

Elected Member Briefing (Annual Plan) – 21 March 2019

Committee Room 1

Time	Topic	HCC Presenter(s)	Open / Closed	Time Req'd (mins)
10.30am	Submission by Hamilton City Council to the Ministry of Education regarding the consultation document <i>Reform of Vocational Education</i>	Blair Bowcott, Mark Brougham	Open	45
11.15am	Seismic Strengthening – Staff Report on Requirements	Emily Botje	Open	60
12.15pm	CBD Parking Trial – Staff Report on Options	Jason Harrison	Open	30
12.45pm	LUNCH			30
1.15pm	Development Contributions Policy – consultation document, inclusion of additional growth projects	Greg Carstens, Chris Allen	Open	90
2.45pm	Annual Plan – Update on Proposed 2019/2020 Budget Changes	Sean Hickey, Julie Clausen	Open	60
3.45pm	MEETING ENDS			

Developing HCC's Submission to the Proposed Reform of the Vocational Sector

21 March 2019 Council Briefing



Purpose of Today's Briefing

- To obtain EMs direction and points for inclusion in HCC's submission to the Ministry of Education's February 2019 Consultation Discussion Document 'Reform of Vocational Education'.
- Submissions close 27 March.

Rationale Underpinning Proposed Reforms

- Proposal - merge NZ's 16 Government-owned Polytechnics and Institutes of Technology (ITPs) into one national tertiary entity called **The New Zealand Institute of Skills and Technology**.
- Government has concerns over decreasing national enrolments and financial viability of a small number of ITPs - provided \$100m in 2018 to stop 4 ITPs from collapsing.
- The Minister of Education says *“Too many” polytechnics and institutes of technology were going broke at a time when the strong labour market was encouraging young people to move directly into the workforce rather than continue in formal education”*.

Timeline to Develop HCC's Submission

- **21 March** – Feedback from EMs at Briefing used to develop **Draft 1**
- **22 March** - HCC's draft submission (**Draft 1**) circulated to EMs for feedback.
- **25 March** - EMs provide feedback on **Draft 1**
- EMs feedback incorporated into **Draft 2**
- **27 March** - **Draft 2** considered and approved by Chief Executive under delegated authority.
- **27 March** - Final submission sent to Ministry of Education.

Proposed Key Points for HCC's Submission – Overall Support for Proposed Reforms

- Similar to Wintec, overall HCC supports proposed reforms.
- However - essential changes by Government need to ensure reforms are as beneficial/meaningful/streamlined as possible.
- Must be carried out in a realistic and well-managed timeframe.
- We have concerns around resultant workload and complexity of getting the proposed reforms in place and Government's intention to have the new organisation operating by beginning of 2020.
- **Wintec's current and future role as a key tertiary education provider for Hamilton, the Waikato and beyond must not be compromised by the proposed reforms.**

Proposed Key Points for HCC's Submission - Regional Focus of the Reforms

- Support **regional focus** approach that provides local leaders more say in the education and training offered in their region.
- Regional perspectives and input into the proposed new structure fundamental to achieving relevant training.
- Involves a multitude of stakeholders e.g. local government, Maori/Iwi, industry/business, Wintec, ITOs, community groups and students.
- To be successful, regional input to be formally prescribed, with clear rules of engagement established and an ability to genuinely influence courses, budgets etc.
- Includes ability of such stakeholders to be on (or contribute to) the proposed Regional Leadership Groups.

Proposed Key Points for Submission – Success of Wintec

- Wintec a financially stable, successful and growing education provider that is crucial for meeting the training and employment needs of Hamilton, the Waikato Region and beyond.
- The Wintec Parent and Group has posted surpluses every year since 2007.
- Proposed reforms need to acknowledge and build on the success of Wintec - not risk a loss of innovation, growth and regional focus/identity.

Proposed Key Points for Submission – Success of Wintec (Cont.)

- Elements that are innovative and adding value to local stakeholders, industry, Maori/Iwi or the economy need to be retained.
- Examples include SODA (a business and entrepreneurship incubator), Learning Works (a commercialisation subsidiary) and the International Department - which delivers training to international students in the Waikato - domestically and offshore.

Economic Importance of Education to Hamilton and the Waikato

- Wintec's success essential for Hamilton/Waikato's economic fabric/structure and ongoing development.
- International education contributes \$5.1 billion to NZ's economy and is our 4th largest export earner, supporting 47,490 jobs.
- Economic value of international education to the Waikato estimated at \$280m (supporting over 3,000 jobs) in 2017/18 - 70% value increase since 2016.
- Wintec employs 750 FTEs.

Economic Importance of Education to Hamilton and the Waikato (Cont.)

- International enrolments – a focus of Wintec’s business model.
- Enrolments - increased steadily over the past 10 years i.e.760 in 2008 to 1,570 in 2017 - 106.6% increase - accounts for 8.6% of all international student enrolments at NZ’s polytechnics.
- **This component of the business translated into \$22.5m in revenue for Wintec in 2018.**
- In HCC’s 2017 Economic Development Strategy - **Education** one of Hamilton’s 7 strength factors - along with IT/R&D; Healthcare; High Value Manufacturing; Freight/Logistics; Tourism; and Agri-Tech.
- Wintec - invested over \$135m since 2003 upgrading its city centre and Rotokauri campuses - creating a modern learning environment that can compete with the tertiary sector at an international level.

Wintec's Potential to Accommodate National Office Functions

- Centralisation of functions under reforms **does not** mean new entity (or parts of it) be located in Wellington.
- Given its strong performance/growth - Wintec offers an ideal location to accommodate a range of national office functions.
- IT functions could be accommodated at Wintec - Hamilton regarded as the most geologically sound city in NZ - situated away from the coast - cancelling out any risk of tsunamis - is a relatively safe distance from known fault lines.
- One of the key reasons that Datacom, Chorus, LINZ and Transpower have located their national operations in Hamilton.

Seismic Update

Purpose of workshop

- Recap on legislation and policy.
- Legislative requirements for signage.
- Provide an update on:
 - Known risk.
 - Future financial implications.
 - Interpretation and implementation of policy.

Legislative Requirements

- The Building (Earthquake-prone Buildings) Amendment Act 2016 (the Act) became effective on 1 July 2017.
- The Act requires councils to determine if buildings are earthquake-prone, and if they are, councils must carry out physical works within the timeframes specified by the Building Act - or demolish the building(s).

The Lingo

- % NBS – How a building rates to the New Building Standards

Category	Percentage of New Building Standard (%NBS)	Approx. risk relative to a new building	Life safety risk description
	>100%	Less than or comparative to	Low risk
	80-100%	1-2 times greater	Low risk
	67-79%	2-5 times greater	Low to medium risk
Earthquake risk	35-66%	5-10 times greater	Medium risk
Earthquake prone	20-34%	10-25 times greater	High risk
Earthquake prone	<20%	25 times greater	Very high risk

- **ISA – Initial Seismic Assessment**
 - First cut, desk top exercise based on known information
- **DSA – Detailed Seismic Assessment**
 - More detailed, usually requires some on-site destructive testing to work out how a building is put together
- **EPB – Earthquake Prone Building**
 - Buildings at less than 34% are described as earthquake prone

Earthquake Prone Building Notices

- Councils are required under legislation to issue Earthquake-Prone Building notices to all buildings when they determine a building or part of a building is earthquake-prone.
- The notices identify the building or part that is earthquake-prone, give the earthquake rating (if determined), and state the deadline for seismic work.
- Councils are also required to put this information on National EPB register and provide a copy of the notice to parties with an interest in the building or land.
- The notice must be displayed in a prominent place on or adjacent to the building – somewhere where it is in full view of the public.
- There are two types of EPB notice, each with a distinctive border:
 - Buildings with an earthquake rating of 0% to less than 20%, or where no engineering assessment is provided.
 - Buildings with an earthquake rating of 20% to less than 34%.

Council Policy

In order to assist staff in determining if a building is earthquake-prone and if any required physical works are required, the Council adopted the Seismic Performance of Buildings Policy in 2017 (the Policy). The policy;

- Sets criteria for identification of significant and non-significant buildings.
- Determines for significant and non-significant buildings:
 - When and what type of assessments are required for buildings.
 - Acceptable NBS% operating minimum for buildings.
 - NBS% targets for buildings and other information required for decision making on upgrades.
- Describes what information will be made available/published on the Council's facilities.
- A building may be classified as earthquake-prone based on a risk (non-engineering) assessment and will remain so until an ISA or DSA confirms it is not.

Policy vs Legislation

- When the Council adopted this policy we took a conservative approach based on our desire to ensure the safety of the public.
 - Our policy is over and above what is required legislatively and covers:
 - Priority vs significance.
 - Timelines.
 - EPB notice vs closure.
 - For earthquake-prone (<34% NBS) the Act only requires us to place a EPB notice and then strengthen the building within a certain timeframe.
- VS
- We decided if a building is <20% NBS as determined through a DSA, a closure will be considered.

Seismic Decisions to Date

- Central Library
 - DSA score 6%, site closed to the public in November 2016
 - Building open to public seven days a week (approx. 3200 hr/yr).
 - Pop-up library operated and customers could visit suburban branch libraries.
 - Works completed in mid 2017, value \$632,000.
 - Rating now 34%.
- Treatment Plants
 - DSA of Pukete Admin 13%, Waiora Admin 0%, Waiora Low Lift 20%
 - Buildings critical to plant operations and supply of water to the city.
 - Access controlled from November 2017 and staff were housed in port-a-cabins.
 - Works completed December 2018, value \$1.28 million.
 - Ratings now: Pukete 34%, Waiora Admin 55%, Waiora Low Lift 34%.
 - Consider further strengthening - 65% to 100% NBS – 2021/31 10 Year Plan decision
- Founders Theatre and Municipal Pools.
 - Closure influenced by asset condition

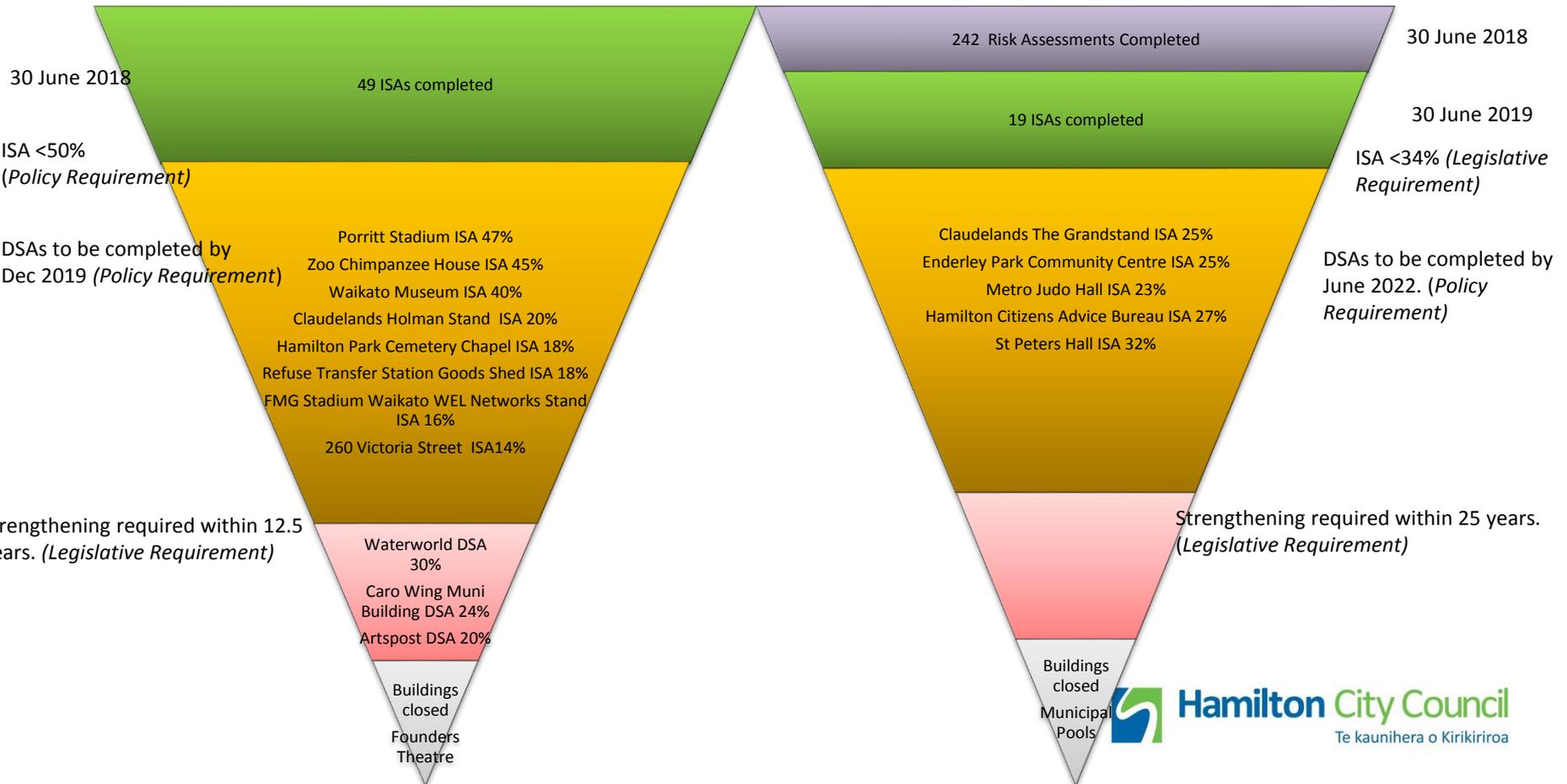
Seismic Decisions to Date

- Artspost
 - DSA score 20%
 - Building open to public seven days a week (approx. 2500 hr/yr).
 - \$800,000 this year to strengthen retaining wall.
 - Strengthening works legislatively required no later than 2028
 - \$6.2M funding provision in 2027/28 to strengthen building
 - EPB notice to be placed at site
- Waterworld
 - DSA score 30%
 - Strengthening not included in upgrade, works legislatively required no later than 2029
 - Funding provision to be sourced in next 10 Yr Plan, \$600k to increase score to 34%
 - EPB notice to be placed at site

Where are we at in understanding seismic risk?

49 Significant Buildings

242 Non-Significant Buildings



Future Policy Implementations for Consideration

- Porritt Stadium (ISA 47%)
 - DSA required as ISA less than 50%
 - DSA unlikely to raise strengthening issues
- Chimpanzee House (ISA 45%)
 - DSA required as ISA less than 50%
 - DSA unlikely to raise strengthening issues
- Waikato Museum (ISA 40%)
 - DSA required as ISA less than 50%
 - Roofing renewal required 2019/20 – additional weight of roof may affect score
 - Seismic strengthening may be required to enable roof replacement

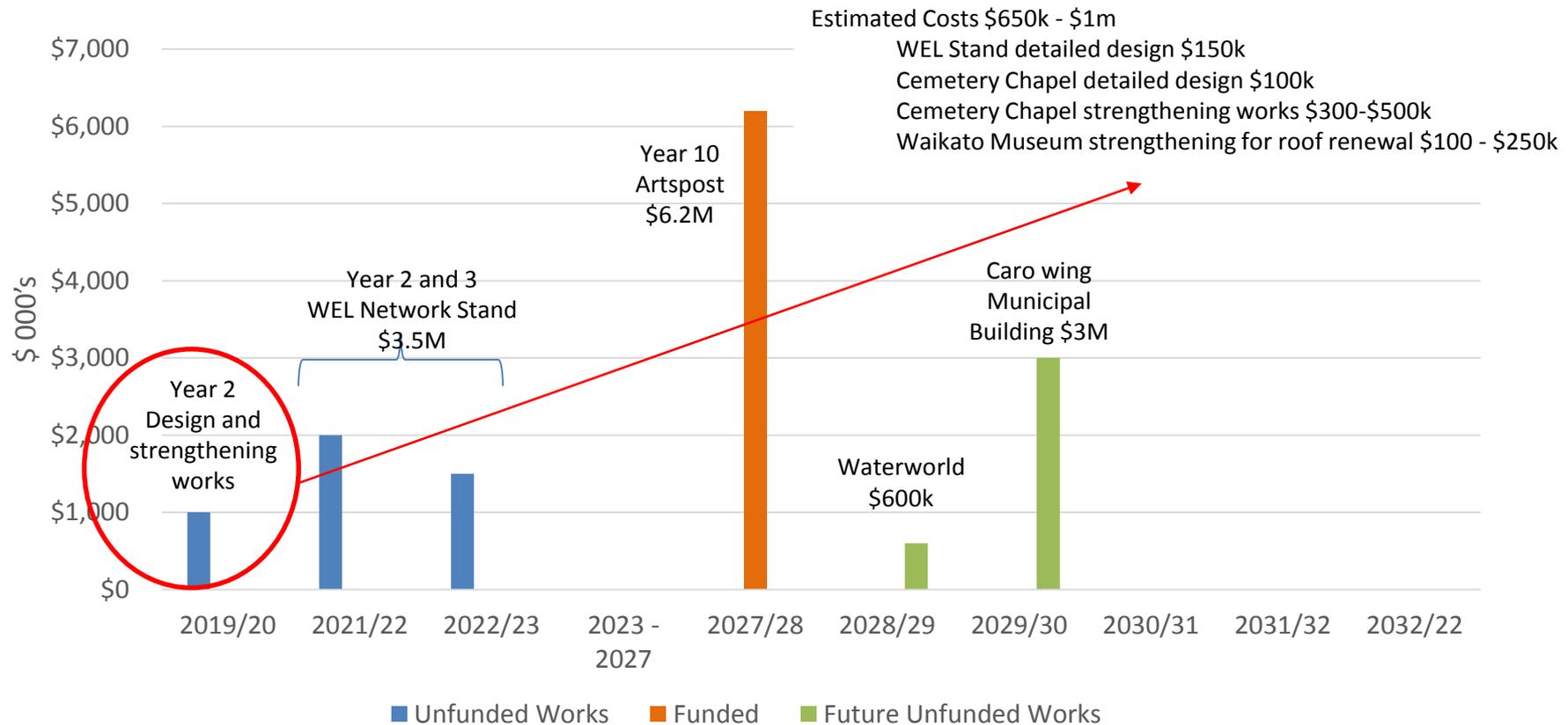
Future Policy Implementations for Consideration

- Holman Stand (ISA 20%)
 - Likely to require strengthening
 - Possible response to DSA:
 - Physical strengthening works based on a cost benefit analysis.
- Hamilton Park Cemetery Chapel (ISA 18%)
 - Strengthening likely to be required
 - Possible response to DSA
 - Keep site open, fast-track strengthening works (design and construction in Year 2, scope dependant)
 - Low risk
 - site only open to public for small periods of time <550 hrs/yr
 - Average patronage during opening hours 120 people.
- Refuse Transfer Station Goods Shed (ISA 18%)
 - Put DSA on hold until redevelopment plans are understood

Future Policy Implementations for Consideration

- WEL Networks Stand (ISA 16%)
 - Strengthening likely to be required
 - Possible response to DSA
 - Keep site open, fast-track strengthening works (design in Year 2, physical works Years 3-4).
 - Likelihood Low- open to public for small periods of time <100 hrs/yr.
 - High Consequence - significant patronage when in use - up to 3000 people.
- 260 Victoria Street (14%)
 - DSA likely to raise strengthening issues
 - DSA required as ISA less than 50%
 - Carry out DSA and strengthening works only if redevelopment of the site is later than 2027.

Known Financial Implications



Central Business District 2-Hour Free Parking Trial Update



Overview

- Purpose of briefing
- Timeline
- Strategic Direction for parking in the Central City
- Monitoring Framework
- Customer Surveys
- Trial Findings
- Financials
- Options
- Citywide Parking Management Plan

Purpose of Briefing

- Seek elected member feedback of the findings of the parking trial and the recommendation in the staff report to G&I (28 March 2019)
 - The recommendation from the Access Hamilton Task force is that the 2 hour free parking trial continue for another 12 months (to 30 June 2020)

Timeline

- 1 June 2017 – Council approve the central city 2-hour free parking trial for implementation in 2017/18
- 10 April 2018 – Staff provide and update of the trial to the Growth & Infrastructure committee
- 29 May 2018 – Staff provide a further update; Council approve the extension of the trial until 30 June 2019, with staff to report back to Council by April 2019
- 29 May 2018 resolution is factored into the 2018-28 10-Year Plan budgets

Strategic Direction

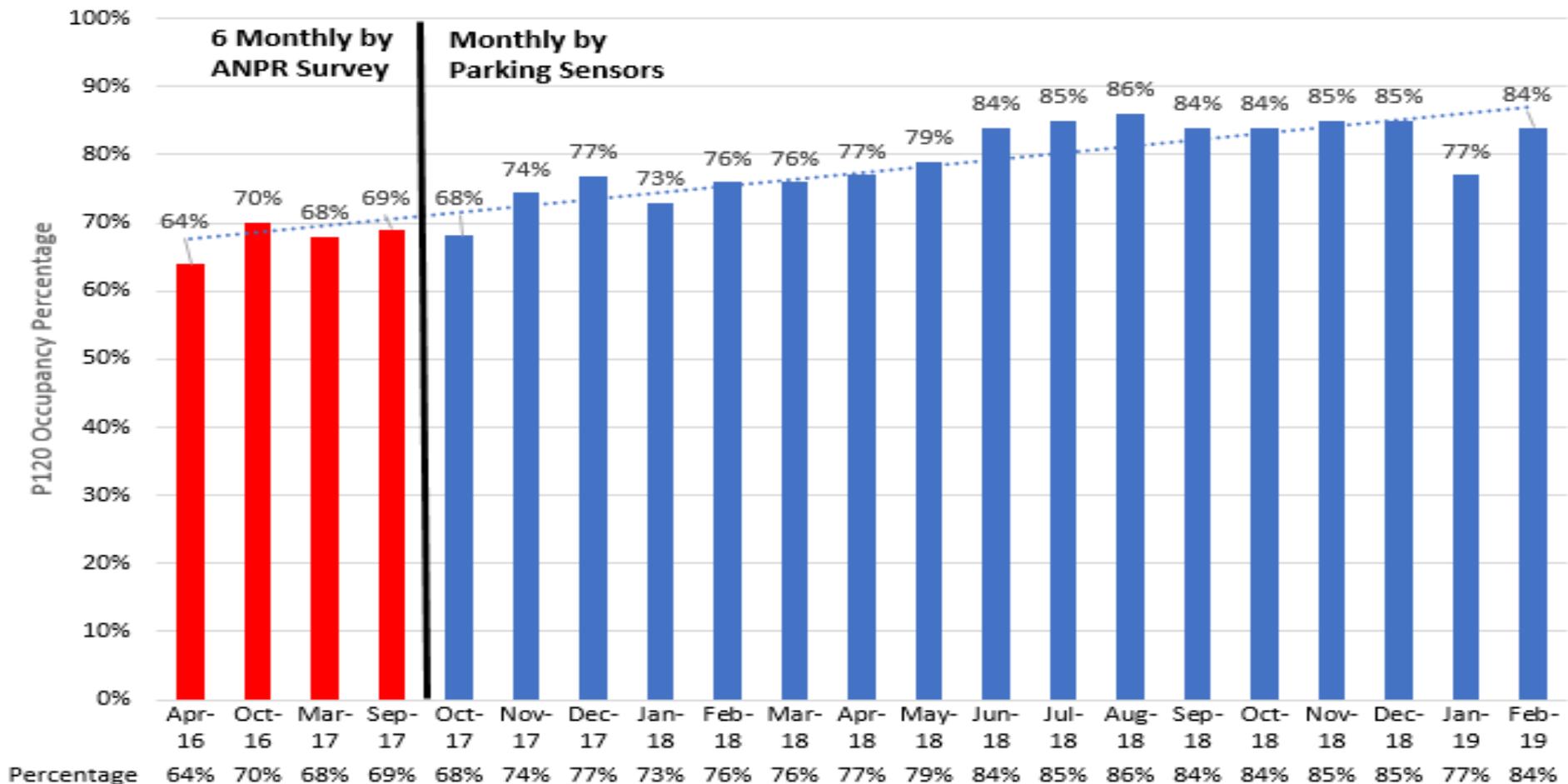
- On street parking should be provided as a service to support an active, strong commercial central city
- On street parking strategies should target short term visitors and shoppers while longer term visitors should be directed to off street car parking
- The target 85% parking utilisation factor should be retained
- The maximum parking period of two hours should be retained
- That parking management practices be directed more and more to education and compliance rather than enforcement
- Travel demand management strategies that encourage biking, public transport and ride sharing for both visitors and workers should be deployed alongside the parking strategy

Monitoring Framework

Key Theme	Indicators
1. On-Street Parking	Occupancy percentage of on-street car parks
2. A Vibrant City Centre	Increase in number of people living in Central City
3. A Vibrant City Centre	Increase in retail spend in Central City
4. A Vibrant City Centre	Number of employees in Central City
5. A Vibrant City Centre	GDP – Central City

CBD Occupancy

CBD Occupancy





Northern
Precinct 1

Barton
Precinct 2

Civic
Precinct 3

Southern
Precinct 4

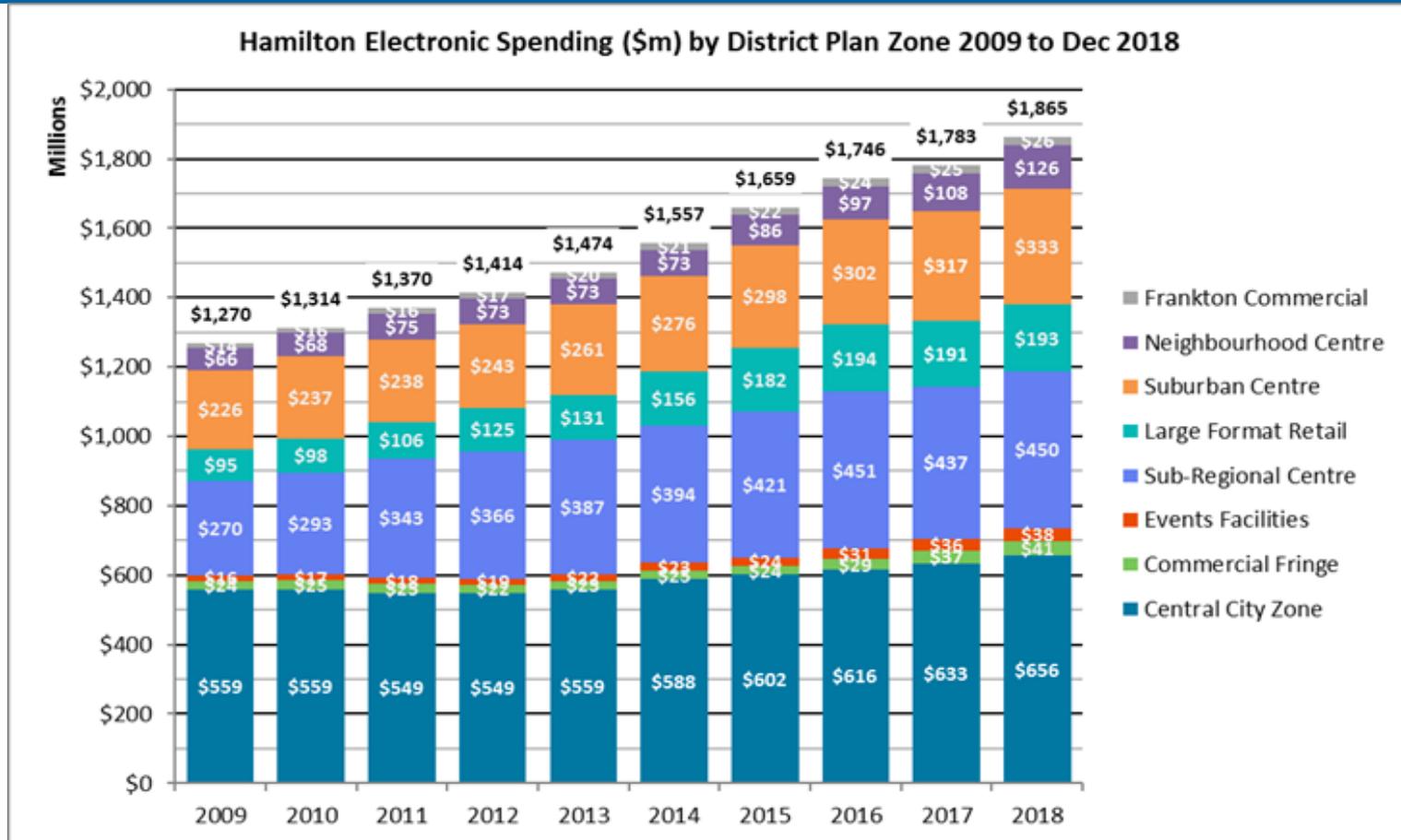
CBD Occupancy

	Average Occupancy 10am-4pm (%)	Average Stay Time (mins)	Stay Time Period			
			0 to 30 mins (%)	30 to 60 mins (%)	60 to 120 mins (%)	> 120 mins (%)
Precinct 1 (Northern)	58.16	49.62	61.41	17.45	15.55	5.59
Precinct 2 (Barton)	83.94	47.54	57.98	22.48	14.93	4.61
Precinct 3 (Civic)	83.79	61.63	48.35	23.81	20.41	7.43
Precinct 4 (Southern)	64.58	100.60	41.20	21.45	21.57	15.78

Key Themes 2, 4 & 5

	Key Theme 2 - Increase number of people living in Central City		Key Theme 4 - Number of employees in Central City		Key Theme 5 - GDP - Central City	
	No.	%	No.	%	No.	%
2014	2,950		20,166		1,701	
2015	3,100	5.10%	21,549	6.90%	1,827	7.40%
2016	3,310	6.80%	21,855	1.40%	1,870	2.40%
2017	3,490	5.40%	22,252	1.80%	1,906	1.90%
2018	3,800	8.90%	23,038	3.50%	1,970	3.40%

Key Theme 3 – Retail Spend in Central City



Customer Surveys - Public

- Survey was conducted between 10am-6pm Monday-Friday from 18 Feb to 1 Mar 2019
- 479 respondents this year (508 last year)
 - 80% (80%) knew about the 2-hour free parking
 - 23% (24%) have indicated that they have paid for parking
 - 96% (92%) have indicated that they think the free parking is a good idea
 - 41% (31%) were not from Hamilton
 - 34% (27%) indicated they came into the central city more often since the introduction of free parking
 - 43% (51%) indicated that they spent more than 2 hours in the central city on each trip

Business Survey

- Survey was conducted on behalf of Hamilton City Council by Hamilton Central Business Association – 25 Feb to 7 Mar 2019
- 134 Respondents
 - 93% of respondents thought the two hour free parking was a good initiative
 - 91% thought it should continue
 - 81% were willing to participate in a further survey to help inform the development of a citywide Parking Management Plan and central city precinct parking action plan

Trial Findings

- Improve Data (24/7)
 - Understanding of parking patterns and trends
 - Identifying our high occupancy areas
 - Better information for decision making
- Operational Issues
 - Data quality and timing
 - Increased staff resource requirement
 - Signage confusing

Financials

Operating	Actuals 2016/17	Actuals 2017/18	Approved 2018/19	YTD – Feb Budget	YTD – Feb Actual	2018/19 Variance YTD Budget vs Actual
Revenue	3,356,733	2,484,991	2,098,044	1,398,766	1,571,694	172,928
Expenses	1,805,548	2,457,994	2,688,768	1,799,525	1,860,184	60,659
Surplus / (Deficit)	1,551,185	26,997	(590,724)	(400,759)	(288,490)	N.A.

Options

- Option One – Continue with the 2-hour free parking trial to June 2020
 - Provide customers with continuity of offer
 - Allows the citywide Parking Management Plan and central city precinct parking plan to be developed
 - Already budgeted for in the 2018-28 10 Year Plan Financials
- Option Two – Revert back to free before 9 and free after 3 from September 2019
 - Allows time to replace signage; update communication; consult with business
 - Could result in an operating surplus
 - Would need to be reflected in the 2019/20 Annual Plan

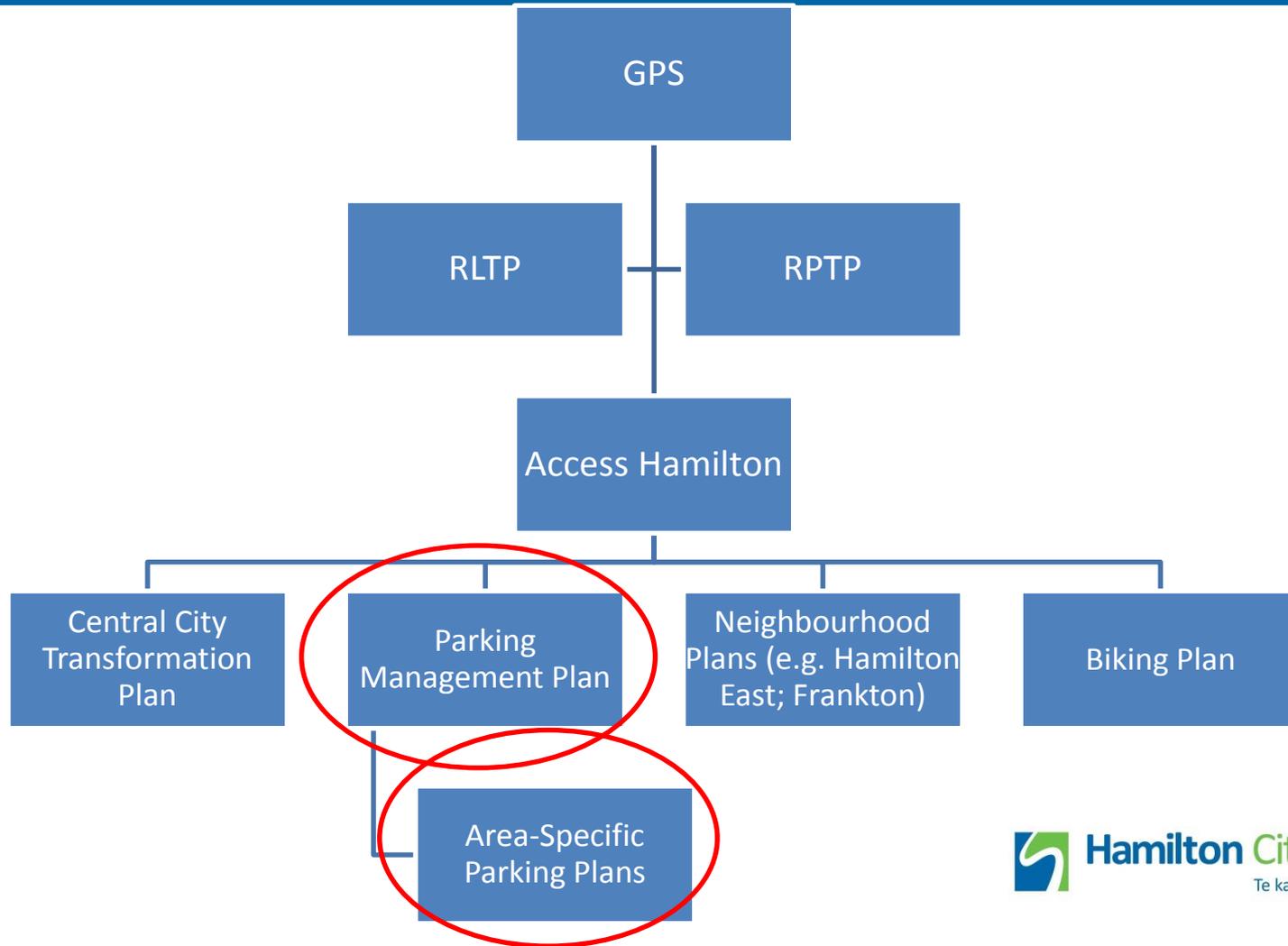
Option - Financials

	Option One	Option Two	Variance
Revenue	2,104,034	3,004,828	900,794
Expenses	2,766,268	2,766,268	0
Surplus / (Deficit)	(662,234)	238,560	N.A.

Citywide Parking Management Plan (PMP)

- 23 Oct 2018 - Growth and Infrastructure Committee requested staff prepare principles for a Hamilton City Parking Management Plan to be presented to Growth and Infrastructure Committee by April 2019, noting the following:
 - i. that it will provide a cohesive whole of city approach to parking which would include CBD fringe and key non-CBD area parking;
 - ii. that the CBD fringe revenue could be used to subsidise a Free Youth (<18 years) Concession fare for bus services in Hamilton City;
 - iii. progress will be reported back to the Growth and Infrastructure Committee as a part of the Access Hamilton Update; and
 - iv. that recommendations from the Hamilton City Parking Management Plan will be considered as part of the 2019/20 Annual Plan.

Where the PMP fits



Area-Specific Parking Plans

Precincts		Areas
Central City	CBD Fringe	Sportsfields – Citywide
Frankton	Hospital	School Zones – Citywide
Hamilton East	University	Afterhour Callouts - Citywide
Chartwell	Te Rapa	

NB: Other precincts &/or areas may be added from time to time, as required

2019/20 DC Policy Update Council Briefing

21 March 2019



Purpose

The purpose of this briefing is to:

- Present and seek guidance/direction from Elected Members on the preparation of an updated DC Policy 2019/20 for public consultation.
- A proposed DC Policy (including charge schedules, and a consultation document) is scheduled for adoption for public consultation at the 4 April 2019 Council Meeting.

Contents

- Recap
- Update DC Model
- Update Schedule of Assets
- Minor amendments to DC policy
- CBD remission
- Proposed 2019/20 Policy DC charges
- High DC charges and options to mitigate
- Consultation
- Timeline

Recap

At the 28 June 2018 10-Year Plan adoption meeting last year, Council adopted its 2018/19 DC Policy.

Key changes from the previous 2016/17 Policy included:

- removal of caps on charges,
- recovery of capital expenditure outside the 10-Year Plan,
- phased removal of the CBD remission,
- charging residential development contributions by the number of bedrooms,
- reduced HUE threshold for remissions from ten HUEs to five HUEs,
- And per normal practice, updated growth projections, Schedule of Assets, cost allocations, and where relevant catchment boundaries.

Recap

On 26 February 2019 Council separately resolved the following.

That the Council, for the purposes of preparing a proposed Development Contributions Policy 2019/20 for public consultation in April 2019:

- a) approves the Council's integrated growth funding modelling environment be updated to reflect relevant changes to the Council's 10-Year-Plan growth and capital programme;*
- b) approves identified capital projects that contain a component of growth but are not included within the 2018/19 Schedule of Assets, to be reviewed for inclusion in the 2019/20 Schedule of Assets;*
- c) approves amending the definition of 'gross floor area' as set out in attachment 1 of this report;*
- d) approves amending the 'wet industries' clause as set out in paragraph 35 of this report; and*
- e) notes that the draft consultation document will be brought to the 4 April 2019 Council Meeting for approval.*

And in a separate resolution during an Annual Plan Item:

That the Council:

- a) approve for the purpose of preparing the draft 2019/20 Annual Plan budget, the CBD full remission be reintroduced until 2021 and;*
- b) request staff report back on the financial impact, and savings options to cover the costs to the 4 April 2019 Council meeting for consideration for inclusion in the Draft 2019/2020 Annual Plan.*

1. DC Model and Schedule of Assets updates

Update DC model

On 26 February 2019 Council resolved the following.

That the Council, for the purposes of preparing a proposed Development Contributions Policy 2019/20 for public consultation in April 2019:

- a) approves the Council's integrated growth funding modelling environment be updated to reflect relevant changes to the Council's 10-Year-Plan growth and capital programme;*

Update DC model

Growth funding modelling environment (“DC Model”) updates are:

- Actual 2018 revenue (replacing estimates)
- Actual 2018 CAPEX costs (replacing estimates)
- Include 2019 capital deferrals (some deferrals still to come)
- Include conservative growth in proposed Te Rapa North industrial growth cell
- Note timing challenges with Annual Plan & 10-YP development

Update Schedule of Assets

On 26 February 2019 Council resolved the following:

That the Council, for the purposes of preparing a proposed Development Contributions Policy 2019/20 for public consultation in April 2019:

- a) ...*
- b) approves identified capital projects that contain a component of growth but are not included within the 2018/19 Schedule of Assets, to be reviewed for inclusion in the 2019/20 Schedule of Assets;*

Update Schedule of Assets

That identified capex referred to in the 26 February resolution is:

\$'000	10-Year Plan total Capex	Cost allocation to DCs
Storm Water	\$ 19,697	\$ 9,738
Transport	\$ 95,674	\$ 18,658
Waste Water	\$ 26,951	\$ 13,606
Water Supply	\$ 26,900	\$ 23,806
Total	\$ 169,222	\$ 65,809

2. Minor amendments to the DC policy

Minor policy amendments

On 26 February 2019 Annual Plan Meeting, the Council resolved the following:

That the Council:

- b) ...*
- c) approves amending the definition of 'gross floor area' as set out in attachment 1 of this report;*
- d) approves amending the 'wet industries' clause as set out in paragraph 35 of this report; and*

CBD Remission

On 26 February 2019, the Council also (and in a separate Annual Plan item) resolved the following:

That the Council:

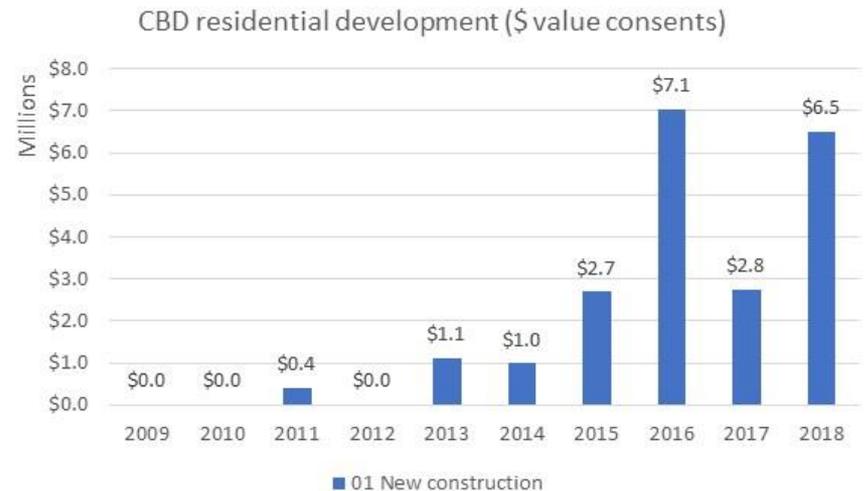
- a) approve for the purpose of preparing the draft 2019/20 Annual Plan budget, the CBD full remission be reintroduced until 2021 and;*
- b) request staff report back on the financial impact, and savings options to cover the costs to the 4 April 2019 Council meeting for consideration for inclusion in the Draft 2019/2020 Annual Plan.*

CBD Remission

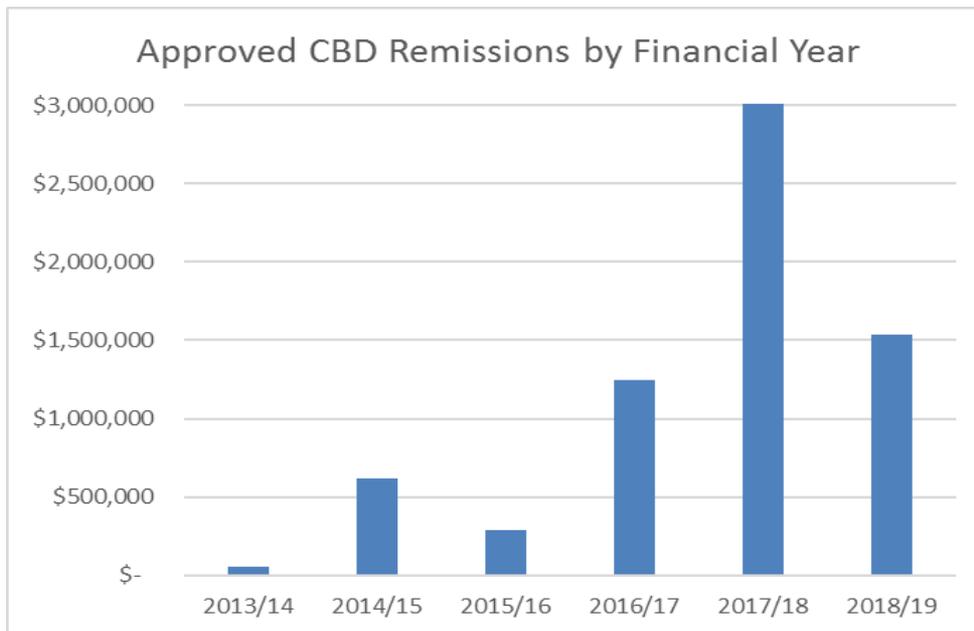
- Staff have been asked to present projected financial impacts of providing a full CBD remission, as compared with the current policy remission,
- And to provide Elected Members their opinion as to the potential impact on future CBD development.
- The current 2018/19 Policy provides a 66% remission in the CBD, and per the 10-Year Plan resolution in June 2018, this reduces to 33% in 2020/21, and removed altogether from 1 July 2021 onwards.

CBD Remission

- 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.
- No significant developments have been granted CBD remissions under the 2018/19 DC Policy. Although, staff know of two planned developments (Ebbett and Theatre) with DCs estimated to total \$2.2M (\$6.6M unremitted).



CBD Remission

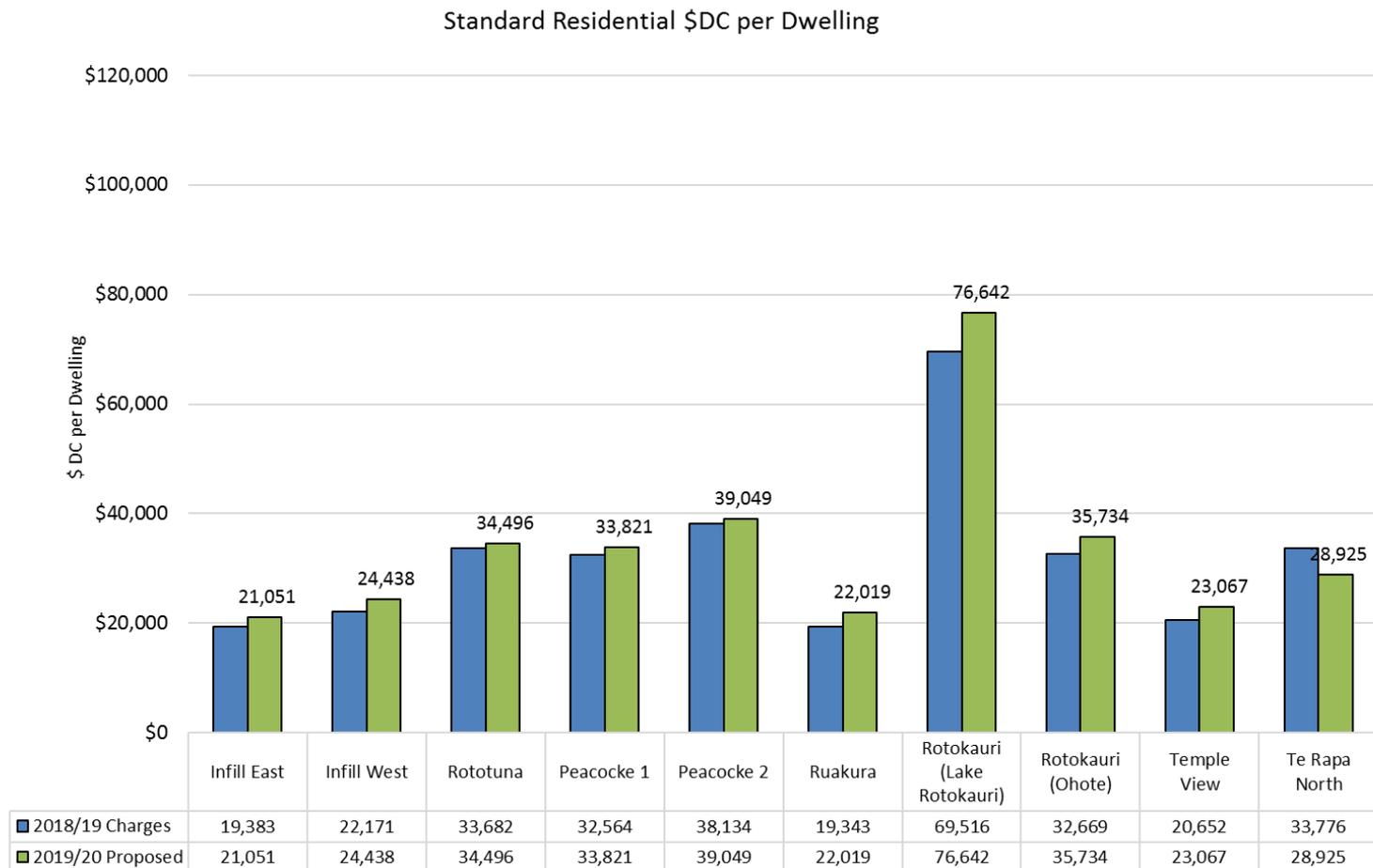


- The revenue impact materialises when the development *would* have paid DCs, not when the remission was granted.
- Forecast DC revenue foregone with change to CBD remission \$6.425M as compared with the current policy provisions (based on historic DC remission data and known developments)

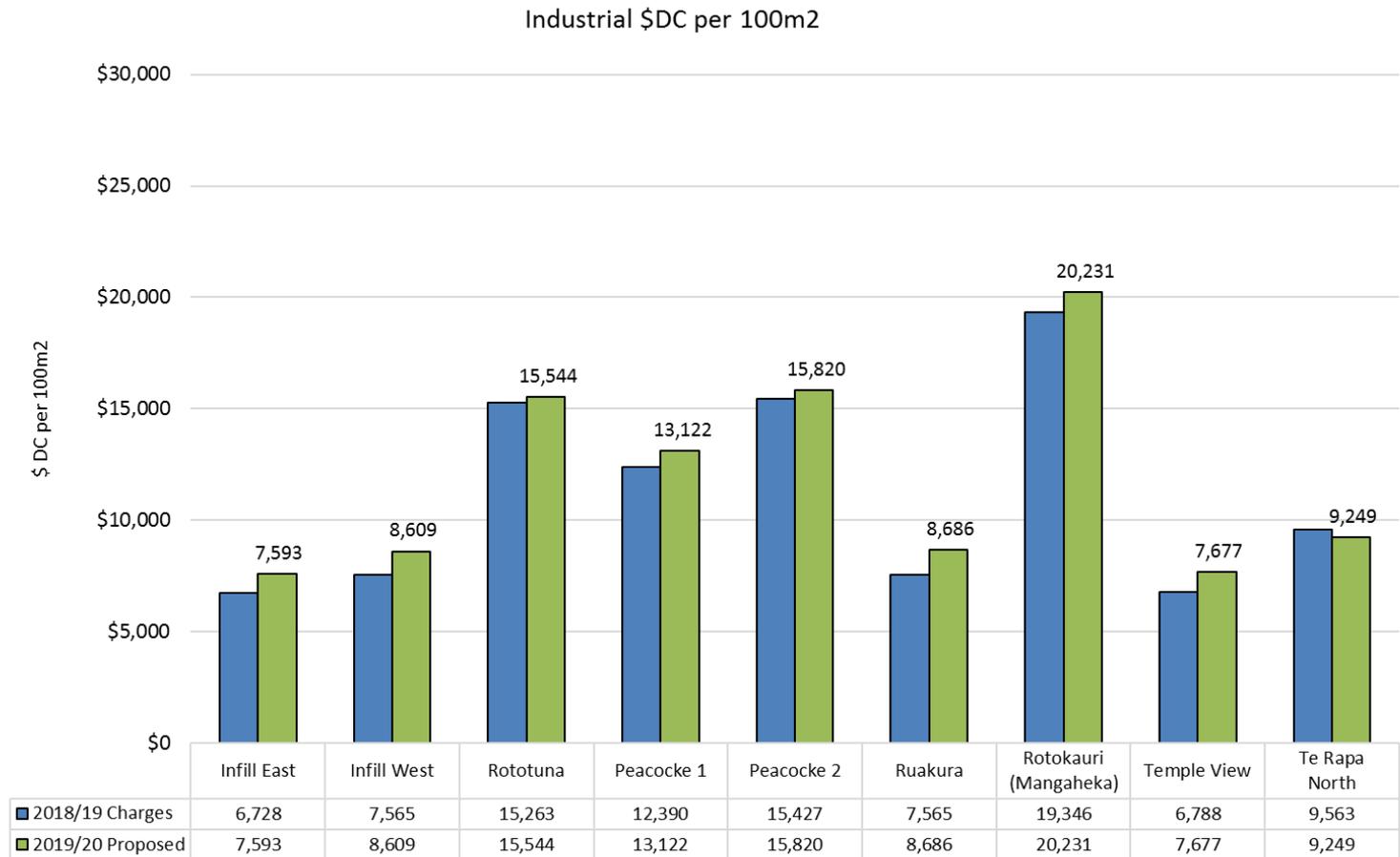
('000)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
2020 Annual Plan DC Revenue <u>Variance</u> - Full CBD remission 2020 & 2021 (Years 2 & 3)	-	-	- 1,828	- 2,089	- 1,464	- 1,045	-	-	-	-	- 6,425

3. Proposed 2019/20 Policy DC charges

Proposed 2019/20 Policy charges



Proposed 2019/20 Policy charges



Proposed 2019/20 Policy charges

Projected DC revenue impact of proposed policy charges:

(\$000)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
2018-28 10-Year Plan DC Revenue projection	17,518	25,104	29,908	32,270	32,753	32,562	34,568	36,398	36,496	35,391	312,968
2020 Annual Plan DC Revenue projection - Including updated Capex (BASE)	17,517	27,529	33,342	35,706	35,604	34,787	36,493	38,101	37,811	37,182	334,072
Change from 2018-28 10-Year Plan	0	2,425	3,434	3,436	2,851	2,225	1,925	1,703	1,315	1,791	21,105

4. Impact of High DC Charges on Developers

Feedback

Developer feedback during consultation on the 2018/19 Policy, in regard to the level of proposed charges included:

- that DCs (at the level subsequently adopted levels) are too high; and
- will affect development feasibility and development in Hamilton
- This was especially true for non-residential (Porters, Chalmers, HJV land) and residential (RDL, Hounsell Holdings) developments in Rotokauri
- A group of developers threatened legal action as a result, which has not eventuated.

Land price

- DCs aren't the only factor influencing development feasibility.
- Construction costs and land prices also affect development feasibility and activity.
- Hamilton floorspace vacancy rate was at 1.2% in December 2018 compared to the 1.5% a year prior (both rates are very low)
- Vacancy is very low, almost all land in the Chalmers/Porters Te Rapa Gateway precinct is sold or contracted (subject to due diligence/consenting). Conversations about opening up the deferred industrial land to the north have begun.
- Anecdotally, land prices have increased over the past few years, while we do not have a large enough data set to draw conclusions the lack of industrial land would be a key driver

4. High DC charges and mitigation options

Mitigation Options

- Through the CE and by Elected Member request, staff have been asked to review policy options to mitigate the effect of the highest charges.
- Staff have identified the following options which, to varying degrees and in certain catchments, reduce DC charges:
 1. CBD Remission
 2. Deferring payment of DCs
 3. Capping selected charges
 4. Targeted rate selected areas

Defer payment of DCs

Purpose: to provide relief from the requirement for development contributions by introducing a deferred payment mechanism, allowing developers to pay less upfront.

- E.g. 1/3 of assessed DC paid at title or code compliance, then;
- Instalments (e.g. 2/3 after 3 years and 3/3 after 6 years).

Defer payment of DCs

Advantages:

- For the developer: improves cashflow and potentially feasibility
- For the Council: Mitigates flight risk for identified development catchments, and encourages growth
- Preserves growth pays for growth financial principle (if financing costs are added to deferred payments)

Defer payment of DCs

Disadvantages - Payment/financial risk:

- Currently, Council requires DCs in a lump sum when consents are granted; and
- ensures collection by withholding title or code of compliance until payment is made in accordance with the LGA.
- If payment terms are introduced the Council will collect DCs later and will have substantial outstanding debtors, without the security that developers will pay in order to get their title/CCC.
- Council would rely on honest payment or debt collection. Council knows from experience that a DC debt that is disputed it can be difficult to collect without statutory leverage.
- It is typical for the consent applicant (developer) to sell land when it is titled, meaning Council will be recovering the instalments from a party that is not the original developer.

Defer payment of DCs

Financial risk mitigations:

- An encumbrance on the title could be used to ensure that the title could not change hands without the debt being passed on.
- A financial process be established to manage collection of instalments.

Impact on charges:

- Nil

Revenue Impact:

- NPV of change in projected revenue = 0 (if financing costs added to deferred payments)

Defer payment of DCs

Administrative considerations:

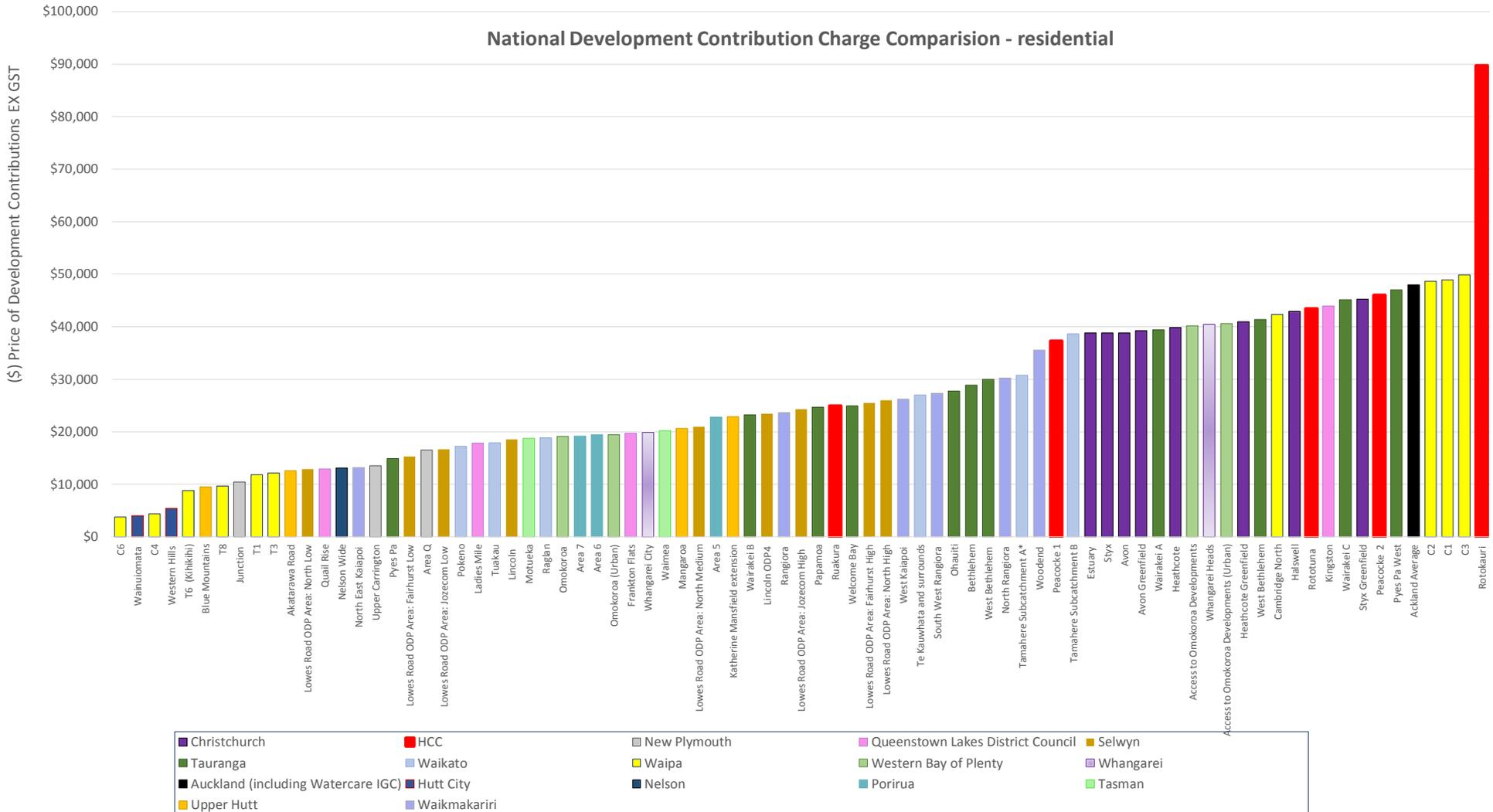
- Represents a structural change to the DC Policy.
- Could be achieved with amendments to payment and collection provisions, when/how DCs be collected, with corresponding changes to DC Assessment Tool software.
- Changes practically could not be made by 1 July, more realistically by the end 2019. Consultation would be required
- Policy would need to identify eligible developments while preserving fairness/equity
- Depending how widely available the relief would be, additional resource may be needed to administer the end to end process. Council processes between 1000 and 1500 DC assessments per year.
- Mechanisms to enforce payment would need to be established, including registering encumbrances and debt recovery (accounts receivable) in the event that subsequent payments are disputed or not paid.

Defer payment of DCs

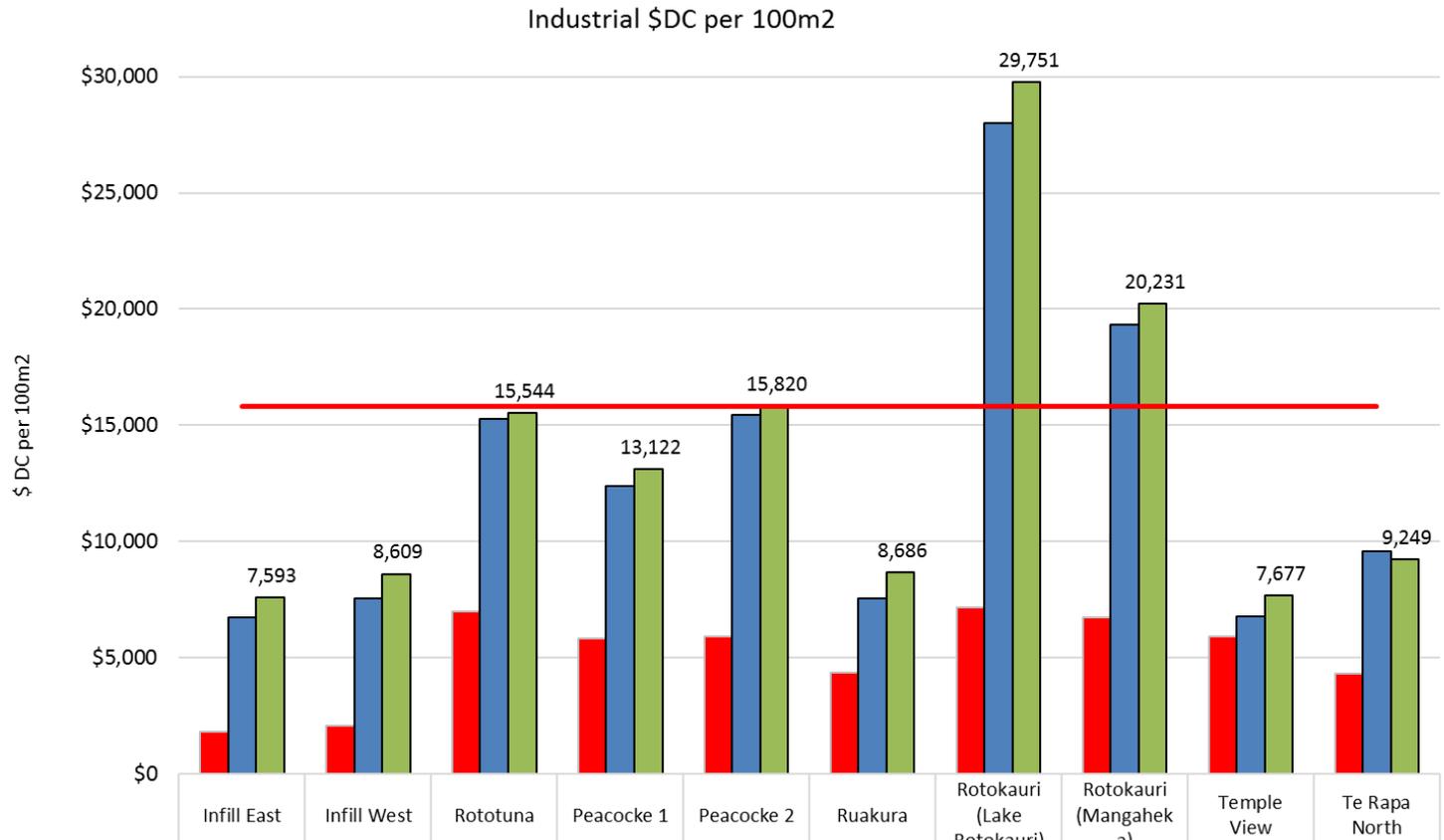
Legal considerations:

- Equity/fairness: A new issue arises in determining who is eligible for the relief and on what basis, and how to distinguish those eligible in a transparent way through the DC Policy.
- Note that once payment terms are made available to certain groups it is hard to deny them to others unless its provided for in the Policy explicitly.

Cap the highest charges



Cap the highest charges



2016/17 Charges	1,817	2,076	7,000	5,841	5,926	4,344	7,149	6,754	5,920	4,318
2018/19 Charges	6,728	7,565	15,263	12,390	15,427	7,565	28,017	19,346	6,788	9,563
2019/20 Proposed	7,593	8,609	15,544	13,122	15,820	8,686	29,751	20,231	7,677	9,249
Caps	15,820	15,820	15,820	15,820	15,820	15,820	15,820	15,820	15,820	15,820

Cap the highest charges

Projected DC revenue impact of capping Rotokauri industrial charges at the level of the next highest catchment charge:

(\$000)	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	Total
2018-28 10-Year Plan DC Revenue projection	17,518	25,104	29,908	32,270	32,753	32,562	34,568	36,398	36,496	35,391	312,968
2020 Annual Plan DC Revenue projection - Including updated Capex (BASE)	17,517	27,529	33,342	35,706	35,604	34,787	36,493	38,101	37,811	37,182	334,072
Change from 2018-28 10-Year Plan	0	2,425	3,434	3,436	2,851	2,225	1,925	1,703	1,315	1,791	21,105
2020 Annual Plan DC Revenue projection - Industrial Cap	0	-689	-1,018	-1,112	-996	-623	-287	-377	-961	-1,395	-7,456
Overall change with industrial cap	0	1,736	2,416	2,324	1,855	1,602	1,638	1,326	354	396	13,647

Cap the highest charges

- As an example, an industrial development of 3,500m² GFA in Rotokauri would attract a DC of about \$175,000 in the Northgate and about \$900,000 in Rotokauri.
- Comparing non-residential charges is challenging because Councils approach the calculation quite differently. Further work is underway on this ahead of a 30 April Council Briefing on ‘the impact of high DCs on development’.

Cap the highest charges

- The previous capped charges were first introduced in the 2013/2014 policy as a method of promoting economic development and maintaining a degree of competitiveness between Hamilton and other councils.
- Accordingly, there may be some circumstances where Council considers the modelled development contributions place an unacceptable level of burden on the development community such that a reallocation is required through a capping mechanism.
- Equally, Council may determine, as part of a policy decision, the capping mechanism is not appropriate in terms of its allocation of liability for revenue needs.

Cap the highest charges

- High non-residential charges have anecdotally suppress development in the areas where they apply.
- A cap could be introduced to the highest non-residential charges to mitigate the risk of development being compromised.
- Note: it should not be assumed all recovery will eventuate in areas with the highest non-residential charges. If charges suppress growth, revenue projections will be overstated.
- Like the CBD remission, the effect of the capped charges is to reallocate the burden of the difference between the capped charge and the actual modelled charge to the general ratepayer. Ultimately, this becomes a funding source decision which is required to be made pursuant to section 101(3) of the LGA.

Economics advice

Excerpts from Insight Economics March 2018 report prepared for HCC *“Likely developer reactions to increased development contributions charges”*.

- *“High non-residential charges may suppress development in the areas where they apply.*
- *The proposed [2018/19 DC Policy] residential charges in most greenfields areas will probably have some impact on development activity, but only at the margin.*
- *The proposed [residential] increases are more likely to manifest as reductions in raw land prices and the margins of developers.*
- *The situation for Rotokauri is different, however. The proposed charges there are so much higher than any other ‘competing’ area that we expect to see a marked reduction in development activity relative to the status quo.*
- *The same is true for non-residential development across most areas of the city. The proposed increases in charges are, again, so high that they will have a material impact on the viability of numerous prospective developments.”*

Targeted rate

- An alternative or complementary growth funding mechanism to DCs is targeted rates.
- Targeted rates change the alignment of contributions toward growth infrastructure from the development cycle (under the DC Policy) toward a constant tax to the property owner.
- Targeted rates do not mitigate the high level of funding required to enable growth.
- Targeted rates are easier to implement in growth cell than in the infill

Targeted rate

- Must be set in AP or LTP process
- It is not practically possible to implement prior to 30 June
- Would be administratively burdensome to transition from DCs to targeted rates
- Targeted rates would fall to the property owner regardless of economic situation (during a recession, first home buyer, etc.)
- Easier to forecast revenue from targeted rates than DCs

Consultation

- The consultation period is proposed to run for three weeks from 8 April to 28 April.
- The policy change is not considered to require SCP but wide engagement opportunities are planned.
- Communication of the policy will include background information on the challenges of growth and the Council's response as evidenced in the 10-Year Plan principles.
- Consultation is also an opportunity to outline benefits of recent and planned investment in the city and the Council's Embrace Growth strategic imperative.

Consultation

- Information will include a summary of the reasons for the proposed changes and any potential positive or negative impacts on revenue of CBD remissions or any other changes such as capped charges or deferred payment arrangements.
- The consultation will include any proposals for changes to CBD remissions or any other changes such as capped charges or deferred payment arrangements.
- Communication will include print advertising, social media and documentation at libraries for general public.
- A separate media briefing document will be developed to summarise key facts and address potential misunderstandings.

Consultation

- Key stakeholders in the development community will be contacted directly via our databases.
- An opportunity for people to present views in person is planned to be arranged through an afternoon/evening drop-in session for elected members in the Municipal building – format and timing to be determined.
- Draft consultation documentation (subject to final decision of the Council) will be prepared ahead of the 4 April Council meeting, and provision will be made in the timings to accommodate any changes at that meeting.
- Submission analysis will be presented to Council at the 9 May Annual Plan briefing.

Timeline

- Council meeting (4 April) – Adopt proposed policy for consultation
- Proposed consultation (8 - 28 April)
- Council briefing (9 May) – Review submission analysis from consultation
- Council meeting (21 May) – Provide staff final direction on the policy update
- Council meeting (20 June) – Adopt 2019/20 DC Policy operative 1 July 2019

Questions?

Annual Plan 2019/20

Proposed budget changes

21 March 2019



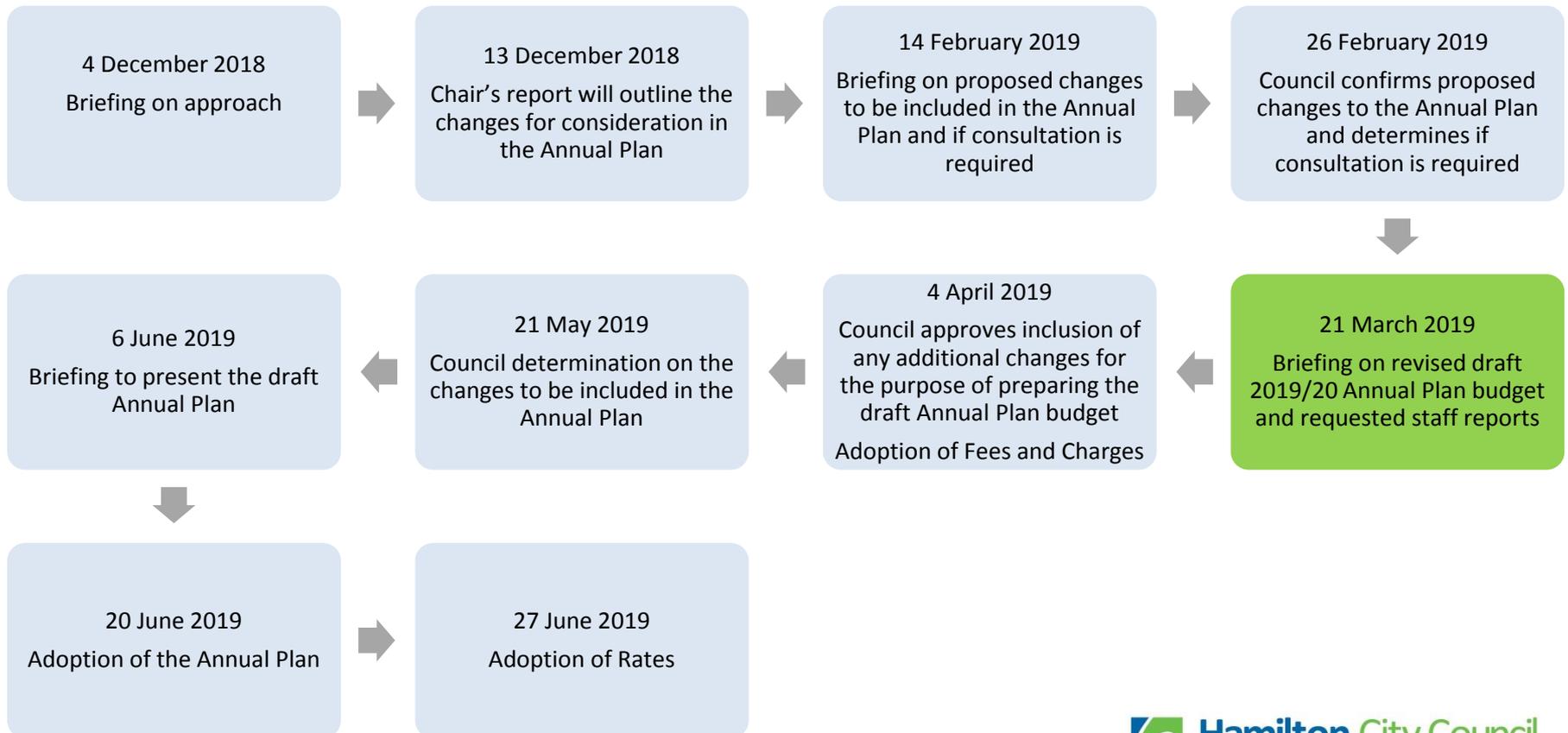
Purpose of briefing

- The purpose of the briefing is to confirm the process and timing for preparation of the draft 2019/20 Annual Plan budget and to update elected members on new proposals
- The outcome of the briefing will be that elected members understand the process and proposed items for inclusion and have the opportunity to seek clarification from staff

Agenda

- Annual Plan timeframe and process
- Recap of approved changes to the 2019/20 10YP budget
- Matters to be considered by Council on 4 April 2019
- Next steps

Timeframe and process



Recap of approved changes to the 2019/20 10YP budget

- Increase in 2019/20 budget operating surplus of \$4,779,000
- Increase in 2019/20 capital budget of \$36,900,000
- Inclusion in the 2019/20 Annual Plan budget of:
 - \$150,000 opex for Greenwood St/Kahikatea Dr traffic study
 - \$230,000 opex for 12-month trial to extend City Safe to suburbs
 - \$150,000 capex for separation of swimmers and river vessels at Hamilton Gardens
 - An adjustment to 2019/20 DC revenue due to reintroduction of full CBD development contributions remission until 2021
 - \$600,000 opex reallocated from 2022-2024 to 2019/20 for social housing

Matters to be considered by Council on 4 April 2019

- Proposals:
 - Seismic strengthening
 - Other items raised by elected members

Next steps

- A revised budget will be presented to Council on 4 April when elected members will have the opportunity to consider and vote on any further changes
- Elected members are encouraged to make requests for further information from staff before the 4 April Council meeting