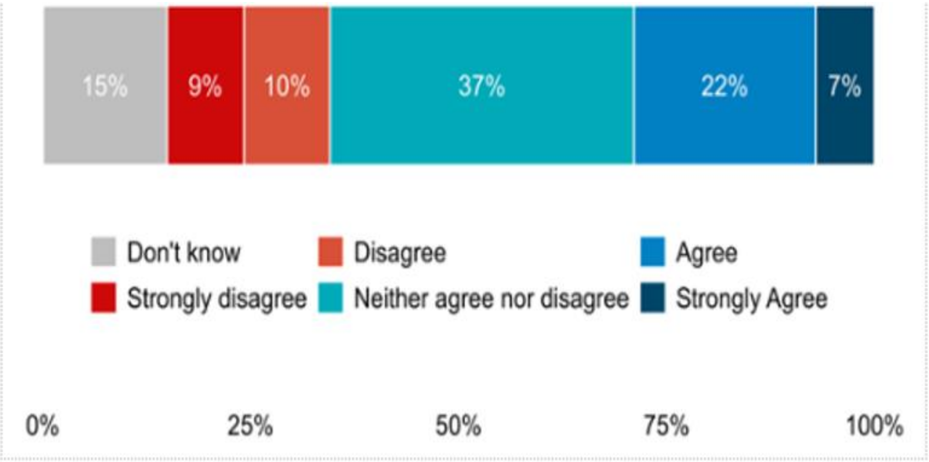
Decisions for final Development & Financial contributions Policy

17 May LTP/AP subcommittee meeting

▲ Pukeariki / Belmont Trig

Feedback on draft policy

Key changes in draft policy compared to 2021 policy:	Reason change was proposed	Key concerns raised via feedback
Introduction of 4 or more-bedroom based assessments	• policy is based on the concept of Equivalent Household Units, or EHUs. An EHU is centred on the concept of a nominal household, and the demand it generates for services • Council has a bedroom based policy which acknowledges occupancy is a key determinant of demand for most services • It supports better cost recovery and intensification goals.	• Effect on home sizes – higher charges will discourage construction of larger family homes
Update of project costs and growth assumptions with resulting changes to charges	• Principle of growth pays for growth, • higher growth forecast, • cost increase of growth capital programme	• Discourage development due to lowered financial viability • Impact on housing costs which will be passed onto homebuyers



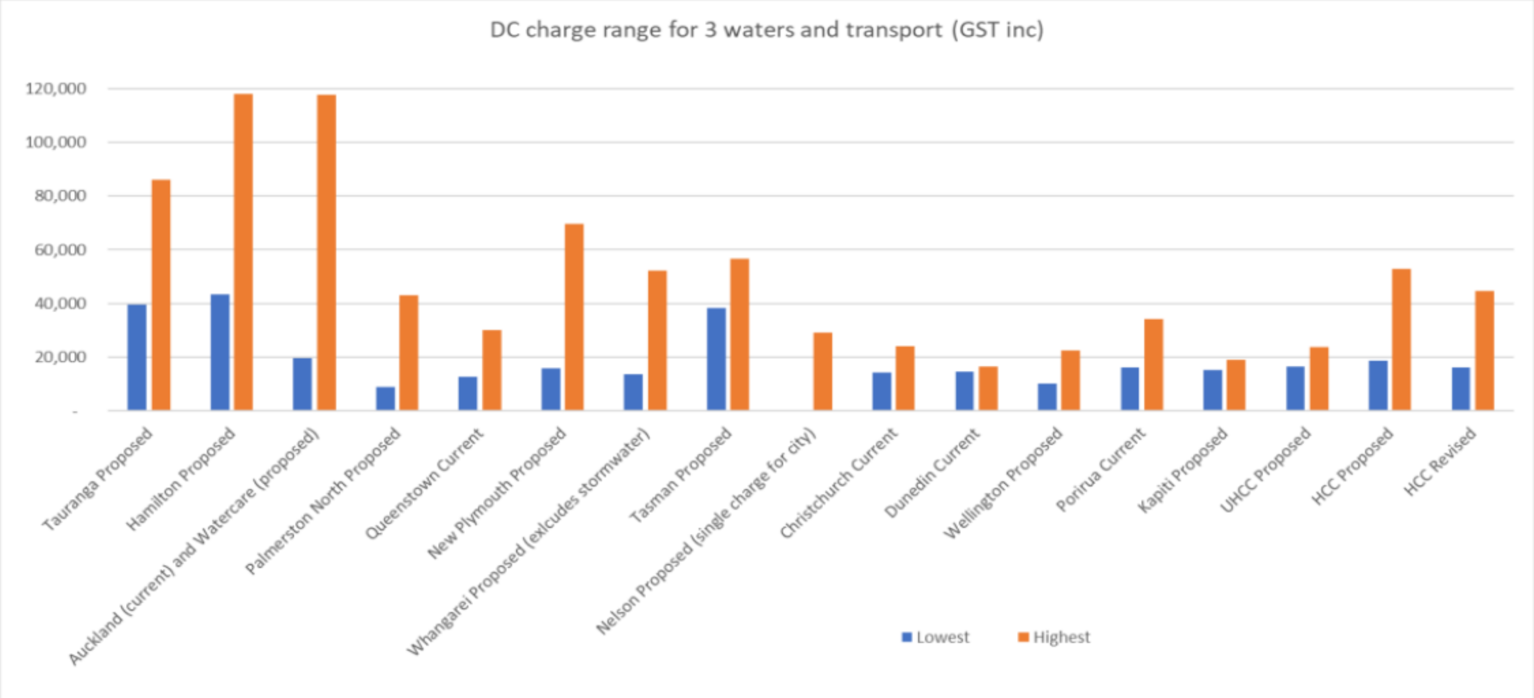
48. 28.9% (n = 257) of submitters agreed or strongly agreed with the revised development contributions policy, while 19.5% (n = 174) disagreed or strongly disagreed. However, 36.6% (n = 325) neither agreed nor disagreed and a further 15% (n = 133) said that they didn't know.

Project related Council decisions sought

Project	Change	Reason
IAF stormwater project	Reduce % attributed to growth from 27% to 18% De-inflate project costs within DC model	27% highest end able to be attributable to growth. Higher risk of successful challenge. 18% more defensible and in line with what was submitted with IAF application. Project costs included in DC model were already inflated.
IAF Wastewater project	De-inflate project costs within DC model	Project costs included in DC model were already inflated.
RiverLink projects (Eastern Access route, Promenade and Streetscape improvements, and foot bridge)	Remove RiverLink related projects from DC calculations	There is some uncertainty about the scope of these works and final construction plans are yet to be determined. Funding from Waka Kotahi is yet to be confirmed and may alter the work programme. Charging development contributions for these projects could be delayed until the next review of the DC Policy.
Subdivision Road improvement	Remove from DC calculations	There is uncertainty around the work programme and potential scope. It is recommended that the DC charges for this are paused until the next DC policy review when there will be better certainty of the funding and also scope of the works.
Eastern Reservoir	Change costs included in model for project	Cost coding error -pipeline costs included. Both changes together lower the charges.
Eastern Reservoir Pipeline	Change costs included in model for project	Cost coding error -reservoir costs included. Both changes together lower the charges.
Black Creek	Reduce project cost from $25.5m to $17.4m and increase percentage attributed to growth from 30% to 37%	Wellington Water have recommended including only part of Black Creek Project in DC calculation and have provided updated % for growth as a result.

DC comparison graph

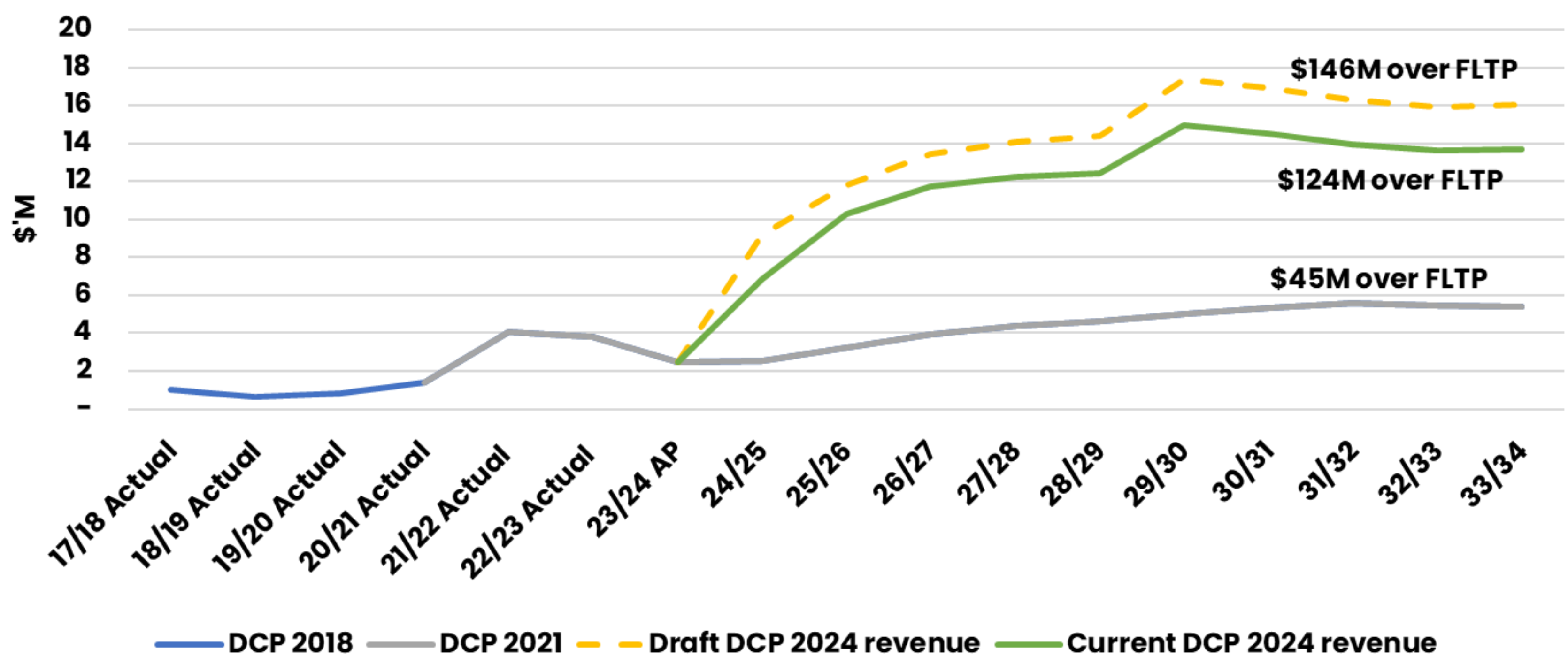
Comparative charges presented below are based on proposed charges where there is an update through the LTP and existing charges where there is not.



At the time of drafting the report, for the Wellington region, the data shows:

- Wellington City proposed Highest $22,575 Lowest $10,175 – should be noted the majority of their charges comprise of the Transport activity.
- Upper Hutt City Council proposed Highest $23,854 Lowest $16,391
- Kapiti DC proposed Highest $18,965 Lowest $15,148
- Porirua – no change proposed as they plan to consult on an update to the DC Policy post the adoption of the LTP 2024-2034

Revenue – Development Contributions



- The DCP 2024 proposed charges and associated revenue budgets is subject to change based on Council decisions around transition options and remissions.
- The actual revenue trend has been an increase with budgets set at conservative levels.

- The impact of project changes to the DC revenue is reflected in the current DCP 2024 graph line above and results in a decrease of $21.3M over 10 years compared to the policy included for consultation.

Infrastructure Supporting Growth

Key projects the development contributions funding would support in draft policy:

- Eastern Hills reservoir and pipeline- $87M (~65% DC funded)
- Wainuiomata reservoir Now phased beyond 10 years but included in calculations $50M (50% DC funded)
- IAF Wastewater –$40M (100% DC funded)
- IAF Stormwater - $135M (18% DC funded)
- Joint venture wastewater programme uplift including Seaview wastewater treatment plant– $416M (7% DC funded)
- Wainuiomata wastewater projects costs $18M (62% DC funded)
- Petone flooding – $49M (5% DC funded)
- Blackcreek flooding - $21M (37% DC funded)
- Renewals programme across all three waters to the value of $420M (around 6% DC funded)
- Cross valley connections programme $221M (8% DC funded)
- Cycle ways and shared paths $125M (~4% DC funded)

Transition options decision sought

Project	Pros	Cons
Option 1: As suggested by developer group	• Strongest recognition of current economic conditions and scale of increase proposed. • Keeps cost of development in valley floor lower for a significant period, helping the feasibility of development generally, and specifically in the IAF area	• Significant departure from growth pays for growth cost philosophy for over 4 years • Significant debt impact - loss of revenue of $8.9M • Distorts price signals to market – esp. cost of developing in Valley Floor Vs Wainuiomata • May have longer term impact on revenue • Makes policy more complicated
Option 2: Transition over 3 years	• Some recognition of current economic conditions and scale of increase proposed. • Keeps cost of development in valley floor lower for 2 years.	• Departure from growth pays for growth costs philosophy for 2 years • Significant debt impact - loss of revenue of $2.4M • Short term distortion of price signals to market – esp cost of developing in Valley Floor Vs Wainuiomata • Makes policy more complicated
Option 3: One year reduction of 20%	• Some recognition of current economic conditions and scale of increase proposed. • Departure from growth pays for growth costs philosophy is moderate and short term • Small impact on rates compared to options 1 and 2	• Moderate impact on rates; est loss of revenue of $0.7M • Risk that higher charges in current economic conditions will materially reduce development undertaken in the short term
Option 4: No transition, introduce new charges from 1 July 2024	• Maintains full integrity of growth for growth philosophy • No cost to rates	• Will likely lead to an influx of consents in June • No recognition of current economic conditions and scale of increase proposed. • Risk that higher charges in current economic conditions will materially reduce development undertaken in the short term

2024 policy update - Options

The charges below reflect the impact of transition options as outlined in previous slide. The rates below are based on 1 EHU for a standard three bedroom development, lower rates will apply to smaller units.

Charge per EHU GST inc	Eastbourne	Stokes Valley	Valley Floor	Wainuiomata	Western Hills	Rural
Charges in draft 2024 DCP	$19,736	$18,608	$53,003	$41,955	$19,233	$5,275
Base revised charges (post projects review)	$17,142	$16,014	$44,752	$38,603	$16,639	$2,681
Revised charges year 1 – Option 1	$17,142	$16,014	$17,343	$38,603	$16,639	$2,681
Revised charges year 1 -option 2	$17,142	$16,014	$26,470	$38,603	$16,639	$2,681
Revised charges year 1 – option 3 (Recommended)	$17,142	$16,014	$35,802	$38,603	$16,639	$2,681

Remissions for CHPs decision sought

This remission option has been explored based on specific remission queries from Community housing providers (CHPs).

In order to develop the remission proposal we looked at a range of practices across the sector. The proposal is to include in the policy:

1. A standard DC remission of 40% which will apply to registered CHPs.
2. Further DC remission of up to 20% subject to documented consideration of ways in which they could contribute to Council's wider goals and purpose of a city that thrives.

Officer recommendation is that this should be managed through a specific fund set up with a value of $500,000 per annum and further reviews could be undertaken in future planning cycles.

Other remissions through policy

The remissions available through the policy are:

- Demand based reductions – special assessments and reduced charges for smaller homes
- Remissions – wide discretion but with underpinning principle of avoided costs to council
- Remissions to support the principles set out in the Te Ture Whenua Māori Act - Targets support for land owned by Māori for any development that would qualify for a rates remission per the rates remission policy for Māori freehold land.

Summary of decisions

- Approval of project changes as proposed
- Direction on a transition option for charges
- Direction on a remission for registered CHP's

Other considerations for final policy based on feedback:

- Recommended that we define applicable clawback period for CHPs – 10 - 30 years
- Recommended that we consider update to assessments rates for retirement villages
- Council to provide direction on 4 or more bedroom based assessments