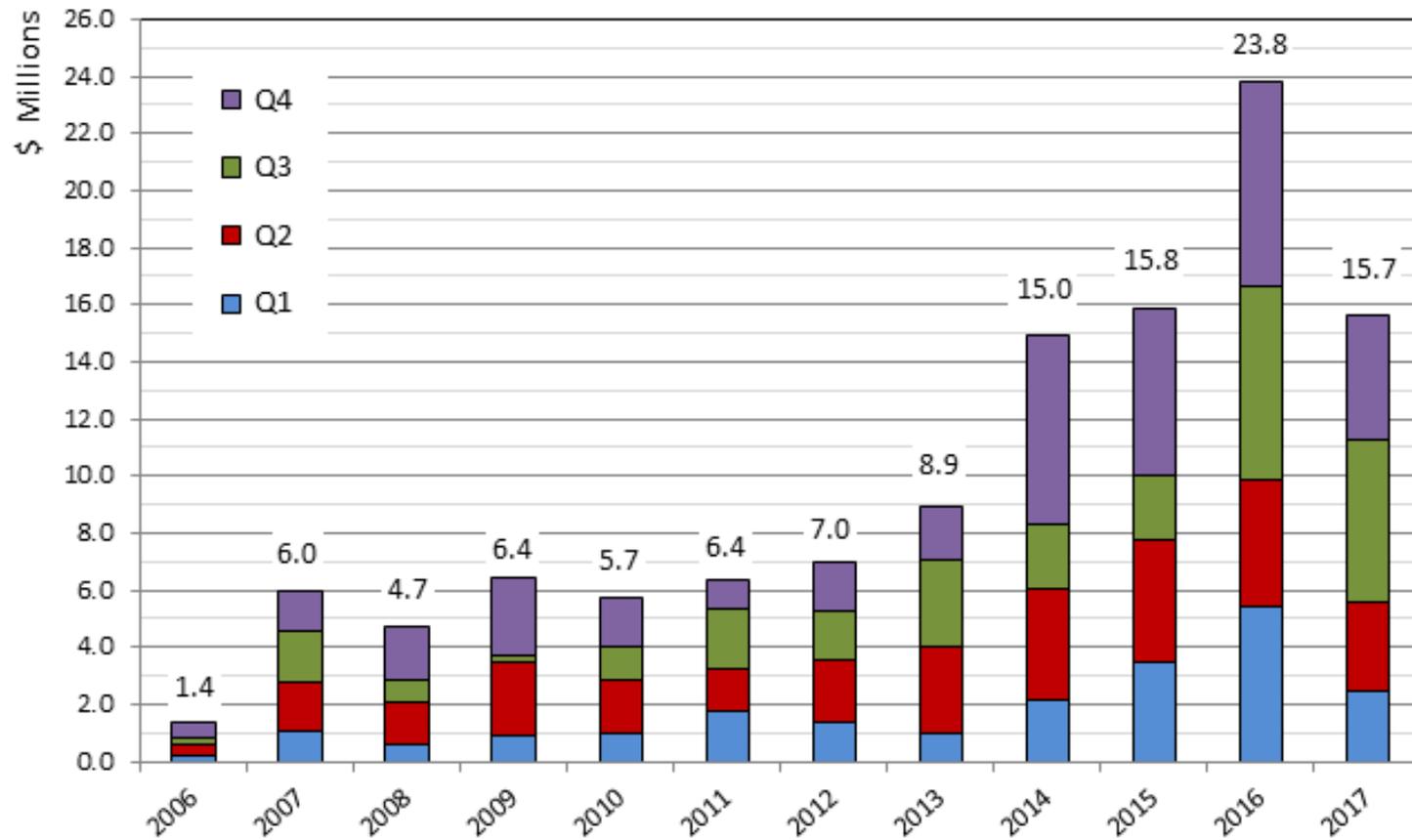
- Complete rebuild of the HCC DC & Growth model is currently being undertaken
- Developed with internal experts and external software developers
- Will be operational by end September this year
- Why rebuild the models?
 - Decreased reliance on specific staff
 - Able to run complex scenarios with impacts (currently limited capability)
 - Improved robustness, transparency and auditability
 - Improved data and record keeping
 - Substantial technology upgrade

DC Revenue

- Historically accounted for around 5-10% of Councils total revenue
- Difficult to forecast – driven by development and economic cycles
- Can be influenced by Policy, within the scope/limitations of the LGA 2002

DC Revenue

DC Revenue
Quarterly Actuals to 30 June 2017



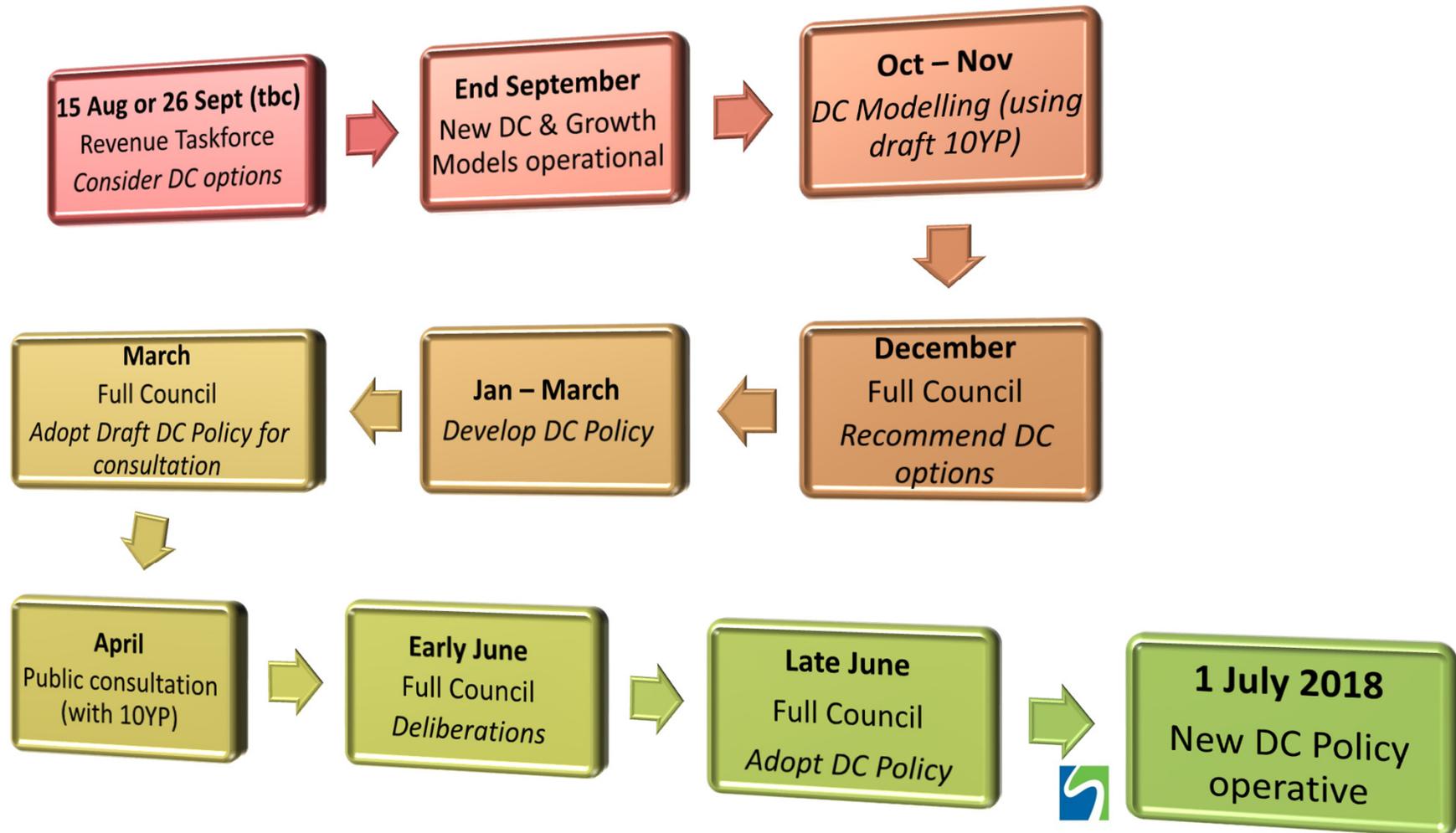
Legal context

- DC policies across the country have attracted legal challenge
 - Challengers often highly resourced
 - Substantial sums of money at stake
- Policy needs to be legally tight - LGA is prescriptive in its scope and its limitations/restrictions
- Changes to Policy need rigorous legal review
- Developer appetite to challenge and legal risk may rise if charges were to go up significantly

Legal context

- Council's current policy is considered legally robust
 - mature policy with a number of independent reviews (Tompkins Wake, PWC, engineering, economic)
- 2015/16 Developer Working Group
 - 1-year process undertaken with Mayor, Councilors, mediator, and senior staff
 - Property Council led
 - A number of issues resolved, but others outstanding
 - legal opinion expected to be presented to Council soon

Roadmap



Glossary

Development contribution (DC) - A development levy calculated and collected under the LGA 2002.

Household Unit Equivalent (HUE) - Demand for council services equivalent to that produced by an average household. The basic unit of growth for all DCs, expressed by “activity”.

Activity – Categories that DC’s are charged under - namely water, wastewater, stormwater, transport and reserves.

Development type or sector – a commercial, industrial, retail, or residential development

Community infrastructure – Infrastructure such as pools, libraries, stadiums. DC’s cannot be used to recover these costs anymore (LGA amendment 2014). Minor exclusions exist.

224c – Subdivision certificate (RMA Section 224c) issued by Council that will allow you to get title. Council can withhold this until DC’s are paid.

Code Compliance Certificate (CCC) – Certificate issued under the Building Act 2004 on proper completion of building works. Council can withhold this until DC’s are paid.

Glossary

Catchment – areas of the city where specified DC charges apply. Includes CBD, Infill, and various greenfield catchments. Also includes a citywide catchment. Stormwater and wastewater have further variations. There are 29 Policy catchments in total.

Infill – the built up area of the city, not greenfield areas. Sometimes called “brownfield”.

Greenfield – anywhere in the city except Infill and CBD.

Cost allocations – LGA 2002 based process where cause/benefit analysis is used to determine how growth costs should be shared between developer and ratepayer, and in what area of the city (“catchment”).

Causal Nexus – exists if one thing causes another. Necessary for “cost allocations”.

Growth costs or growth capex – capital expenditure on growth related infrastructure either already spent or in the 10 YP. The portion of this to be recovered through DCs is determined through the “cost allocations” process.

Glossary

DC Model – software that takes the capex, HUE growth, and all other relevant information as inputs, and calculates DC charges using the method set out in LGA 2002. The DC Model can also run scenarios to support decision making. New DC Model live end Sept 2017.

Modelled charge – the charge that comes straight out of the DC Model before any reductions/remissions. Also referred to as “base charges”.

Capped charge – a charge that has been reduced from its “modelled charge” by Council decision/resolution when adopting the Policy. Currently applies to commercial, industrial, retail, and some High Density (HD) developments.

Remission – a reduction to a DC charge, approved on the basis that the development will place significantly less demand on Council services than the DC Model presumed. Must be supported by specialist evidence. Referred to in the Policy as an “Actual Demand Remission”.

Questions?

Significance and Engagement Policy - Review

↘ Councillor Briefing 12 July 2017



Contents

- Purpose of the briefing
- Background
- Background – Draft Policy
- Overview of sections – Draft Policy
- Next steps (anticipated timeline)
- Questions and Feedback

Purpose of this briefing

- Present the draft Significance and Engagement Policy (the draft policy).
- Get feedback from elected members on the draft policy.
- Outline next steps in the policy development process.

Background

- The Local Government Act (LGA), under s76AA, requires Council to have a Significance and Engagement Policy (SEP).
- A SEP provides transparent guidance to the public and Council staff about how and when the community can expect to be engaged with or consulted on.
- Council adopted the existing SEP on 27 November 2014.
- The scheduled review date for the policy is three (3) years from the date of adoption (i.e. November 2017).
- The SEP needs to be reviewed in anticipation of the 2018 Long Term Plan (LTP) as a summary of the SEP resides in the LTP.

Background – Draft Policy

- The draft SEP has been reviewed by the Strategy team with input from staff that represent areas of the organisation who may commonly apply the policy.
- The draft SEP has been developed with the view of making it practical for staff to apply and for the community to understand how Council will assess appropriate significance and engagement.
- The draft SEP has been developed utilising a combination of elements from other major centres SEPs around the country to ensure best practice.

Overview of sections – Draft Policy

Section	Change/No change	Rationale	Influences
Purpose and Scope	Change (minor amendment)	Clauses in existing SEP are consistent with the purpose of a SEP as set out in s76AA(2) of the Local Government Act 2002 but have been tweaked to ensure consistent with definitions section.	<ul style="list-style-type: none">• Existing HCC SEP – Purpose and Scope• Local Government Act 2002, s76AA(2).• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Principles	Change (New Section)	To provide further guidance and context for the policy in terms of application.	<ul style="list-style-type: none">• Tauranga CC SEP – Principles section• Auckland C SEP – Principles section• Christchurch CC SEP – Principles section• Palmerston North CC SEP – Meaning of community engagement in decision making section.• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Definitions	Change (additional definitions)	Additional terms and definitions to mitigate risk of confusion consistent with s5 of the Local Government Act 2002.	<ul style="list-style-type: none">• Existing HCC SEP - Definitions• Christchurch CC SEP – Appendix 1: Supporting and contextual information• Tauranga CC SEP - Definitions• Local Government Act 2002, s5.• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Policy – Application of the significance and engagement policy	Change (new section)	Clarifies when the policy is applicable in a concise clear way.	<ul style="list-style-type: none">• Tauranga CC SEP - Schedule 1 Applying the SEP• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Policy – Determining the level of significance	Change (new section)	<p>Clarifies things which may be impacted to link with key considerations in schedule 1.</p> <p>Steps the reader through working out appropriate level of significance in a concise clear way.</p> <p>Clarifies the effect of strategic assets, s82 and s83 of the LGA in relation to the policy.</p>	<ul style="list-style-type: none"> • Christchurch CC SEP – General approach to determining significance and level of engagement • Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Policy – Determining engagement	Change (new section)	<p>Clarifies that the engagement approach is on a case by case basis.</p> <p>Clarifies when the community should not be expected to be engaged</p>	<ul style="list-style-type: none"> • Existing HCC SEP Policy – Policy • Solgm – Significance and Engagement Policies • Tauranga CC SEP – When will Council not engage? • Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Monitoring and Implementation	Change (new section)	Included section to ensure consistency with other HCC Council policies as this is a standard section.	<ul style="list-style-type: none">• Palmerston North CC SEP – Monitoring and Review• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Schedule 1 - Guide to determining significance	Change (new schedule)	<p>Provides clear and concise guidance to determining the level of significance.</p> <p>Provides engagement method examples.</p>	<ul style="list-style-type: none">• Tauranga CC SEP – Guide to Significance and Engagement• Solgm – Significance and Engagement Policies

Overview of Sections – Draft Policy

Section	Change/No change	Rationale	Influences
Schedule 2 - Guide to determining engagement	Change (new schedule)	Provides clear and concise to determining appropriate engagement including providing examples.	<ul style="list-style-type: none">• Tauranga CC SEP – Guide to Significance and Engagement• Solgm – Significance and Engagement Policies• IAP2

Next steps (anticipated timeline)

- 12 Jul 17 – Councillor briefing (Today).
- 14 Jul 17 – Legal review.
- 24 Aug 17 – Statement of proposal and draft policy for consultation considered for adoption by Council.
- 26 Aug 17 – Consultation period starts.
- 26 Sep 17 – Consultation period ends.
- 19 Oct 17 – Deliberations and policy considered for adoption by Council.

Questions and Feedback