

Development contribution policy - changes

Funding Growth Infrastructure 2021



Purpose of presentation

- Canvass proposed changes to the development contribution and financial contributions policy
- Provide indication of the draft charge levels for discussion

Background

- HCC fundamentally reviewing its development contributions policy and charges
- 24 September LTP Subcommittee

(iii) agreed in principle to:

- a. expand growth planning and capacity life horizons for the Development Contributions Policy to 30 years;*
- b. retain the scope of activities funded by development contributions – water, wastewater, transport, and stormwater;*
- c. retain a policy where 100% of the capital cost of providing growth related infrastructure for water, wastewater, transport, and stormwater are funded by development contributions; and*
- d. introduce differentiated development contribution assessment rates for smaller residential units; and*

(iv) agreed to update the Development Contributions Policy to be more user friendly and align it with best practice in the sector.

Policy re-structure

- Aligns with upcoming DC policy template
- More user friendly – e.g. charges up front and consistent grouping of ‘like’ content
- Ensure compliance with content requirement of the LGA
- Has been updated with HCC policy content
- Lots of small changes
- Major changes discussed today

Major policy changes

Calculations and charges

- Growth assumptions
- Programme and funding model
- Programme changes
- Charges

Administration of policy

- Trigger, notice, invoicing and payment
- Assessment rates
- Use of special assessments
- Reconsiderations, objections and remissions
- Definitions

Calculations and charges

Growth assumptions

Assumptions:

- Household growth of:
 - 7% over 10 years
 - 14% over 20 years
 - 20% over 30 years
- Greatest growth in Central Hutt and Wainuiomata
- No net business ground floor area (GFA) growth - HBA

Programme and funding model

- Programme capacity lives 10, 20, 30 year capacity lives
- Cost allocations – primarily based on future beneficiaries approach (with some exceptions)
- Funding model – how inflation and interest costs are accounted for:
 - Flat charge calculated
 - Interest costs for debt recovered over capacity lives of individual projects

Charge changes

- Two catchments rise substantially – Valley Floor and Wainuiomata.
- Eastbourne drops substantially.
- Removal of Eastern Bays reservoir project will also likely to trigger refund provisions of LGA for Eastbourne catchment
- **Not based on funding model

Programme changes

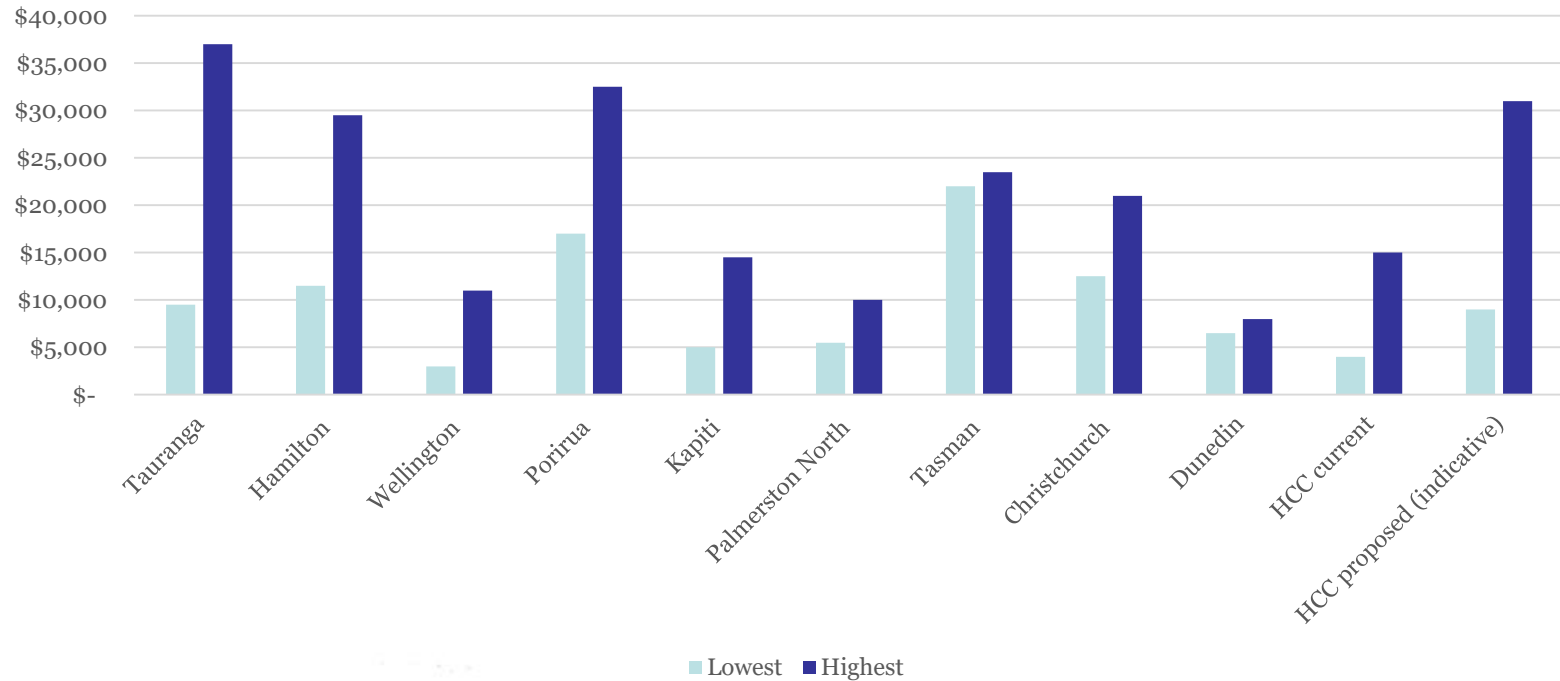
- More focused growth programme in 3 waters
- Projects are expected to costs significantly more
- Expansion of growth funded transport projects
- Better scope of works for Wainuiomata

Indicative charges (GST exclusive)

	Catchments						
	Western Hills	Valley Floor	Stokes Valley	Wainuiomata	Eastbourne	Rural	Districtwide
Assets	Development contribution per EHU 2015/2016						
Roading and traffic	\$249	\$65	\$324	\$407	\$1,436	\$3,803	\$0
							\$4,991
Water Supply	\$1,119	\$54	\$182	\$28	\$8,979	\$0	\$0
	\$1,378	\$7,320	\$0	\$17,135		\$0	\$371
Wastewater	\$0	\$36	\$0	\$32	\$0	\$0	\$3,568
	\$521	\$521	\$521	\$4,265	\$0	\$0	\$2,505
Stormwater	\$436	\$205	\$1,025	\$24	\$1,084	\$0	\$0
	\$106	\$243	\$19	\$884	\$1,081	\$0	\$268
Total	\$1,803	\$361	\$1,531	\$491	\$11,499	\$3,803	\$3,568
	\$2,255	\$8,149	\$864	\$22,691	\$2,517	\$3,803	\$3,144
DC per EHU (\$) a development will pay in each catchment	\$5,372	\$3,928	\$5,099	\$4,059	\$15,067	\$3,803	\$3,568
	\$10,389	\$16,284	\$8,999	\$30,826	\$10,652	\$8,794	\$8,135
Change	\$5,017	\$12,356	\$3,900	\$26,767	-\$4,415	\$4,991	\$4,567

Comparison

DC charge range for 3 waters and transport (rounded to nearest \$500)



Figures are GST exclusive and based on current charges only for areas that have all 3 water charges and roading. Excludes inflation adjustments in most cases, and reserves except where stated.

Charge options

Option		Impact	Pro	Cons / risks
A.	Retain proposed approach to growth funding	100% of growth costs recovered from development contributions across 8 catchments	<ul style="list-style-type: none"> • Consistent with growth pays for growth principle • Continuity of catchments • Administration continuity 	<ul style="list-style-type: none"> • Major charge difference between wainuiomata and other catchments <p>**gap likely to close in future LTPs</p>
B.	Reduce % of growth costs funded by development contributions for some or all catchments	Lower charges is some or all catchments	<ul style="list-style-type: none"> • Lowers cost of developing new housing • Ability to target just high cost catchments (Wainuiomata) 	<ul style="list-style-type: none"> • Erosion of growth pays for growth principle • Rates increases to pay for growth costs
C.	Reduce number of catchments	Spread costs over larger catchments	<ul style="list-style-type: none"> • Reduce charges in high growth-costs areas (Wainuiomata) • Easier to administer 	<ul style="list-style-type: none"> • Raises charges for low-growth cost areas • Weaker nexus between individual projects and developments • Higher risk or successful challenge • Loss of continuity
D.	Increase number of catchments	Focuses cost recovery – spread cost over smaller catchments	<ul style="list-style-type: none"> • Stronger nexus between individual projects and developments 	<ul style="list-style-type: none"> • More difficult to administer • Likely to result in very high costs charges in some areas • Higher risk of under-recovery • Loss of continuity

Changes to policy administration

Trigger, notice, invoice and payment

- New assessment, invoice, and payment process clearer
- Introduces DC *notice* concept, and invoice timing
- Key changes are to payment times

Proposed

Resource consent other than subdivision – 20th of following month follow issue of invoice/consent

Service connection – at issue of connection approval

Certificate of acceptance - at issue

Current

Resource consent other than subdivision – prior to commencement of consent

Service connection – prior to connection

Certificate of acceptance – not stated

- Debt collection practice will start if payment not made within due date

Assessment rates – smaller homes

- Lower assessment rates for smaller residential units (RUs)

EHU ASSESSMENT RATES RESIDENTIAL DEVELOPMENT			
	MINOR RU	SMALL RU	STANDARD RU
No. of bedrooms	1	2	3 or more
EHU Discount (all services)	50%	25%	Nil
Proportion of EHU Payable for all charges	0.5	0.75	1

- Related ‘top up’ rates
- Provision for dealing with subdivision (e.g. postpone payment)
- Retirement villages and visitor accommodation – 0.5 EHUs
- Supporting definitions

Assessment rates – demand measures / non residential assessment

- Commercial subdivision - 1 EHU per lot minimum
- Change format to EHU per 100m² ground floor area
- Transport EHUs updated with new info
- Mainly impacts non-residential developments - assessed for more EHUs for transport, and pay more in DCs except retail

TRANSPORT EHU ASSESSMENT RATES PER 100M²

	PROPOSED	CURRENT (EQUIVALENT)
Industrial	4	3.3
Commercial	3	2
Retail	6	10
Other non-residential	Special assessment	Not stated

Use of special assessments

- Currently - judgment required and limited only to instances where demand varies materially from that assumed in policy
- Proposed criteria for use of special assessments:
 - (A) The development is of relatively large scale or uses; or
 - (B) The development is likely to have less than half or more than twice the demand for an activity listed in Table 7 for that development type; or
 - (C) A non-residential development does not fit into an industrial, retail, or commercial land use and must be considered under the other category in Table 5; or
 - (D) A non-residential development may use more than 5 m³ of water per day.

Reconsideration, objections, and remissions

Remissions and Objections:

- Clarifies that issue of DC notice is trigger for lodging requests
- Require use of application forms
- Require payment of fees and/or deposit for reconsiderations and objections

Remissions:

- Clarifies that remission requests must be made within 15 days of invoice being issued

Definitions

Most significant:

- Bedroom – to support graduated residential rates and aligned with proposed DC template definition
- Definition of commercial, retail and industrial – aligned as much as possible with national planning standards
- GFA – aligned with national planning standards
- Retirement village – use legislative

Questions