
Legend
Category
Not required for initial phases of PCs 48/ 49/50. Anticipated to be paid for through central or local government funding streams (including via development contributions)
Not required for PC 48/49/50. Potentially to be funded in whole or part through sub-regional (e.g.: Drury / South Auckland) or city wide development contributions
To be provided and funded by Drury East Developers
Required for initial phases of PCs 48/49/50 but to be funded by others
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AUCKLAND COUNCIL
DEVELOPMENT CONTRIBUTIONS POLICY 2021

SUBMISSION ON BEHALF OF KIWI PROPERTY HOLDINGS No. 2 LIMITED

17 OCTOBER 2021

1. INTRODUCTION

1.1 This submission on Auckland Council's proposed Development Contributions Policy 2021 ("**Contributions Policy**") is made on behalf of Kiwi Property Holdings No.2 Limited ("**Kiwi**"). The submission primarily concerns the approach taken in the Contributions Policy with regard to what are variously described in that document as the Opaheke / Drury and Drury / Opaheke Funding Areas ("**the Drury / Opaheke Funding Areas**").

1.2 The Contributions Policy is an important source of funding for the infrastructure required to support growth in Auckland. Kiwi welcomes the recognition in the Contributions Policy of the need for significant infrastructure to be developed in the Drury / Opaheke Funding Areas and is supportive of a Contributions Policy that allocates costs fairly between the parties and communities who will benefit from that infrastructure. Kiwi considers that this should include:

(a) A fair and reasonable calculation of the likely costs of the works, including land costs where they will be incurred.

(b) An equitable allocation of cost between users of the existing infrastructure who will benefit from an improved level of service (e.g.: as a consequence of improved pedestrian or cycle connectivity, road safety, amenity, or community services).

(c) An equitable allocation of cost between different parts of the city (i.e.: a consistent approach to the extent of area over which costs are levied so that, for example, Drury landowners are not expected to fund Drury facilities in full while also contributing to the costs of similar facilities in other parts of the city).

(d) An equitable allocation of costs between generations (e.g.: due recognition that a 2023 development will not benefit from an infrastructure improvement that will only be implemented 25 years in the future).

(e) A consistent approach to the duration of the time period for implementing infrastructure to be funded by development contributions.

(f) An appropriate net present value calculation so that Council has sufficient funds to pay for works when they occur, rather than receiving both full contributions and compounding interest on those funds.

1.3 Kiwi makes this submission in an effort to ensure that the Contributions Policy exhibits those characteristics.

1.4 Kiwi's key concerns with the Contributions Policy are as follows:

(a) **Issue 1 – Lack of Transparency**: There is a lack of transparency regarding the process through which the development contributions required for the Drury / Opaheke Funding Areas have been calculated which arises because Council staff have refused to date to:

(i) Share their model with either the public generally or Kiwi in particular.

(ii) Provide:

- Details of the scope of works for which contributions are required;
- Plans of the works for which contributions are required;
- Plans showing the land required for those works; or
- Estimates of the land and construction costs which contribute to the estimate of $4.5 billion infrastructure works at Drury.

(iii) Specify the cost inputs, contingencies and escalations that have been used to calculate the proposed development contributions.

(b) **Issue 2 – Inclusion of costs beyond 2031 in Drury:** Uniquely, the Drury / Opaheke Funding Areas are required to pay contributions towards the cost of infrastructure that is anticipated to be implemented after 2031. In that regard:

(i) If that approach is to be adopted for Drury / Opaheke Funding Areas then it should also be adopted for all other growth areas in the Region, so the Contributions Policy does not:

- Disincentivise development in Drury as a consequence of elevated contribution requirements; while
- Incentivise early development elsewhere in the city prior to the introduction of similar contribution regimes there.

(ii) To the limited extent that Kiwi has been able to interrogate the Contributions Policy, it appears that it does not fairly and equitably calculate the contributions required in respect of works that are to be carried out in the future and most notably beyond 2031 as it:

- Appears to have assumed extremely high land purchase and construction costs and/or to have applied multiple contingencies over time that collectively elevate the inputs to the model to an unrealistic extent.
- Appears to assume that Council will purchase land from developers such as Kiwi (e.g.: parks or road reserves) when in practice Council and its related entities (e.g.: Auckland Transport) are likely to require the land and infrastructure on to be vested without charge in order to obtain the consents and approvals necessary to undertake development and subdivision and hence will not incur these costs at all.

(c) **Issue 3 – Extent of the Drury / Opaheke Funding Areas**: The Drury / Opaheke Funding Areas have, as a generality, been defined too tightly and exclude areas (most notably Drury South and Paerata) that will also benefit significantly from the infrastructure in respect of which the Contributions Policy requires contributions only from the Drury / Opaheke Funding Areas. The physical extent of the Drury / Opaheke Funding Areas should be reviewed and expanded to include the broader area that will benefit from the relevant infrastructure. Alternatively, the benefit accruing to those other areas would need to be funded in its entirety by Council and not by the Drury / Opaheke Funding Areas.

(d) **Issue 4** – **Equity across the Wider Region**: Whereas the Contributions Policy requires contributions from the Drury / Opaheke Funding Areas towards infrastructure that is located elsewhere in the region, it imposes contributions in respect of the infrastructure that is to be constructed within the Drury / Opaheke Funding Areas solely on development within that Funding Area. A consistent and equitable approach should be adopted to the funding of infrastructure around the region.

(e) **Issue 5 – Adverse Social implications**: The Contributions Policy will generate adverse social implications (including with reference to resolution of the housing crisis) as a result of imposing:

(i) Relatively low development contributions in established and relatively wealthy central parts of the city, which already benefit from decades of historic council investment in infrastructure and where incoming residents are most able to afford the contributions ($20k per lot); and

(ii) Far higher development contributions in the Drury / Opaheke Funding Areas, which have the ability to provide a significant proportion of future affordable housing for the region but currently lack infrastructure and where incoming residents will be less able to afford the contributions ($89k per lot).

1.5 Kiwi does not want to slow the recovery of fair development contributions but does want to ensure that the Contributions Policy resolves the issues identified above. In order for that to occur, it is essential that Council discloses publicly its model and the supporting data, plans and costings. Once that occurs, Kiwi will provide its suggestions for a more realistic and workable funding solution.

1.6 This submission comprises the following sections:

(a) Background;

(b) PC48 – Drury Centre;

(c) Lack of Transparency;

(d) Inclusion of cost beyond 2031 in Drury;

(e) Appropriate extent of Drury / Opaheke Funding Areas;

(f) Equity between parts of the wider region;

(g) Social Implications

(h) Relief Sought:

2. BACKGROUND

The Submitter

2.1 Kiwi is one of New Zealand's' leading property development and investment companies. It is a publicly listed company and manages a significant real estate portfolio, comprising some of New Zealand's best mixed-use, retail and office buildings. Kiwi's investments in Auckland include:

(a) The Vero Centre and ASB North Wharf office buildings in the Auckland CBD;

(b) The Sylvia Park Centre, Mt Wellington, which forms the core of the Sylvia Park Metropolitan Centre; and

(c) The LynnMall Shopping Centre, New Lynn, which forms a key part of the New Lynn Metropolitan Centre.

2.2 Kiwi is the parent company of Kiwi Property Holdings No. 2 Limited, the applicant for Private Plan Change 48: Drury Centre Precinct ("**PC48**"), which will enable construction of a new Metropolitan Centre adjacent to the Drury Interchange between SH1 and Great South Road, and the proposed new Drury Central railway station on the North Island Main Trunk Line. PC48 is being processed alongside two other private plan changes relating to adjacent land being Private Plan Change 49 (Fulton Hogan) and Private Plan Change 50 (Oyster Capital) (collectively, "**the Drury Plan Changes**").

2.3 The Plan Changes are currently subject to first instance hearings before independent commissioners. The primary opposition to the Plan Changes is from Council (in its capacity as a submitter) and Auckland Transport (collectively, "**the Council Submitters**").

2.4 The Council Submitters' opposition to the Plan Changes appears primarily to be because they consider that there is insufficient certainty regarding the funding of infrastructure (most notably transport infrastructure) required to support urbanisation of Drury into the future, including the land subject to the Drury Plan Changes. In that context, Kiwi considers that the Contributions Policy should resolve the Council

Submitters' concerns because it imposes development contributions within the Drury / Opaheke Funding Areas to fund the infrastructure allegedly required for urbanisation in the area for the foreseeable future.

The Contributions Policy

2.5 The most significant departure in the Contributions Policy from the current policy is the incorporation into the contributions to be charged in the Drury / Opaheke Funding Areas of the costs of infrastructure works that are anticipated to occur beyond 2032. Thus, those contributions include costs attributable to works that might be 20 or 30 years away. In contrast, the contributions for the balance of the city are calculated with reference only to works that are to be undertaken within 10 years (i.e.: by 2032).

2.6 The consequence of the change is that, while average contributions per household equivalent throughout the city generally reduce to approximately $22,000, contributions in the Drury / Opaheke Funding Areas will be approximately $89,000 per household equivalent (i.e.: over four times the average). Furthermore, Council advises that stormwater infrastructure is yet to be taken into account in calculating the Drury / Opaheke contributions. The Drury / Opaheke Funding Areas for this purpose:

(a) Include the areas subject to the Drury Plan Changes and, in most cases, Private Plan Changes 51 and 61 which affect Future Urban Zoned land at Drury west of SH1; but

(b) Exclude the Drury South and Paerata areas.

2.7 Kiwi understands that the Council proposes to introduce a similar approach for growth areas elsewhere in the city in the future but, for the time being, the effect of the Contributions Policy is to impose far greater costs on development at Drury than elsewhere. As a consequence, the Contributions Policy disincentivises development at Drury relative to the balance of the city.

2.8 The proposed Contribution Policy is a disincentive to developing compact urban form such as that proposed by Kiwi which is located next to the Drury Central Station (where development contributions are $89,000 per lot) and incentivises developments that are not located near public transport, such as Drury South (where development contributions are $22,000 per lot). This will result in more car reliant developments which is inconsistent with Councils own Policy on climate change.

2.9 Kiwi calculates that, pursuant to the Contributions Policy, the development at Drury anticipated by PC48 would incur development contributions in the order of $300 million. Land development is an inherently risky business and, accordingly, these are costs developers would have to pass on to incoming occupants and residents in order to justify their investment risk. That will increase prices for subdivided land and residential accommodation along with commercial rents. Those are acceptable consequences if the Contributions Policy is fair and equitable but will constrain inappropriately constrain housing choice and supply if the Contributions Policy imposes unnecessarily high contributions.

3. PC48 - DRURY CENTRE

Kiwi's expectations regarding growth at Drury

3.1 PC48 will enable the development of a Metropolitan Centre, which is the second level of centre in the hierarchy created by the Auckland Unitary Plan ("**Unitary Plan**"), below only the Auckland City Centre zone. There are currently 10 Metropolitan Centres in the Unitary Plan, including the Sylvia Park Metropolitan Centre and New Lynn (which includes Lynn Mall).

3.2 Kiwi is a substantial organisation with a history of constructing, maintaining and operating high quality and large scale developments. Kiwi takes a long term and strategic approach to the development, maintenance and upgrading of assets. Examples of Kiwi's assets in Auckland include:

(a) Sylvia Park Metropolitan Centre, which Kiwi has owned for approximately 25 years and has developed from a cleared brownfield site.

(b) Lynn Mall, which is the retail core of the New Lynn Metropolitan Centre, which Kiwi has owned since 2010 and which has since been expanded and upgraded. Kiwi is currently seeking consents for high rise residential development above Lynn Mall (i.e.: within the Metropolitan Centre zone).

(c) The Vero Centre office building in Shortland Street, Central Auckland, which was constructed in 2000.

3.3 Kiwi anticipates that the urban development of the land subject to PC48 will occur in a staged fashion over a period of approximately 20 to 30 years:

(a) Kiwi's experience at Sylvia Park informs its expectations regarding the rate and staging of development at Drury and the manner in which development can be carried out in conjunction with transport infrastructure improvements. Even with its location in an existing urban area of the Auckland Isthmus, it has taken 20 years for Sylvia Park to develop to the point where it incorporates the full range of activities and services anticipated and enabled in a Metropolitan Centre.

(b) Whereas Sylvia Park is located in the middle of the Auckland urban area, Drury is at the southern end of that area with urban development only to its north (Papakura) and industrial land starting to be developed to the south. In the circumstances, Kiwi is realistic about the pace with which it will be able to develop the Drury Metropolitan Centre and anticipates that the urban development of the land will occur in a staged fashion over a period of approximately 20 to 30 years.

Mitigation of effects arising from PC48

3.4 Kiwi's development will contribute to the generation of more traffic in Drury, water supply and wastewater networks will need to be extended, stormwater from the development will need to be managed, and parks and recreational opportunities will need to be provided for the new residents to thrive. Kiwi acknowledges that the existing (largely rural) road network is in poor condition, that the existing stormwater network is a series of neglected farm drains that are highly degraded, and that there is an undersized culvert under the rail line / Great South Road that has historically been a blockage point in large rain events. These are existing issues that need to be resolved if Kiwi's land is to be developed as envisaged in PC48.

3.5 Kiwi will physically mitigate the effects of its Drury development, where it can do so on its land or is authorised by the Council Submitters to undertake works on public land and/or public infrastructure. By way of illustration:

(a) Kiwi is proposing to widen existing local and collector roads serving, passing through and adjacent to its PC48 land and will construct and vest local roads within its PC48 land.

(b) Kiwi is proposing to develop water supply and wastewater reticulation on its PC48 land that will integrate with Watercare's trunk network. In addition, the PC48 development will incur the connection fees charged by Watercare in respect of its wider networks.

(c) Kiwi has proposed interim and long term methods for addressing stormwater issues on its PC48 land that will not exacerbate stormwater conditions upstream or downstream.

(d) PC48 involves the allocation of Open Space zoning to extensive areas of land. Kiwi anticipates vesting that land in Council for public parks and open spaces. During the first instance hearing of PC48, Council as submitter has stated that its Park Department may not want to accept park land because it does not want to maintain it and if that occurs Kiwi anticipates retaining ownership of the open space and maintaining it privately.

3.6 Kiwi is prepared to take financial responsibility for mitigating effects generated by its development where physical works will be undertaken by other parties (e.g.: works to be carried out by Council included in the Contributions Policy). In that regard:

(a) The bulk of post 2032 infrastructure works at Drury addressed in the Contributions Policy relate to traffic, transportation and open space matters.

(b) The evidence of the Council Submitters states that the Drury Infrastructure Funding and Financing Programme ("**DIFF**") is necessary for full implementation of the urbanisation planned for the Future Urban Zoned areas of Drury, including the areas subject to the Drury Plan Changes. While there are other infrastructural works (e.g.: in relation to water supply, wastewater reticulation and stormwater) that will need to be implemented to enable development to occur, it is the transport infrastructure that the Council Submitters assert should preclude the Plan Changes being upheld.

(c) **Attachment 1** is a schedule based on material received from the Council Submitters ("**the Schedule**"), which uses colour coding to separate the DIFF projects into four categories with reference to whether they are needed for the initial phases of the development enabled by the Plan Changes, whether the Applicants will carry out works, and whether external funding has been arranged. **Attachment 2** is an aerial photograph ("**the Aerial**") on which the approximate location of the each for the DIFF projects is shown, using the same colour notation as in the Schedule.

(d) **Attachment 1** comprises 10 columns. It is based on material provided by the Council Submitters with two additional columns (the 9th and 10th columns) and

with annotations showing alterations from and additions to the Council's material (additions underlined; deletions ~~struck through~~). The 10 columns are:

(i) Column 1 is the project number in the Council Submitters' list, with additional projects identified by annotated additional rows (e.g.: item 4b). Typically, the additional rows arise where an existing project is split into two or more stages.

(ii) Column 2 is the location of the project within Drury – "DE" is Drury East; "DW" is Drury West. The Aerial (**Attachment 2**) shows the approximate location graphically.

(iii) Column 3 is the name allocated to each project.

(iv) Column 4 is the project stage (i.e.: whether the works are to be carried out to an interim stage or to their ultimate form to serve the full Drury build out).

(v) Column 5 is a brief description of each project.

(vi) Column 6 identifies the hierarchy of the affected or proposed infrastructure in the transport network (e.g.: arterial or collector road).

(vii) Column 7 identifies the land that will benefit from the works. This heading is altered from the heading used by the Council Submitters (which read, "**Developers**"). Where the affected land is only a part of Drury, it is identified through reference to the party promoting the relevant plan change (e.g.: Kiwi in the case of PC48).

(viii) Column 8 identifies the indicative timing of the works.

(ix) Column 9 records where there is confirmed external funding (e.g.: ATAP or NZUP).

(x) Column 9 contains observations regarding the works. These observations relate to the shading used for the rows:

- The **green** shading is for works that are to be provided and funded by the Applicants.

- The **blue** shading is for works that are not required for the initial phases of the Plan Changes and that the Applicants anticipate will be funded by others (e.g.: by central government agencies or by the Council Submitters, including via Development Contributions).

- The **beige** shading is for works that are required for the initial phases of the Plan Changes by are to be funded by others, namely through NZUP.

- The **grey** shading is for works that are not required for the Plan Changes. Some of these works may, however, be subject to city wide, regional or Drury Development Contributions.

(e) Kiwi has made the following commitments with reference to the infrastructure works shaded **green** listed in Attachment 1:

(i) That Kiwi will carry out and vest in the Council Submitters the works that are to occur on its land; and

(ii) That, together with the applicants for PC49 and 50, Kiwi will carry out the improvements to the road network that are identified in Ms McDonald's evidence as being the responsibility of the Applicants to the extent that can occur within the road reserve.

3.7 Those commitments should give Council comfort that the effects generated by PC48 have been considered by Kiwi and will be addressed through both physical works and development contributions. It is in that context that Kiwi makes the following comments on aspects of the Contributions Policy.

4. ISSUE 1 – LACK OF TRANSPARENCY

4.1 The approach taken to Drury in the Contributions Policy represents a major departure from the existing development contributions regime, particularly insofar as it affects Drury.

4.2 In order for the affected parties to reach an informed opinion on the reasonableness of the Contributions Policy it is necessary for them to have access to the model used by Council and the inputs, assumptions and contingencies used. Absent that material, the Council's approach cannot be interrogated, tested or replicated.

Kiwi's Concerns

4.3 Council staff are currently expecting developers of the PC48 land to pay contributions in the order of $300m without providing them with an opportunity to determine whether those sums are justified.

4.4 Kiwi has been endeavouring for over 18 months to obtain from the Council and Auckland Transport details of and costings for the works that they say need to be implemented before PC48 can be upheld. That has involved a series of requests for information under the Local Government Official Information and Meetings Act and subsequent complaints to the Ombudsman. Kiwi had hoped that adequate information would be provided through the Contributions Policy process but that has not occurred to date.

4.5 By way of illustration of Kiwi's concern:

(a) Kiwi understands that $22.6 million has been spent with consultants (Beca and Aecom) on the design and pricing of the DIFF projects in the last 3 years in Drury but, despite requests from Kiwi, Council has not provided Kiwi with any detailed specifications or costings for the DIFF projects.

(b) Council staff have provided Kiwi with PDF documents providing limited material on the projects that have apparently informed the Contributions Policy, but that information is not sufficient to enable an assessment of the validity of the model, the inputs used, or the outputs produced.

(c) Kiwi has requested details of the construction costs, land values and contingencies used in the model but none of that information has been made available to date.

(d) Kiwi understands from its discussions with Council staff regarding the Contributions Policy that the scope, location, extent, construction costs and land costs of the collector roads in the Drury / Opaheke Funding Areas for which development contributions of $300 million have been assessed have not been identified with any certainty and that this is effectively an estimate. Further to this, the $300 million is inflated in the Model with escalations (on land and construction) and further inflated with interest charges due to Councils inability to fund the proposed cost.

(e) Kiwi's understanding is that the DIFF calculations relied on to develop the Contributions Policy include the purchase of approximately 2 hectares of land for road widening in Drury East at approximately $2,500 - 3,000 per metre whereas market rate for rural land in Drury is currently in the order of $200-300 per metre. This concern cannot be allayed, because Council has not provided the relevant information.

(f) Kiwi has engaged Jones Lang LaSalle (International Property Valuers) to assess the value of the proposed Drury East - Notice of Requirement land areas. JLL has assessed the value at between $8-9 million (including a 25% contingency), Kiwi understands that Council has made a provision in the proposed Development Contributions Policy of $90 million for the same land area. Kiwi understands that the $90 million is made up of land value plus contingency on contingency and that the value is then inflated by interest and land inflation of $54 million due to the proposed payment timing delays. This results in the value of the proposed land to be purchased escalating in value 27% annually until the new land is funded through the proposed new Development Contributions Policy.

4.6 The extension beyond 2031 of the time frame over which development contributions will be calculated means that the Policy is reliant upon increasingly uncertain and unreliable estimates of:

(a) The physical works that will be required and that will in fact be undertaken.

(b) The specifications of those works and the construction costs involved.

(c) The extent of land that will be required and the cost if any to purchase that land.

(d) Future interest and inflation rates.

As a consequence, the model is likely to be extremely unreliable when estimating contributions that are required in respect of the works that will occur after 2031.

4.7 Kiwi's understanding, based on the limited analysis that it has been able to undertake to date given the lack of information made available by Council, is that the costs that have been used in the model and the contingencies applied are excessive and unrealistic, with the consequence that the development contributions sought are unreasonably high.

Information sought

4.8 Kiwi asks that the Council provide Kiwi and other affected members of the public with:

(a) Access to the model that has been relied upon by Council so that they can fully understand the basis for the Contribution Policy.

(b) Details of the scope of works for which contributions are required;

(c) Plans showing the land required for those works; or

(d) Estimates of the land and construction costs which contribute to the estimate of $4.5b infrastructure works at Drury.

(e) The costs inputs, contingencies and escalations that have been used to calculate the development contributions required for the Drury / Opaheke Funding Areas.

Alleged Commercial Sensitivity

4.9 Council officers have argued that the information sought cannot be disclosed because it is commercially sensitive. That is not accepted.

4.10 The details sought are the costs used by Council to estimate future contributions. It is understood that they do not represent an offer to landowners or contractors regarding land or construction costs and it is inconceivable that they would be treated as such.

4.11 Council expenditure is subject to statues and regulations (e.g.: the Public Works Act for land purchases) which will ensure that the Council does not pay excessive amounts when purchasing land or construction services. The cost estimates input to the model will be irrelevant to the assessment of actual cost in due course.

4.12 Kiwi is not seeking details of the cost estimates for the purchase of individual pieces of land. Rather, it needs to understand the average cost per square metre of land, the assumptions informing construction costs and the escalations and contingencies that have then been applied to produce the development contribution figures. That information is needed for Kiwi to understand how realistic the figures used are. The current lack of transparency means that Kiwi cannot help to find solutions to funding issues on each of the works on which contributions are being levied.

5. ISSUE 2 – INCLUSION OF COSTS BEYOND 2031 IN DRURY

5.1 Uniquely, the Drury / Opaheke Funding Areas are required to pay contributions towards the cost of infrastructure that is anticipated to be implemented after 2031.

Implications for accuracy of estimated costs

5.2 The accuracy of predictions as to future behaviour and conditions reduces over time. Hence the accuracy of the Council's assumptions regarding:

(a) The specifications and costs of the physical infrastructure works that will be required;

(b) The specifications, costs and technologies used to implement such works that are undertaken by any given date;

(c) The extent of land that will be required for such works and the cost (if any) to purchase that land;

(d) Residential and commercial demand and uptake in the interim;

(e) Interest and inflation rates;

(f) Population growth and development contributions paid in the interim period;

(g) Any contingencies and other escalating factors that are applied

will become increasingly unreliable and inaccurate over time.

5.3 That issue will become particularly problematic for the time period beyond 2031, which is being adopted only to the Drury area. As a consequence, the model is likely to be extremely unreliable when estimating contributions that are required in respect of the works that will occur after 2031.

5.4 The proportion of development contributions attributable to contingencies and assumed escalations will increase over time and potentially will be the greater part of funds required. In those circumstances it is essential that the calculations be transparent and partis are able to test assumptions.

Use of Drury as Trial Area

5.5 It appears from the Contributions Policy that Council intends to replicate the Drury approach elsewhere in the city in the future. Given that Drury is to be the trial case, it is essential that the principles adopted be fully justified at this stage.

5.6 While Council may elect to use Drury as a test case for investigating internally the viability and implications of including infrastructure costs beyond 2031, that approach should only be incorporated into the Contributions Policy once it is also adopted for all other growth areas in the Region.

5.7 Requiring development contributions for works beyond 2031 in Drury only, as is proposed in the Contributions Policy:

(a) Disincentivises development in Drury in comparison with the balance fo the city, as a consequence of the significantly higher development contributions required; and

(b) Incentivises early development in the other identified growth areas of the city so that properties can be sold before they incur the higher development contributions that have been foreshadowed.

Overstatement of costs in Drury

5.8 To the limited extent that Kiwi has been able to interrogate the Contributions Policy, it appears that it does not fairly and equitably calculate the contributions required in respect of works that are to be carried out in Drury in the future and most notably beyond 2031:

(a) The Contributions Policy appears to have assumed extremely high land purchase and construction costs and/or to have applied multiple contingencies over time that collectively elevate the inputs to the model to an unrealistic extent.

(b) The Contributions Policy appears to assume that Council will purchase land from developers such as Kiwi (e.g.: parks or road reserves) when in practice Council and its related entities (e.g.: Auckland Transport) are likely to require the land and infrastructure on to be vested without charge in order to obtain the consents and approvals necessary to undertake development and subdivision and hence will not incur these costs at all.

5.9 These issues cannot be resolved in the absence of the information sought under Issue 1 above.

6. ISSUE 3 – APPROPRIATE EXTENT OF DRURY / OPAHEKE FUNDING AREAS

6.1 The Drury / Opaheke Funding Areas have, as a generality, been defined too tightly and in many cases exclude areas that will also benefit significantly from the infrastructure in respect of which the Contributions Policy requires contributions only from the Drury / Opaheke Funding Areas. The physical extent of the Drury / Opaheke Funding Areas should be reviewed in respect of those maps and expanded to include the broader area that will benefit from the relevant infrastructure.

6.2 The following paragraphs discuss each of the affected maps in order.

6.3 *Map re Local Community Infrastructure Contributions Policy 2021*:

(a) This map identifies a "Drury / Opaheke Funding Area" which comprises:

(i) Land at Drury to the east of SH1 comprising largely the land subject to the Plan Changes but also including other properties in the vicinity ("**the Drury East Area**"); and

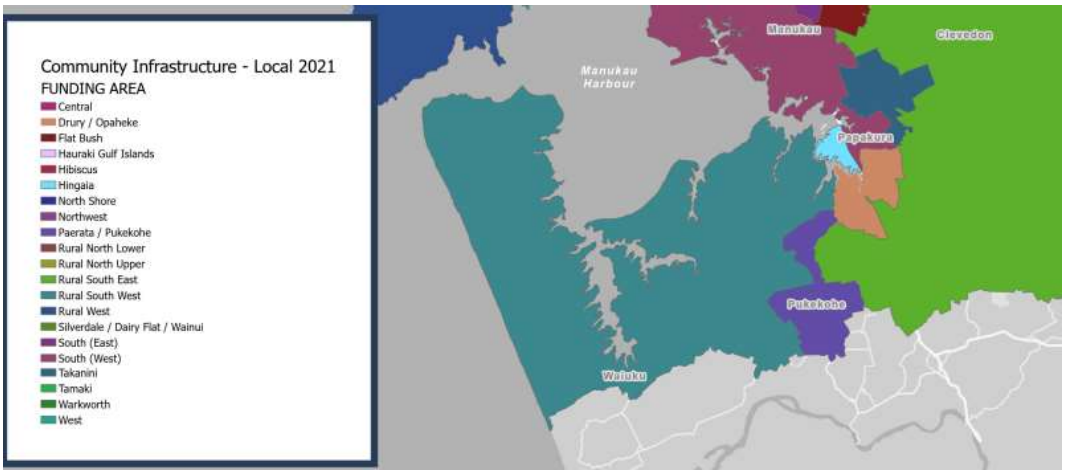
(ii) Land at Drury to the west of SH1 comprising largely the urban zoned Auranga development and the land subject to Private Plan Changes 51 and 61 but, also including other properties in the vicinity ("**the Drury West Area**").

(b) The Contributions Policy identifies as community infrastructure for the Drury / Opaheke Funding Area, "*build community facilities (library, community centre, recreation centre(s)) to cater for the expected growth in the Drury priority development area*" to the value of $166 million, of which $150 million will be funded by development contributions from the Drury / Opaheke Funding Area.

(c) The community facilities that are to be developed at Drury will serve not only the incoming communities on the Drury East and Drury West areas but also the far wider area that will be within the catchment of the Drury Metropolitan Centre, including Drury South, Paerata and the balance of the Future Urban Zoned land north of Pukekohe.

(d) Relief sought:

(i) The Drury / Opaheke Funding Area over which development contributions will be recovered for the community facilities to be developed at Drury should be expanded to include Drury South, Paerata and the balance of the Future Urban Zoned land north of Pukekohe ("**the Wider Drury / Paerata Catchment**").



(ii) The Paerata / Pukekohe Funding Area and the Rural South East Funding Area should be reduced in size accordingly.

6.4 *Maps re Local and Sub-regional Reserve Acquisition Contributions Policy 2021*:

(a) The "Drury / Opaheke Funding Area" identified in these maps comprises the Drury East and Drury West Areas.

(b) The Contributions Policy identifies as reserve acquisition for the Drury / Opaheke Funding Area, the acquisition of land for neighbourhood parks, suburban parks, civic spaces and the organised sport network to the value of approximately $262 million, of which approximately $252 million will be funded by development contributions from the Drury / Opaheke Funding Area.

(c) The reserves that are to be developed at Drury will form part of a broader network serving the communities on the Drury East and Drury West areas and the wider area that will be within the catchment of the Drury Metropolitan Centre, including Drury South, Paerata and the balance of the Future Urban Zoned land north of Pukekohe.

(d) Relief sought:

(i) The Drury / Opaheke Funding Areas in the maps over which development contributions will be recovered for reserve acquisition should be expanded to encompass the Wider Drury / Paerata Catchment.

(ii) The Paerata / Pukekohe Funding Area and the Rural South East Funding Area should be reduced in size accordingly on the Map re Local Reserve Acquisition Contributions Policy 2021.

6.5 *Map re Local Reserve Development Contributions Policy 2021*:

(a) The "Drury / Opaheke Funding Area" identified in this map comprises the Drury East and Drury West Areas.

(b) The Contributions Policy identifies as reserve development for the Drury / Opaheke Funding Area, the development of land to provide suburban and neighbourhood parks to the value of approximately $131 million, of which approximately $127 million will be funded by development contributions from the Drury / Opaheke Funding Area.

(c) The reserves that are to be developed at Drury will form part of a broader network serving the communities on the Drury East and Drury West areas and the wider area that will be within the catchment of the Drury Metropolitan Centre, including Drury South, Paerata and the balance of the Future Urban Zoned land north of Pukekohe.

(d) Relief sought:

(i) The Drury / Opaheke Funding Area over which development contributions will be recovered for reserve development should be expanded to encompass the Wider Drury / Paerata Catchment.

(ii) The Paerata / Pukekohe Funding Area and the Rural South East Funding Area should be reduced in size accordingly.

6.6 *Map re Local Stormwater Contributions Policy 2021*:

6.7 *Map re Local Transport Contributions Policy 2021*:

(a) The "Drury / Opaheke Funding Area" identified in this map comprises the Drury East and Drury West Areas.

(b) The Contributions Policy identifies as transport requirements for the Drury / Opaheke Funding Area, Drury local road improvements, the integration of collector roads beyond 2031 and the upgrade or development of arterial roads, public transport and active modal routes to a total value of approximately $1.794 billion, of which approximately $722 million will be funded by development contributions from the Drury / Opaheke Funding Area.

(c) Kiwi anticipates that:

(i) The majority if not all new local roads and local road improvements within the Drury / Opaheke Funding Area will be provided by developers and will vest free of charge in Council.

(ii) The integration of collector roads with local development within the Drury / Opaheke Funding Area will largely be provided by developers.

(d) The upgrade or development of arterial roads, public transport and active modal routes within the Drury / Opaheke Funding Area will form part of a broader network serving the communities on the Drury East and Drury West areas and the wider area that will be within the catchment of the Drury Metropolitan Centre, including Drury South, Paerata and the balance of the Future Urban Zoned land north of Pukekohe.

(e) Relief sought:

(i) The Drury local road improvements and integration of collector roads beyond 2031 that will or are likely to be carried out by developers should be excluded from the Contributions Policy.

(ii) The Drury / Opaheke Funding Area over which development contributions will be recovered for transport should be expanded to encompass the Wider Drury / Paerata Catchment.

(iii) The Southern Growth Funding Area and the Drury South (Ararimu) Funding Area should be reduced in size accordingly.

7. ISSUE 4 – EQUITY BETWEEN PARTS OF THE WIDER REGION

7.1 Kiwi is concerned that the Contributions Policy is inequitable in that in many cases it requires contributions from the Drury / Opaheke Funding Areas towards infrastructure

that is located elsewhere in the region, but imposes contributions in respect of corresponding infrastructure within the Drury / Opaheke Funding Areas solely on development within that Funding Area.

7.2 Examples of this inequitable approach include the following:

(a) Under the proposed Development Contributions Policy Drury must fund improvements to libraries in privileged areas like Devonport, but Drury must fund 100% of a new library.

(b) Under the proposed Development Contributions Policy Drury must fund parks and improvements all over the city, but Drury must fund 100% of parks and improvements in the Drury area.

7.3 Kiwi says that:

(a) A consistent and equitable approach should be adopted to the funding of infrastructure around the region.

(b) If the Council is intending to use the Contributions Policy as a method of disincentivising development at Drury in comparison with all other parts of the Region, then it should state that policy position and the rationale for it in the Contributions Policy so that the affected landowners can assess the validity of the Council's approach.

7.4 Kiwi asks that Council adopt a consistent and equitable approach to the geographical allocation of funding responsibility for infrastructure by either:

(a) Expanding the Funding Areas over which contributions will be levied for the infrastructure to be developed within Drury East and Drury West; or

(b) Excluding Drury East and Drury West from the areas over which funding is to be levied for infrastructure to be developed in the balance of the Region.

8. ISSUE 5 – SOCIAL IMPLICATIONS

8.1 The approach adopted in the Contributions Policy has tended to load development contributions onto greenfields development areas, typically on the periphery of the city and particularly at Drury.

8.2 Council may be pursuing this approach on the basis that it promotes intensification of existing urban areas in preference to peripheral expansion of the city. It has, however, significant adverse social implications:

(a) Housing in the central, already urbanised areas of Auckland is typically more expensive than in peripheral locations, in part because:

(i) Central locations have easier access to major employment areas such as the CBD and to regionally attractive retail and entertainment areas such as Newmarket or Tamaki Drive;

(ii) Central areas have easier access to major parks and facilities that tend to be funded regionally (e.g.: the Domain, Cornwall Park, the Museum, the Zoo, Eden Park, Western Springs);

(iii) Many of those central residential areas have high amenity that has developed over time;

(iv) The peripheral locations lack those advantages and can require lengthy commutes to employment or regionally important locations or facilities.

(b) There is, however, greater capacity to develop a full range of housing types at affordable prices and with high amenity in the peripheral areas of the city because of the ability to design and develop areas comprehensively.

8.3 The Contributions Policy imposes relatively low development contributions in those established and relatively wealthy central parts of the city, which already benefit from decades of historic council investment in infrastructure and where incoming residents are most able to afford the contributions (in the order of $20k per lot). In contrast, far higher development contributions are being imposed in the Drury / Opaheke Funding Areas, which have the ability to provide a significant proportion of future affordable housing for the region but currently lack infrastructure and where incoming residents will be less able to afford the contributions ($89k per lot).

8.4 The consequence is that the Contributions Policy:

(a) Favours development in the established, wealthy suburbs and discourages it in peripheral locations such as Drury where more affordable housing is likely to occur.

(b) Imposes higher contributions on areas where purchasers of properties are less likely to have the capacity to fund such contributions.

(c) Is likely to slow down development in Drury and/or incentivise the construction of less affordable but more profitable housing typologies to ensure that profit margins are retained for developers.

9. RELIEF SOUGHT

9.1 Kiwi seeks the following relief:

(a) That the Council provide Kiwi and other affected members of the public with:

(i) Access to the model that has been relied upon by Council so that they can fully understand the basis for the Contribution Policy.

(ii) Details of the scope of works for which contributions are required.

(iii) Plans showing the land required for those works.

(iv) Estimates of the land and construction costs which contribute to the estimate of $4.5 billion infrastructure works at Drury.

(v) The costs inputs, contingencies and escalations that have been used to calculate the development contributions required for the Drury / Opaheke Funding Areas.

(b) That Council provide submitters with time to review and review the model, inputs and assumptions and to engage further with Council staff and Councillors to resolve concerns and ensure equity prior to making the Contributions Policy operative.

(c) That the Council commission an independent multi-disciplinary engineering consultancy to undertake a review of the model, inputs and assumptions:

(i) Which has reference to the issues raised by submitters and has particular regard to the provisions relating to development contributions for works beyond 2031.

(ii) Which includes the opportunity for affected submitters to meet with and communicate with the reviewers.

(d) That Council subsequently amends the Contributions Policy to give effect to the findings of that independent review, before the Contributions Policy becomes operative

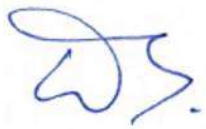
(e) That Council omit the provisions imposing development contributions on Drury in respect of infrastructure costs for works beyond 2031 unless and until that methodology is also adopted for all other growth areas in the Region.

(f) That the Contributions Policy maps and Funding Areas be amended as sought in Part 6 above.

(g) That the Contributions Policy be amended to remove the geographical inequities identified in Part 7 above.

9.2 More broadly, Kiwi asks that the Council revisit the Contributions Policy to ensure that it takes account of social consequences and does not impose elevated development contributions in those parts of the city, such as Drury, that are most likely to be able to accommodate affordable housing while minimising contributions in the long established, high amenity and least affordable central areas.

Dated this 17 day of October 2021



Signed for and on behalf of Kiwi Property Holdings No.2 Limited

SUBMISSION ON AUCKLAND COUNCIL PROPOSED DEVELOPMENT CONTRIBTION POLICY 2021

on behalf of Lomai Properties Ltd (Lomai)

Lomai **OPPOSES** the proposed development contribution policy 2021 (**DC Policy**) as it relates to the entire Paerata, Drury West, Drury South and Drury East (**Drury-Opaheke**) area.

Lomai opposes the DC Policy because:

1. There is a lack of detailed information in the DC Policy to justify the contributions that are being sought. For example, it is unclear:

    a. what projects are assumed to be completed by Auckland Council as opposed to other entities or private individuals;
    b. the timing for completion of these projects;
    c. the capital cost assumptions for each project is, how these costs were derived and the confidence in these costs. Lomai opposes the costs of the infrastructure upgrades and does consider they are accurate or realistic;
    d. who the beneficiary of each project is;
    e. what the split is between renewal of services and growth and level of service
    f. the proportion of the capital costs that the Council seeks to recover through the contributions and through other sources.

2. As a result of the lack of explanation and justification for the way in which the development contributions are sought, it is not possible to determine exactly how the contributions were derived and to confirm whether they are fair, equitable, proportionate, and in accordance with section 201 of the Local Government Act 2002 (**LGA**).

3. The approach taken in the DC Policy will have the effect of driving up house prices in the Drury-Opaheke area and hindering the provision of affordable housing. It is acknowledged that the DC Policy alleges that development contributions do not impact housing affordability. However, this is clearly not the case in New Zealand where the development contributions are simply added to the sale price for the land and/or dwellings. Reliance on international case studies is not considered to be

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useful as New Zealand (and in particular Auckland) as house prices have shown a pattern of defying predictions and international trends (this was most recently evidenced in 2020 following the first Covid-19 lockdown). It is considered that in the case of uncertainty on the relationship between development contributions and house price increases, a conservative approach should be taken given the dire state that housing affordability is in in Auckland, and the fact that no further increases in house prices can be absorbed without further hitting the lowest socio-economic communities the hardest. In Lomai's submission it would be irresponsible for the Council to act otherwise.

4. The DC Policy states that the contributions have been derived by dividing the capital expenditure for growth in the period 2021-2031 as well as infrastructure planned for beyond 2031 by the estimated number of new residential and non-residential developments (page 3, item 1). However, in giving evidence on behalf of Auckland Council recently in the hearing on PC61, a Council officer (Ms Brigid Duffield) stated that the Council was not intending to expend any capital on growth in the Drury-Opaheke area or spend any money on infrastructure projects in Drury until at least 2032. Therefore, it is unclear how the Council intends to lawfully collect contributions for the period 2021-2031 contained in the DC Policy.

5. The Council has given inadequate attention and consideration to alternative and additional options for funding capital expenditure in Drury, for example, levys under the Infrastructure Funding and Financing Act 2020, the regional fuel tax as well as other sources. These alternative tools which are at the Council's disposal would reduce the financial burden on developers and as a consequence the ultimate price of houses.

6. Overall, the DC Policy unfairly applies a blanket approach to development contributions to lots in the Drury-Opaheke area, without considering at a finer grain of detail which infrastructure projects will be used by which development sub-areas and how those costs should be equitably and proportionally raised.

7. Lomai would like to be included and consulted on the draft policy as it progresses.

Lomai Properties Ltd
c/- Tattico Limited
Vijay Lala
[redacted]
[redacted]

IN THE MATTER of the Local Government Act 2002

AND

IN THE MATTER of a submission to **AUCKLAND COUNCIL** on the draft Auckland Council Development Contributions Policy 2021 by **MADE GROUP LIMITED**

SUBMISSION OF MADE GROUP LIMITED

18 OCTOBER 2021

1. INTRODUCTION

1.1 This submission is made on behalf of MADE Group Limited ("MADE") in respect of Auckland Council's ("Council") draft Development Contributions ("DC") Policy 2021 ("draft Policy").

1.2 As outlined in its presentation to the Council's Finance and Performance Committee on 12 October 2021, MADE is concerned that the significant increases in development contributions (of over 600%) for Drury proposed in the draft Policy:

(a) Will not result in MADE making a fair, equitable and proportionate contribution to the costs of projects required as a result of its Auranga development in Drury West;

(b) Ultimately, will impact either house prices and/or the viability of various developments in Drury, which in turn will stifle the provision of much needed housing; and

(c) Accordingly, is inconsistent with the relevant statutory requirements.

1.3 For the reasons outlined in this submission, MADE's key requests in respect of the draft Policy are that:

(a) The Council provide MADE with the detailed analysis and costings it has undertaken to support its proposal to include projects beyond the current Long Term Plan ("LTP") in Schedule 8 of the Draft Policy; and

(b) Relevant Council staff then engage in discussions with MADE to refine this list of projects, to those which are sufficiently well-defined and certain that they can lawfully be included in the draft Policy.

Scope of submission

1.4 Against that background, this submission is lodged to formally record MADE's position on the draft Policy and set out MADE's requests for how its concerns regarding the draft Policy should be resolved.

1.5 To that end, this submission addresses the following:

(a) Background to MADE (Section 2);

(b) MADE's overall position on the draft Policy (Section 3);

(c) Summary of the regulatory framework applicable to development of the draft Policy (Section 4);

(d) Summary of MADE's issues regarding the draft Policy (Section 5); and

(e) MADE's requests to the Council regarding the draft Policy (Section 6).

1.6 We gratefully acknowledge that this submission draws on and incorporates the analysis of the draft Policy undertaken for MADE by Fraser Colegrave of Insight Economics. The Insight Economics report is **attached** as **Annexure A**.

2. BACKGROUND TO MADE

2.1 MADE was established by developer Charles Ma and is in the business of "community making". Since 2012, Mr Ma (via MADE or, prior to MADE being established, related entities) has completed over $1.07bn of development. His portfolio of projects ranges from niche rural lifestyle to large scale CBD apartment developments, including:

(a) Auranga in Drury, Auckland.

(b) The 696 home "Sugar Tree" apartment complex in central Auckland.

(c) Developments in Flat Bush with a combined total of 500 lots.

(d) Thirty rural lifestyle sections in Whitford.

2.2 MADE currently has $2.9bn of proposed developments in progress, of which the flagship is the Auranga development in Drury West. Also underway is Rotokauri North, MADE's next large town development in Hamilton which will deliver approximately 2,000 homes.

3. MADE'S OVERALL POSITION ON THE DRAFT POLICY 2021

3.1 MADE has always been (and continues to be) prepared to pay its fair share of the capex required to service growth that is generated by its development. This is confirmed, for example, in the evidence of Gary Noland, MADE's Chief Operating Officer, for Plan Change 51 ("PC51") to the partly operative Auckland Unitary Plan ("AUP"). PC51 relates to the latest stage of MADE's Auranga development.

3.2 However, there are number of concerns and objections that MADE has regarding the draft Policy which are set out below. Without in any way limiting the number of objections, one in particular relates to the Council's proposal to include Drury projects beyond the current LTP in Schedule 8 of the draft Policy. These longer term projects can only be included in the draft Policy in a way that complies with the relevant regulatory framework, in particular the provisions of the Local Government Act 2002 ("LGA02"). In this regard, MADE's position is that:

(a) There is insufficient information regarding some of the long term projects that have been included in Schedule 8 of the draft Policy. This is inconsistent with the Council's responsibility to ensure the draft Policy's transparency and accountability by including only those projects with sufficient key information available as to design and costing, so that development contributions are predictable (consistent with the underlying methodology) fair and equitable.

(b) To date, MADE has not been provided the information regarding these long term projects for it to be able to determine whether those inclusions will result in MADE making a fair, equitable and proportionate contribution to the infrastructure capex that is generated by its development.

(c) For these reasons, and the further reasons addressed below, MADE considers that the draft Policy does not comply with several of the relevant statutory requirements.

3.3 We summarise the key aspects of the applicable regulatory framework and MADE's concerns regarding compliance with that framework, as follows.

4. SUMMARY OF REGULATORY FRAMEWORK

4.1 In summarising the regulatory framework as relevant to MADE's position on the draft Policy, we address:

(a) The key provisions from the LGA02 DCs regime; and

(b) The key propositions and principles regarding application of those provisions from case law.

Key provisions of LGA02 DCs regime

4.2 In summary, the LGA02 requires that the draft Policy must (emphasis added):

(a) Ensure that the Council's funding needs are met from those sources which the Council determines to be appropriate, having considered the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity (section 101(3)(a) LGA02);

(b) Result in MADE contributing a *fair, equitable, and proportionate* portion of the cost of those projects (section 197AA LGA02);

(c) Require MADE to pay DCs only where the effects (or cumulative effects) of its development will create a requirement for the territorial authority to provide new or additional assets or assets of increased capacity (sections 197AB(1)(a) and 199(1) LGA02); and

(d) Ensure that DCs are determined according to, and are proportional to, the persons *who will benefit from the assets to be provided* (including the community as a whole), as well as those who create the need for those assets (section 197AB(1)(c) LGA02).

4.3 Further, in preparing the draft Policy, the Council is subject to the following requirements under the LGA02:

(a) The Council must take account of the likely impact of its decisions regarding the draft Policy on each aspect of wellbeing referred to in section 10 of the LGA02 (section 14(1)(c)(iii) LGA02).

(b) In the course of its decision-making process, the Council must seek to identify all reasonably practicable options for achieving the objectives of its decisions regarding DCs, and assess the advantages and disadvantages of those options (section 77(1) LGA02).

(c) Where the Council's decision on the draft Policy is anticipated to have consequences that will be significantly inconsistent with any plan required by any other enactment (for example, the AUP required in accordance with the Resource Management Act 1991), the Council must clearly identify:

(i) The inconsistency;

(ii) The reasons for the inconsistency; and

(iii) Whether it has any intention to amend the AUP to accommodate the decisions made in respect of the draft Policy (section 80(1) LGA02).

(d) Developers such as MADE who will be affected by the draft Policy must be provided with reasonable access to relevant information regarding the draft Policy, so they can understand its potential effect and adequately engage in the consultation process (section 82(1)(a) LGA02).

(e) For the purposes of section 82(1)(a) LGA02 (which applies to preparation of the draft Policy), the Council must make publicly available an analysis of the reasonably practicable options, including the proposal, identified under section 77(1) LGA02 (section 82A(2)(b) LGA02).

Key propositions and principles from case law

4.4 There is now a reasonable body of judicial guidance and comment regarding the application of the DCs regime from the LGA02. It is not necessary to traverse those cases in detail for the purposes of this presentation, other than noting the following from *Neil Construction Limited v North Shore City Council* [2008] NZRMA 275 (HC), the leading decision on development contributions.

4.5 In that case, the High Court set out (at paragraph 113) the following process that councils should follow, when deciding whether DCs can be required:

> *"[113] I consider the relevant provisions of the Act inter-relate to require of councils the following stepped process and line of inquiry when considering whether a development contribution or development contributions may be required:*
>
> *Step 1 Is the subdivision or development a "development", i.e. does it generate a demand for reserves or infrastructure? (s 197 definition)*
>
> *Step 2 Does the development (either alone or cumulatively with another development) require new or additional assets or assets of increased capacity to provide for reserves or infrastructure which will cause the council to incur capital expenditure (s 199(1)) or has already caused the council to incur capital expenditure for the development? (s 199(2))*
>
> *Step 3 Is there an alternative source of funding? (s 200)."*

4.6 The Court then went on (at paragraph 116) to set out the following statutory triggers that must be met, before DCs can be required:[1]

> *"[116] …The statutory triggers for requiring a development contribution are that a given project:*
>
> - *Is a development (s 197);*
> - *Which either alone or in combination with another "development" will have the effect of requiring expenditure on infrastructure (s 199); and*

[1] This approach was applied more recently by the Court of Appeal in *Beaumont Trading Co Ltd v Auckland Council* [2016] NZCA 223, [2016] NZRMA 359 at [32]-[34] (CA). While there have been minor amendments to sections 197, 198(2) and 199 of the LGA since the *Neil Construction* case was decided, none of those are material to the parts of the decision that have been quoted.

- *Is provided for in the development contributions policy (s 198(2)).”*

4.7 Having regard to *Neil Construction* and other relevant cases,[2] the key propositions and principles as relevant to MADE’s position on the draft Policy can be summarised as follows:

(a) The Council’s DCs Policies and decisions to charge DCs must comply strictly with the relevant provisions of the LGA02.

(b) DCs can only be charged where:

(i) There is a development, which either by itself or cumulatively with other development(s), creates a demand for new or additional assets or assets of increased capacity for reserves, network infrastructure, or community facilities; and

(ii) A council has incurred or will incur capital expenditure to provide for the new or additional assets or assets of increased capacity; and

(iii) The relevant DCs policy contains charges for the new or additional assets or assets of increased capacity; and

(iv) The same works have not already been funded or provided via an alternative source (such as a resource consent condition, private developer agreement, previous development contribution payment or third party funding/construction).

(c) Before requiring DCs, a council must determine as a preliminary point, on a case by case basis, whether any particular project is a “development” as defined in the LGA02, that creates a demand for new or additional assets or assets of increased capacity that the council has incurred or will incur capital expenditure in relation to.

(d) If the required causal nexus is satisfied, a council must then determine under section 101(3) LGA02 the appropriate sources to meet funding needs after consideration of the five factors identified in section 101(3)(a) LGA02. In relation to each activity, the council must give appropriate consideration of and allowance for distribution of benefits between the community as a whole, any identifiable part of the community, and individuals. This will ensure that the principles of fairness and equity are observed.

5. SUMMARY OF MADE’S ISSUES REGARDING THE DRAFT POLICY

5.1 In light of the above regulatory framework, MADE’s issues regarding the draft Policy are summarised as follows.

Insufficient detail provided regarding the projects included in the draft Policy

5.2 As already noted, MADE has not yet been provided with sufficient information regarding the long term projects that have been included in Schedule 8 of the draft Policy for it to be able to determine whether those inclusions adequately comply with the requirements of the LGA02. For example, the consultation material provided regarding the draft Policy does not include the following:

[2] Including *Domain Nominee Limited v Auckland City Council* [2009] 1 NZLR 113 (HC); *Beaumont Trading Company Limited v Auckland Council,* supra n1; and most recently, *AGPAC Limited v Hamilton City Council* [2021] NZHC 2222 (HC).

(a) The justification/need for each of the long term (i.e. post 2031) projects that have been included in Schedule 8 of the draft Policy, demonstrating that each project is required as a result of "development" that will occur in Drury (and specifically for MADE, development that will occur in Drury West) and is not contributed to by other factors (such as a growth in visitor numbers and/or increased activity by current residents);

(b) A justification/basis for the costs that the Council asserts it will incur in respect of each project, even if it could be demonstrated that the project is required as a result of "development" in Drury West; and

(c) Any analysis of how the proposed DCs have been determined to be proportional to those who will benefit from those long term projects, as well as those who create the need for those assets (noting that the projects will not be constructed until 2031 at the earliest, yet the Council is proposing to seek DCs for the projects from 10 January 2022).

5.3 Plainly, costs have been attributed to long term generic projects on which no appropriate design work has been done and therefore the associated capital costs are uncertain making it difficult to calculate and account for DCs. Consequently, the draft Policy fails to comply with the requirement of certainty, transparency and accountability (section 197AB LGA02).

5.4 Having regard to the statutory framework outlined in Section 4 above and Mr Colegrave's advice,[3] MADE considers that the Council can only lawfully include longer term projects (beyond the current LTP) in Schedule 8 of the LTP where the proposed works:

(a) Are well-defined;

(b) Have a high certainty of being delivered in the timeframe expected; and

(c) Will commence construction shortly after the current LTP (say in years 11 to 13).

5.5 None of the consultation material provided with the draft Policy provides the level of detail necessary to show the longer term projects currently included in Schedule 8 of the draft Policy meet those criteria. Nor has the Council provided this information when it has been requested by MADE (or we note, by other developers within the Drury area).

5.6 For example, two of the longer term projects (with a combined total cost of $1.5b) are listed in Schedule 8 simply as:

(a) Integration of collector roads beyond 2031; and

(b) Upgrade or development of arterial roads, public transport and active modal routes beyond 2031.

5.7 A further longer term project, with a cost of $131.5m, is listed in Schedule 8 simply as "Develop parks beyond 2031 – Drury/Opāheke".

5.8 For those inclusions to withstand scrutiny, in MADE's view, the Council must also provide the following in respect of each and every project/upgrade that is included in those three line items:

(a) Scope and plan of works (including proposed cross-sections);

(b) Estimated cost of land and area of land required for each project;

[3] See Annexure A, at page 3.

(c) Estimated costs of construction (i.e. from a quantity surveyor or engineer); and

(d) Timing of construction.

5.9 Unless or until the Council provides that information, MADE considers that the Council cannot demonstrate that those inclusions adequately comply with the applicable principles and thresholds of the LGA02, as it is legally required to do. Otherwise, they are simply too vague and uncertain to be eligible for cost-recovery now.

Inadequate causal connection between long term projects and development

5.10 Notwithstanding the lack of detail that has been provided regarding the draft Policy to date, on the basis of the information that is available, MADE considers it is already sufficiently clear that some of the long term projects included in Schedule 8 of the draft Policy are not required as a result of the effects (including cumulative effects) of "development" in Drury. Thus, these projects do not even meet Step 1 of the High Court's test from *Neil Construction* and lack the certainty of timing and cost that is normally required for projects to be eligible for DCs, for four key reasons.

5.11 First, there is no genuine causal nexus between some of the long term projects (in particular, transport upgrades) identified as being required in Drury beyond 2031, and the level of demand that will be generated by future growth in Drury. Given the long lead times involved, it is currently too speculative to determine whether those new or additional assets, or assets of increased capacity, will in fact be required to accommodate growth in Drury. As Mr Colegrave identifies,[4] there is therefore a risk that these projects are never delivered as initially intended, either because:

(a) Travel patterns and mode shares may evolve to the point that the intended future works no longer represent the optimal infrastructure solution; and/or

(b) Other unforeseen work (by central Government, for example) may occur in the interim, which serves a similar purpose ad therefore affects the ultimate need for the work.

5.12 For example, the rapid uptake of Uber, e-bikes, and e-scooters, as well as car sharing platforms (such as CityHop) over the last five to ten years demonstrates just how quickly travel patterns (and therefore demand for infrastructure) can change. This is particularly relevant for areas such as Drury West, where MADE has specifically focused on creating an urban form which encourages (and enables) micro-mobility and active mode travel, to reduce the need for private vehicle use.

5.13 The uncertainty inherent in trying to predict travel demand patterns long-term is clearly demonstrated in the real-world example provided in Figure 1 of the Insight Economics report. As Mr Colegrave goes on to note, the Council has already acknowledged the difficulties in calculating demand for projects required in years four to ten of the LTP. Those issues are only compounded when it comes to predicting the need for projects beyond this period, with any certainty or specificity.

5.14 Second, even if the need for some longer term projects can be sufficiently established, the Council must then demonstrate a reasonable causal nexus between those projects and the level of demand that will be generated by MADE's Auranga development in Drury West, as opposed to:

(a) Development within Drury East/the wider Drury- Opāheke area; and/or

[4] Ibid, at page 4.

(b) Network demand having increased absent property development due to other factors (as discussed in detail by Mr Colegrave),[5] such as:

(i) Existing households being more active;

(ii) Existing businesses producing more goods and services; or

(iii) Auckland City attracting more tourists over time.

5.15 MADE's clear view is that the material provided in support of the draft Policy to date falls well short of this requirement. To the contrary, it is clear that some of the projects included in the three line items outlined in paragraphs 5.6 and 5.7 above cannot be wholly (or even partly) required by demand generated by "development" in Drury West. In respect of these projects, Drury West does not qualify as a "development" and no DCs may be required of it.

5.16 Third, MADE considers that some of the transport upgrades included in the schedule of long term projects for Drury are actually already required. They are therefore not attributable to future growth, but would have been included in the Council's current LTP, if the Council had the ability to fund those projects now.

5.17 Fourth, even if these longer term projects do eventually occur, as Mr Colegrave notes, MADE's developments (and others in Drury):[6]

> *"…arguably have not created a pressing need for them, otherwise they would not have been able to develop in the first place. In other words, these distant future works do not enable today's development, so the degree of causation between them is unclear.*
>
> *Not only that, but, until those distant projects become operational, they provide no benefits to today's developments even though they help fund them. For instance, a development that pays a DC now for a project that doesn't become operational in 20 years, effectively receives 20 years of nothing in return for their contribution. In our view, such outcomes defy the intergenerational equity considerations mandated in the LGA, and they also don't satisfy LGA requirements to align DC charges with project capacity periods.*
>
> *To make matters worse, unless the Council indexes/escalates its DC charges each year on a project-by-project basis, which it has not done previously, developments over the next few years will also pay significantly more than others in present value terms for the same set of works."*

5.18 Plainly, there is no indication in the draft Policy that the Council properly considered the capacity life of some of longer-term projects included in Schedule 8 when calculating the proposed DCs (as required by LGA02 s.197AB(b)).

5.19 In conclusion, the draft Policy should not include those longer term projects which:

(a) Lack the required causal relationship with the current developments in the Drury-Opāheke area;

(b) Are not growth-related; and

(c) Will not provide any benefit in the present day, for current residents of Drury.

[5] Ibid, at Section 6.
[6] Ibid, at page 5.

Draft policy will not result in fair, equitable and proportionate contributions

5.20 Even where it could be accepted that some of the long term projects included in the draft Policy are required to accommodate growth generated by MADE's Auranga development, MADE considers the draft Policy will not result in fair, equitable and proportional contributions, for the following reasons:

(a) As already outlined in detail, the costs of several of those long term projects is too uncertain and/or have been significantly overinflated. As there is no demand caused by the current developments in relation to these projects, they should be dealt with in the future when they are actually defined, designed and adequately costed. This is particularly significant in relation to transport infrastructure because of rapidly evolving urban design and transport developments. It is entirely possible that these very long term projects will never in fact be required, as envisioned within the horizon of the draft Policy.

(b) The proportion of the costs for some projects that has been attributed to accommodating growth (and is therefore to be funded by DCs) is inappropriately high. The Council should consider a mixture of funding sources (see discussion below) for the projects beyond 2031 to ensure that the burden of funding growth infrastructure rests with those who will cause the need for that infrastructure and will primarily benefit from that investment.

(c) The proportion of the costs for some projects that has been attributed to accommodating growth generated by development in Drury West (as opposed to that in Drury East, in the wider Drury/Opāheke area, or generally due to other factors such as increased tourism) is inappropriately high. In effect, this means MADE would be partly subsidising the infrastructure required to accommodate development in Drury East, rather than its own development. In this respect, the draft Policy requires a greater degree of spatial disaggregation, in order to better reflect the applicable principles, particularly those requiring a casual nexus between developments and the growth-related works funded via DCs.

(d) The draft Policy does not provide any transition period for introducing the increased charges associated with the long term projects. Where the proposed increases are so significant (over 600%), MADE considers it would be appropriate (and fair) to transition these increases in over a period of at least five years.

Consequences of draft Policy inconsistent with strategic planning requirements

5.21 The Council's assertions that the proposed increase in DCs for Drury will not affect house prices are not based on robust, supportable economic analysis. In particular, such assertions are inapplicable to areas such as Drury West, where (as the Council accepts and recognises) approximately 90% of the land has already been sold for urban development. Mr Colegrave addresses the irrefutable link between DCs and house prices/project viability in detail in Section 4 of the Insight Economics report.

5.22 In summary (and for the reasons Mr Colegrave outlines), the unavoidable reality is that a significant increase in DCs will impact on either house prices and/or the viability of MADE's development projects, which in turn will stifle much needed housing development, by causing one or more of the following:

(a) The increased DCs costs being included in house prices, thereby reducing housing affordability, at a time when potential purchasers are already facing rising inflation and interest rates.

(b) Developers having to develop fewer lots and (accordingly) larger houses. Again this will impact housing affordability and choice, when the Council is supposedly committed to addressing both issues.

(c) Project margins (and therefore project viability) being reduced, to the point where projects become unviable, at least for the foreseeable future. This will in turn significantly delay housing projects, if not cause them to be abandoned altogether.

(d) Development opportunities elsewhere will look commercially more attractive especially as the draft Policy also anticipates a change in the timing of payment of DCs which will negatively impact the developers' cash flows. Developers will most likely scale down, or even halt development projects within the Drury-O Opāheke catchment. Consequently, the Council will not receive the planned revenue from development contributions to fund infrastructure or the future planned revenue of new residents and ratepayers (as addressed further below). Reduced development in the Drury-Opāheke area will significantly impact property prices, including affordable property in the area, and will have a detrimental effect on the local community.

5.23 As such, the draft Policy is likely to have:

(a) Negative impacts on the social, economic, environmental and cultural wellbeing of communities, both present and in the future; and

(b) Consequences that are significantly inconsistent with the outcomes the Council is required to achieve under both the National Policy Statement on Urban Development 2020 and Regional Policy Statement provisions (Chapter B2) of the AUP. The Council has neither identified this inconsistency nor explained how it is to be addressed, as required by section 80(1) LGA02.

5.24 In addition (and somewhat ironically), this in turn creates possible risks for the Council's future financial position, as outlined in Section 7 of the Insight Economics report. In summary, those risks include (but are not necessarily limited to) the following:

(a) If the rate of growth slows, DC revenues will fall short of the Council's current expectations, thus delaying the recovery of costs already incurred to service growth.

(b) To cover this shortfall, the Council will likely need to incur greater debt and interests costs, potentially impacting its credit rating (thus further increasing potential interest costs).

(c) The Council will need to fund the costs involved in responding to judicial review proceedings taken by developers in respect of the draft Policy.

(d) If the longer term projects do not eventuate, the Council will need to refund the DCs for those projects that have already been paid.

5.25 As Mr Colegrave notes:[7]

> *"In our view, such outcomes should be avoided, and a more collaborative approach taken to identify and implement funding solutions that better meet the needs of all stakeholders."*

[7] Ibid, at page 15.

Inadequate consideration of alternative options

5.26 The consultation material provided regarding the draft Policy does not include a specific assessment of the reasonably practicable options for achieving the Council's objectives with respect to funding of the longer term projects, and the advantages and disadvantages of those options.

5.27 In this regard, there are a range of alternatives which can (and should) be considered, as accepted by the Council in its evidence on PC51. As outlined by Mr Colegrave,[8] these options include:

(a) Using a Special Purpose Vehicle ("SPV") under the Infrastructure Funding and Financing Act 2020 ("IFFA");

(b) Imposing a targeted rate under the Local Government (Rating) Act 2002;

(c) Seeking funding from the Government's $1b Housing Infrastructure Fund (as the Council did to support development in Redhills and Whenuapai); and

(d) Financing projects via Council debt, having regard to the Council's expected financial position at the time the projects are anticipated to be required (rather than the Council's current financial position).

5.28 In summary, MADE's position (which is supported by Mr Colegrave's assessment) is that:

(a) The Council is legally required to provide a meaningful analysis as to the options available to it for funding the growth elements of notional, distant projects and why, having considered those options, it has elected to fund those works 100% via DCs. It has not done so.

(b) A far fairer, more equitable and proportional way of providing that funding would be to either:

(i) Seek DCs from future residents in Drury-Opāheke (i.e. from all developments in the area between 2041 and 2051), while also imposing a targeted rate in 2031 that applies only to developments in the area that have not already paid a DC; or

(ii) Use a SPV under the IFFA, which appears ideally suited to the Drury-Opāheke context.

Inequitable impact on consented development at Drury West

5.29 In order to ensure a "fair, equitable and proportionate" contribution to the capex costs of infrastructure, the draft Policy should not apply to any additional lots that may be created in the existing Drury 1 Precinct. As such, the funding area maps should be amended, to ensure that the Drury 1 Precinct is not subject to any increased DCs under the draft Policy as a result of including the longer term (post-2031) projects in that policy.

5.30 In this regard, we note as follows:

(a) The infrastructure required to support development in the Drury 1 Precinct has been comprehensively assessed and agreed with the Council through both Plan Variation 15 to the (then proposed) AUP and Plan Change 6 to the AUP. The vast

[8] Ibid, at page 11.

majority of this infrastructure has now also been constructed, having been funded up-front by MADE.

(b) All required infrastructure for this area (to the extent not funded by MADE) should also have already been included in the LTP. This is on the basis that the Council's own Future Urban Land Supply Strategy (as refreshed in 2017) required Drury West to be "development ready" by 2022.

(c) In light of the above (and consistent with the Council's existing DCs Policy 2019), all existing development within that Precinct to date have paid (on average) DCs of approximately $22,000 per lot. It is completely inequitable (and a distortion of the market) for any additional lot created in that Precinct to now have to pay DCs of approximately $85,000 per lot.

5.31 As such, the draft Policy requires a greater degree of spatial disaggregation (as has been done for Hingaia), in order to ensure it does not impose inequitable (and completely unjustifiable) DCs requirements within the Drury 1 Precinct.

6. MADE'S REQUEST

6.1 For the reasons outlined above, MADE requests that:

(a) The Council provide MADE with the detailed analysis and costings it has undertaken to support its proposal to include projects beyond the current LTP in Schedule 8 of the Draft Policy;

(b) MADE be given an opportunity to undertake a comprehensive review and assessment of that information; and

(c) Relevant Council staff then engage in discussions with MADE to refine this list of projects, to those which are sufficiently well-defined and certain that they can lawfully be included in the draft Policy.

6.2 MADE wishes to be heard in support of this submission, if there is opportunity to do so.

DATED at Auckland this 18th date of October 2021

MADE GROUP LIMITED by its solicitors
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ANNEXURE A

INSIGHT ECONOMICS REPORT

INSIGHT | ECONOMICS



Final Report: 18 October 2021

Review of Auckland Council's Draft 2021 Development Contributions Policy

Prepared for:
MADE Group Limited

Authorship

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1. Introduction

1.1. Context and Scope of Report

Auckland Council, like all high growth areas, uses Development Contributions (DCs) to help recover the costs of growth-related infrastructure directly from property developers. With the draft 2022 DC policy now out for consultation, MADE commissioned us to review it. This report presents our key findings.

1.2. Scope & Focus of Our Review

While our review covered all aspects of the draft policy, we focussed on the inclusion of a handful of projects beyond the LTP in the proposed DCs for Drury-Opāheke, which increase the charge from about $34,000 to $89,000 including GST.

1.3. Summary of Key Findings

The key findings of this report are that:

- Distant projects included in the proposed new DC charges seem to lack the specificity and certainty that is typically required to be eligible for DC funding. Further, more thought needs to be given to the potential effects of evolving transport trends (such as the rapid uptake of Uber and e-bikes) on the likely design of – and need for – these distant works.

- There is arguably only a weak causal nexus between developments occurring over the next few years and the distant projects that they are expected to help fund via the new DCs. Put slightly differently, near-term developments neither cause the need for such works (or only tenuously), nor do they receive any benefit from them until they become operational. Further, if DCs are not indexed, near-term developments pay more in NPV terms, too.

- The Council's economic analysis of the likely impacts on house prices appears flawed and uncompelling. It concludes that the mooted increases in DCs will not affect house prices. We strongly disagree. The proposed new charges will not only affect house prices, but they will also challenge development viability, with consequent effects on the Council's ability to meet NPSUD obligations for sufficient feasible capacity.

- A more thorough and robust consideration of funding options is needed to ensure that DCs are the best way to meet the Council's funding needs. Other viable options for funding some of the identified distant works are targeted rates and IFFs.

- Property development is not the only cause of growth in network demand, so it is important that developers are only charged for the share of growth attributable to them, and not also network growth caused by other factors (such as increased tourism activity).

- The proposed charges may expose the Council to legal and financial risks.

1.4. Structure of Document

The remainder of this document is structured as follows:

- **Section 2** discusses the specificity and certainty of the distant capital works included in its draft DC charges for Drury-Opāheke, which will apply from 2022 onwards.

- **Sections 3** examines the strength of any causal nexus between near-term development and the distant works included in Drury-Opāheke's new charges.

- **Section 4** analyses the likely impacts of Drury-Opāheke's proposed new charges on development viability and future house prices, including a brief review of the Council's economic analysis of them.

- **Section 5** assesses the extent to which alternative funding options were assessed before deciding to recover distant project works mainly via DCs.

- **Section 6** explains that property development is only one source of growth in network demand, and hence that DCs often should not fully-fund "growth" works.

- **Section 7** briefly mentions possible financial and legal risks arising for Auckland Council in wake of the proposed new DCs.

2. Specificity and Certainty of Distant Projects

2.1. Issue

Auckland Council's draft 2021 Development Contributions Policy (DCP) proposes to recover the costs of some very expensive, indicative future infrastructure projects that will commence beyond the LTP's 10-year life. This section considers the certainty and specificity of those projects to examine the merits of setting DC charges for them so early, while later sections consider other matters arising from these distant projects.

2.2. Discussion

According to supporting information recently published with the draft DCP, developments in Drury-Opāheke will be required to fund two or three very large but vaguely-defined distant programmes of capital works, which increase the DC per HEU from about $34,000 to $89,000 including GST. These distant projects comprise about 60% of the proposed new DCs for Drury-Opāheke, and cause them to be significantly higher than anywhere else in Auckland.

We have helped several council clients to assess the pros and cons of potentially collecting DCs for distant infrastructure projects that also fell outside the 10-yr LTP window. Our advice generally is to avoid doing so unless the proposed capital works:

1. Are well-defined; and
2. Have a high certainty of being delivered in the timeframe expected; and
3. Will commence construction shortly after the current LTP (e.g. say in years 11 to 13).

Thus, only projects just outside the LTP with high levels of specificity and certainty should be considered for potential inclusion in current DC charges. According to our review, however, the distant projects included in Dury's draft DC charges fail at least two of these criteria.

First, they appear vaguely defined and hence lack specificity. For example, two of the distant transport projects (with a total cost of $1.5 billion) are labelled simply as:

- Integrating collector roads provided by developers to support growth in the Drury priority development area beyond 2031; and

- Upgrade or development of arterial roads, public transport and active modal routes beyond 2031

In our view, these descriptions – and the apparent lack of any supporting design or detailed costings – suggests that they are merely placeholder projects at this stage, and thus too vague to be eligible for cost recovery via DCs now.

Second, and related to the first issue of specificity, these notional future projects lack the certainty of cost and timing that is normally required for projects to be eligible for DCs. Given the long

timeframes involved, there is a risk that these distant projects are never delivered as initially intended, either because:

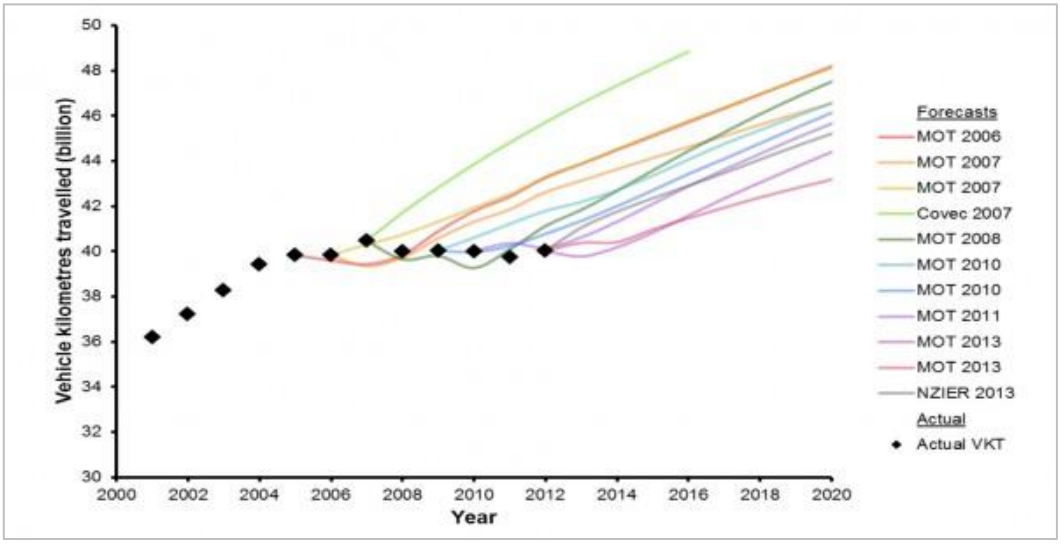
- Travel patterns and mode shares may evolve to the point that the intended future works no longer represent the optimal infrastructure solution, and/or

- Other unforeseen work (by Central Government, for example) may occur in the interim, which serves a similar purpose and hence affects the ultimate need for the works.

Indeed, one only needs to consider the notable shift in travel patterns over just the last five to ten years via the rapid uptake of Uber, e-bikes, and e-scooters to realise that projects planned for 20 to 30 years away may never come to fruition because travel demands have changed so rapidly.

Consider the real-world example in Figure 1 below, which reconciles 11 separate (failed) forecasts of future travel demand against actual values.[1] This so-called "hedgehog" graph illustrates the inherent difficulty of credibly projecting travel demand, even over the short to medium term.

Figure 1: Hedgehog Graph of Failed Transport Projections



Relevantly, supporting documents published with the draft 2021 DCP state that only projects in the first three years of the LTP reflect detailed analysis, with those in years 4 to 10 instead reflecting broader investment programmes.[2] What, then, can we say about the certainty and specificity of distant projects beyond this period?

2.3. Conclusion

Distant projects included in the proposed new DC charges seem to lack the specificity and certainty that is typically required to be eligible for DC funding. Further, more thought needs to be given to the effects of evolving transport trends (such as the use of Uber and Ebikes) on the likely design of – and need for – these distant works.

[1] https://www.greaterauckland.org.nz/2014/12/01/predicting-future-demand/
[2] Auckland Council, How We Set DCs, page 6.

3. Causal Nexus for Distant Projects

3.1. Issue

This section considers the causal nexus between developments that occur over the next few years and the distant projects to which they are expected to contribute via the draft DCs.

3.2. Discussion

The Local Government Act 2002 (LGA) is the enabling legislation via which DCs were enacted. Section 101(3) of the LGA specifies the matters that must be considered when deciding how to fund each Council activity, including "the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity."

For DCs, the need to consider causation when allocating costs is reinforced by section 199, which states that DCs may be required only if a development causes the Council to incur costs to provide new or additional assets or assets of increased capacity. This was further strengthened via LGA amendments in 2014, which inserted specific DC principles. These reiterate that cost allocations should be determined according to, and be proportional to, those who benefit from new infrastructure, and those who create the need for them. Accordingly, there is a strong onus on Councils to establish a clear causal nexus between developments and the infrastructure that they are required to help fund via the DC policy.

In most cases, the causal nexus between developments and DC projects is easy to establish. For example, the extension of roads and pipes to reach new subdivisions not only directly benefits future developments there, but those works are also clearly caused by them. In other cases, however, this causal nexus is not so clear, such as the proposed funding of distant projects by developments that occur decades in advance.

Consider the plight of today's active developers, who are collectively bringing thousands of new sections to the market annually to help combat Auckland's deepening housing "crisis." While they may benefit from these distant projects if/when they occur, their developments arguably have not created a pressing need for them, otherwise they would not have been able to develop in the first place. In other words, these distant future works do not enable today's development, so the degree of causation between them is unclear.

Not only that, but, until those distant projects become operational, they provide no benefits to today's developments even though they help fund them. For instance, a development that pays a DC now for a project that doesn't become operational in 20 years effectively receives 20 years of nothing in return for their contribution. In our view, such outcomes defy the intergenerational equity considerations mandated in the LGA, and they also don't satisfy LGA requirements to align DC charges with project capacity periods.

To make matters worse, unless the Council indexes/escalates its DC charges each year on a project-by-project basis, which they have not done previously, developments over the next few years will also pay significantly more than others in present value terms for the same set of works.

In our view, none of this makes sense, and it defies both the considerations mandated in section 101(3) of the LGA, plus the DC principles that govern cost allocations. Accordingly, we strongly disagree with the inclusion of poorly defined distant projects in the DCs paid by developments over the next few years.

3.3. Conclusion

There is a only a weak causal nexus between developments occurring over the next few years and the distant project that they are expected to help fund. They arguably neither cause the need for them (or only tenuously), and they receive no benefits from them until those proposed future works become operational.

4. Impacts on House Prices & Project Viability

4.1. Issue

This section considers the possible impacts of the new high DCs for Drury-Opāheke on project viability, the rate of development, and house prices.

4.2. Discussion

According to the Council's DC supporting documents, the weighted average DC across the region is $21,500, while for Drury-Opāheke it is nearly $90,000, which is four times greater. Given the lack of an orderly transition from the current charges to the proposed new ones, we consider it highly likely that they will undermine the viability of many projects, causing them to be delayed or deferred for an extended period.

The Council appears to acknowledge this likely impact by stating that:

> "Adding longer-term infrastructure programmes to the Contributions Policy 2021 in the Drury area, and subsequent amendments to take the same approach in the other investment priority areas, will make a material difference to the contributions price. A change in contributions price of the scale required to fund the growth share of the investments required in these areas may lead to a pause in development in some areas and for some developers. Some may delay developments waiting for further market price rises to return profitability to previous levels."[3]

We agree with this conclusion. However, we are slightly perplexed by related commentary in the same document, which argues that:

> "Economic research indicates that increasing the development contribution price does not generally increase house prices, as these are set by the market and not by developers. Increasing the contribution charge will likely lower the price of developable land over time as the true cost of infrastructure is incorporated into the value of land to developers."[4]

We strongly disagree with the conjecture that developers have no influence on house prices, and that they are "set by the market" instead. To the contrary, developers are *part* of the market. They form the supply side for new sections and dwellings. And, since property prices are determined by the forces of market supply and demand, it directly follows that developers do indeed influence prices.

To better understand the nature of this unusual hypothesis (that developers cannot influence house prices), we delved into other supporting materials provided online. We discovered Attachment E, which attempts to analyse the impacts of DCs on house prices. While that attachment is a bit technical, and so too is our response below, discussing it is important because it reveals several misunderstandings of both basic economic theory, and the commercial realities of development.

[3] Auckland Council, DC Consultation Document, page 14
[4] Ibid page 12

Attachment E begins by helpfully clarifying that prices reflect the forces of supply and demand, just as we noted above. However, it then makes several logical leaps of faith that appear poorly-considered, and which may inadvertently mask the likely effects of the proposed new charges.

For example, Attachment E argues that people cannot and will not pay more for houses in the future than they do today because they are already at their maximum willingness to pay. Accordingly, even a small increase in prices caused by higher DCs would allegedly deter all prospective buyers, forcing developers to instead absorb all additional costs (thus fixing future house prices at today's level indefinitely).

This is an odd proposition. It is tantamount to assuming that the Auckland property market reflects a hypothetical benchmark known in economics as "perfect competition", where there is an infinite number of firms producing identical items via identical productive processes. This concept of perfect competition is used as a theoretical benchmark against which real-world markets are assessed. However, it does not exist in practice, and it certainly does not characterise the Auckland property development market (nor any other property market).

Given the presumption that even small price increases would deter all prospective house buyers, Attachment E concludes that the new DC charges will have no impact on house prices, nor affect long term housing affordability. It even goes on to argue that the huge spike in regional house prices since early 2020 (of circa 30%) can be "entirely explained" by lower interest rates, so there is no scope for house prices to increase hereafter as those very low interest rates already prevail and are the only driver.

We agree that interest rates are at historical lows, and that they have affected house prices. However, house prices themselves are functions of numerous supply-side and demand-side variables, only one of which is interest rates. Accordingly, Attachment E's attempt to boil all market forces down to just interest rates grossly oversimplifies actual market operation and, in our view, leads to a flawed conclusion about the impacts of the proposed higher DCs on future house prices.

Attachment E also proffers that, even if developers could pass on some of the higher DC costs, they would not anyway as "the only variable that they have control over is raw land prices." We disagree. Developers have control over most development costs via their various decisions on section size, building scale, location, and finish (to name but a few). Moreover, for most developers in Drury-Opāheke where raw land has already been bought for development, raw land costs are the one variable that they have *no* control over. Interestingly, even Attachment E declares that 90% of the land in Drury-Opāheke has already been purchased for development, but it continues to argue that higher DCs will be passed on via raw land prices. Clearly, that won't be the case for most developers in Drury-Opāheke.

In our experience, developers will fight hard to maintain margins by largely passing on any additional costs, including higher DCs, to the greatest extent possible. Thus, if any costs go up, so too will the sale price sought upon project completion to protect margins. Consequently, we expect house prices in Drury-Opāheke to increase materially due to the proposed new DCs.

Suppose, for now, that Attachment E's belief that higher DCs won't flow through to house prices is correct (i.e. with developers fully absorbing the higher costs within their margins). How would that outcome affect project viability and hence the rate of future development?

As most readers will appreciate, development feasibility is a complicated topic with multiple moving parts, so it isn't always easy to assess the impacts of changes in different variables on overall project viability. Fortunately, however, MBIE recently produced a detailed feasibility tool that can directly illustrate the impacts of higher costs on viability, including higher DCs.[5]

We opened a copy of that model, and ran it using all the default assumptions to identify the projected returns from the various development scenarios that it contains. Then, we reran the model again after increasing DCs to $90,000 to reflect the proposed new charges for Drury-Opāheke. While this exercise does not incorporate Drury-Opāheke-specific data and is therefore only indicative, it clearly demonstrates the detrimental effects of higher DCs on project viability (if they can't be passed on). Specifically, the table below shows the change in project viability caused by the higher DCs when all other development costs are held constant.

Table 1: Indicative Impacts of Higher DCs on Development Feasibility

Density (dwellings/ha)	Pre-tax margin: Before	Pre-tax margin: After
10	18.7%	-7.7%
15	24.4%	-10.2%
20	26.1%	-14.0%
25	25.9%	-18.0%
30	24.4%	-21.9%

Table 1 shows that the proposed increase in DC charges could have a profound impact on development viability and therefore affect the rate at which new sections and houses are provided. This, in turn, could jeopardise the Council's obligations under the NPSUD to provide at least sufficient feasible capacity to meet housing demand over the short-, medium-, and long-terms. To be blunt, we expect the proposed new DCs to fundamentally erode the feasibility of many prospective developments and hence slow the rate of development.

To summarise, faced with huge increases in DC, developers must either:

- Pass them on via higher section/dwelling prices to maintain development margins while bloating house prices and thus reducing affordability, or

- Absorb higher DC within their margins, which causes some projects to stall, thereby reducing the supply of new homes over time. This, too, would increase house prices and reduce housing affordability, but in a less direct manner.

[5] https://www.hud.govt.nz/assets/Urban-Development/NPS-UDC/24e98d7ddb/NPS-UDC-Development-Feasibility-Tool.xlsx

Neither outcome is desirable, so we believe that more time should be taken to consider the likely impacts of the proposed DC changes.

Interestingly, one of the supporting documents briefly reviews local and international research on the likely impacts of higher infrastructure levies on house prices. Despite some of those papers concluding that there would be material effects, the Council seems to have discounted them when deciding to adopt the proposed new DC charges. As the author of two of the papers cited, we consider this a serious flaw in the policy making process.

At the very least, the Council should consider the use of transition periods to allow the DC charges to gradually track up from current levels to the proposed new ones. Simply imposing them point-blank could have unintended consequences, which will be hard to reverse one they are in motion.

4.3. Conclusion

The Council's analysis of the likely impacts on house prices appears flawed and uncompelling. It concludes that the mooted increases in DCs will not affect house prices. We strongly disagree. The proposed new charges will not only affect house prices, but they will also challenge development viability, with consequent effects on the Council's ability to meet NPSUD obligations for sufficient feasible capacity.

5. Consideration of Alternatives

5.1. Issue

This section considers the extent to which the Council has considered alternative funding options for distant works before settling on the use of DCs as the primary funding tool.

5.2. Discussion

Auckland Council, like all territorial authorities, has a range of funding tools that it can use to meet its operational and capital expenditure requirements. These include general rates, targeted rates, UAGCs, fees, charges, DCs, and financial contributions under the RMA. In addition, a new infrastructure funding tool called IFFs was recently enacted, which provides a new way to fund growth-related infrastructure.

Despite this veritable array of choice, however, Auckland Council has elected to use DCs to primarily fund the growth elements of notional, distant projects. While that decision is within the Council's powers, we were unable to find any evidence of meaningful deliberation that led to it. As section 101(3) of the LGA makes abundantly clear, it is incumbent on Councils to carefully consider a range of matters when selecting funding tools, but that does not appear to have occurred in this instance.

For example, the discussion of funding options on page 30 of the draft DCP simply states that funding growth infrastructure entirely from general rates is inappropriate as this would not send the correct price signals. We agree, but no discussion is provided about the relative merits, or otherwise, of using targeted rates and/or IFFs as part of the overall funding solution instead of relying solely on DCs.

There are several other ways that these works could be funded more equitably without compromising price signals. For example, suppose that the distant projects are all completed and operational in 2041 and that developments between 2031 and 2051 (i.e. 10 years either side) pay a DC towards them. To ensure that earlier developments (prior to 2031) also pay their fair share, a targeted rate could be implemented in 2031 that applies only to developments that have already paid a DC. Thus, every development pays either a DC or a targeted rate towards the same set of projects, but with no DCs or targeted rates applying until 2031, when the underlying works are fully designed and costed.

Alternatively, IFFs could be used. These are a new funding tool enacted last year, which can be used to help fund a wide range of development-related infrastructure on the Council's behalf (in lieu of or in combination with traditional methods like DCs). We have been advising Crown Infrastructure Partners on three pending applications of this new tool, and consider them ideally suited to the Drury-Opāheke context. Not only will they allow infrastructure to be provided sooner, but they also take the risk and responsibility away from the Council, which creates more balance sheet headroom to help fund other regional priorities.

5.3. Conclusion

A more detailed and balanced consideration of alternative funding options needs to occur to ensure that DCs are the best way to meet the Council's funding needs. Other viable options for funding distant works include targeted rates and IFFs.

6. Conflating Growth with Development

6.1. Issue

Table 6 of the draft policy shows that 100% of growth-related costs will be recovered via DCs. This section briefly examines the rationale for this cost allocation.

6.2. Discussion

The purpose of DCs is to help recover infrastructure costs associated with property development directly from developers. In many cases, development within the region is the sole – or primary – cause of growth in demand for infrastructure, so the costs of extra additional capacity can be allocated just to developers. However, in some cases, regional property development may be only one of many sources of growth in network demand.

For example, network demand may increase absent property development simply because:

- Existing households are more active, or
- Existing businesses are producing more goods and services, or
- The city attracts more tourists and visitors over time.

These sources of growth in network demand do not relate to property development and therefore cannot be recovered via DCs.

For context, the table below shows how the sales of goods and services by Auckland businesses to regional visitors grew between 2009 and 2019.

Table 2: Auckland Regional Sales of Goods/Services to Visitors in $m (from MRTE)

Goods & Services Sold to Visitors	2009	2019	$ Change	% Change
Accommodation services	418	695	276	66%
Cultural, recreation, and gambling services	77	150	73	94%
Food and beverage serving services	852	1,403	551	65%
Other passenger transport	922	1,317	395	43%
Other tourism products	546	1,313	767	140%
Retail sales - alcohol, food, and beverages	303	470	167	55%
Retail sales - fuel and other automotive products	263	322	59	22%
Retail sales - other	1,612	2,778	1,167	72%
Grand Total	**4,994**	**8,449**	**3,455**	**69%**

Table 2 shows that sales of goods and services to visitors grew by more than $3.45 billion between 2009 and 2019, which represents a 69% increase. Many of these additional visitors would have driven to or through Auckland to complete their missions, thus using the local roading network, while others would have placed demands on the city's water and wastewater networks by frequenting businesses that use them (such as cafes, restaurants, and bars). Some visitors may have also visited a local playground or used one of the city's many community facilities while they were

there. Accordingly, growth in visitor spend directly translates to growth in demand for the city's various infrastructure networks, and DC cost allocations must reflect this.

It is important to acknowledge, though, that growth in visitor spent might be met (to some extent) by growth in business floorspace, which would likely attract DCs and help fund the increased network demands caused by visiting customers. However, growth in sales to visitors will often simply reflect existing businesses selling more from the same premises with no DCs paid.

Coupled with the fact that growth in network demand may also occur for reasons other than increased visitation, such as growth in the scale of existing city businesses (such as manufacturing), one should not conflate growth in network demand with property development. The latter is only one source of growth, so DCs shouldn't always fully recover the growth component of new infrastructure, as the draft policy appears to do.

6.3. Conclusion

Property development is not the only cause of growth in network demand, so it's important that developers are only charged for the share of growth attributable to their activities, not also general network growth caused by other factors (such as increased tourism activity etc)

7. Risks to the Council

7.1. Issue

This section considers potential risks to the Council of including distant projects in DC charges.

7.2. Discussion

Although Auckland Council has the power to set DCs however it wishes (subject to meeting all relevant LGA requirements), we believe that the proposed new charges for Drury-Opāheke pose significant financial and legal risks

First, these new charges will almost invariably slow the rate of development, causing DC revenues to fall short of expectations and thereby delaying the recovery of costs already incurred to service growth. As cost recovery slows down, the Council will incur greater interest costs and its debt balances will be higher than they would have been otherwise. Furthermore, if Council debt beaches its prudential limits, the Council's credit rating may also be affected, which might increase the interest rates applying to future debt facilities.

Second, the proposed DC charges could result in developers taking legal action via judicial review. Further long-term risks arise if the distant projects covered by the draft policy are never delivered, which would require DC refunds to those that have already paid. In our view, such outcomes should be avoided, and a more collaborative approach taken to identify and implement funding solutions that better meet the needs of all stakeholders.

7.3. Conclusion

The proposed charges may expose the Council to legal and financial risks.

Submission on Auckland Council Development Contributions

Fact: The RMA is the largest contributor to CO_2 emissions in New Zealand.

The Ministry of Transport's Green Paper on Climate Change reports 47% of CO_2 emissions come from transport, and since 1990 it increased by 90%. What MOT and the Climate Change Commission miss is the largest single cause of those CO_2 emissions: The Resource Management Act 1991.

This is not an accident. The RMA is based on the principle of zoning.

- Zone a bedroom development in one location
- Zone commercial, shopping and industrial zones in other locations
- Separate them by roads requiring people drive to accomplish the chores of daily life.

Pollution and congestion rise with every new zoned development. Indeed, during Alert Level 4, CO_2 emissions in Auckland dropped by 75%. Why? Because people stopped driving.

Further, Auckland has embraced a regional utility plan in which water falls in one place (catchment or river) and is piped through 9,400 km of water pipe and 8,400 km of wastewater pipe. This is expensive to extend, expensive to maintain and it takes too long to keep up with housing demand.

Finally, Auckland embraces a zoned amenity plan where libraries, parks and other civic destinations are zoned – again requiring people drive to access them.

This is unsustainable. It adds council costs for new roads, new pipes and new amenities. Shifting to electric cars merely shifts the environmental damage overseas. It takes twice as much electricity to make a Tesla than the car will consume over its useful life – and it takes 265,000 litres of water just to extract the lithium to make one Tesla battery. Universal transport is toxic to people & planet. And electric cars do nothing to reduce congestion on Auckland's already overcrowded roads.

Further, zoned infrastructure takes too long. NZ needs housing now, not in 15 years – the buildable greenfield land is there, the infrastructure of roads and pipes is not. Surely there is a better way:

There is. Look at how towns were designed before the industrial revolution. All daily destinations were local, on site. No commuting. No driving to work, shops, schools, services or recreation. Greenspace and amenities were part of the town plan. The towns were inherently socially & culturally enriched.

In Auckland, all water for a town can be harvested from its rooftop rain. Grey/storm water can be reprocessed. Waste water becomes a surplus resource in a closed loop. Even energy can be local with a solar array and vanadium batteries. There is no need for expensive regional infrastructure.

However, in addition to pollution and congestion and the backlog to add to the Watercare pipe network, NZ is facing an affordable housing crisis. In part this is caused by the costs added by Auckland Council, including development contributions.

The development contribution policy should include incentives to build self-contained towns where:

- Council-owned access roads do not require upgrading
- no access pipes are required, nor any additional burden on Watercare's treatment plants
- on-site amenities (libraries, parks, etc.) are paid for by the development, open to the public

In other words, if a development does not place a burden on the council, policy should exempt it from development fees. If this is not in the policy, then it is seen that Council policies are driven by a voracious appetite to devour resources to fund its operations – a monopoly abusing its powers.

Please ensure the policy has exemptions for developments that intentionally preclude council costs.

On the following pages, the characteristics of such a development are described.

Qualities of a Self-Contained, Self-Supporting Development with no need for council contributions

A self-contained town means it needs no road upgrades, adds no road congestion, needs no pipes for utilities and places no demand on existing council amenities such as libraries, parks or halls.

Self-supporting means the town is privately built and, when built, the management company is owned by the citizens of the town, operating under Companies Act to own and manage all local assets and services. It carries all operational costs internally. In order to offer affordable housing, it needs to control all costs, starting with the cost of council charges, including development charges.

Self-supporting also means the town must be of a sufficient critical mass (about 10,000 population) that collectively it has the resources to pay for any breakdowns or failures, such as repair of its wastewater treatment. This is to ensure the council takes on no future liability that can occur if the development lacks a levy base insufficient to pay its way when problems crop up, as they always do.

Road Congestion and Greenhouse Gas Pollution

Developer contributions are supposed to pay to build new roads for the additional demand of new homes. However, in practice, it results in congestion because of the time it takes to build roads, and the lack of suitable land for road expansion. It makes far more sense to design new developments that eliminate the need to drive by placing all day-to-day destinations within walking distance.

In zoned development people need vehicles (cars, buses, trucks, shuttles, trains and ferries):

- to go to work or to provide services at customer sites or deliver goods by courier
- to shop or to go to service providers including repairs, professionals, churches and clubs
- to take children to daycare, school and after school events
- for entertainment because where they live is boring, often monocultural and sterile

The first three drivers are to accomplish the mundane chores of daily life. If these destinations are within walking distance, their need for transport is eliminated. The last driver is one poorly addressed in New Zealand. This is an immature country that has only recently begun to adopt the enriched quality of life that is common in long-established cultures. But it is the most important. It does not cost more to create a socially and culturally enriched environment, nor does it cost more to design a beautiful physical environment so attractive that the locals do not want to drive elsewhere.

Social attraction occurs when people encounter each other without appointments, develop friendships and social bonds and naturally look after each other. Cultural attraction occurs by providing affordable space for what is called the creative class. Build the space and the people will come. Do this and the people will not get into cars and clog up the roads while polluting the planet.

Characteristics of a self-contained community:

1. No cars, trucks or buses within the urban core. All internal roads use /maintained by the town
2. No outbound commuters or inbound courier vans (instead several large tractor-trailer deliveries)
3. No outbound school students, all classrooms within the town
4. No need to drive to shops, services, dining, entertainment or amenities
5. The need to drive on a day-to-day basis is eliminated
6. All daily destinations within walking distance in car-free urban core
7. The need to upgrade the access roads is eliminated – no council road costs

Pipes, Treatment Plants and Utilities

All public utilities are town paid and town-owned. With a local $1 billion economy and 4,000 property owners owning $2 billion in assets pledged as shareholders in the operating company, in

the event a utility system fails, the cost is paid by the citizens, and never falls back to council responsibility. The initial cost is built into the cost of each building section.

8. 100% rainwater harvesting from roofs, piped to on-site water treatment system
9. 100% runoff and greywater harvested and piped to glasshouse food growing
10. 100% waste water piped to local surplus resource processing for biofuel and glasshouse
11. 100% solid waste reprocessing, recycling or privately disposed of the very little unusable waste
12. 100% power generated in a solar array with vanadium battery storage. No draw on the grid.

Public Amenities

Public Amenities are town owned, but are open to the general public, with a relationship to the public similar to that of a shopping mall – private property but not gated.

13. Town-owned (development built & paid) libraries, halls, pools, sports fields & parks
14. Town-owned school classrooms, elder care, arts centres and other amenities
15. Town-owned greenbelt with treatment plants, motorpool, freight depot & industrial park
16. Town-owned food growing systems in greenbelt including solar array for 100% local power

Medium Density

Spread-out post-industrial development patterns are obsolete and as is now seen, toxic to people and planet. The pre-industrial design (which still survives to the greatest extent in Old Europe) incorporates a medium density village-type design with 3-floor buildings, attached on the sides and 100% site coverage. In this design, there are no front, side or back yards, although many may have open-living roof space covered with raised rain-harvesting, sun-shade panels.

Some homes are mixed use, meaning the option of a commercial activity on the ground floor (or elder housing or visitor accommodation) and residential above, including separate flats per floor.

Homes are smaller because of the town and village lifestyle, where people are out and about rather than isolated in their homes. Roads are narrower because they are for pedestrians, cyclists and small-scaled, low-speed electric delivery vehicles. These roads also cost less to maintain because there are no heavy trucks or buses on them. The roads and their stormwater runoff are cleaner. The second largest source of micro-particulate pollution in the ocean comes from car, truck and bus tyres. Greywater from car-free streets that runs into fishing ponds or the sea are not polluted.

Instead of mowed-grass reserves that become toilets for dogs, a greenbelt surrounding the urban core provides a more authentic experience of Nature especially if it is upgraded with native reserves, reforestation, garden allotments and sport, festival and equestrian fields, among others.

The optimal design is not one monolithic town, but the town divided into clusters of about 200 homes each. This allows each neighbourhood to develop its own character, and provides for significant diversity in ways of life. These neighbourhoods work best when they surround a cosmopolitan town centre with taller (4-floor) buildings that are more formal.

Pandemic design: During the Middle Ages, Europe was ravaged by the Black Death that killed 1/3rd of the population. Yet some towns avoided any cases at all. They closed their gates, hired mercenaries to keep everyone out, received contactless food delivery at the town gate, yet within life went on as normal, with a fully-functioning local economy.

A car-free town with a self-enclosed, self-supporting local economy allows the town to emulate this ancient, yet proven model of health protection. The front entrance operates under stricter entry conditions than Alert Level 4, but within the town operates under Alert Level 1. The best towns will have a greenbelt surrounding them, and a town wall to separate the greenbelt from the urban core.

The greenbelt will have a vermin fence around its perimeter to enable restoration of native species. As a side effect, in time of a pandemic, this double barrier serves to protect the townfolk.

Mixed Use Zoning

A self-supporting, self-contained town masterplan includes micro-zones. Divide the urban core into neighbourhoods, with a plaza at the centre of each. This becomes the most public space in the neighbourhood hosting the most active commercial activities, including cafés, shops and frequently visited services. It also is the best location for elder care, school classrooms and cultural amenities.

Distinct neighbourhoods provides significant cultural enrichment. New Zealand is a nation of migrants, beginning with tangata whenua who arrived first, and perhaps 200 different nationalities who have been arriving for centuries since. For recent migrants, clustering together offers cultural security, and if a town is subdivided into neighbourhood clusters, it is likely some of them will be inhabited by migrant groups who share a common heritage (including tangata whenua who express an interest in having the first neighbourhood, the one at the town entrance so they can perform powhiri welcoming ceremonies for all manuhiri who wish to be so received).

In addition to cultural identity, some neighbourhoods may arise about lifestyle, with one trendy neighbourhood that attracts adults – singles and couples, while another next door may attract families with young children. Indeed some may be theme neighbourhoods, attracting people who work in the film industry, or one for inventors, entrepreneurs and investors.

Noise Overlay

A town masterplan includes a noise overlay. Some neighbourhoods are louder than others, and some parts of neighbourhoods are for people who want quiet streets, while other streets are for people who like partying in the street and dancing until dawn.

Walk-to Industrial Park

While NZ has embraced racial and identity diversity, it pays less attention to class diversity. This results in social segregation by earnings power which is driven by education, aptitude and aspiration. Towns need blue collar and service workers. They need to provide permanently affordable housing for them, and it should not be ghetto housing like many of the new terraced housing developments that are banal and culturally sterile.

While not a requirement, if a town is to be a complete, as opposed to elite, community, it needs a walk-to industrial park where workers make things. Some of these manufacturers may make products for the town. Others export, supporting the town's positive balance of trade. The need for local manufacture become increasingly important as COVID disruption exposed the vulnerability of depending on global supply lines.

Zoning for a walk-to industrial park is advised.

Parallel Housing Market to Support Diversity

As discussed above, racial and identity diversity is broadly supported in NZ, but economic diversity tends to be marginalised. Not everyone can earn a middle-class income, but incomes and savings are what banks evaluate in providing the mortgages to buy a home. In order to ensure a complete, not elite, community, the cost of housing must include parallel markets.

It is recommended that as part of the concession for development contribution exemptions, 20% of the homes offered for sale are classified as parallel market.

An example of a parallel market is teacher's housing. A certain number of acceptable homes would be set aside for teachers in the local schools. The price would be based on the mortgage for which the average teacher qualifies. When they go to sell, they can ask any price, but can only sell to another teacher. Because teacher's salaries are controlled by the state, this ensures a parallel market emerges that always remains affordable so the schools' teachers all live in the town.

Positive Rate of Return

In order to provide affordable housing, every dollar that ultimately is added to the cost of the home must be challenged. This begins with the development charges. But there are more ways in which the council can work toward affordable housing while not subsidising the development in any way.

If the council works with the developer to purchase the land at rural prices having preapproved a development master plan rezoning for 4,000 mixed-use buildings, the cost of land is less.

If the council permits an on-site, pop-up factory to manufacture 4,000 buildings in a 2 hectare tensioned fabric structure, the m^2 cost of building is less.

If it exempts the development contribution provided the services and amenities are provided on site, as discussed herein, the cost to the buyers is less.

Example: If a 200 hectare site for 4,000 buildings costs $40 million, it works out to $10,000 per allotment. The cost of providing amenities and commonly-owned improvements increases the land price to $130,000 for 75% of the homes and $10,000 for the 25% parallel market homes.

But those allotments will still pay rates forever. The town will pay for its own internal maintenance and its people will require far fewer services. It will take care of its own. The town also is likely to become a regional amenity. If there is increased traffic on the road, it will come from visitors who find the socially and culturally enriched environment to be attractive. But even this can be controlled by the town charging high daily parking rates at the motorpool, but allowing buses free drop off.

Conclusion

If the council is serious about affordable housing, climate change and increasing the quality of life for all Kiwis, then it must stop compartmentalising. Development contributions are seen as a way to keep funding what the council does now, without examining the toxic nature of what is now done.

The Unitary Plan is seeing ludicrous prices paid for old properties because developers will be tearing down the 1950's villa and replacing it with the maximum allowable number of apartments. They will pay development contributions, but in most of these places, it is not likely the roads will be widened to take more cars. Instead congestion will grow. The 3-waters system in Auckland is old and in constant need of repair. During periods of drought shortages occur, not because there is insufficient rain water, but because that rain water does not flow in sufficient volumes to the catchments. The Unitary Plan will mean more rates for council, but also more pollution, congestion and shortages.

This submission is about development contributions, but as can be seen, the picture is bigger. However, that picture cannot be realised if the development is required to pay for infrastructure and services it intentionally intends to avoid.

Please include the ability of the council management to offer up to 100% exemptions from the development contribution if they offer alternatives ways to address the development's needs without requiring council expenditures.

Claude Lewenz
[redacted]

Contributions Policy 2021

Feedback must be received by **17 October 2021**

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We charge development contributions where the new development requires us to provide new or upgraded infrastructure for:

- transport, footpaths, roads and intersections
- drainage systems and stormwater mitigation
- parks, park facilities, sports grounds and community facilities.

The infrastructure required to support Auckland's growth includes infrastructure to allow houses to be built now, through to the regional investments necessary to support communities in a growing city.

Our Contributions Policy sets out the costs to be recovered and how these are charged in different parts of the region. This is regularly updated for new information, including projected growth, planned investment, or policy decisions made.

The current Contributions Policy took effect in January 2019. We want your feedback on a new Contributions Policy, to take effect from January 2022.

We encourage you to give feedback online at akhaveyoursay.nz, or you can complete this form and:

Scan and Email your completed form to contributions.policyteam@aucklandcouncil.govt.nz

If COVID-19 alert levels permit, you can drop off your completed form off at your local library, service centre or local board office.

Post your completed form to this freepost address:
Auckland Council
Contributions Policy Team
Freepost Number 190197
Private Bag 92300
Victoria Street West
Auckland 1142

Your details

Your name and feedback will be included in public documents. All other personal details will be kept private.

First name: Craig Last name: Watkins

Email address or postal address: [redacted]

Your local board: Grey Lynn

Is your feedback on behalf of an organisation or business? (If yes, this confirms you have authority to submit on the organisation's behalf)

☑ Yes ☐ No Name of organisation/business: Mint Real Estate

Important privacy information

The personal information that you provide in this form will be held and protected by Auckland Council in accordance with our privacy policy (available at **aucklandcouncil.govt.nz/privacy** and at our libraries and service centres) and with the Privacy Act 1993. The privacy policy explains how we can use and share your personal information in relation to any interaction you have with the council, and how you can access and correct that information. You should familiarise yourself with this policy before submitting this form.

Your feedback (all questions are optional)

1. Updating capital projects in the 10-year Budget

In June 2021 Auckland Council adopted its Recovery Budget (10-Year Budget 2021-2031), which included a 10-year capital programme and 30-year Infrastructure Strategy.

We are proposing to update the Contributions Policy to reflect the latest cost projections and timing of the 10-year capital programme in the 10-year Budget. We are also updating our projections of population and development, both by area and over time, to align with those projections in our 10-year Budget.

The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area.

More information on this proposal can be found on page 11 of the consultation document.

What do you think about this proposal?

- [x] Agree
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

Additional infrastructure will be required to cope with the expected growth. All development over the next 30 years will benefit from this.

We propose to include the additional investment from 2032 onwards, that we intend to deliver in order to cope with the expected growth, in our Contributions Policy. We plan to amend the Contributions Policy in stages for each investment priority area as information becomes available, starting with Drury.

The proposed change in Drury will raise the development contribution price from between $11,000 and $18.300, to $84,900 for development in the area.

This reflects the infrastructure investments required to develop a new community the size of Napier, that is accessible and sustainable. The options for funding this infrastructure are from taxpayers, ratepayers or developers. We think it is fair that developers in the area pay an appropriate share of the costs of this investment. This won't affect house prices as they are determined by supply and demand.

More information on this proposal can be found on page 11 of the consultation document and Attachment D.

What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

- [x] Agree with the proposal and starting with Drury
- [ ] Agree with the proposal but not starting with Drury
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

3. Payment timing change

Under the 2019 policy, the timing of contribution payments due at building consent on residential development was extended to between 6 and 24 months after consent is granted.

Since then, our finances have been affected by COVID-19 and our ability to fund infrastructure for growth is now more constrained.

In light of this, we propose that contributions are paid at the time building consent is granted for all development (residential and non-residential), except non-commercial development on Māori land. Therefore, developers will have to pay development contributions due at building consent 6 to 24 months earlier than at present.

Earlier receipt of payment will allow us to bring forward some of our planned investment.

More information on this proposal can be found on page 15 of the consultation document and Attachment F.

What do you think about requiring developers to pay their contributions when building consents are granted?

- [ ] Agree
- [x] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

Bank won't fund Hose cost at Building Consent ISSUE.
Development may fail but developer has paid up front
It cost the developer 15% PA to fund up front costs, but council can borrow cheap from govt.
It will Kill Many developments.

4. Supporting development of Maori land

A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.

We are proposing to continue supporting the development of marae, papakāinga and Māori housing on Māori land with grants available through the Cultural Initiatives Fund.

Currently, there is not enough money in this fund to meet all requests. As such, we plan to review the level of funding as part of the Annual Budget 2022/2023, along with which types of Māori land should be eligible for a grant.

Additionally, we propose to exempt not-for-profit development on Māori land from reserve contributions.

The earlier payment timing proposed above would not apply to non-commercial development on Māori land.

More information on this proposal can be found on page 15 of the consultation document and Attachment G.

What do you think about our proposal to support Māori development with grants?

- ☐ Agree
- ☑ Disagree
- ☐ Other
- ☐ I don't know

Tell us why

It's Racist to apply different laws to different races.

5. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas

  This allocates the cost of transport infrastructure to the investment priority areas in Drury and the Auckland Housing Programme areas.
- Stormwater – one new and four amended funding areas

  This provides close alignment with planned investment in stormwater within the Central and Takanini areas.

* We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

Proposed funding area maps have been published with this consultation document.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

My view is that ~~titles currently don't sit~~ banks retail banks won't discharge development funding until CCC is issued. Council won't issue without paid levies so why is there any debt..?

If a development fails + doesn't supply housing then no levies should be due.

6. Do you have any other feedback on the draft Contribution Policy 2021?

Your idea makes sense in principal but the market requires more time to adjust to the proposed changes as that has a huge effect on land price.
ie a developer will ~~disco~~ pay a lower land price, if they know about higher taxes.

a 12 ~~th~~ month period should be the minimum timeframe to bring in any changes.

Need more room? You can attach extra pages, but please make sure you include your name and contact information on each page.

Tell us some more about you

These questions are optional but will help us understand which groups of the community are engaging with us.

[redacted]

Would you like to subscribe to any of the following (tick all that apply):

- ☐ People's Panel – to take part in council surveys
- ☐ Our Auckland – your weekly guide to what's happening in Auckland
- ☐ Auckland Conversations - free public events, offering ideas, inspiration and action for world-class cities

You can also visit AK Have Your Say at akhaveyoursay.nz to find out about, or register to receive regular updates on, consultation activities happening across Auckland.

Contributions Policy 2021

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Post your completed form to this freepost address:
Auckland Council
Contributions Policy Team
Freepost Number 190197
Private Bag 92300
Victoria Street West
Auckland 1142

Your details

Your name and feedback will be included in public documents. All other personal details will be kept private.

First name: Jonathan Last name: Holden

Email address or postal address: [redacted]

Your local board: Waitemata

Is your feedback on behalf of an organisation or business? (If yes, this confirms you have authority to submit on the organisation's behalf)

[X] Yes [ ] No Name of organisation/business: New Ground Capital Limited

Important privacy information

The personal information that you provide in this form will be held and protected by Auckland Council in accordance with our privacy policy (available at **aucklandcouncil.govt.nz/privacy** and at our libraries and service centres) and with the Privacy Act 1993. The privacy policy explains how we can use and share your personal information in relation to any interaction you have with the council, and how you can access and correct that information. You should familiarise yourself with this policy before submitting this form.

Your feedback (all questions are optional)

1. Updating capital projects in the 10-year Budget

In June 2021 Auckland Council adopted its Recovery Budget (10-Year Budget 2021-2031), which included a 10-year capital programme and 30-year Infrastructure Strategy.

We are proposing to update the Contributions Policy to reflect the latest cost projections and timing of the 10-year capital programme in the 10-year Budget. We are also updating our projections of population and development, both by area and over time, to align with those projections in our 10-year Budget.

The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area.

More information on this proposal can be found on page 11 of the consultation document.

What do you think about this proposal?

- [X] Agree
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

This seems like a fairly standard process for updating DCs. We also agree with the targeted approach with different DCs for different areas - this is an important pricing signal to developers.

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

Additional infrastructure will be required to cope with the expected growth. All development over the next 30 years will benefit from this.

We propose to include the additional investment from 2032 onwards, that we intend to deliver in order to cope with the expected growth, in our Contributions Policy. We plan to amend the Contributions Policy in stages for each investment priority area as information becomes available, starting with Drury.

The proposed change in Drury will raise the development contribution price from between $11,000 and $18.300, to $84,900 for development in the area.

This reflects the infrastructure investments required to develop a new community the size of Napier, that is accessible and sustainable. The options for funding this infrastructure are from taxpayers, ratepayers or developers. We think it is fair that developers in the area pay an appropriate share of the costs of this investment. This won't affect house prices as they are determined by supply and demand.

More information on this proposal can be found on page 11 of the consultation document and Attachment D.

What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

- [X] Agree with the proposal and starting with Drury
- [ ] Agree with the proposal but not starting with Drury
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

We believe that DCs should be charged on a 'user pays' basis that encourages development in areas with existing infrastructure and reflects the full costs of public infrastructure relevant to that area. The proposal ensures that pricing signals are sent to land developers that reflect the full cost of infrastructure and ensures ratepayers or other developers are not subsidising another developers profits. A 10 year time frame is relatively short in terms of infrastructure development and if longer term costs were not taken into account then there could be a free ride for early buyers/developers that ultimately would be paid by developers/purchasers in the 11-30 year time-frame.

3. Payment timing change

Under the 2019 policy, the timing of contribution payments due at building consent on residential development was extended to between 6 and 24 months after consent is granted.

Since then, our finances have been affected by COVID-19 and our ability to fund infrastructure for growth is now more constrained.

In light of this, we propose that contributions are paid at the time building consent is granted for all development (residential and non-residential), except non-commercial development on Māori land. Therefore, developers will have to pay development contributions due at building consent 6 to 24 months earlier than at present.

Earlier receipt of payment will allow us to bring forward some of our planned investment.

More information on this proposal can be found on page 15 of the consultation document and Attachment F.

What do you think about requiring developers to pay their contributions when building consents are granted?

- [X] Agree
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

We are in favour of this for two reasons:

1. This may reduce the number of building consents that are lodged with Council which have little or no intention of being used. This should free up consenting resources for genuine consents.
2. We assume the alternative is either pay a higher DC later or some other measure taken to improve the Councils cashflow. This seems a sensible move given the current state of Councils finances.

4. Supporting development of Maori land

A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.

We are proposing to continue supporting the development of marae, papakāinga and Māori housing on Māori land with grants available through the Cultural Initiatives Fund.

Currently, there is not enough money in this fund to meet all requests. As such, we plan to review the level of funding as part of the Annual Budget 2022/2023, along with which types of Māori land should be eligible for a grant.

Additionally, we propose to exempt not-for-profit development on Māori land from reserve contributions.

The earlier payment timing proposed above would not apply to non-commercial development on Māori land.

More information on this proposal can be found on page 15 of the consultation document and Attachment G.

What do you think about our proposal to support Māori development with grants?

- [ ] Agree
- [ ] Disagree
- [ ] Other
- [X] I don't know

Tell us why

5. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas

  This allocates the cost of transport infrastructure to the investment priority areas in Drury and the Auckland Housing Programme areas.
- Stormwater – one new and four amended funding areas

  This provides close alignment with planned investment in stormwater within the Central and Takanini areas.

We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

Proposed funding area maps have been published with this consultation document.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

No opinion

6. Do you have any other feedback on the draft Contribution Policy 2021?

The proposed changes should be applied more widely over time - in fact I would take the Drury approach to all areas to stop cross-subsidisation. For land that is zoned some form of currently permitted residential or mixed use there should be a clear DC amount per HUE and consistency over time with transparent adjustments as budgets roll forward. Where land is zoned (for example) Future Urban then I wouldn't necessarily have thought that any DC would be 'quoted' and people seeking zoning changes would not have great certainty on the likely dollar amount of DCs although the process for calculating them should be fairly clear (as per Drury).

I don't necessarily agree that the proposed changes will make housing more expensive. Assuming the growth component of infrastructure is paid for by DCs then the aggregate cost of this over (say) 30 years has to be recovered through DCs and the only debate therefore is the differential between DCs for different areas or over the 30 year period. There will be 'unders and overs'.

Need more room? You can attach extra pages, but please make sure you include your name and contact information on each page.

Tell us some more about you

These questions are optional but will help us understand which groups of the community are engaging with us.

[redacted]

Would you like to subscribe to any of the following (tick all that apply):

- ☐ People's Panel – to take part in council surveys
- ☐ Our Auckland – your weekly guide to what's happening in Auckland
- ☐ Auckland Conversations - free public events, offering ideas, inspiration and action for world-class cities

You can also visit AK Have Your Say at akhaveyoursay.nz to find out about, or register to receive regular updates on, consultation activities happening across Auckland.

Feedback to Auckland Council

In the Matter	of the draft Development Contributions Policy 2021
On behalf of	**Oyster Capital**
17 October 2021	

Details

1. This feedback is filed on behalf of Oyster Capital (Oyster), by Jeremy Brabant[1] with respect to the Auckland Council (**Council**) Draft Development Contributions Policy 2021 (**Draft Policy**).

2. Jeremy Brabant's email address [redacted]

Feedback Questions

3. Oyster's response to feedback questions is as follows:

    a. <u>Updating capital projects in the 10-year Budget</u>

    Agree, subject to further comments below.

    b. <u>Including capital projects beyond 10 years</u>

    Disagree, subject to further comments below.

    c. <u>Payment timing change</u>

    Neutral.

[1] Barrister representing Oyster.

Introduction

4. Oyster is the Applicant for Plan Change 50 (**PC50**). PC50 is a private plan change proposed by Oyster that seeks to rezone an area of land in Drury measuring approximately 49 hectares immediately north of Waihoehoe Road and immediately east of the NIMT railway line from Future Urban to the Residential - Terraced Housing and Apartment Buildings zone.

5. Since 2016 Oyster have been working with Kiwi Property (PC48) and Fulton Hogan Land Development (PC49) to develop an integrated vision and approach to urban development across Drury East.

6. Oyster is a land development company specialising in the development of land for residential and commercial land uses. Fletcher Residential Ltd is Oyster's build partner for the PC50 land.

7. Oyster currently has approximately 35 hectares of the PC50 area under control by way of unconditional and conditional sale and purchase agreements.

8. Thus, while Oyster has concerns about the Draft Policy in general, it has particular interest in the Draft Policy as it applies to Drury and the site subject to PC 50.

Draft Development Contribution Policy 2021

9. Oyster agrees that developers must pay an equitable share of fair and reasonable costs for future infrastructure.

10. However, with respect to the Draft Policy currently being considered, Oyster is of the view that the policy as worded will result in Oyster paying a share of costs for future infrastructure which is not equitable, fair or reasonable.

11. Because the Draft Policy as advanced will not result in Council recovering a fair, equitable, and proportionate portion of the total cost of capital

expenditure necessary to service growth over the long term, section 197AA of the Local Government Act 2002 (**LGA**) will not be complied with.

Quantum of Contribution

12. The proposed increase in development contributions which would apply to the PC 50 site in comparison to those currently in force for Drury is, in anyone's language, enormous. This will have significant financial implications for development and is likely to have implications for the market price of housing in Drury.

13. Oyster disagree with assertions in Council reports/documents supporting the Draft Policy which suggest financial implications would essentially be limited to decreasing the market value of land, but without any material implications for the market price of housing in Drury (on the basis that new developments are price takers).

14. The land upon which development will occur in Drury has to a large degree already been purchased by developers. In that context there is no opportunity for some or all of the cost of significantly increased development contributions to be taken account of in the purchase price of the land when it is bought from the original owner. Consequently, any increased development contributions cost which cannot be borne by a developer whilst maintaining an acceptable development margin will be borne by residential purchasers.

15. Suggestions that the market price of housing in Drury will be unaffected is not supported by meaningful or accurate data. Assumptions in Council reporting are flawed - for example the suggestion that the total stock of housing in Auckland (in the order of 550,000 houses) is a relevant factor in determining whether new dwellings are price takers or not. The total dwelling stock in Auckland is irrelevant to the price of housing at any given time, which is driven by the housing stock actually for sale. It is a matter of record that the housing market (i.e. those houses available for purchase) has been constrained in recent years, and new houses are a material portion of that constrained

market.

Consultation Documentation and Capital Projects Beyond 10 Years

16. Council's consultation documentation comes up short.

17. Oyster acknowledges that modelling of itself is necessary and will involve assumptions, estimates and uncertainty. Development contributions policy is necessarily charged on the basis of modelled rather than actual growth and infrastructure demand. This reflects the reality that there are limits to the level of certainty and precision in the context of a forward-looking development contributions policy. However, the flipside of that coin is that to minimise the potential for unfair and inequitable outcomes consequent on uncertainty and inaccuracy, the Policy underpinnings should be fully and freely open to public scrutiny as part of the feedback process. Furthermore, for the same reasons attempts to project costs for unconfirmed projects 20 to 30 years in the future with immediate cost implications for present-day developers should be avoided, with the Draft Policy sticking to a 10 year timeframe for capital projects.

18. There has not been detailed disclosure of the assumptions, costs, valuations and analysis which underpins the numbers proposed. Council staff have indicated provision of more detailed information does not align with previous policy and/or would involve disclosure of information which is asserted to be commercially sensitive.

19. Oyster disagrees that Council is unable to provide more information. In its absence, it has not been possible for Oyster to meaningfully interrogate the modelling exercise undertaken. Those parties who wish to play a full role in the consultation process and exercise their democratic right to understand and if necessary challenge the analysis undertaken by Council are effectively prevented from doing so.

20. Oyster accepts the allocation of costs of capital expenditure projects in a development contributions policy involves in part decision-making which

represent judgement calls for a Council to make. However, the information, data, models and reports provided to the public in support of the Draft Policy (aspects of which have been withheld or not provided in a fully functional format) are not sufficient for the public to fairly interrogate and establish whether the allocation of the costs of capital expenditure projects has been undertaken in a manner that properly balances practical and administrative efficiencies with considerations of fairness and equity.

21. The failure to properly disclose the modelling and associated data and assumptions means that Oyster cannot establish whether the cost allocations used to establish development contributions have been determined according to, and are proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets.

22. In order to comply with concepts in ss 197AA and 197AB such as fairness, equity and proportionality, acknowledging development contributions (being forward-looking) are charged on the basis of modelled rather than actual demand, the modelling must adopt reasonable assumptions and/or proxies. The public has not been provided with a full and fair opportunity to test the reasonableness of the assumptions and/or proxies underpinning the Council modelling. Any decisions made by Council to calculate development contributions in reliance on unreasonable assumptions and/or proxies would by definition be of themselves unreasonable.

23. The principle in section 197AB(b) that "development contributions should be determined in a manner that is generally consistent with the capacity life of the assets for which they are intended to be used and in a way that avoids over recovery of costs allocated to development contribution funding" is accepted to be interpreted by reference to over recovery in the aggregate. In other words, the harm to be avoided is recovery of more than the total intended proportion of the cost of the asset allocated to development contributions. Ultimately the cost of the asset will be an actual figure which may diverge from the cost anticipated at

the time of setting the Draft Policy. By including projects (proposed assets) out to a 30 year time frame, which introduces significant uncertainty and materially changes the likely accuracy of assumptions regarding cost, timing, need and potential benefit, the likelihood of over recovery of costs is significantly heightened.

24. The decision to include possible projects up to 30 years in the future introduces the potential for wildly inaccurate assessments. Irrespective of Council staff's best endeavours, it is not realistic to accurately identify the detail of future infrastructure (size, location, cost, timing) at such long-range. It cannot even be said when looking that far into the future that identified proposed infrastructure will be built at all. All infrastructure decisions are made in the context of a dynamic system, and changes elsewhere may change what occurs in Drury. Council staff are in no better position to say with accuracy what infrastructure will be constructed in 2050, then Council staff in 1991 were able to say with accuracy what infrastructure would be built in Auckland in 2021 (let alone where it would be, how big it would be, how much it would cost and so on).

25. The implication of the above is the potential for significant inequity. Any suggestion this might be resolved through refunds is problematic if the point when such refunds might be triggered was not reached until say 20 years after payment of the DC.

26. To the extent that setting charges in the context of a 30 year time horizon have resulted inevitably in an averaging process to set the quantum of those charges, Oyster say that the Council has failed to fully stand back and identify whether the act of averaging has resulted in significant inequity and unfairness.

Refunds and Remissions

27. The Draft Policy does not provide for remissions.[2] The Draft Policy specifically

[2] Draft Policy, clause 93

states there are no offsets of contributions for works provided by a developer.[3]

28. Oyster has significant concerns about how suitable reimbursement (or avoidance of double charging) will occur by reference to infrastructure which the developers will construct and vest in Council.

29. Oyster is of the view that the Draft Policy will result in developers who have fully funded the majority of, or even all of, the infrastructure costs of their subdivision then being charged an amount which is not fair or proportionate.

30. Oyster say the Draft Policy should specifically provide for special assessments which may discount the quantum of development contribution payable in circumstances where there is a double up between what a developer is required to provide as a condition of consent and what is in the development contribution policy's schedule of assets.

31. An effective refund provision is necessary to achieve the fairness and equity requirements of s197AA and assist in limiting over recovery from individual developers contrary to s197AB(b).

32. Oyster say the refund provisions in the Draft Policy are inadequate. Given the Draft Policy now encompasses infrastructure out to a 30 year time frame, clause 98(d)[4] may not be engaged until a point significantly removed in time from when the development contributions were made. Clause 99 relating to reserve purposes imposes a 20 year timeframe for triggering of a refund. In each case, there is no explanation as to how the developer who paid the development contribution would be traced and refunded. In practical terms the refund provision is unlikely to operate effectively in a manner which will

[3] Draft Policy, clause 95
[4] A refund where council does not provide the reserve, network infrastructure or community infrastructure for which the development contribution was required.

achieve fairness and equity and limit over recovery.



_____

Jeremy Brabant

Counsel for Oyster Capital

17 October 2021

THE PLANNING COLLECTIVE

15 October 2021

Auckland Council

Private Bag 92300

Victoria Street West

AUCKLAND 1142

Dear Auckland Council Contributions Policy Team,

RE: Submission on draft Development Contributions Policy 2021

We have been engaged by Austral GRR Ltd, Matvin Group Limited, Riverview Properties Ltd, Silverdale Asset Management Limited, Meadowland Developments Limited, Hudson Retirement LP, IFS and Turnstone Capital, to prepare and lodge a submission to the draft Development Contributions Policy 2021 on their behalf.

The clients we represent are all developers that deliver both residential and business land to the market. Their primary areas of interest within the Auckland region include the northern and western parts of the region including Warkworth, Wellsford, Silverdale, Orewa, Kumeu, Huapai and Kaukapakapa.

A primary issue for our clients is ensuring certainty around the timely delivery of planned and required bulk infrastructure. This is necessary to ensure a clear pathway to the delivery of their product to the market. Land is often purchased based on the planned future availability of bulk infrastructure. Due to the high costs and high risk of the consenting process, certainty is required around the delivery of roading and bulk infrastructure.

Where the proposed Development Contributions Policy will add greater certainty and avoid delays in the delivery of infrastructure, developers are willing to pay a fair amount to ensure that infrastructure delivery occurs. In general, the greater degree of certainty, the lower the overall development costs can be. This means that projects can be delivered as per anticipated timeframes, reducing interest costs, consenting and consultant fees.

The proposed policy appears to enable an approach to the collection of Development Contributions ("DCs") that would facilitate this. This submission will address the four key policy changes proposed in the policy as well as the minor changes including the amended definitions, debt collection clause and amended funding areas.

The four key policy changes of interest to our clients are:

1. Updating capital projects in the 10-year budget

2. Including capital projects beyond 10 years

3. Grants for Maori land

4. Changes to the payment timing

In summary, we support the proposed changes to the policy to include capital expenditure from the Long-Term Plan and for planned infrastructure projects over the next 30 years.

We support the proposed change to the payment timing for Development Contributions on the basis that it ultimately results in a reduction in the DCs charged.

We do not support the proposed grants for Maaori land at this stage, as it is unclear how the resulting demand for infrastructure and reserves will be addressed if such projects are exempt from DC payments. Commentary is required on how this would be provided for in an equitable and fair manner without compromising the provision of infrastructure that is necessary across the region.

Detailed commentary on each of the proposed policy changes is provided below.

1. Updating capital projects in the 10-year Budget

Overall, we agree and support the proposal to update the policy to reflect the Long-Term Plan 2021-2031. However, we suggest that Council may need to review this component of the policy more regularly than every three years to reflect other changes in funding, development demand, and the provision of business versus residential land within growth areas.

The timing of growth may also change over time, and it is noted that the current Future Urban Land Supply Strategy 2017 is out-of-date. It does not reflect the live-zoning of land that has already occurred in the Future Urban areas through private plan changes. It also provides little flexibility to adapt to situations where infrastructure provision is achieved ahead of the scheduled timing in the FULSS, such as the wastewater network improvements in Warkworth.

While we support the high-level policy changes relating to the capital expenditure, we query whether the analysis and documentation that informs the policy funding areas align. This includes the lack of a Housing and Business Development Capacity Assessment ("HBA") required by the National Policy Statement on Urban Development 2020, as well as the cohesion between the existing out-dated level-of-service (provision) documents that are relied on for community facilities, transport and reserves.

While the HBA on housing and business is required by 2024 to inform the Long-Term Plan, it is noted that the NPS-UD required Auckland Council to publish the HBA by July 2021 in relation to housing and to update the Regional Policy Statement and Auckland Unitary Plan (district plan) to reflect intensification changes under the NPS-UD policies 3, 4 and 5 by 2022. These updates will inevitably provide for additional growth, and the Policy needs to reflect these changes.

The HBA is intended to support more responsive planning decisions and help to ensure development capacity (supply) stays ahead of demand. The key objectives of the NPS-UD are supported by the continual use and updating of HBAs:

> *Objective 1: New Zealand has well-functioning urban environments that enable all people and communities to provide for their social, economic, and cultural wellbeing, and for their health and safety, now and in the future.*
>
> *Objective 2: Planning decisions improve housing affordability by supporting competitive land and development markets.*

> *Objective 7: Local authorities have robust and frequently updated information about their urban environments and use it to inform planning decisions*

Without the evidence to clarify the correct proportion of DCs in each funding area, the true effectiveness of the proposed policy changes is still rather unclear. There is no mention of a review framework or trigger for the policy to be updated ahead of the 3-year timeframe that is currently adhered to.

Under the NPS-UD, Auckland Council, being a Tier 1 Authority, must at all times, provide for sufficient development capacity over the short, medium and long term[1]. Policy 3(d) further supports and enables this by requiring tier 1 urban environments (Auckland), regional policy statements and district plans to enable building heights and density of urban form commensurate with the greater of:

> *(i) the level of accessibility by existing or planned active or public transport to a range of commercial activities and community services; or*
> *(ii) relative demand for housing and business use in that location.*

Under Policy 8 Local authority decisions affecting urban environments must be responsive to plan changes that would add significantly to development capacity and contribute to well-functioning urban environments, even if the development capacity is unanticipated by RMA planning documents; or is out-of-sequence with planned land release.

The Infrastructure Strategy 2021, which underpins this proposed DC policy, states :

> *A Housing and Business Assessment (HBA) to assess the amount of infrastructure ready development capacity in the Auckland region is underway. The outputs of this work will indicate whether council is planning to deliver sufficient bulk infrastructure over the next 30 years to meet Auckland's growth pressures. This work and a subsequent HBA completed by 2024 will inform infrastructure requirements for the 2024 10-year Budget and Infrastructure Strategy.*

It is perhaps premature to update the policy in the absence of this key assessment, which is also contrary to section S197AA of the Local Government Act ("LGA") requiring DCs to be fair, equitable and proportionate to growth.

With regard to community infrastructure, the Infrastructure Strategy 2021 suggests that the existing council policies and level of service documents require higher levels of provision than is currently funded. There is no additional capital expenditure provided in many areas of Auckland for the next 10 years to provide for important community spaces and reserves. There are significant existing issues with the strategic planning for investment in community facilities and open space, namely the existing lack of provision in most urban areas. The policy does not address this deficiency and unfortunately the level of service documents relied on to determine the investment required in growth areas are outdated and do not reflect the current provision, distribution, accessibility or overall condition of existing open spaces.

Public amenities, parks and open spaces are cornerstones of quality urban areas. If proper planning and provision of funding for these types of infrastructure is not provided, then this will ultimately result in poorly planned and poor-quality urban environments. This would in turn

[1] NPS-US 2020 Policy 2.

result in a lack of amenity, sense of community and reduced social wellbeing. It could be said that this approach overall is inconsistent with the RMA section 5 requiring consideration of effects on future generations.

Perhaps to account for this lack of cohesion, the Development Contribution Policy should provide a policy framework or mechanism for ongoing monitoring and updating based on the successful implementation of capital expenditure projects. The Development Contributions Policy needs to be a living document, so that it can respond adequately when the underlying data and levels of service documents are updated. The quantum of DCs collected each year should be assessed against the projected spending in the annual plan, to reflect changes in planned infrastructure arising out of planning or other decisions and be adjusted accordingly.

While the LGA 2002 provides for a review every 3 years, a more responsive monitoring process that allows for minor updates should also be provided. This would also account for inevitable changes and opportunities for alternative funding streams, such as Crown infrastructure partnerships or targeted rates for some areas.

Alternative funding mechanisms need to be explicitly enabled in the DC policy to ensure there is a clear pathway for ensuring that the required level of funding for all aspects of infrastructure can be fairly and equitably provided.

2. Including capital projects beyond 10 years

We agree with the proposal to include capital projects beyond 10 years. The proposal to start with Drury is not opposed given the rate of development occurring in that area and the number of known infrastructure and development projects planned.

This proposed change could lead to better long-term strategic planning for growth. The current 10-year lead-in timeframe for Future Urban areas is considered short when considering the time involved in land purchasing, project design, consenting, other approvals such as plan changes for rezoning, engineering approvals and implementation. This process relies heavily on certainty that bulk infrastructure will be provided in a timely manner so as not to delay consenting or construction programmes. The longer-term view provides for a more directive and comprehensive approach to infrastructure funding.

As noted above, a clear understanding of the current sequence of provision of infrastructure required to service these growth areas is important. This information is currently lacking from the proposed policy and the results of the HBA will be particularly important to the future policy review/ update process. No plan is provided for when the policy will be updated with regard to the projects beyond 10 years, and on what basis. Will it be consulted on each time?

Clarity is therefore sought on the order and timeframe for delivery of development-ready areas. This requires an updated Future Urban Land Supply Strategy ("FULSS"), or potentially replacement of the FULSS with the HBA, and any updates to the DC Policy coordinated accordingly. How often will these update stages occur?

3. Payment timing change

We support the proposed payment timing to require DCs at the issue of building consents solely on the basis that it results in a significant reduction in the quantum of DCs payable. It is acknowledged that the earlier payment timing has resulted in the lowering of the regional weighted average for DCs due to the ability to recover the interest costs that would otherwise have been borne by the council. This change is considered reasonable because by the building consent stage, there is usually sufficient certainty and intent by the developer that the project will be constructed. This is noting that Building Consents lapse after a year.

The proposed change results in upfront payment for larger scale multi-unit developments that would usually be able to defer payment until Code of Compliance Certificate is issued or within 24 months of the granting of building consent. Funding upfront payments may prove challenging on larger scale projects and consideration should be given to staged payments so that the lead time for developers to recoup funds through sales is not too long. If there is not some provision in the Policy for consideration of staged payment, potentially by way of application, and subject to clear criteria; then the delivery of housing may be slowed, or adversely affected in the Auckland market. This outcome is contrary to national and regional policy frameworks.

We support the position of Council for the status quo on payment timing for subdivisions to remain as it is not reasonable to require this on the issue of Resource Consents. There is a much longer timeframe to implement these projects (generally 5 years) and as such much less certainty as to the timing and the outcome.

4. Supporting development of Maori land

The consultation document on the proposed DC policy states:

> *A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.*
>
> *We are proposing to continue supporting the development of marae, papakāinga and Māori housing on Māori land with grants available through the Cultural Initiatives Fund.*
>
> *Currently, there is not enough money in this fund to meet all requests. As such, we plan to review the level of funding as part of the Annual Budget 2022/2023, along with which types of Māori land should be eligible for a grant.*
>
> *Additionally, we propose to exempt not-for-profit development on Māori land from reserve contributions.*
>
> *The earlier payment timing proposed above would not apply to non-commercial development on Māori land.*

We consider the proposal for grants on non-commercial development on Maori land could be fair and reasonable if it doesn't adversely impact on the existing and planned infrastructure network, resulting in placing too much demand on the use of existing infrastructure and provision of new infrastructure required. The proposed exemptions need to be reflected in a fair and equitable manner, if a new development generates a demand on community services or other effects, the DC should still be paid for what they will use and be commensurate with scale and nature of infrastructure effect.

We therefore seek clarity on when the proposed 'delayed payment' of DCs the reserves contribution exemption is due and how this will be compensated for.

5. Other proposed changes

We support the proposed policy wording to clarify council's ability to recover debt under the existing provisions of the LGA 2002. We also support providing a clearer definition of residential development for detached versus attached developments.

Submission on the Draft Development Contributions Policy 2021 by The Planning Collective - 14 October 2021

The existing policy wording for the residential developments of five or more dwellings currently specifies building consent for residential use containing five or more dwellings are treated as non-residential use for payment timing. We agree that this is not particularly clear.

The proposed new wording is:

Any single building consent for residential use which contains five (5) or more attached dwelling units, will be treated as non-residential use for invoice / payment timing. For avoidance of doubt, this does not apply for developments that contain individual building consents of less than five dwellings on the single consent.

We agree with the intention to make this clause clearer however this could be achieved by perhaps replacing the reference to 'non-residential' with another word. This would better resolve the actual reason for the confusion with how this will be applied, which is the fact that multi-unit developments of more than five attached dwellings is still a residential land use. The wording could be changed to 'commercial-scale' developments, for example.

It is noted that this change alone does not affect the actual payment timing for developments. It the proposed policy change to require DCs be paid at the time of building consent for all development (residential and non-residential) discussed earlier that will have the biggest impact on multi-unit developments. This is why consideration for staged payments for certain development thresholds should be considered in the proposed policy, regardless of the wording of the above clause.

With regard to the funding areas, we support these changes at a high level as they allocate DCs clearly and proportionately to identified areas of growth, such as the Drury and Auckland Housing Programmes areas, where the growth is planned for and likely to be implemented.

Thank you for receiving this submission.

Yours sincerely



Burnette O'Connor

Planner / Director

The Planning Collective

[redacted]

Memo

To: Property Council New Zealand

From: Greg Akehurst, Director Market Economics

Date: 15 October 2021

Re: Auckland Council Development Contributions Review 2021

Introduction

Auckland Council are carrying out a review of their Development Contributions Policy, with the aim to have a new policy take effect from 10 January 2022. Council reporting states that changes to the existing policy result from updates to the growth component of capital expenditure in the 10 year budget. In addition, Council are proposing to introduce charges for infrastructure projects required to support growth over a 30 year period. In the first instance Council is beginning with Drury as they consider they have detailed information covering the Drury Future Urban Zone E. The Council also states they will extend the approach taken in Drury to other areas across Auckland as work progresses.

Development Contributions ('DC') are an important and appropriate funding mechanism, and if applied appropriately, promote fairness, equity and proportionality with respect to the consumption of infrastructure. However, it is important that the process and modelling that lead to the striking of a development contribution rate is sound, transparent and evidence based, such that all parties are able to review and satisfy themselves that the rate is fair, equitable and proportionate.

Market Economics has been commissioned by Property Council New Zealand ('Property Council') to review the work Council have released in support of the proposed changes to the DC policy and to advise on the economic merits of the proposals using the LGA tests as a benchmark.

Given the short timeframe for consultation and the volume of material released, Market Economics has (out of necessity) only been able to undertake an initial assessment of the documentation provided, noting that the models used to calculate the development contribution charge have not been made available for review. . This initial assessment has also formed the basis of the Property Council presentation to Councillors on 12 October 2021.

The following sections outline the key findings of our initial assessment and the conclusions we are able to draw from the material released to date.

Key findings of the Review

Having reviewed the Contributions Policy 2021 (draft) document and the Council's supporting documentation, and having initially assessed the released models (in pdf form only), the key findings

of our review are centred around the process Council have engaged with and some of the material components of the three models as released. In summary the key points are;

- There is a lack of ability to assess the decisions Council has made with respect to splitting infrastructure costs between renewal, growth and level of service because the development contributions Cost Allocation Model (ACDCCAM) and assumptions are not available.
- There is no evidence of any work carried out by Council to determine demand factors or the distribution of benefits for some key areas of cost – notably Community Infrastructure.
- The documentation creates uncertainty about how Council have determined what is needed and how costs are to be split. In particular, how costs associated with infrastructure that could potentially be built up to 30 years into the future, should or could be sheeted home to development that occurs today.
- We have identified some material issues with the three models that combine to calculate development contribution charges – the growth model, the cost allocation model and the funding model
- The inclusion of cost over-runs and re-evaluations in the DC policy leads to intergenerational equity issues.
- Concerns that the impact of the development contribution charges on developer businesses will lead to issues around housing supply and prices/affordability

Development Contributions Modelling and Assumptions Assessment

Auckland Council's Development Contributions Model as a whole is made up from three interlinked models:

- The Auckland Council Development Contributions Growth Model ('ACDCGM')
- The Auckland Council Development Contributions Cost Allocation Model ('ACDCCAM')
- The Auckland Council Development Contributions Financial Model ('ACDCFM')

These models work together to first identify the volume and location of growth over the next 30 years or so (ACDCGM), then to collate and distribute infrastructure projects and their cost between three categories of charge (renewal, improved level of service and growth)(ACDCCAM), and finally to combine growth by location with the costs of infrastructure required to support the growth into a framework that allows a DC charge to be set within different catchments on a Household Equivalent Unit (HUE) basis (the ACDCFM).

By necessity these are very large and reasonably complex models that need to be developed carefully and need to be maintained rigorously to ensure that changes in growth or new infrastructure projects are incorporated accordingly. It is vital that these models are made available in an appropriate format to interested parties so they can appraise themselves that the processes, and assumptions Council are relying upon are correct and appropriate.

This important requirement of consultation processes for new DC policies is that they must adhere to the principles of consultation as defined under the Local Government Act 2002. Section 82 (1) states that:

82 Principles of consultation

> *(1) Consultation that a local authority undertakes in relation to any decision or other matter must be undertaken, subject to subsections (3) to (5), in accordance with the following principles;*
>
> > *a. that persons who will or may be affected by, or have an interest in, the decision or matter should be provided by the local authority with* ***reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons.*** (emphasis added)

In order for interested and affected persons to be consulted with properly, they must have access to the relevant information and models that make up the proposed DC policy in a manner and format that is appropriate to their preferences. In other words, in order to review the models and come to a position as to their merit, affected persons must have access to the three models listed above (ACDCGM, ACDCCAM and the ACDCFM).

It is insufficient to provide snapshot pictures (in pdf format) of these models via the DC consultation website (https://akhaveyoursay.aucklandcouncil.govt.nz/dc-policy). The provision of very large pdf documents does not fulfil Council's requirements under the Local Government Act, as it makes it impossible for any reviewer to:

- Track or trace how the model works;
- Assess and understand the assumptions made;
- Understand how the catchments are set;
- Assess or understand how the demand factors have been arrived at; and
- Finally, understand how all of the above factors work together to arrive at a final DC charge.

In addition, since the start of the consultation period, the Council has been releasing information on an on-going basis, without extending the consultation timeframe, and therefore not providing enough time to affected persons to properly assess the additional documentation. Moreover, the additional documentation released by Council is extensive and complex, and has only been provided in PDF format, which makes it very difficult and time-consuming for affected persons to assess and comprehend. Given that many documents were not released when the consultation opened for feedback, it is also possible that some affected persons are not aware of the existence of such documents.

For example, Council initially posted 2 documents totalling approximately 400 pages of pdf pictures of the modelling spreadsheets the week before the 12 October hearing. These are detailed and

complex models and difficult if not impossible to follow in themselves. A further 4 pdf documents were posted the day before the hearing totalling some 1,200 pages of pdf pictures of various growth and allocation models

Overall, I consider that the Council has not complied with its requirement to provide affected persons with "r*easonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons*".

In order to provide the Property Council with an informed opinion of the veracity of the models and the assumptions that underpin them, the models (and underlying assumptions) need to be provided in excel spreadsheet form.

Demand Factors and consumption of Infrastructure

In order to determine the provision of infrastructure of any kind it is necessary to understand the nature of the population the infrastructure is being provided for and the use they are liable to make of it. There are significant differences in usage rates for community infrastructure (for example) for retirement village households and family households with children. These rates and ratios need to be considered at the formation of the project to ensure that resources are being applied sustainably and efficiently. To properly assess demand factors requires robust collection of evidence, involving population wide surveys, the translation of usage rates or activity profiles into demand factors and the application of those demand factors to growth by location. This is then translated into infrastructure demand.

The resulting usage rates and ratios should then be used to distribute the costs of providing infrastructure between the different groups within the community.

This principle guided the decision made to adjust the DC fees paid by Ryman Healthcare for their Pukekohe Village, following an objection lodged by Ryman, which led to a significant reduction in the fees charged overall for retirement villages in 2015 and 2016.

The basis of the objection to the initial DC charge was that Council had no basis for assuming how much retirement village households used community infrastructure when compared to households. Although the policy applied a discount to retirement units and aged care rooms, there was very little Council evidence to support these charges. Ryman considered it had substantially less demand on community infrastructure than the policy provided for. The only study that had been carried out by Auckland Council was over 10 years old at that point and it highlighted that retirement aged people had very low usage of community infrastructure. This coupled with the fact that the villages provided many of the same facilities internally (libraries, sports facilities, meeting rooms etc) meant that the load imposed on Council provided infrastructure was exceedingly light. This fact was borne out by a subsequent survey carried out in support of that hearing and contributed to by Council.

There is no evidence that any of that type of work has been carried out with respect to this latest update of the DC policy. Rather, it is understood Council intends to progress this work in 'Stage 2' of

its policy development process. Undertaking appropriate survey work is a cornerstone piece of analysis that needs to occur before the decisions Council is currently considering can be made.

This analysis also contributes to the assessment of how the costs of infrastructure should be split between renewal, improvements in levels of service and growth. Having survey work that allows understanding of how different groups use infrastructure in terms of visitation or access, it is possible to combine that data with current usage rates to assess under or over utilisation and thereby the level of service offered by existing infrastructure.

Without knowing how the existing infrastructure is meeting the existing needs of Auckland households, it is impossible to know the current levels of service offered and or how additional infrastructure might improve levels of service to existing users.

The application of usage rates will help guide the provision of additional infrastructure required by growth and will help determine benefits obtained from the infrastructure. Again, this is important when determining how infrastructure costs are to be split.

Finally, infrastructure life cycles, age and consumption of existing infrastructure are used to determine what infrastructure needs renewing and when and the degree to which newly provided infrastructure is done so to renew or replace existing end of life infrastructure.

Based on the documentation and pictures of the models released as part of the consultation, it is not clear that this work has been carried out by Council. Therefore, it is not clear that the proposed revised DC Policy is well founded and appropriate.

Material issues with data

Of the data that has been released we have some concerns. The ACDCGM is driven by a projection set of population, household and employment projections contained within Council's I11 v6 Growth Model. This model projects at the Auckland Regional Transport Zone level (596 'ART' zones) across the entire region. As the name suggests, this is a transport model framework and the projections are required to allow Auckland Transport's large transport models to run (origin destination models by mode and purpose by time slot). Household and population are distributed according to the Auckland Unitary Plan and employment is distributed to zones that cater for employment.

On reviewing the data that underpins the Council's I11 v6 model, it is clear that there are issues with the starting point (2018) for the employment estimates at least. The Figure 1 below includes the regional totals for employment drawn from the Council's i11v6 model and Statistics New Zealand's business frame. While the numbers are slightly different in terms of what they are capturing, the difference in quantum is significant.

Figure 1: Regional Employment Estimates i11v6 Model vs Statistics NZ Business Frame.

	2018	2020	2021	2026	2031	2036
I 11 v6 Scenario	680,600	696,700	705,500	754,000	809,800	851,800
StatsNZ Business Frame (EC's + WP's)	885,400	914,000				

The i11v6 employment estimates (as I understand it) measure Employee Counts across the different ART zones and total 680,600 for the region as a whole. The Statistics New Zealand based numbers are a combination of employee counts (ECs) and working proprietors who are not recorded as employees in their businesses (WPs). In total, this amounts to 885,400 people actually employed or working across the region. Including the working proprietors is important as it presents a far more complete number of 'bodies' in any given location. This is the important metric when it comes to providing different infrastructure to meet their needs.

However, the difference between the values (over 200,000 persons) is not solely due to the working proprietors that amount to less than 100,000. The Statistics NZ EC count for Auckland Region for 2018 is approximately 781,000[1], or more than 100,000 higher than the i11v6 total.

Effectively the actual total number of persons employed within Auckland is some 30% higher than the numbers in Council's model. This is likely to have implications for future infrastructure provision as any estimates of infrastructure per worker taken based on the i11v6 values would overstate the volume required on a per worker or per person basis. If that is then applied to employment growth and translated into infrastructure charges, it will overstate DCS significantly for commercial and industrial developers. To the extent that household generated demand is translated into employment and the infrastructure required that is then sheeted home to household DC charges, it will lead to higher DC charges than required.

Rates offsets to Development Contributions

Development entities, or the households that these entities facilitate in a growth area, pay through DCS for the infrastructure that they cause Council to spend money providing or drawing benefit from. These charges are embedded into the price they pay for their dwelling or section. Once they are resident, they begin to also pay rates. A portion of the money they pay in rates goes to fund the renewals and improvements in levels of service for infrastructure that they do not draw any benefit from (given that they have paid for the construction of their infrastructure up front).

New and future households are paying for their own infrastructure and for the renewal of existing households infrastructure. In the information provided, it is not clear whether this has been recognised and that a suitable off set mechanism has been included in the DCs models (presumably the ACDCFM). If the offset has not occurred – it is not fair or equitable and growth households are paying for existing households or the underinvestment in existing infrastructure by Council.

[1] Taken from Statistics NZ's Business Directory, in 2021, for 2018.

Cost Over-runs and Re-evaluations

In the 2021 draft DC policy Council is proposing a $500m increase in the City Rail Link ('CRL') budget decided in 2019. This adjustment may be the result of underinvestment in the CRL previously or errors in the estimation of the costs of the project. Regardless, the effect of including a $500m increase into the 2021 Draft policy is that current and future developers pay significantly higher DC fees compared with developers in recent years. This means that households in the immediate future are paying significantly more than households in the immediate past for exactly the same infrastructure.

This represents a clear case of intergenerational inequity.

The economic justification for why DC payers should cover either historic underinvestment or inaccurate estimation of Council projects is unclear. Any underinvestment or material inaccuracies should be covered by the current population – not loaded onto households of the future who played no part in either the decision to build or have the capacity to vote for or against decisions the current or past councils have made.

The $500m increase should be removed from the calculation of DCs until it can be shown that growth households should be responsible for cost over-runs or cost re-evaluations as a result of current under investment.

Pace and nature of Policy change

The 2021 draft DC policy represents significant development contribution increases in a number of areas – in a manner that is not equitable across the region, or through time. Council have stated they are starting with Drury as they understand Drury better than other areas as there is significant information to undertake the DC calculations contained in the Structure Plan and the applications by the number of land owners for development rights The values proposed in the draft DC policy show increases in Drury ranging from $11,000 - $18,300 to $84,300 - $89,200 per HUE. Put in the wider context, the average DC charge (according to Council) drops from an average of $23,000 to $21,000 on a weighted average basis.

The significant increases in DC prices in Drury will lead to inappropriate price signals being delivered to the market as development will be diverted from areas identified by Council as appropriate to accommodate future growth to other areas – simply on the basis that Council hasn't yet identified all the infrastructure required in the alternative locations.

This adverse consequence (residential growth being diverted to less efficient locations in this instance), highlights the need for Council to pause this process and not adopt the 2021 draft DC policy until such a time as they have comprehensively assessed all growth areas – rather than focus on Drury. The approach of using a 30 year horizon for funding infrastructure also needs to be thoroughly tested against other alternatives. Only then will the relative costs be appropriately set and the market will be responding to appropriate price signals.

The net effect of adopting the 2021 draft DC policy with its lumpy effects is inappropriate price signals sent to the market and development occurring in different locations and at a rate that may not be

fully costed in terms of infrastructure provision, and not in locations where Council has accepted as being appropriate to cater for growth.

Significant impact on housing affordability

The impact of such large increases in DC fees (up to 660% increases in Drury), which are also proposed to be rolled out across other parts of Auckland, will impact on house prices and housing affordability overall. This comes about through a number of mechanisms. I understand that Council's position is that the imposition of significantly higher DC charges will have no effect on house prices because, (to paraphrase the response given by Councils economist in answer to the question posed by the hearing Chairperson, why Council have assumed that development contributions will not adversely impact housing affordability) "*a developer is a price taker and the price of housing is set within the market based on the interactions of many players. The developer has no control over that price*".

In particular, Council's position is that with Auckland house prices at record highs, buyers' willingness to pay is arguably equivalent to market price and therefore consumer surplus is effectively zero. Because consumer surplus is zero then a developer cannot affect market prices. While it is true that an individual developer in the Auckland market cannot affect the market price of houses given they are usually a small portion of the total market, developers as a group certainly can. It also may not be the case that consumer surplus is at zero.

Over the past 5 – 10 years this exact same statement could have been made (that prices are at record highs and willingness to pay is equivalent to market prices) and yet prices have continued to increase. The reasons for that are numerous. However, the most important one is that house-buyers looked into the future and believed that house prices tomorrow were going to be higher than house prices today. This combined with relatively low-cost finance meant that they were willing to pay more for houses today and therefore prices rose – irrespective of the fact that they were at record highs. It may still be the case today (in a market where population growth is continuing and construction costs are increasing) that buyers think the price of housing tomorrow or into the future will be higher than today. If that holds then upward pressure on residential market prices is likely to continue.

Council's economists are also ignoring the actual effect of DCs. A 660% increase in fees that adds between $60,000 and $70,000 (over and above last year's fees) to the price of each section puts a lot of pressure on DC payers. Those that have already purchased land and are in the process of subdividing, will attempt to increase prices. This may not be 100% successful as Council economists predict. However, developers may, with a mix of price increases and margin reductions, pass on some of the shift to home buyers.

Others may not be in a position to do this and will go out of business. This is an effect Council have acknowledged as likely. This reduces the supply of housing to the market (possibly temporarily, depending on what happens to their holdings). In addition, other developers may delay the development of housing in a certain area or halt altogether, further reducing supply.

The degree to which these events occur determine the degree to which housing supply reduces. As housing supply reduces (assuming demand stays the same) the price at which the market clears increases. Therefore, the combined effect of increasing fees such as this is that house prices increase

– not because an individual developer tries to influence the market, but the combined effect of some price increases being passed on, some developers shutting down and some delaying development.

The net effect of increasing DCs is that housing affordability reduces in Auckland.

Conclusions

The 2021 Draft Development Contribution Policy should not be adopted by Council. Affected persons have not had the ability to fully assess the modelling and assumptions that underpin the models and the limited information we have been able to review raises significant concerns, because Council has failed to meet its obligations under the LGA s82 (1)(a).

The review should be halted until all the relevant information is released by Council in an appropriate format to allow affected persons to fully assess and understand the impact of the proposed changes, and the issues identified throughout this memorandum have been rectified.

In addition, Council must explore funding alternatives to incorporating projects that may occur 30 years into the future into the development contributions regime. Given the extreme timeframes (longer than a generation) and the potentially nationally significant impacts of Auckland's growth, all other alternatives to funding need to be explored, including; partnerships with central government, public private partnerships, special purpose vehicles and other funding and financing structures. Incorporating projects out to the 30 year horizon into the DC policy leads to intergenerational equity issues that must be avoided.

Cost over-runs and cost re-evaluations should be also removed from the DC estimates.

In summary, the policy review should be put on hold until all these issues can be rectified and the policy developed to a point where it equitably applies across the entire region rather than singling out Drury as the starting point.

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Property Council New Zealand

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Submission on

Auckland Council's draft Development Contribution Policy

15 October 2021

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Auckland Council draft Development Contribution Policy

1. Recommendations

1.1. Property Council New Zealand ("**Property Council**") welcomes the opportunity to provide feedback on the Auckland Council's ("**Council**") Development Contribution policy 2021 ("**DC policy**"). It is absolutely critical to have a robust DC policy that would allow the industry to make informed long-term investment decisions and ensure fair distribution of fees amongst all ratepayers.

1.2. We were pleased to be involved in early engagement with the Council to inform development of the DC policy. However, the proposed changes do raise **some serious concerns** in the sector. We have made a list of recommendations to influence better and fairer outcomes for all:

Update of 10-year Budget capital projects

- Consider alternative funding and financing models as well as partnering with others (Government, other councils and the private sector) for joint funding opportunities;
- Consider findings from the assessment undertaken by Market Economics (see **attached**) when finalising the DC policy;
- **Do not** include community infrastructure into DC fees and consider alternative tools to cover the costs (e.g. rates, targeted rates, Special Purpose Vehicles);

Inclusion of capital projects beyond 10 years

- Keep the status quo (i.e. 10-year approach);
- Review the proposed increases for Drury (see **attached** report from Market Economics);

Payment timing

- Keep the status quo (as per the current DC policy);

Changes to funding areas

- Reconsider approach to identifying funding areas to avoid cross-subsidisation;

Additional comments

- Take into consideration other factors when finalising the DC policy:
  - Significant increases in building costs and the latest lockdown in Auckland;

2. Introduction

2.1. Property Council's purpose is; "Together, shaping cities where communities thrive". We believe in the creation and retention of well-designed, functional and sustainable built environments which contribute to New Zealand's overall prosperity. We support policies that provide a framework to enhance economic growth, development, liveability and growing communities.

2.2. Property is currently New Zealand's largest industry with a direct contribution to GDP of $41.2 billion (15 per cent). The property sector is a key foundation of New Zealand's economy and caters for growth by developing, building and owning all types of property.

2.3. Property Council is the leading not-for-profit advocate for New Zealand's largest industry – property. Connecting people from throughout the country and across all property disciplines is what makes our organisation unique. We connect over 10,000 property professionals, championing the interests of over 560 member companies who have a collective $50 billion investment in New Zealand property.

2.4. This submission responds to Auckland Council Contributions Policy 2021 Consultation Document and other supporting materials. In preparing our submission we sought and received feedback from a selection of our Auckland-based members. Comments and recommendations are provided on those issues that are relevant to Property Council and its members.

3. Economics Assessment

3.1. It is essential that the Council has a robust DC policy that allows developers to make informed long-term investment decisions and ensures a fair distribution of fees amongst all ratepayers. However, given the lack of evidence provided by the Council, the Property Council has commissioned independent research to test the data that has informed development of the Council's DC policy.

3.2. Mr Akehurst of Market Economics has prepared an initial assessment ("**Economics Assessment**"), based on the limited time provided to review the available Council material. The key conclusions of the Economics Assessment are:

- The Council **has not** demonstrated how infrastructure costs have been split between renewal, growth, and level of service because its model and assumptions are not available.
- There is no evidence of any work undertaken to determine demand factors or distribution of benefits for some key areas of cost (e.g. community infrastructure).
- There are material issues with the growth and funding models.
- The inclusion of cost overruns and re-evaluations in the DC policy leads to intergenerational equity issues.

3.3. Given uncertainties as to how the Council has determined the funding allocations and capital expenditure under the DC policy, and the piecemeal approach to which the Council has provided further information over a short consultation period, the Council has failed to demonstrate:

- capital expenditure, both in terms of updates to the 10-year budget updates and inclusion of capital projects beyond 10 years, is attributable to demand resulting

3.4. The Economics Assessment is **attached** to this submission and informs a number of the key issues and recommendations raised in this submission below.

4. Historic underinvestment

4.1 We acknowledge the Council's funding and financing limitations. However, historic underinvestment in infrastructure should not be viewed as a growth cost. Under Schedule 13 of the Local Government Act 2002 ("**LGA**"), development contributions must be calculated based on capital expenditure required to meet increased demand resulting from growth. Capital expenditure required as a result of historic underinvestment is not demand resulting from growth and cannot be recovered through a development contribution ("**DC**") and must be addressed through alternative funding tools.

4.2 Auckland is the fastest growing city in New Zealand, and it will continue to require significant capital investment over the coming years. Therefore, we strongly encourage the Council to utilise alternative funding and financing models as well as partner with others (Government, other councils and the private sector) for joint funding opportunities. These funding and financing tools include user charges (e.g. water charges and congestion charging), targeted rates, public-private partnerships and Special Purpose Vehicles ("**SPVs**") under the Infrastructure Funding and Financing Act 2020. SPVs were introduced by the government in recognition that existing development contributions mechanisms have been unsuccessful in appropriately allocating growth costs, and have already been successfully utilised in Auckland for greenfield development in Milldale and are implemented internationally.

5. Update of 10-year Budget capital projects

5.1. The Council proposes to update the DC policy to reflect the latest cost projections and timing of the 10-year capital programme in the 10-year Budget. The key changes reflected in the policy are:

- $500 million increase in the CRL budget decided in 2019;
- revising the share of the cost of the CRL attributable to growth from 16 per cent to 23 per cent;
- addition of $107 million of community infrastructure projects (noting some investment is part of larger projects).

CRL project

5.2. We are concerned with the Council's proposals around the CRL project. Budget overruns should not lead to increases in DCs fees. The Council has not provided enough evidence to justify the proposed increases, or demonstrated why additional costs not previously budgeted should be covered by DC increases. As identified in the Economics Assessment, this creates an intergenerational equity issue, because it results in future DC payers absorbing costs of historic underinvestment or inaccurate estimations of capital projects that played no part in the decision to build the CRL or had the capacity to vote for or against current or historic Council decisions in relation to that capital expenditure.

Charging DCs for community infrastructure

5.3. The DC policy includes addition of $107 million of community infrastructure projects. The Property

(ultimately passed on to the tenant or retail purchaser). Increasing DC fees will negatively impact Auckland as developers will need to factor in the additional costs in their feasibility. Additional costs coupled with other current uncertainties will impact on whether projects proceed. This is particularly concerning given the devastating impact of COVID-19 on both retail and housing affordability.

5.4. Increased DC fees will likely result in the following outcomes:

- Additional costs being passed on to the eventual buyer or occupier, making housing and occupancy costs more expensive; and/or
- Planned developments are postponed or cancelled, due to increased costs reducing the overall affordability of the development or project.

5.5. In 2018, the Council commissioned Insight Economics[1] to complete an independent report on the likely developer reactions to increased DC charges. The report signalled a number of issues with DCs, which align with our concerns. In particular:

> "**As DCs increase, the cost of land development rise, and thus its profitability falls**…In other words, land developers (who physically pay the DC) will seek to share some of the cost with raw land owners by paying them less for their land…it is unlikely that the resulting fall in land prices will be sufficient to fully compensate them. **As a result, the increase in DCs will also increase the total cost of land development**…"
>
> "**In summary,** economic theory predicts that the imposition of **higher DCs will impact most, if not all, participants in the wider property market.**"

5.6. Given the above, we recommend the Council consider alternatives such as recovering the costs (or at least a portion of the costs of community infrastructure) through rates or targeted rates over the life of the infrastructure, or through a Special Purpose Vehicle. We believe that these alternatives would improve intergenerational equity and ensure that those who benefit from the community infrastructure help contribute towards it over a longer period of time, reducing the financial burden upfront (i.e. within house prices).

6. Inclusion of capital projects beyond 10 years

30-year approach

6.1. The Council is looking to allocate DCs based on capital expenditure anticipated over the next 30 years rather than solely from that provided for in the Long-Term Plan budget. This new approach will have significant implications for some areas of Auckland, experimental and presents a number of risks.

6.2. Under section 197AA of the **LGA**, the Council must ensure that this new approach aligns with the DC principles to recover from those persons undertaking development a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term. From a fairness and equity point of view, the Council will need to be very careful about

[1] Insight Economics. (2018). Likely Developer Reactions to Increased Development Contribution Charges. https://www.hamilton.govt.nz/our-council/10-year-plan/10Year%20Plan%20documents/Economic%20report%20-%20Likely%20Developer%20Reactions%20to%20Increased%20Development%20Contributions%20Charges%20-%20Insight%20Economics%20Ltd.pdf

proposing to apportion some costs to developers today for projects that are not going to be built in the next decade. Therefore, there are a number of things that will need to be considered:

- impact of inflation on delivery of projects over time;
- benefits of paying upfront vs. delivery risks;
- the accuracy of capital expenditure allocations that far in advance, given that each development will not necessarily generate the same demand on infrastructure;
- evidence supporting the Council's decision to take a 30-year approach;
- actions the Council will have to take to ensure money collected today will be spent on delivery of the projects over 30-year period;
- the impacts on development in the short term;
- lack of evidence suggesting that a 30-year approach is better than a 10-year one;
- the time value of money, and how the real value of contributions collected today will not erode through inflation, specifically in relation to the increasing costs of the anticipated future infrastructure against which it is allocated.

6.3. The proposed changes lack transparency. The public has not been given enough time to properly evaluate the Council's proposal, due to the formal consultation period lasting less than a month. The entire consultation period has also occurred while Auckland has been in a COVID-19 lockdown. Without the Council's modelling available, and with the short consultation period, more time is needed to understand these significant changes and in particular, how capital expenditure for Drury beyond 10 years has been calculated and allocated.

6.4. The Council has not demonstrated whether the projected capital expenditure is related to growth, rather than historic underinvestment and budget overruns. The Property Council is also concerned that the Council has not demonstrated consideration of alternative funding methods such as targeted rates in any detail.

6.5. The Economics Assessment says in relation to the DC Policy: [2]

> *The net effect of adopting the 2021 draft development contribution policy with its lumpy effects is inappropriate price signals sent to the market and development occurring in places at a rate that may not be fully costed and not in locations where Council has accepted as being appropriate to cater for growth.*

6.6. Therefore, the 30-year horizon approach needs to be thoroughly tested against other alternatives. Given the above, we recommend the Council retain the status quo (i.e. 10-year approach) and seek to utilise alternative funding tools to supplement this. This will help ensure fairer allocation, better transparency and intergenerational equity.

Increase in Drury and housing affordability

6.7. Of serious concern is the proposed changes for Drury developments. The proposal adds a programme of expenditure to fund some of the key infrastructure required to support growth in the Drury area. It will raise the DC price substantially for development in the area reflecting the infrastructure investments required.

6.8. The Council themselves have raised concerns that the proposed draft DC policy could force house

ahead, this will materially affect house prices over time. This is concerning given the current housing crisis and the overarching Government's strategy to provide affordable housing for New Zealanders. It also contradicts with Direction 3 of the Auckland Plan which refers to the shift to a housing system that ensures secure and affordable homes for all.

6.9. The Council has said that it does not consider these increases will impact housing affordability. **We disagree**. The Economics Assessment concludes that the changes will reduce supply, pushing prices up for existing stock and passing on the DC increases in the price of new housing stock (in cases where developers are not entirely deterred from constructing more housing).[3]

6.10. It is difficult to understand how the Council can demonstrate these changes based on the data and the model provided. Greater transparency from the Council is required to understand its methodology.

6.11. As the Council has signalled that Drury will be first of many areas where this approach will be taken, it must ensure this approach is fair and robust. Given the above, we recommend the Council review the proposed increases taking our concerns into consideration.

7. Payment timing

7.1. The Council proposes that DCs are paid at the time of building consent for all development (residential and non-residential) except non-commercial development on Māori land. **We do not support** the proposal as it is neither practical nor beneficial. Payment on obtaining building consent has cashflow implications for developers.

7.2. Many developers operate on tight margins where small changes in the costs can impact on the viability of development. This is something that the Council recognises.[4] Where developers could finance contributions through sales or tenants, under the new policy they would be required to obtain finance from elsewhere and bear the additional costs of this. These costs are then exacerbated by construction delays and result in more interest being payable in addition to other costs such as overheads, and insurance.

7.3. COVID-19 has significantly impacted the construction sector. Alert level changes and supply chain issues have contributed to construction delays and rising construction costs.[5] While on its face earlier payment might result in marginally lower contributions, earlier payments put further pressure on developers from construction delays that are often outside of their reasonable control. Keeping the payment timings as they are under the 2019 Policy provides flexibility for developers and assists with ensuring the development is successfully completed. Developers are already incentivised, from a business perspective to complete developments in a timely manner and this will not change by retaining the existing approach to payment timings.

7.4. The Council has said that DCs could be slightly lower because receiving revenue earlier lowers the Council's interest costs, but has said that the net impact of earlier payment is neutral because while the Council would benefit from lower interest costs, its revenue would decrease.[6] If that is the case, given the negative of the change on developers, the status quo should be retained.

3 Economics Assessment, pages 8 and 9

4 Attachment F: Payment Timing Changes, Auckland Council, 2021 Draft Contributions Policy Document

7.5. The Council has also acknowledged that the extended the payment timing for development contributions under the 2019 Policy reduced the outstanding DCs debt markedly, halving from $45 million in January 2019 to $22 million in December of the same year.[7] COVID-19 has led to outstanding DCs debt increasing again to $37.5 million in April 2021. Due to the pressures of COVID-19 on developers, and the substantially shortened timeframe to pay DCs under the proposed 2021 plan, outstanding DCs debt will get worse under the Draft Policy. Retaining the payment timings will assist with keeping the outstanding DCs debt balances low.

7.6. Further to this, the draft DC policy does not make it clear what part of building consent the payment will be required. In practice, most consents for projects are multi staged consents (e.g. structure, façade, fit out) which means the proposal does not make any practical sense.

7.7. While earlier receipt of payment will allow the Council to bring forward some of its planned investment, we are concerned that what may seem like a small timing change on paper could materially affect a developer's cashflow and therefore the viability of the project. For any developer, cashflow is critical and bringing the timing of payments to the front end of a development project creates another barrier to affordable development product. Given the above, we recommend the Council keep the status quo.

8. Changes to funding areas

8.1. The DC policy includes two additional funding areas for transport, and one new and four amended funding areas for stormwater. These funding areas allocate the cost of transport infrastructure to the investment priority areas in Drury and the Auckland Housing Programme areas and provide close alignment with planned investment in stormwater within the Central and Takanini areas.

8.2. We are concerned with the proposal as it seems that funding for infrastructure is going to privileged suburbs only. This raises serious concerns around equity, fairness and cross-subsidisation (i.e. what about other areas that also require infrastructure). Therefore, we recommend the Council reconsider their position on identifying funding areas. It is also important to make sure that evidence-based approach is applied.

9. Additional comments

9.1. There are additional factors the Council has to take into consideration before finalising the DC policy.

Significant increase in costs

9.2. Our Auckland industry members are already facing huge inflationary costs across the board. In particular, construction costs have gone up between 5-15 per cent, land values have increased between 20-30 per cent, while building material costs have gone up by 5-15 per cent in the last year alone.[8] These increases have to be factored into the DC policy.

9.3. It is also important to take into account the latest lockdown in Auckland and the impact it will have on the sector (e.g. the time to get developments off the ground and complete).

[7] Attachment F: Payment Timing Changes, Auckland Council, 2021 Draft Contributions Policy Document consultation, at paragraph 13

https://www.stuff.co.nz/business/125690062/consumers-set-to-pay-as-builders-have-a-supply-chain-reaction

Wider work programme

9.4. We also encourage the Council to take into consideration the broader impact from key reforms on the property industry. This includes, but not limited to the National Policy Statement on Urban Development, recent Inland Revenue tax change announcements, the Fire and Emergency New Zealand funding review, the Climate Change Commission's advice, Resource Management Act reform, Building System reform (including Building Code updates), and the Local Government review.

9.5. It's easy to look at one proposed change and expect that it will have minimal impact, but collectively these reforms could significantly increase the cost and risk of development. At a time when we desperately need to be increasing our housing supply and streamlining development, we are potentially creating a 'perfect storm' that could have the opposite effect.

10. Conclusion

10.1. The DC policy is of significant importance to our members in the Auckland region. It is absolutely critical to have a robust DC policy that would allow the industry to make informed long-term investment decisions and ensure fair distribution of fees amongst all ratepayers while not creating a further barrier to the development of affordable housing.

10.2. Without the modelling available, and with the short consultation period, **the Council should pause proceedings to allow a more in-depth process and flow of information.** We are offering our assistance on any matters we have raised above if needed.

10.3. We keen to continue working with the Council to ensure fairness and equity of DC charges for all. **We also wish to be heard in support of our submission for any additional hearings as part of a broader public consultation process.**

10.4. For any further queries contact Natalia Tropotova, Senior Advocacy Advisor, [redacted]

Yours sincerely,



Andrew Hay
Auckland Regional Chair
Property Council New Zealand

Auckland Council Draft Contributions Policy 2021

Submission by the Retirement Villages Association of New Zealand

17 October 2021

SUBMISSION ON THE DRAFT AUCKLAND COUNCIL CONTRIBUTIONS POLICY 2021 BY THE RETIREMENT VILLAGES ASSOCIATION OF NEW ZEALAND

To: Auckland Council

Name of submitter: Retirement Villages Association of New Zealand Incorporated (*RVA*)

INTRODUCTION

1 This is a submission on Auckland Council's (*Council*) draft Development Contributions (*DC*) Policy 2021 (*2021 Draft Policy*) on behalf of the RVA.

2 The RVA welcomes this opportunity to provide feedback on the 2021 Draft Policy. The RVA and its members have a significant interest in how the Policy will impact on, and support, the provision of retirement villages and aged care in the Auckland region. There is currently a severe lack of appropriate housing and care for our growing ageing population, which is predicted to worsen.

3 The RVA acknowledges the importance of development contributions for funding new assets needed for Auckland's growth, and the role its members play in supporting that necessary work. It has in recent years had a positive working relationship and on-going collaborative dialogue with Council officers in that regard.

4 That said, the current review has come as a surprise and is very concerning to RVA members. The 2021 Draft Policy and intended future changes to fund Council infrastructure and services over a 30 year period introduce unexpected and material new charges. These charges will make it significantly more difficult to supply affordable housing in Auckland, including retirement villages. The Council also openly acknowledges the severe consequences of the changes in exposing some developers to failure. This is an astonishingly harsh position for a local authority to take in any context, and particularly so in the current COVID-19 affected economic climate when many businesses are already struggling.

5 The RVA is thus very disappointed with the process undertaken by the Council to introduce these changes. The changes lack transparency. They are not sufficiently evidence-based. They are unreasonable. Overall, the changes do not meet the core legal requirements for DCs under the Local Government Act 2002 (*LGA*) of fairness, equity and proportionality.

6 The RVA strongly seeks that the Council put the present review on hold. This pause can be used to enable proper disclosure of the Council's reasoning for the changes, meaningful consultation with the affected parties, and robust consideration of alternatives to the present proposals.

SUBMISSION CONTENT

7 This submission covers:

7.1 An introduction to the RVA;

7.2 An overview of the importance of retirement villages in addressing the housing crisis;

7.3 A brief outline of the statutory framework governing DC policies;

7.4 The RVA's key concerns about the Council's 2021 DC policy review process;

7.5 The RVA's concerns about the 2021 Draft Policy content; and

7.6 Conclusions.

8 **Appendix 1** provides an insight into the different types of retirement villages. **Appendix 2** sets out expert economic advice, Greg Akehurst from Market Economics, on the process undertaken by the Council and the implications of the 2021 Draft Policy. **Appendix 3** provides a summary of the relevant provisions of the LGA. These appendices help illustrate the reasons for the RVA's feedback on the 2021 Draft Policy.

THE RVA

9 The RVA is a voluntary industry organisation that represents the interests of the owners, developers and managers of registered retirement villages throughout New Zealand. The RVA has 390 member villages throughout New Zealand, with approximately 34,200 units that are home to around 47,000 older New Zealanders, roughly equivalent to the population of Timaru. This figure is 96% of the registered retirement village units in New Zealand.

10 The RVA's members include all five publicly-listed companies (Ryman Healthcare, Summerset Group, Arvida Group, Oceania Healthcare, and Radius Residential Care Ltd), other corporate groups such as Metlifecare, Bupa Healthcare, Arena Living, independent operators, and not-for profit operators such as community trusts, religious and welfare organisations.

IMPORTANCE OF RETIREMENT VILLAGES IN ADDRESSING THE HOUSING CRISIS

Summary

- Auckland is facing a housing crisis, including a retirement living and aged care crisis.
- The retirement sector plays a key part in housing and caring for older people.
- The +75 demographic in Auckland will more than double between 2020 and 2048, from under 100,000 last year to almost 250,000.
- Demand for retirement village accommodation is outstripping supply. This is clearly reflected in Auckland, which has the largest share of the development pipeline.
- Deliverability of this pipeline and affordability is materially impacted by DC charges.

11 New Zealand, and in particular Auckland, is facing a housing crisis, including a retirement living and aged care crisis. There is a severe lack of appropriate housing

and care for our growing ageing population. This problem is immediate, and is projected to worsen over the coming decades.

12 The government has very recently recognised the ageing population as one of the key housing and urban development challenges facing New Zealand in its overarching direction for housing and urban development - the Government Policy Statement on Housing and Urban Development (GPS-HUD).[1] The GPS-HUD records that "*[s]ecure, functional housing choices for older people will be increasingly fundamental to wellbeing*."[2]

13 A key connecting government strategy, *Better Later Life – He Oranga Kaumatua 2019 to 2034*, outlines what is required to have the right policies in place for our ageing population, including creating diverse housing choices and options.[3] The strategy notes that"*[m]any people want to age in the communities they already live in, while others wish to move closer to family and whānau, or to move to retirement villages or locations that offer the lifestyle and security they want*."[4]

Benefits of retirement villages

14 Retirement villages provide appropriate accommodation and care for the most vulnerable sector of our community. They allow older people to continue living in their established community, while down-sizing to a more manageable property (i.e. without stairs or large gardens). Retirement village living provides security, companionship and peace of mind for residents.[5] Residents will also, in most cases, have easy access to care and other support services. **Appendix 1** provides a brief insight into the different types of retirement villages.

15 Retirement villages already play a significant part in housing and caring for older people in New Zealand. Currently, 14.3% of the 75+ age group population live in retirement villages, a penetration rate that has risen from around 9.0% of the 75+ age population at the end of 2012.[6] The Auckland region has one of the highest penetration rates (17.8%).[7]

16 New build data from Statistics New Zealand shows that retirement village developments provided between 5% and 8% of all new residential developments between July 2014 and July 2019.[8]

17 Retirement villages help to ease demand on the residential housing market and assist with the housing supply shortage in New Zealand. That is because growth in retirement village units is faster than growth in the general housing stock. And, the majority of new villages are located in major urban centres.

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1 The GPS-HUD was issued in September 2021.

2 GPS-HUD, page 10.

3 *Better Later Life – He Oranga Kaumatua 2019 to 2034* (available online).

4 Ibid, page 32.

5 PWC 'Retirement village contribution to housing, employment, and GDP in New Zealand' (March 2018). Brown, N.J., "*Does Living Environment Affect Older Adults Physical Activity Levels*?". Grant, Bevan C. (2007) 'Retirement Villages', *Activities, Adaptation and Aging*, 31:2, 37-55.

6 Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 15.

7 Ibid, page 17.

8 See *Over 35,000 homes consented in July year – Stats NZ Media and Information Release: Building consents issued: July 2019.*

18 The retirement village sector allows older New Zealanders to free up their often large and age-inappropriate family homes and move to comfortable and secure homes in a retirement village. The RVA estimates that around 4,700 family homes are released back into the housing market annually through new retirement village builds (approximately 1,700 units). A large scale village releases approximately 300 houses back onto the market to be more efficiently used by families desperate for homes. To illustrate, retirement units are generally occupied by an average of 1.3 people per unit, compared to an average of 2.6 people per standard dwelling.

19 The retirement village sector also produces other broader benefits:

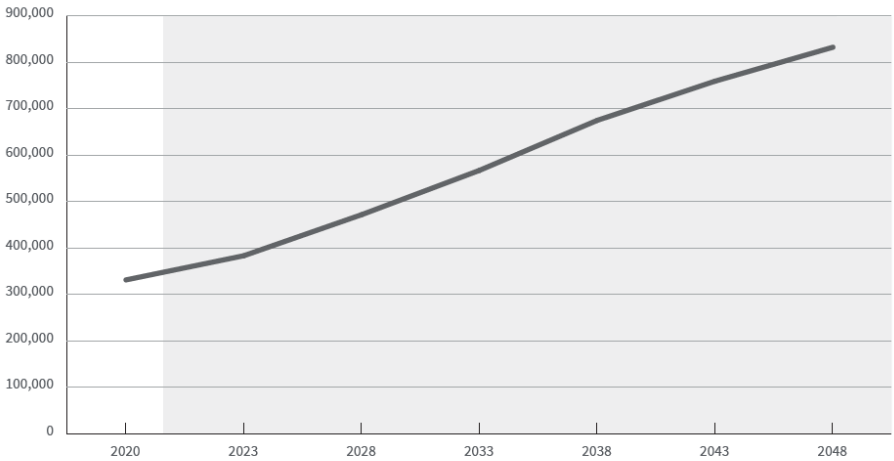
19.1 The sector employs approximately 19,000 people to support day-to-day operations. Over the next 7-8 years, approximately 9,500 new jobs will be created from construction of new villages. The sector contributes around $1.1 billion to New Zealand's GDP from day-to-day operations.[9]

19.2 The contribution of retirement village construction is also substantial. For example, a large scale new village will cost in the order of $100-$200 million to construct. Retirement village construction is also expected to employ approximately 5,700 FTEs each year.[10]

Increasing demand for retirement villages

20 The proportion of older people compared to the rest of the population in New Zealand, and particularly in the Auckland region, is increasing exponentially (as illustrated by the graph below). Auckland is the largest contributor to New Zealand's estimated 75+ population growth. The +75 demographic in Auckland will more than double between 2020 and 2048, from under 100,000 last year to almost 250,000.[11]

Figure 1 75+ years population 2020 - 2048



Source: JLL Research and Consultancy; Statistics New Zealand (medium forecast scenario)

[9] PWC 'Retirement village contribution to housing, employment, and GDP in New Zealand' (March 2018) page 4.

[10] Ibid.

[11] Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 8.

21 Demand for retirement village accommodation is outstripping supply. The ageing population and longer life expectancy, coupled with a trend towards people wishing to live in retirement villages that provide purpose-built accommodation, means that demand is continuing to grow. The COVID-19 pandemic has also contributed to a strong demand to access retirement villages and limited stock available.[12]

22 That demand is reflected in the development pipeline. Auckland has the largest share of the retirement development pipeline with 32% (6,779 units).[13]

23 Deliverability of this pipeline is contingent on a number of factors, including property market conditions, construction, building materials, and labour costs, timing of resource consent approvals, as well as the feasibility of projects which includes regulatory barriers and costs such as DC charges.

STATUTORY FRAMEWORK

Summary

A DC policy and the process to develop it must strictly comply with the relevant provisions of the LGA. Key requirements include:

- Fairness, equity and proportionality when setting DCs.
- DCs should only be required where there is a causal connection between the development demand and the need for new assets or assets of increased capacity which Council will need to fund.
- DCs levied should reflect the need generated and the benefit received by the user.
- The DC regime should be clear, transparent and predictable.
- The Council must seek to identify all reasonably practicable options to achieve its objective and assess the options in terms of their advantages and disadvantages.
- The Council must provide reasonable access to relevant information in a manner and format that is appropriate.
- The DC regime should be based on robust evidence to ensure the fees are justifiable.

24 The LGA empowers the Council to require DCs in certain circumstances. In the leading decision on development contributions, *NEIL Construction Ltd v North Shore City Council,*[14] the High Court emphasised the strict legal requirements relating to DCs, stating:

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12 Ibid, pages 5 and 25.

13 Ibid, page 17.

14 *NEIL Construction Ltd v North Shore City Council* [2008] NZRMA 275; as affirmed in *AGPAC Limited v Hamilton City Council* [2021] NZHC 2222 at [21].

> [47] ... whether viewed as a tax or a charge or a hybrid, a development contribution involves: A compulsory exaction of money by a public authority for public purposes, enforceable by law ... not a payment for services rendered... Accordingly, as counsel for both parties accepted, a development contribution can only be imposed pursuant to clear and express words contained in a statute, and in accordance with the statutory powers and requirements...
>
> [48] The Act provides expressly for local authorities to require and impose development contributions. But a development contributions policy and the processes in relation to it, must comply strictly with the relevant provisions of the Act which are the sole source of a council's power to exact development contributions...

25 The RVA considers the Council has not complied with, and the 2021 Draft Policy does not comply with, the statutory requirements for DCs contained in the LGA. In particular, the process does not meet relevant administrative law and LGA requirements. In addition, the content does not result in "*fair, equitable, and proportionate*" DC charges. Further legal context relied on to support this submission is outlined in **Appendix 3**.

THE RVA'S CONCERNS ABOUT THE PROCESS

Summary

The RVA is concerned about the process undertaken by the Council to introduce the material changes proposed in its 2021 Draft Policy, namely that:

- It has been given insufficient time to properly assess the Council's proposal –4 weeks for the consultation overall, with new documents being uploaded in an inappropriate format and during the final week of consultation;
- It has not been given reasonable access to all relevant information relied on by the Council – affected persons need to see the models and the assumptions that underpin them to fully assess the proposed changes;
- The information that has been disclosed is subject to material errors regarding the assumed employment figures, which impacts the assessment of future infrastructure requirements and may significantly overstate DCs;
- Key information on the severe impacts of the proposal on developers and housing supply has not been fully disclosed;
- Council officers have misinterpreted information they rely on regarding impacts on housing affordability and have hence formed unreasonable conclusions; and
- The review is premature given a further demand factor review is yet to take place - it is inappropriate to propose significant new charges without knowing if the current demand factors are fair, equitable and proportionate.

Relief sought: Abandon the present review entirely or put it on hold until the necessary requirements are met.

26 The RVA is very disappointed with the process undertaken by the Council to introduce the material changes proposed in the 2021 Draft Policy. Given the

significant impact of the changes, the RVA expected the Council would undertake a far more transparent, collaborative and evidence-based process. The RVA's key concerns about the review process are outlined below.

Insufficient consultation timeframes

27 The RVA considers that the most affected development sector has not been given enough time to properly evaluate the Council's proposal. The formal consultation period has amounted to less than one month - 20 Sept to 17 Oct 2021. The time for submitters to prepare and present to councillors was even less - just 3 weeks.

28 Moreover, the Council has been releasing further documentation onto the 'have your say' website on an on-going basis since the consultation started. This approach has provided affected persons with even less time to assess the additional information. As noted by Market Economics, the additional documentation released by Council is "extensive and complex" and has been issued in an inappropriate format which makes it very difficult for interested and affected persons to assess and understand. Furthermore, given that several documents were not released when the consultation opened for feedback, it is possible that some people are unaware of the additional information, as they would have only noticed by regularly checking the Council's consultation page.

29 The insufficient consultation timeframe is unfair and unreasonable given the importance of the changes and the complexity of the information supporting them. The Council's proposal to include capital projects beyond 10 years is also new and experimental. By themselves, such changes would justify a much more open and transparent approach with the affected community.

30 Moreover, it is unreasonable for the Council to expect the public to be able to properly engage with the process when Auckland has been, and continues to be, in a COVID-19 lockdown situation. The technical difficulties for many participants in attempting to engage with the hearing process on 12 October is one example.

31 The Council should be allowing for open and transparent engagement to take place by allowing enough time for interested parties to collect and gather the necessary information to assess the changes. A proper hearing process is then needed.

Lack of access to all relevant information

32 The Council has not disclosed clear and comprehensive information to fully understand the proposal and the significant impact it is likely to have in Drury, as well as in many other areas of Auckland. An example of the concern is that the Council has not completed its review.[15] This means that the significant DC charge increases proposed in the Drury area for example, could be subject to further increases.

33 Further, the lack of information and uncertainty as to how and to what extent the proposed changes will affect other areas in Auckland makes it difficult for the DC payer to understand the benefit they will receive from the new assets and the developer's role in generating the need.

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[15] In relation to Drury, planning has not been completed for the stormwater requirements, and the Council has not included a complete list of the infrastructure required in the area. The Council notes that "*the projects added beyond the ten-year period are not a complete list of all the required investment…so the current price increase is lower than it is likely to be once additional investment is identified and added over time*" (Auckland Council, Consultation Document, page 14).

34 As set out in the memorandum from Market Economics, the Council has not made available the necessary models and assumptions to assess the proposed changes. To comply with statutory requirements, the Council must provide persons affected with "*reasonable access to relevant information*".[16] In addition, as also discussed by Market Economics, there is no evidence of the work carried out by the Council to determine the distribution benefits for some key areas of cost, notably Community Infrastructure. Generally, the Council has not made available all relevant information to show what infrastructure is needed and how costs are split.

35 In addition, the limited information that the Council has made available has been released in a format that is not appropriate to the needs of the affected community, contrary to s82 of the LGA.[17] The Council has provided the public with PDF versions of calculations - as opposed to Excel sheets. As such, affected parties have no ability to assess the Council's process or assumptions, preventing them from providing a fully informed opinion on the veracity of the Council's calculations (see Market Economics memorandum for further details (**Appendix 2**)).

Material errors, lack of full disclosure on impacts, lack of robust evidence

36 The RVA is particularly concerned with the lack of robust evidence to support the Council's proposed changes. The Council appears to be relying on limited and conflicting evidence that does not justify the material changes it intends to introduce.

37 In addition, based on the Council officers' position as set out in the Finance and Performance Committee Agenda, dated 16 September 2021,[18] it appears that the Council's Consultation document and supporting documentation do not accurately reflect the significant impacts of the proposed changes. The lack of rigorous evidence and the public's limited access to accurate and relevant information raises significant concerns as to whether Council's proposal constitutes a "*fair, equitable and proportionate*" regime. Further commentary on these matters is noted below.

38 There are also material errors with the assessment undertaken by the Council. As identified by Market Economics, the Council's employment figures do not align with the statistics provided by Statistics New Zealand – the country's official data agency. This error materially impacts the assessment of future infrastructure requirements and may significantly overstate DCs.

Unreasonable conclusions

39 For the reasons set out above, it is submitted that Council officers have drawn incorrect conclusions on the evidence. Further concerns regarding Council officer advice on housing affordability are noted below. If Council accepts the advice, the decision will be fundamentally flawed.

Premature review

40 The Council has indicated that a further review of the DC policy is necessary to address demand factors, which was started in 2019 but not concluded. The RVA is aware that this review is needed due to the current demand factors in the 2019 DC Policy not being based on comprehensive and up to date evidence. Market Economics set out their concerns with setting DC charges without accurate and up to date demand information in the attached memorandum. Council officers have

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16 LGA, s 82(1)(a).

17 LGA, s 82(1)(a).

18 Available online.

acknowledged in consultation with the RVA that the demand factors review may lead to redistribution of charges between different activities.

41 In that context, it is premature to propose significant new charges without knowing if the current demand factors are fair, equitable and proportionate. Without appropriate evidence, the Council is also unable to lawfully discharge its obligations under sections 101(3) and 103(3) of the LGA.

Relief sought:

42 All of these factors support the RVA's primary submission that the present review should be abandoned entirely or at least put on hold until the necessary process requirements are met and alternatives are considered.

THE RVA'S CONCERNS ABOUT THE 2021 DRAFT POLICY

Summary

The RVA's key concerns about the 2021 Draft Policy relate to:

- **Including capital projects beyond 10 years**: the RVA opposes this proposal due to the severe impacts on some development businesses and housing supply and affordability, as well as the risk of over-recovery of costs.

  Relief sought: reject the inclusion of capital projects beyond 10 years.

- **Updating capital projects in the 10-year budget**: the RVA opposes the inclusion of City Rail Link (*CRL*) overruns. Historic underinvestment should not be seen as a growth cost. The RVA also opposes new DCs for major public transport and community infrastructure projects. The distribution of those costs requires a careful review of the demand factors, which has not been completed.

  Relief sought: reject the inclusion of CRL overruns; put the community infrastructure charge review on hold until the demand factors review has been completed; and consider alternative funding and financing options.

- **Payment timing changes**: the RVA opposes the proposed changes to the timing of payment due to the inconsistent and unclear assessment undertaken by the Council and the significant impact the changes may have on the feasibility of many projects.

  Relief sought: retain the status quo.

- **Funding area changes**: the RVA opposes the proposed changes to the funding area maps due to the unclear assessment undertaken by the Council to determine the changes.

  Relief sought: retain the status quo.

43 The RVA is concerned that the 2021 Draft Policy fails to set out a "*fair, equitable, and proportionate*" regime to recover from those persons undertaking development a portion of the total cost of capital expenditure necessary to service growth over the long-term.

44 The specific proposed changes that the RVA's submission relates to are:

44.1 Including capital projects beyond 10 years;

44.2 Updating capital projects in the 10-year budget to include CRL project overruns and new community infrastructure;

44.3 Payment timing changes; and

44.4 Funding area changes.

Including capital projects beyond 10 years

45 The Council is proposing to gradually update the DC Policy to include infrastructure required to support growth over a 30 year period. This is a material change from the current approach, which is to include infrastructure projects within the 10-year horizon.

46 As a first step, the Council has undertaken initial calculations for the Drury investment priority growth area. At this stage, the new approach would raise the DC charge per HUE significantly from $11,000-$18,300 to $84,900-$89,200 – in the order of a 660% increase. These figures are likely to increase even more as the Council continues its review. The Council intends to roll out the same approach throughout the identified investment priority areas, followed by a review of the rest of the Auckland region. It is therefore expected that significant increases in DC fees will be rolled out across the region over time.

47 The RVA strongly opposes the Council's proposal to include capital projects beyond 10 years, given the major impacts on development business, housing supply and housing affordability. The process issues noted earlier are particularly relevant to this part of the submission.

48 Further, evidential issues in modelling costs and benefits over a 30 year period are fraught, given inevitable uncertainty regarding:

48.1 inflation on the delivery of projects over time;

48.2 benefits of paying upfront versus delivery risks;

48.3 fair attribution of benefits for those that pay well before the infrastructure is delivered (lower benefit) and those that pay closer to the time of delivery (higher benefit); and

48.4 collecting DCs does not necessarily mean building will occur.

49 As noted by Market Economics, given the above concerns, it is inappropriate for the Council to alter the DCs regime in the manner proposed at this time.

50 For the reasons outlined, the RVA submits that Council's proposal is unfair, inequitable, and disproportionate and should be abandoned.

Severe impacts on some developers

51 The RVA is very concerned with the potentially dire consequences on some developers resulting from the changes. The consultation material acknowledges that the proposal "*may lead to a pause in development in some areas and for some*

developers"[19]*,* and that "*most developers operate with small margins and those who purchased land recently, or have more heavily leveraged their historic land purchases, may be affected*".[20]

52 The position set out in the Finance and Performance Committee Agenda dated 16 September 2021 goes further in stating that "*[s]ome developers may fail",*[21] and that "*[s]ome developers may struggle, exacerbating the delay, however, if any fail their developments will eventually be taken over by replacements."*[22] It is concerning that these statements have not been properly represented in the consultation material.

53 The apparent overarching logic for these changes is that it is a necessary trade-off.

54 Given the serious fairness and equity concerns, the RVA considers such outcomes should be avoided if at all possible. The RVA considers that the Council needs to adopt a less draconian approach, which will not put people out of business or substantially impact development feasibility.

55 In doing so, it should acknowledge the significant contribution of developers, and retirement village operators, in addressing Auckland's housing and retirement crisis. This contribution in enabling necessary housing supply has been recently acknowledged by central government in the GPS-HUD.[23] The proposed changes introduced by the 2021 Draft Policy will be a significant barrier to delivering the government's vision of ensuring that "*[e]veryone in Aotearoa New Zealand lives in a home and within a community that meets their needs and aspirations*".

56 The Council also appears to have disregarded that the development sector is also suffering the impacts of the COVID-19 pandemic, plus factors such as increasing construction and labour costs, as well as increasing infrastructure growth charges and consenting costs. Increasing DC fees, in some areas six-fold, will clearly aggravate the position by requiring development to be delayed or abandoned.

Significant impact on housing supply and affordability

57 The changes will have a significant impact on housing supply, including the provision of retirement villages, which will in turn have an impact on housing affordability.

58 Market Economics' view is that large jumps in DC charges will impact housing affordability. In their view, developers who have already purchased land to develop will try to pass the costs on to buyers, thereby raising the price of new dwellings. This will also influence the price of existing dwellings. Consequently, housing prices will continue to increase.

59 In addition, given that higher DCs will impact the feasibility of projects, developers may wait or not develop land at all. This outcome will lead to a lower level of supply at any given time, causing upward pressure on house prices and delayed purchasing. Impacts on housing affordability was a key issue of concern raised by

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19 Auckland Council, Consultation Document, page 14.

20 Ibid.

21 Auckland Council, Finance and Performance Committee, agenda for Thursday, 16 September 2021, paragraph 8 (available online).

22 Ibid, paragraph 50.

23 The GPS-HUD was issued on September 2021. The GPS acknowledges that the private sector is "overwhelmingly the largest provider of accommodation in New Zealand" (page 19).

many housing suppliers during their presentations to the councillors on 12 October 2021.

60 The Council has not properly assessed the impact the increased DC fees will have on housing supply. This assessment is imperative given that Auckland is identified as a high priority growth area in the National Policy Statement for Urban Development (*NPSUD*). Auckland is a 'Tier 1 urban environment', reflecting the city's population size and growth rate. As a Tier 1 local authority, the Council has a responsibility to ensure more homes can be built in response to demand. The NPSUD framework is effectively designed to encourage development of land for business and housing, not to close off opportunity. The Council's proposal to update the DC Policy to include infrastructure required to support growth over the next 30 years, and the resulting significant increases to DC prices, will be a significant barrier to enabling more homes to be built. This approach is inconsistent with the directions set out in the NPSUD.

61 Further, in an environment where housing affordability is a key priority for the government, it is unjustified to introduce major increases in DC fees only based on "*relatively mixed evidence*" [24] and general assumptions that it will not have an impact on housing prices.

62 Given the significant proposed increases in DC fees in Drury and across other areas in Auckland, a clear understanding of the impact of these fees on housing prices is imperative.

63 The RVA understands that the Council's view is that increased DC fees will not raise housing prices because there is little room for such prices to increase as they have approached "the maximum" home buyers are willing and able to pay.[25] However, as indicated by Market Economics, over the past 5-10 years the exact same position (that prices are at record highs and willingness to pay is equivalent to market prices) could have been taken, but yet prices have continued to increase. It may still be the case today that buyers think the price of housing tomorrow will be higher and therefore upward pressure on housing prices is likely to continue.

64 The Council reporting identifies a significant number of studies that support the proposition that infrastructure charges are passed to home buyers.[26] Of particular relevance is the research conducted by Lyndall Bryant. Ms Bryant's research focuses on the Australian context, and was issued relatively recently in September 2017. Her research, "*provides evidence of infrastructure charges being passed over to both new and existing home buyers in the order of around 400%*". Her findings "*suggest that infrastructure charges are thus a significant contributor to increasing house prices and reduced housing affordability in Australia*."[27]

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[24] Auckland Council, Attachment E: Impact of development contributions on house prices, page 3.

[25] Ibid.

[26] L Bryant, "Housing affordability in Australia: an empirical study of the impact of infrastructure charges" Journal of Housing and the Built Environment 32, 559–579, September 2017 (available online); Shishir Mathur, "Do All Impact Fees Affect Housing Prices the Same?", July 2013 (available online); and Keith R Inhlanfeldt, "An empirical investigation of the effects of impact fees on housing and land markets", November 2004, available online.

[27] L Bryant, "Housing affordability in Australia: an empirical study of the impact of infrastructure charges" Journal of Housing and the Built Environment 32, 559–579, September 2017 (available online).

65 The Council's reporting disregards the validity of these international studies by stating that "*the main criticism of almost all work in this area is that it is out of date and the methods used for analysis were inadequate*".[28] However, Council's statement only references one literature review by Gregory Burge, which was issued in 2008.[29] Mr Burge's review was published before Ms Bryant and Mr Mathur published their studies on how impact fees affect housing prices.[30] Moreover, the conclusions drawn by Mr Burge do not necessarily align with officer interpretations. The conclusions drawn include that, "*[i]mpact fees do lead to higher average housing prices*", and "[*t*]*here is no strong consensus as to the price effects of impact fees on undeveloped land due to conflicting evidence within the literature and the difficulty in adequately measuring constant quality land prices. More work must be done to address this question*."[31] It is therefore submitted that Council's analysis of international evidence is flawed.

66 In regard to the New Zealand context, it is submitted that the Council's reliance on Waitakere and Hamilton as examples that suggest that an increase in DC prices have little or no impact on house prices is unreasonable. These examples are based on 25% and 30 to 100% DC charge increases. The Council is currently proposing a 660% increase in its DC fees in Drury. This increase is likely to increase even more as the Council continues its review, with other significant increases to be introduced across the Auckland region likely. In addition, it is unclear what "evidence" the Council is referring to in the context of Hamilton.

67 Overall, the RVA considers that there is a real risk that the increased DC fees will inevitably be passed onto home buyers. This approach goes against the government's goal of delivering more supply and more affordable homes, as set out in its GPS-HUD.

Risk of over-recovery of costs

68 Including infrastructure required to support growth over the next 30 years introduces scope for a significant margin of error and uncertainty in Council's calculations when setting DC fees. Therefore, there is a real risk that the Council will not comply with its LGA obligation to avoid the over-recovery of actual costs.[32]

69 It is also unclear what the Council proposes to do if the projects expected to be built in the next 30 years do not proceed. It is unreasonable for the Council to expect the industry to provide feedback and accept a proposal without understanding how the process will work.

Relief sought:

70 The RVA seeks that the proposal to include infrastructure required to support growth over the next 30 years be rejected.

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28 Auckland Council, Attachment E: Impact of development contributions on house prices, page 3.

29 Gregory Burge, "Impact Fees in Relation to Housing Prices and Affordable Housing Supply, 2008 (available online).

30 L Bryant, "Housing affordability in Australia: an empirical study of the impact of infrastructure charges" Journal of Housing and the Built Environment 32, 559–579, September 2017 (available online); and Shishir Mathur, "Do All Impact Fees Affect Housing Prices the Same?", July 2013 (available online).

31 Gregory Burge, "Impact Fees in Relation to Housing Prices and Affordable Housing Supply, 2008, page 10 (available online).

32 LGA, s 197AB.

71 In the event the Councillors are not minded to reject the proposal, the RVA seeks that alternative mechanisms, such as targeted rates,[33] phasing the charges, and looking into alternative funding tools, are further considered to address the RVA's concerns, as set out above.[34] And, an open and transparent consultation process must occurr.

Updating capital projects in the 10-year Budget

72 The 2021 Draft Policy has been updated to reflect the Council's recently adopted 10-year budget. The Council has indicated that the weighted average DC price will go from $23,900 under the 2019 Policy to $21,000 under the 2021 Draft Policy. However, the new budget leads to material increases and decreases depending on the area compared with the 2019 Policy. The changes vary widely by location.

73 The key changes reflected in the 2021 Draft Policy are:

73.1 $500 million increase in the CRL budget decided in 2019;

73.2 revising the share of the cost of the CRL attributable to growth from 16% to 23%; and

73.3 addition $107 million of community infrastructure projects.[35]

74 The RVA acknowledges the need to update the DC fees to reflect the Council's newly approved 10-year budget. However, the RVA is very concerned with the inclusion of the $500 million increase in the CRL 2019 budget.

75 The RVA submits that the Council's historic underinvestment in the CRL should not be regarded to be a "growth cost" in the 2021 Draft Policy. This approach is unfair, given previous developers have paid a lower proportion towards projects that their developments both require and will benefit from. It is unfair to charge the developers of today the costs of infrastructure that should have been charged from earlier developers where the benefit they receive is ultimately similar. This position is supported by Market Economics who consider that the $500m increase should be removed from the calculations of DCs. It is unclear why DC payers should be asked cover historic underinvestment, as this raises intergenerational equity issues.

76 In addition, the RVA considers that the Council's inclusion of major public transport and community infrastructure projects to the budget require a careful review of the demand factors for each type of development. As stated under the LGA, if there is no new demand for infrastructure from a development, there can be no DC charge.[36]

77 This legal threshold test is particularly relevant when considering retirement units and aged care rooms. Major public transport projects, such as CRL, will have very

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[33] The RVA considers it is not clear why the Council has disregarded alternative mechanisms of gathering the necessary funding. The Council's Chief Economist Unit's previous work on how to fund greenfield infrastructure, provides that the cost of new infrastructure could be passed on via development contributions or targeted rates, further noting that "[t]argeted rates provide greater certainty on timing of funding, spread costs intergenerationally, and incentivise quicker, more affordable development" (see Auckland Council, Insights: How should we fund our greenfield infrastructure?", September 2017 (available online)). It is therefore unclear why the Council has therefore resorted to such significant increases in development contributions.

[34] Under the LGA, the Council must seek to identify all reasonably practicable options to achieve its objective and assess the options in terms of their advantages and disadvantages (LGA, s77).

[35] Auckland Council, Consultation Document, page 11.

[36] LGA, s 199. See also **Appendix 3** from para 5.

low to no benefit to retirement village occupants. The 2021 Draft Policy includes a 0.3 HUE unit of demand factor for transport for retirement units, and a 0.2 HUE unit of demand factor for aged care rooms. These lower HUE units recognise the lower occupancy rates of retirement units compared to standard residential dwellings. However, the RVA considers it is potentially unfair to require retirement village operators to contribute to the increased DC fees resulting from major transport projects, such as the CRL. This approach does not recognise the demographic, frailty and health characteristics of residents, or the on-site amenities provided by retirement villages. These characteristics potentially justify a lower HUE unit for transport for retirement units and aged care rooms.

78 Similarly, the residents of retirement units and aged care rooms may not benefit from community infrastructure at all, or would have a much lower use of it. There are clear barriers that prevent older adults from undertaking physical activity in the New Zealand context – mainly cost, and the lack of purpose built facilities and programmes. Research shows that residents choose to engage in activities within a friendly and purpose built environment, which is often not provided by the Council or others in the wider community. Further, the research also identifies that there is often so much to do within the village that there is very little time for other activities.[37]

79 The characteristics of retirement and aged care accommodation, and its residents, may justify a lower transport and community infrastructure charge on retirement units and aged care rooms. The RVA understands that the demand factors will be reviewed by the Council once the new DC Policy 2021 is implemented. The RVA seeks that the above considerations are taken into account during its review.

Relief sought:

80 The RVA seeks the following relief:

80.1 Reject the inclusion of the $500 million increase in the CRL budget decided in 2019;

80.2 Put the community infrastructure charge review on hold until the demand factors review has been completed to ensure units of demand for retirement units and aged care units appropriately and fairly reflect the demand generated by these types of development on transport and community infrastructure; and

80.3 The Council consider alternative funding and financing models as well as partner with others (government, other councils and the private sector) for joint funding opportunities.

Payment timing change

81 The Council is proposing to bring forward the timing of payment. As described by the Council, this proposed change will "*require developers to increase their capital requirements to meet the earlier payments*."[38]

82 The Council's assessment of the impact of the proposed change is inconsistent and unclear. On the one hand, the Council considers that bringing payment timing

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[37] Brown, N.J., "*Does Living Environment Affect Older Adults Physical Activity Levels*?" Grant, Bevan C. (2007) 'Retirement Villages', *Activities, Adaptation and Aging*, 31:2, 37-55.

[38] Auckland Council, Attachment F: Payment timing changes, paragraph 33.

forward is "*unlikely to materially impact on the pace and scale of development*."[39] However, this is inconsistent with its statement that "[*a*] *change to payment timing is likely to present some developers with financial challenges which may disrupt the pace of development*."[40] The Council also notes that "*it is possible that marginal developments may be affected*" as "[*m*]*arginal developers will operate at slim margins and small changes in costs and progress of development can impact on the viability of their development*".[41]

83 It appears that the Council has not properly assessed the impacts of the proposed changes on development. Many developers rely on the profit generated from developments to be able to pay the DC fees. As such, the proposed change is likely to have a significant impact on the feasibility of many projects. This is likely to result in significant impacts on housing supply and affordability as many housing projects are delayed, paused, or fail due to the lack of finance.

84 Overall, the RVA considers that the payment timing change is unnecessary and will have significant impact on the feasibility of projects across Auckland.

Relief sought:

85 The RVA seeks that the status quo is retained.

Funding area changes

86 The Council is also proposing amendments to the funding area maps and the addition of three new funding areas for transport, and one new and four amended funding areas for stormwater.

87 The process the Council has undertaken to determine the boundaries and necessity of these new and redefined funding areas is unclear. Moreover, the Council wrongly assumes that "*[t]he impact of these changes is not expected to be significant*".[42] Based on some materially higher charges, the RVA considers that the changes could have a significant impact on a considerable number of developers, as well as retirement village operators.

Relief sought:

88 The RVA seeks that the status quo is retained and that further information is disclosed to justify the changes so the public can properly engage.

CONCLUSION

89 The RVA appreciates the opportunity to submit on the 2021 Draft Policy. The RVA looks forward to engaging constructively with the Council in relation to the 2021 Draft Policy and the Council's review of the demand factors to ensure is fair, equitable and proportionate and fit for purpose for all retirement village types.

John Collyns
Executive Director

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39 Ibid.

40 Auckland Council, Finance and Performance Committee, agenda for Thursday, 16 September 2021, paragraph 10 (available online).

41 Auckland Council, Attachment F: Payment timing changes, paragraph 35.

42 Auckland Council, Consultation Document, page 19.

Contact details:
Retirement Villages Association
P O Box 25-022, Featherston St, Wellington 6142
[redacted]

APPENDIX 1 – TYPES OF RETIREMENT VILLAGES AND THEIR RESIDENTS

1 'Retirement village' is defined in section 6 of the Retirement Villages Act 2003 (*RV Act*) as:

> … the part of any property, building, or other premises that contains 2 or more residential units that provide, or are intended to provide, residential accommodation together with services or facilities, or both, predominantly for persons in their retirement, or persons in their retirement and their spouses or partners, or both, and for which the residents pay, or agree to pay, a capital sum as consideration and regardless of [various factors relating to the type of right of occupation, consideration, etc]…

2 'Retirement village' is an umbrella term given to all types of retirement living. There are two main types of retirement villages, having different offerings in the market based on how much aged residential care they provide:

2.1 Retirement villages providing a range of living and care options to residents from independent living, through to serviced care, rest home, hospital and in some cases dementia level care (*Category 1 village*).

2.2 Villages focussing mostly on independent living units, sometimes with a small amount of serviced care on a largely temporary basis. If a resident in such a village is assessed as needing residential care, s/he will have to move to a specialist care provider (*Category 2 village)*.

3 Approximately 65% of registered retirement villages (across New Zealand and Auckland) have some level of aged residential care within the village.[43] The Auckland region contains about 10,550 aged care beds, which represents 27% of the national stock.[44]

4 Residents choose to live in Category 1 retirement villages if they do not require care immediately but expect that they will need some degree of care soon. As a result, residents in these villages are older (early to mid-80s) than residents in a Category 2 villages (mid to late 70s) – and they are generally more frail and vulnerable and far less independent.

5 However, because of the general demographic characteristics, residents in all retirement villages use Council facilities infrequently. There is good evidence of declining activity levels as people age, particularly after the age of 75. This data indicates that retirement villages place a considerably lower demand on Council facilities than the general population.

On-site amenities

6 Retirement villages generally offer extensive on-site amenities, such as pools, gyms, theatres, libraries, bars and restaurants, communal sitting areas, activity rooms, bowling greens, and landscaped grounds. These amenities are provided to meet the specific needs of retirement village residents, and are generally preferred to Council facilities designed for younger people.

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[43] Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 23.

[44] Ibid, page 22.

APPENDIX 2 – ECONOMIC EVIDENCE

Memo

To: Retirement Villages Association of New Zealand Incorporated

From: Greg Akehurst, Director Market Economics

Date: 15 October 2021

Re: Auckland Council Development Contributions Review 2021

Introduction

Auckland Council are carrying out a review of their Development Contributions Policy, with the aim to have a new policy take effect from 10 January 2022. Council reporting states that changes to the existing policy result from updates to the growth component of capital expenditure in the 10 year budget. In addition, Council are proposing to introduce charges for infrastructure projects required to support growth over a 30 year period. In the first instance Council is beginning with Drury as they consider they have detailed information covering the Drury Future Urban Zone. The Council also states they will extend the approach taken in Drury to other areas across Auckland as work progresses.

Development Contributions ('DC') are an important and appropriate funding mechanism, and if applied appropriately, promote fairness, equity and proportionality with respect to the consumption of infrastructure. However, it is important that the process and modelling that lead to the striking of a development contribution rate is sound, transparent and evidence based, such that all parties are able to review and satisfy themselves that the rate is fair, equitable and proportionate.

Market Economics has been commissioned by the Retirement Villages Association of New Zealand Inc ('RVA') to review the work Council have released in support of the proposed changes to the DC policy and to advise on the economic merits of the proposals using the LGA tests as a benchmark.

Given the short timeframe for consultation and the volume of material released, Market Economics has (out of necessity) only been able to undertake an initial assessment of the documentation provided, noting that the models used to calculate the development contribution charge have not been made available for review. This initial assessment has also formed the basis of the RVA's presentation to Councillors on 12 October 2021.

The following sections outline the key findings of our initial assessment and the conclusions we are able to draw from the material released to date.

Key findings of the Review

Having reviewed the Contributions Policy 2021 (draft) document and the Council's supporting documentation, and having initially assessed the released models (in pdf form only), the key findings of our review are centred around the process Council have engaged with and some of the material components of the three models as released. In summary the key points are;

- There is a lack of ability to assess the decisions Council has made with respect to splitting infrastructure costs between renewal, growth and level of service because the development contributions Cost Allocation Model (ACDCCAM) and assumptions are not available.

- There is no evidence of any work carried out by Council to determine demand factors or the distribution of benefits for some key areas of cost – notably Community Infrastructure.

- The documentation creates uncertainty about how Council have determined what is needed and how costs are to be split. In particular, how costs associated with infrastructure that could potentially be built up to 30 years into the future, should or could be sheeted home to development that occurs today.

- We have identified some material issues with the three models that combine to calculate development contribution charges – the growth model, the cost allocation model and the funding model

- The inclusion of cost over-runs and re-evaluations in the DC policy leads to intergenerational equity issues.

- We have concerns that the impact of the proposed development contribution charges on developer businesses will lead to issues around housing supply and prices/affordability.

Development Contributions Modelling and Assumptions Assessment

Auckland Council's Development Contributions Model as a whole is made up from three interlinked models:

The Auckland Council Development Contributions Growth Model ('ACDCGM')

The Auckland Council Development Contributions Cost Allocation Model ('ACDCCAM')

The Auckland Council Development Contributions Financial Model ('ACDCFM')

These models work together to first identify the volume and location of growth over the next 30 years or so ('ACDCGM'), then to collate and distribute infrastructure projects and their cost between three categories of charge (renewal, improved level of service and growth) (ACDCCAM), and finally to combine growth by location with the costs of infrastructure required to support the growth into a framework that allows a DC charge to be set within different catchments on a Household Equivalent Unit ('HUE') basis (the ACDCFM).

By necessity these are very large and reasonably complex models that need to be developed carefully and need to be maintained rigorously to ensure that changes in growth or new infrastructure projects are incorporated accordingly. It is vital that these models are made available in an appropriate format to interested parties so they can appraise themselves that the processes, and assumptions Council are relying upon are correct and appropriate.

This important requirement of consultation processes for new DC policies is that they must adhere to the principles of consultation as defined under the Local Government Act 2002. Section 82 (1) states that:

82 Principles of consultation

> *(1) Consultation that a local authority undertakes in relation to any decision or other matter must be undertaken, subject to subsections (3) to (5), in accordance with the following principles;*
>
> > *a. that persons who will or may be affected by, or have an interest in, the decision or matter should be provided by the local authority with* ***reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons.*** (emphasis added)

In order for interested and affected persons to be consulted with properly, they must have access to the relevant information and models that make up the proposed DC policy in a manner and format that is appropriate to their preferences. In other words, in order to review the models and come to a position as to their merit, affected persons must have access to the three models listed above (ACDCGM, ACDCCAM and the ACDCFM).

It is insufficient to provide snapshot pictures (in pdf format) of these models via the DC consultation website (https://akhaveyoursay.aucklandcouncil.govt.nz/dc-policy). The provision of very large pdf documents does not fulfil Council's requirements under the Local Government Act, as it makes it impossible for any reviewer to:

Track or trace how the model works;

Assess and understand the assumptions made;

Understand how the catchments/funding areas are set;

Assess or understand how the demand factors have been arrived at; and

Finally, understand how all of the above factors work together to arrive at a final DC charge.

In addition, since the start of the consultation period, the Council has been releasing information on an on-going basis, without extending the consultation timeframe, and therefore not providing enough time to affected persons to properly assess the additional documentation. Moreover, the additional documentation released by Council is extensive and complex, and has only been provided in PDF format, which makes it very difficult and time-consuming for affected persons to assess and comprehend. Given that many documents were not released when the consultation opened for feedback, it is also possible that some affected persons are not aware of the existence of such documents.

For example, Council initially posted 2 documents totalling approximately 400 pages of pdf pictures of the modelling spreadsheets the week before the 12 October "Have Your Say" presentation to Councillors. These are detailed and complex models and difficult if not impossible to follow in

themselves. A further 4 pdf documents were posted the day before the presentation to Councillors, totalling some 1,200 pages of pdf pictures of various growth and allocation models.

Overall, I consider that the Council has not complied with its requirement to provide affected persons with "*reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons*".

In order to provide the RVA with an informed opinion of the veracity of the models and the assumptions that underpin them, the models (and underlying assumptions) need to be provided in excel spreadsheet form.

Demand Factors and consumption of Infrastructure

In order to determine the provision of infrastructure of any kind it is necessary to understand the nature of the population the infrastructure is being provided for and the use they are liable to make of it. There are significant differences in usage rates for community infrastructure (for example) for retirement village households and family households with children. These rates and ratios need to be considered at the formation of the project to ensure that resources are being applied sustainably and efficiently. A proper assessment of demand factors requires robust collection of evidence, involving population wide surveys, the translation of usage rates or activity profiles into demand factors and the application of those demand factors to growth by location. This is then translated into infrastructure demand.

The resulting usage rates and ratios should then be used to distribute the costs of providing infrastructure between the different groups within the community.

This principle guided the decision made to adjust the DC fees paid by Ryman Healthcare for their Pukekohe Village, following an objection lodged by Ryman, which led to a significant reduction in the fees charged overall for retirement villages in 2015 and 2016.

The basis of the objection to the initial DC charge was that Council had no basis for assuming how much retirement village households used community infrastructure when compared to other households. Although the policy applied a discount to retirement units and aged care rooms, there was very little Council evidence to support these charges. Ryman considered it had substantially less demand on community infrastructure than the policy provided for. The only study that had been carried out by Auckland Council was over 10 years old at that point and it highlighted that retirement aged people had very low usage of community infrastructure. This coupled with the fact that the villages provided many of the same facilities internally (libraries, sports facilities, meeting rooms etc) meant that the load imposed on Council provided infrastructure was exceedingly light. This fact was borne out by a subsequent survey carried out in support of that hearing and contributed to by Council.

There is no evidence that any of that type of work has been carried out with respect to this latest update of the DC policy. Rather, it is understood Council intends to progress this work in 'Stage 2' of

its policy development process. Undertaking appropriate survey work is a cornerstone piece of analysis that needs to occur before the decisions Council is currently considering can be made.

This analysis also contributes to the assessment of how the costs of infrastructure should be split between renewal, improvements in levels of service and growth. Having survey work that allows understanding of how different groups use infrastructure in terms of visitation or access, it is possible to combine that data with current usage rates to assess under or over utilisation and thereby the level of service offered by existing infrastructure.

Without knowing how the existing infrastructure is meeting the existing needs of Auckland households, it is impossible to know the current levels of service offered and or how additional infrastructure might improve levels of service to existing users.

The application of usage rates will help guide the provision of additional infrastructure required by growth and will help determine benefits obtained from the infrastructure. Again, this is important when determining how infrastructure costs are to be split.

Finally, infrastructure life cycles, age and consumption of existing infrastructure are used to determine what infrastructure needs renewing and when and the degree to which newly provided infrastructure is done so to renew or replace existing end of life infrastructure.

Based on the documentation and pictures of the models released as part of the consultation, it is not clear that this work has been carried out by Council. Therefore, it is not clear that the proposed revised DC Policy is well founded and appropriate.

Material issues with data

Of the data that has been released we have some concerns. The ACDCGM is driven by a projection set of population, household and employment projections contained within Council's I11 v6 Growth Model. This model projects at the Auckland Regional Transport Zone level (596 'ART' zones) across the entire region. As the name suggests, this is a transport model framework and the projections are required to allow Auckland Transport's large transport models to run (origin destination models by mode and purpose by time slot). Household and population are distributed according to the Auckland Unitary Plan and employment is distributed to zones that cater for employment.

On reviewing the data that underpins the Council's I11 v6 model, it is clear that there are issues with the starting point (2018) for the employment estimates at least. The Figure 1 below includes the regional totals for employment drawn from the Council's i11v6 model and Statistics New Zealand's business frame. While the numbers are slightly different in terms of what they are capturing, the difference in quantum is significant.

Figure 1: Regional Employment Estimates i11v6 Model vs Statistics NZ Business Frame.

	2018	2020	2021	2026	2031	2036
I 11 v6 Scenario	680,600	696,700	705,500	754,000	809,800	851,800
StatsNZ Business Frame (EC's + WP's)	885,400	914,000				

The i11v6 employment estimates (as I understand it) measure Employee Counts across the different ART zones and total 680,600 for the region as a whole. The Statistics New Zealand based numbers are a combination of employee counts (ECs) and working proprietors who are not recorded as employees in their businesses (WPs). In total, this amounts to 885,400 people actually employed or working across the region. Including the working proprietors is important as it presents a far more complete number of 'bodies' in any given location. This is the important metric when it comes to providing different infrastructure to meet their needs.

However, the difference between the values (over 200,000 persons) is not solely due to the working proprietors that amount to less than 100,000. The Statistics NZ EC count for Auckland Region for 2018 is approximately 781,000[45], or more than 100,000 higher than the i11v6 total.

Effectively the actual total number of persons employed within Auckland is some 30% higher than the numbers in Council's model. This is likely to have implications for future infrastructure provision as any estimates of infrastructure per worker taken based on the i11v6 values would overstate the volume required on a per worker or per person basis. If that is then applied to employment growth and translated into infrastructure charges, it will overstate DCS significantly for commercial and industrial developers. To the extent that household generated demand is translated into employment and the infrastructure required that is then sheeted home to household DC charges, leading to higher DC charges than required.

Rates offsets to Development Contributions

Development entities, or the households that these entities facilitate in a growth area, pay through DCs for the infrastructure that they cause Council to spend money providing or drawing benefit from. These charges are embedded into the price they pay for their dwelling or section. Once they are resident, they begin to also pay rates. A portion of the money they pay in rates goes to fund the renewals and improvements in levels of service for infrastructure that they do not draw any benefit from (given that they have paid for the construction of their infrastructure up front).

New and future households are paying for their own infrastructure and for the renewal of existing households infrastructure. In the information provided, it is not clear whether this has been recognised and that a suitable off set mechanism has been included in the DCs models (presumably the ACDCFM). If the offset has not occurred – it is not fair or equitable and growth households are paying for existing households or the underinvestment in existing infrastructure by Council.

[45] Taken from Statistics NZ's Business Directory, in 2021, for 2018.

Cost Over-runs and Re-evaluations

In the 2021 draft DC policy Council is proposing a $500m increase in the City Rail Link ('CRL') budget decided in 2019. This adjustment may be the result of underinvestment in the CRL previously or errors in the estimation of the costs of the project. Regardless, the effect of including a $500m increase into the 2021 Draft policy is that current and future developers pay significantly higher DC fees compared with developers in recent years. This means that households in the immediate future are paying significantly more than households in the immediate past for exactly the same infrastructure.

This represents a clear case of intergenerational inequity.

The economic justification for why DC payers should cover either historic underinvestment or inaccurate estimation of Council projects is unclear. Any underinvestment or material inaccuracies should be covered by the current population – not loaded onto households of the future who played no part in either the decision to build or have the capacity to vote for or against decisions the current or past councils have made.

The $500m increase should be removed from the calculation of DCs until it can be shown that growth households should be responsible for cost over-runs or cost re-evaluations as a result of current under investment.

Pace and nature of Policy change

The 2021 draft DC policy represents significant development contribution increases in a number of areas – in a manner that is not equitable across the region, or through time. Council have stated they are starting with Drury as they understand Drury better than other areas as there is significant information to undertake the DC calculations contained in the Structure Plan and the applications by the number of land owners for development rights. The values proposed in the draft DC policy show increases in Drury ranging from $11,000 - $18,300 to $84,300 - $89,200 per HUE. Put in the wider context, the average DC charge (according to Council) drops from an average of $23,000 to $21,000 on a weighted average basis.

The significant increases in DC prices in Drury will lead to inappropriate price signals being delivered to the market as development will be diverted from areas identified by Council as appropriate to accommodate future growth to other areas – simply on the basis that Council hasn't yet identified all the infrastructure required in the alternative locations.

This adverse consequence (residential growth being diverted to less efficient locations in this instance), highlights the need for Council to pause this process and not adopt the 2021 draft DC policy until such a time as they have comprehensively assessed all growth areas – rather than focus on Drury. The approach of using a 30 year horizon for funding infrastructure also needs to be thoroughly tested against other alternatives. Only then will the relative costs be appropriately set and the market will be responding to appropriate price signals.

The net effect of adopting the 2021 draft DC policy with its lumpy effects is inappropriate price signals sent to the market and development occurring in different locations and at a rate that may not be fully costed in terms of infrastructure provision, and not in locations where Council has accepted as being appropriate to cater for growth.

Significant impact on housing affordability

The impact of such large increases in DC fees (up to 660% increases in Drury), which are also proposed to be rolled out across other parts of Auckland, will impact on house prices and housing affordability overall. This comes about through a number of mechanisms. I understand that Council's position is that the imposition of significantly higher DC charges will have no effect on house prices because, (to paraphrase the Council's economist during the "Have Your Say" presentation to Councillors on 12 October 2021) "*a developer is a price taker and the price of housing is set within the market based on the interactions of many players. The developer has no control over that price"*.

In particular, Council's position is that with Auckland house prices at record highs, buyers' willingness to pay is arguably equivalent to market price and therefore consumer surplus is effectively zero. Because consumer surplus is zero then a developer cannot affect market prices. While it is true that an individual developer in the Auckland market cannot affect the market price of houses given they are usually a small portion of the total market, developers as a group certainly can. It also may not be the case that consumer surplus is at zero.

Over the past 5 – 10 years this exact same statement could have been made (that prices are at record highs and willingness to pay is equivalent to market prices) and yet prices have continued to increase. The reasons for that are numerous. However, the most important one is that house-buyers looked into the future and believed that house prices tomorrow were going to be higher than house prices today. This combined with relatively low-cost finance meant that they were willing to pay more for houses today and therefore prices rose – irrespective of the fact that they were at record highs. It may still be the case today (in a market where population growth is continuing and construction costs are increasing) that buyers think the price of housing tomorrow or into the future will be higher than today. If that holds then upward pressure on residential market prices is likely to continue.

Council's economists are also ignoring the actual effect of DCs. A 660% increase in fees that adds between $60,000 and $70,000 (over and above last year's fees) to the price of each section puts a lot of pressure on DC payers. Those that have already purchased land and are in the process of subdividing, will attempt to increase prices. This may not be 100% successful as Council economists predict. However, developers may, with a mix of price increases and margin reductions, pass on some of the shift to home buyers.

Others may not be in a position to do this and will go out of business. This is an effect Council have acknowledged as likely. This reduces the supply of housing to the market (possibly temporarily, depending on what happens to their holdings). In addition, other developers may delay the development of housing in a certain area or halt altogether, further reducing supply.

The degree to which these events occur determine the degree to which housing supply reduces. As housing supply reduces (assuming demand stays the same) the price at which the market clears increases. Therefore, the combined effect of increasing fees such as this is that house prices increase

– not because an individual developer tries to influence the market, but the combined effect of some price increases being passed on, some developers shutting down and some delaying development.

The net effect of increasing DCs is that housing affordability reduces in Auckland.

Conclusions

The 2021 Draft Development Contribution Policy should not be adopted by Council. Affected persons have not had the ability to fully assess the modelling and assumptions that underpin the models and the limited information we have been able to review raises significant concerns, because Council has failed to meet its obligations under the LGA.

The review should be halted until all the relevant information is released by Council in an appropriate format to allow affected persons to fully assess and understand the impact of the proposed changes, and the issues identified throughout this memorandum have been rectified.

In addition, Council should explore funding alternatives to incorporating projects that may occur 30 years into the future into the development contributions regime. Given the extreme timeframes (longer than a generation) and the potentially nationally significant impacts of Auckland's growth, all other alternatives to funding need to be explored, including; partnerships with central government, public private partnerships, special purpose vehicles and other funding and financing structures. Incorporating projects out to the 30 year horizon into the DC policy leads to intergenerational equity issues that must be avoided.

Cost over-runs and cost re-evaluations should be also removed from the DC estimates.

In summary, the policy review should be put on hold until all these issues can be rectified and the policy developed to a point where it equitably applies across the entire region rather than singling out Drury as the starting point.

Greg Akehurst

Director

market economics ltd

level 5 507 lake road po box 331297

takapuna 0740 auckland new zealand

[redacted]

APPENDIX 3 – SUMMARY OF RELEVANT LGA PROVISIONS

Purpose and principles

1 The purpose of the LGA's DC scheme is:[46]

> to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.

2 The LGA sets out seven DC principles to support the purpose.[47] They are:

(a) development contributions should only be required if the effects or cumulative effects of developments will create or have created a requirement for the territorial authority to provide or to have provided new or additional assets or assets of increased capacity:

(b) development contributions should be determined in a manner that is generally consistent with the capacity life of the assets for which they are intended to be used and in a way that avoids over-recovery of costs allocated to development contribution funding:

(c) cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets:

(d) development contributions must be used—

(i) for or towards the purpose of the activity or the group of activities for which the contributions were required; and

(ii) for the benefit of the district or the part of the district that is identified in the development contributions policy in which the development contributions were required:

(e) territorial authorities should make sufficient information available to demonstrate what development contributions are being used for and why they are being used:

(f) development contributions should be predictable and be consistent with the methodology and schedules of the territorial authority's development contributions policy under sections 106, 201, and 202:

(g) when calculating and requiring development contributions, territorial authorities may group together certain developments by geographic area or categories of land use, provided that—

(i) the grouping is done in a manner that balances practical and administrative efficiencies with considerations of fairness and equity; and

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[46] LGA, s197AA.

[47] LGA, s197AB.

(ii) grouping by geographic area avoids grouping across an entire district wherever practical.

3 These principles reflect and expand on the LGA purpose. Key themes emanating from these principles include:

3.1 Fairness, equity and proportionality are key considerations when setting DCs;

3.2 DCs should only be required where there is a causal connection between the development demand (including cumulative effects) and the need for new assets or assets of increased capacity which Council will need to fund;

3.3 A DC regime is to recover the costs of specific growth projects. It is not to be used for making profit or as a general pool of public money;

3.4 DCs levied should reflect the need generated and the benefit received by the user; and

3.5 The policy regime, Council charging and expenditure should be clear, transparent and predictable.

4 The DC purpose and principles are relevant to the interpretation of all of the LGA provisions relating to DCs.[48]

When DCs can be required

5 A territorial authority can only require a DC if:[49]

> the effect of the developments is to require new or additional assets or assets of increased capacity and, as a consequence, the territorial authority incurs capital expenditure to provide appropriately for - (a) reserves, (b) network infrastructure, (c) community infrastructure.

6 This provision essentially imposes a threshold test. If there is no new demand for infrastructure from a development, there can be no DC charge. The provision also makes clear that it is not enough to simply say that a development creates 'some' demand. The demand (including its cumulative effect) must be linked to the need for new or additional assets or assets of increased capacity which a council will need to fund. This threshold test reinforces several themes in the DC principles noted above.

7 This threshold test concept is reinforced by *Beaumont Trading Company Ltd v Auckland Council*[50] where the Court of Appeal recorded that:[51]

> The Council's power to require a development contribution is relevantly triggered when a resource consent is granted "for a development". As we have noted, "development" means a subdivision "that generates a demand for reserves". We agree with the appellant that this means the unit title subdivision must generate a demand for reserves. That is the plain meaning of development as defined in the Act. In this case, it is accepted that the

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48 Interpretation Act 1999, section 5. *Commerce Commission v Fonterra Co-operative Group Ltd* [2007] 3 NZLR 767 (SC), at paragraph 22.

49 LGA, s199.

50 [2016] NZCA 223.

51 Ibid, paragraph 24.

subdivision itself did not generate an additional demand for reserves. On this approach, the appeal must be allowed.

8 Further, a territorial authority cannot require a DC if:[52]

(a) it has, under section 108(2)(a) of the Resource Management Act 1991, imposed a condition on a resource consent in relation to the same development for the same purpose; or

(b) the developer will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure; or

(ba) the territorial authority has already required a development contribution for the same purpose in respect of the same building work, whether on the granting of a building consent or a certificate of acceptance; or

(c) a third party has funded or provided, or undertaken to fund or provide, the same reserve, network infrastructure, or community infrastructure.

9 This provision addresses the issue of 'double dipping'. In essence, it is not "*fair, equitable and proportionate*" to require a developer to pay twice for the demand generated by its development. This provision again picks up on the themes noted above.

10 Lastly, the LGA provides that a territorial authority may only require a DC "*as provided for in a policy adopted under section 102(1) that is consistent with section 201*".[53] The DC Policy is required to include a schedule that lists each new asset, additional asset, asset of increased capacity, or programme of works for which the DC requirements are intended to be used or have already been used.[54] DCs can only be used for the assets listed in that schedule, unless other assets are for the same general function and purpose or the schedule has been or will be updated.[55]

11 The schedule requirement in the LGA is an important safeguard to prevent councils from:

11.1 collecting DCs without having specific projects to allocate the funds towards (ie 'pooling' or 'taxing'); and

11.2 avoiding over-recovery of actual costs.

12 The need for a schedule also reflects the important theme of transparency in the LGA's DC principles. Further, the schedule ultimately enables the DC payer to understand the benefit they will receive from the new assets and the developer's role in generating the need.

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52 LGA, s200.

53 LGA, s198(2).

54 LGA, s201A(1).

55 LGA, s201A(7).

Process for developing the 2021 Draft Policy

13 The process for developing the 2021 Draft Policy is governed by the LGA. The legislative requirements are comprehensive and cannot be circumvented. In summary:

13.1 The Council must seek to identify all reasonably practicable options to achieve its objective and assess the options in terms of their advantages and disadvantages (LGA, s 77);

13.2 The Council must consider the views and preferences of those likely to be affected by, or to have an interest in, the matter (LGA, s 78). It must also consult on a DC Policy before adopting it (LGA, s 102(4)). The consultation process must give effect to the LGA principles of consultation (LGA, s 82), including providing "*reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons*" (LGA, s 82(1)(a));

13.3 The Council must consider a range of matters when making a decision on a DC Policy including "*the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals*" and "*the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity*" (LGA, ss 103(3) and 101(3));

13.4 A DC Policy must state the total cost of capital expenditure the Council expects to incur to meet the increased demand for community facilities resulting from growth, state the proportion of that total cost of capital expenditure that will be funded by, inter alia, DCs, explain why DCs are required to meet the total cost of capital expenditure, with reference to the s 101(3) factors;

13.5 The Council must include in a DC Policy an explanation of, and justification for, the way each DC is calculated, the significant assumptions underlying the calculation of the schedule of DCs, including an estimate of the potential effects, if there is a significant level of uncertainty as to the scope and nature of the effects, and the conditions and criteria (if any) that will apply in relation to the remission, postponement, or refund of DCs, or the return of land (LGA, s 201);

13.6 DCs must not exceed a maximum amount determined using the methodology in Schedule 13 of the LGA. In particular, "*a territorial authority must demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis*" (LGA, s 203(2) and Sch 13, cl 1); and

13.7 The Council should "*conduct its business in an open, transparent, and democratically accountable manner*" (LGA, s 14(1)(a)).

From: [redacted]
To: Contributions Policy Team (CPT)
Subject: Have my say
Date: Monday, 27 September 2021 8:13:03 PM

I think that whatever you charge for the development contributions the end user pays not the developer.
Of course the developer doesnt care what you charge he passes it on to the end user, the buyer.
That cant help but escalate the cost of housing.

It used to be that all infrastructure needed for housing was a city debt paid back by way of property taxes (Rates) that were charged to the ratepayer ad infinitum.
Thats how the city gets its infrastructure money back.

Its not a good look to grab from both ends especially with the fact that now only the off shore funded companies seem to be consistently developing and our own NZ developers are few and far between and are struggling.

To add another raise to development conributuions at this time in history is in my opinion unconcionable.
In some projects its hundreds of extra rate payers more .

The city also benefits hugely on top of the development fees charged per unit as it now receives a huge windfall as you collect more rates from the developed land than the undeveloped land.

How about the city stop throwing money down the drain and reform the way it spends instead of again penalising home owners with the constant price hikes in the building/development sector.

Regards
Rosanna Leman

Sent from my

SUBMISSION ON THE DRAFT AUCKLAND COUNCIL CONTRIBUTIONS POLICY 2021 BY RYMAN HEALTHCARE LIMITED

Introduction

1 This is a submission on the draft Auckland Council (*Council*) Development Contributions Policy 2021 (*2021 Draft Policy*) on behalf of Ryman Healthcare Limited (*Ryman*).

2 Ryman supports in full the Retirement Villages Association of New Zealand Incorporated (*RVA*) submission on the 2021 Draft Policy. This submission provides additional context to Ryman's villages and its interest in the proposal.

3 The submission covers:

3.1 An introduction to Ryman, its villages and its residents;

3.2 Ryman's position on Council's 2021 DC Policy review process; and

3.3 Ryman's position on the 2021 Draft Policy.

Ryman, its villages, and its residents

4 Ryman currently has 36 operational retirement villages throughout New Zealand providing homes for more than 11,000 elderly residents. It has 13 retirement villages currently operating or at some stage of design or construction in Auckland – located in Orewa, Saint Heliers, Remuera, Howick, Birkenhead, Greenlane, Pukekohe, Takapuna, Kohimarama, Henderson, Hillsborough, Hobsonville and Narrowneck. Ryman is also in the process of obtaining consents for a further village in Auckland, as well as the extension of an existing village. It expects to continue developing new villages in Auckland into the future to meet increasing demand.

Ryman's approach

5 In recent times, Ryman has built approximately half of all new retirement units and the majority of all new aged care beds in New Zealand. Ryman is considered to be a pioneer in many aspects of the healthcare industry – including retirement village design, standards of care, and staff education. A high quality, purpose built environment is a core principle of Ryman's philosophy. Ryman is passionately committed to providing the best environment and care for our residents.

6 Ryman is not a developer. It is a resident-focused operator of retirement villages. Ryman is a recognised as a leader in the industry. Ryman has a long term interest in

its villages and its residents. It believes that a quality site, living environment, amenities and the best care maximises the quality of life for its residents.

The ageing demographic

7 Auckland's growing ageing population and the increasing demand for retirement villages is addressed in the RVA submission on the 2021 Draft Policy, and that is adopted by Ryman.

Ryman's scale in Auckland's retirement market

8 As noted, Ryman is the largest provider of retirement village accommodation in New Zealand. It constructs a significant number of the new dwellings in Auckland each year. In the last 6 years, it has obtained resource consents to build and operate 7 large villages at Howick, Birkenhead, Greenlane, Pukekohe, Hillsborough, Narrowneck and Kohimarama, which are now either completed or under construction.

9 Collectively, these villages comprise around 1,300 new retirement units and 1200 new aged care units. Each village will house in the order of 400-600 residents. Ryman's contribution to Auckland's growth in a 6 year period is accommodation for in the order of 2,900 people.[1] Ryman has a further similarly-scaled site in the pipeline for consenting.

10 In that sense, Ryman builds a substantial portion of all new retirement village units. We expect to continue to increase our proportion of Auckland's new build retirement village over time.

11 Overall, these statistics show that Ryman is a significant portion of the retirement village industry in Auckland. This significance is both in terms of existing villages, but importantly for present purpose, in terms of planned growth.

Ryman's residents

12 All of Ryman's residents – both retirement unit and aged care room residents – are much less active and mobile than the 65+ population generally as well as the wider population. Ryman's retirement unit residents are early 80s on move-in and its aged care residents are mid-late 80s on move-in. Across all of Ryman's villages, the average age of retirement unit residents is 82.1 years and the average age of aged care residents is 86.7 years.

Ryman's position on Council's 2021 DC Policy review process

13 Ryman shares the same concerns about the Council's review process as set out in the RVA's submission on the 2021 Draft Policy. In addition, Ryman wishes to note that it has worked closely with Council over many years to ensure DC policies and charges fairly reflect the significantly reduced demand retirement villages have on council services. Ryman in particular successfully resolved a major DC discussion with Council over several sites in Auckland via a Local Government Act objection process in 2018-2019 (*Ryman v Auckland Council*[2]).

14 Despite Ryman's on-going collaboration and discussions with Council, the 2021 Draft Policy has come as a surprise. Ryman is very disappointed with the process undertaken by the Council to introduce the 2021 Draft Policy, which has been

[1] Auckland Council has the documentary information to support these statements from the objection.

[2] Ryman Healthcare Limited v Auckland Council, Decision on Objection, 10 August 2018.

woefully inadequate given the major implications of the proposed changes. Ryman expected the Council would undertake a far more transparent, collaborative and evidence-based process.

Ryman's position on the 2021 DC Policy content

15 Ryman adopts the RVA submission on the 2021 Draft Policy. In addition, Ryman wishes to emphasise that the 2021 Draft Policy will have a significant impact on the provision of housing and care for Auckland's growing ageing population. There is a real risk that the proposed changes will delay necessary retirement and aged care accommodation in the region, and reduce housing affordability for a particularly vulnerable sector of Auckland's population.

Relief sought

16 Ryman seeks the relief sought by the RVA in its submission on the 2021 Draft Policy.

Regards,

Matthew Brown
NZ Development Manager
Ryman Healthcare Limited
[redacted]

SUBMISSION ON AUCKLAND COUNCIL'S DRAFT CONTRIBUTIONS POLICY 2021

To: Auckland Council ("**Council**")

Name: Scentre (New Zealand) Limited ("**Scentre**")

Introduction

1. Scentre is part of Scentre Group (which owns the Australian and New Zealand Businesses formerly known as the Westfield Group), an integrated shopping centre entity that undertakes development, design, construction, property management, leasing, and marketing.

2. Scentre owns and manages New Zealand's Westfield retail portfolio. Interests in Auckland include Westfield Newmarket, Westfield Albany, Westfield St Lukes and Westfield Manukau City.

3. Together, these shopping centres are home to 759 retailers and contain a variety of tenancies, providing an opportunity for Auckland owned and operated businesses to operate alongside major retail businesses such as the James Pascoe Group (including Farmers), Rebel Briscoes, Event Cinemas and Countdown stores.

4. Scentre makes a significant contribution to the Auckland economy. There has been considerable investment – in excess of $790 million in the redevelopment of Westfield Newmarket in 2019, along with future plans for the redevelopment of Westfield Albany and Westfield St Lukes.

5. Shopping centres form an important part of the commercial infrastructure of modern society and are important to the success and vitality of wider city centres. Beyond commercial opportunities, shopping centres are also a community space for local residents, families and youth alike to meet, with a substantial number of dining and entertainment options.

6. Scentre has reviewed the draft Contributions Policy ("**Draft Policy**") and welcomes the opportunity to provide feedback to the Council.

Nature and scope of submission

7. This submission focusses on two key aspects:

   (a) payment timing; and

   (b) changes to the Council's approach of providing for growth.

8. Scentre is generally supportive of the development contribution charges proposed to apply to Scentre's shopping centres at Newmarket, Albany, St Lukes and Manukau.

Payment timing

9. Under the 2019 Auckland Council Contribution Policy ("**2019 Policy**"), Council extended the time developers had in which to pay development contributions triggered by a building consent, a change which was welcomed and appreciated by developers. Development contributions for a building consent for non-residential use are due at the time a request is made for a code compliance certificate or a certificate of public use, or 24 months after granting, whichever is the earlier.[1] The reason for these payment timings was to reduce outstanding development contributions debt and closer align payment timing with the time at which developers realise cash from their developments.[2]

10. The Draft Policy proposes that development contributions are paid much earlier, becoming due at the time the building consent is granted.

11. This change will have a significant impact on developers. Cashflow is not realised from a development until after completion of construction, when a sale is made or tenants can occupy the building.

12. As the Council has acknowledged, many developers operate on tight margins where small changes in the costs and the progress of development can impact on the viability of their development.[3] Where developers could finance contributions through sales or tenants, under the Draft Policy they will be required to obtain finance from elsewhere and bear the additional costs of this. These costs are then exacerbated by construction delays and result in more interest being payable in addition to other costs such as overheads, and insurance. These impacts are compounded by the effects of COVID-19, which in itself has contributed to construction delays and rising construction costs.[4] While on its face earlier payment might result in marginally lower contributions, earlier payments in fact become much more expensive by placing a greater burden on developers from construction delays that are often outside of their reasonable control. Keeping the payment timings as they are under the 2019 Policy provides flexibility for developers and assists with ensuring the development is successfully completed.

13. The Council has said that development contributions could be slightly lower because receiving revenue earlier lowers the Council's interest costs. The Council acknowledges

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1 Auckland Council Contributions Policy 2019, Attachment A – payment and timing and enforcement.

2 Attachment F: Payment Timing Changes, Auckland Council, 2021 Draft Contributions Policy Document consultation, at paragraph 10.

3 Attachment F: Payment Timing Changes, Auckland Council, 2021 Draft Contributions Policy Document consultation, at paragraph 35.

4 *Construction Fact Sheet – January 2021,* Ministry of Business, Innovation and Employment.

that the net impact of earlier payment is neutral because while the Council would benefit from lower interest costs, its revenue would decrease.[5]

14. As the net impact on Council is neutral, but will place a negative strain on developers, it is unreasonable to require earlier payments. Retaining a consistent approach with the 2019 Policy strikes the appropriate balance of providing predictability, and ensuring that development contributions are fair, equitable and proportionate, in line with the principles of the Local Government Act 2002.[6]

15. As explained in the consultation documents, by increasing the payment timing for development contributions under the 2019 Policy, this reduced the outstanding development contributions debt markedly, halving from $45 million in January 2019 to $22 million in December of the same year.[7] COVID-19 has led to outstanding development contributions debt increasing again to $37.5 million in April 2021. Due to the pressures of COVID-19 on developers, and the substantially shortened timeframe to pay development contributions under the proposed 2021 plan, outstanding development contributions debt will get worse under the Draft Policy. Retaining the payment timings will assist with keeping the outstanding development contributions debt balances low.

16. For these reasons, Scentre does not believe that the decrease in development contributions outweigh the benefits of paying development contributions at a later date following the grant of a building consent. Scentre supports the alternative option provided by Council to retain the status quo under the 2019 policy, with development contributions being payable for non-residential building consents 24 months after granting, or at the issue of the code of compliance certificate, whichever is earlier.

Changes to the approach of providing for growth

17. In the Draft Policy, the Council is proposing to include investments from 2031 onwards in the contributions policy. Council has also signalled that it will amend the contributions policy in stages for each investment priority area as information becomes available, starting with Drury.

18. Scentre acknowledges that Auckland is growing rapidly and major infrastructure investment is required. Scentre is concerned with the Council's approach of adding projects to the Draft Policy planned for beyond 2031 to ensure that these developments which are generating growth contribute a fair and appropriate share of the costs of these long-term investments. The Council must ensure that this approach aligns with the purpose of development contributions under the Local Government Act 2002, to recover from those persons

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5 Auckland Council, Sharing the Cost of Auckland's Growth – Contributions Policy 2021 Consultation Document, at page 17.

6 Local Government Act 2002, sections 197AA and 197AB(f).

7 Attachment F: Payment Timing Changes, Auckland Council, 2021 Draft Contributions Policy Document consultation, at paragraph 12.

undertaking a fair, equitable and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.[8]

19. The proposed changes will have a significant impact on developers. Development contributions are proposed to increase by almost 700% for some developments in Drury-Opaheke.[9] Scentre is concerned if this approach is intended to be rolled out more broadly. The Council has acknowledged that at least in the short term this will stifle development in affected areas and will force developers out of the market.[10] With the Council planning to take this approach with other priority growth areas moving forward, it must ensure its calculations are robust and accurate, and that the short-term impacts on development are outweighed by the longer-term benefits of more accurate allocation.

20. Scentre is concerned that the proposed changes lack transparency, and the public has not been given enough time to properly evaluate the Council's proposal, due to the formal consultation period lasting less than a month. The entire consultation period has also occurred while Auckland has been in a COVID-19 lockdown. Without the Council's modelling available, and with the short consultation period, more time is needed to understand the increases, and in particular, how capital expenditure for Drury beyond 10 years has been calculated and allocated. The Council has not demonstrated whether the projected capital expenditure is related to growth, rather than historic underinvestment and budget overruns. It has also not demonstrated consideration of alternative funding methods such as targeted rates in detail.

21. Scentre seeks that the Council clearly demonstrate the cost savings from this new approach outweigh the economic impacts from stifling development in the short term, which will compound the effects of COVID-19 and deepen the housing crisis. While contributions should be allocated proportionately to those who benefit from assets provided, these must be balanced against benefits to the community as a whole.[11] Through this, the Council must consider any broader benefits to Auckland as a whole that favour promotion of development in the short term in preparing the Draft Policy.

22. In accordance with the development contribution principles, it is also important that the Council ensures that it avoids over-recovery of costs allocated to development contribution funding.[12] With a longer-term horizon of capital expenditure being allocated now, there is a greater risk of inaccuracies in how that expenditure has been calculated. Any overallocation now would not be realised for a long period of time, at which point it would be difficult for

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8 Local Government Act 2002, section 197AA.

9 The Council has stated that the current charge per household unit equivalent in Drury-Opaheke ranges from $11,00 to $18,300. Under the Draft Plan, if projects beyond 2031 are included, the current charge per household unit equivalent would increase to $89,200. From Sharing the Cost of Auckland's Growth Contributions Policy 2021 Consultation Document, at page 14.

10 Sharing the Cost of Auckland's Growth – Contributions Policy 2021 Consultation Document, Auckland Council, at page 14.

11 Local Government Act 2002, section 197AB(1)(c).

12 Local Government Act 2002, section 197AB(b).

developers to be reimbursed for any overallocations. In addition, it is unclear what the Council proposes to do if the projects expected to be built in the next 30 years do not proceed. While Scentre acknowledges that care must be taken to ensure developers pay a proportionate share of the infrastructure they will benefit from in the future, a balanced approach should be taken when calculating capital expenditure over a long period to minimise contribution costs in the short term.

Relief sought

23. Scentre seeks that:

(a) the Council retain the status quo under the 2019 policy in relation to payment timing; and

(b) the Council provide clear justification for applying the approach proposed at Drury-Opaheke more broadly in this or any future development contribution policy.

Signature: **SCENTRE (NEW ZEALAND) LIMITED** by its solicitors and authorised agents Russell McVeagh:



Daniel Minhinnick

Date: 17 October 2021

Address for Service: Jacob Burton
C/- Russell McVeagh
48 Shortland Street
PO Box 8
AUCKLAND 1140

Telephone: [redacted]

[redacted] [redacted]

flow
TRANSPORTATION SPECIALISTS

technical note

PROJECT	**SOUX 008 AUCKLAND DEVELOPMENT CONTRIBUTIONS**
SUBJECT	**AUCKLAND DEVELOPMENT CONTRIBUTIONS FOR HEALTH FACILITIES REVIEW**
TO	**BIANCA TREE, MINTER ELLISON RUDD WATTS**
FROM	PHIL HARRISON
REVIEWED BY	BRONWYN COOMER-SMIT
DATE	14 OCTOBER 2021

BACKGROUND

Auckland Council's document "How we set development contributions 2021: Auckland Council's Cost Allocation Methodology" – Draft 2021 (Draft DC Policy) sets out the proposed approach to setting development contributions in Auckland and how the methodology for setting development contributions is applied to each of the activity areas, including Transport.

The Development Transport Contribution for a particular development is assessed on the forecast demand on reserves and infrastructure generated by the development, expressed as a number of Household Equivalent Units (HUE) which is the demand generated by a typical residential dwelling.

- Appendix 3 notes that (in respect of Section 197AB(1)a of the LGA 2002) "t*here must be a genuine causative link between growth and the need for the expenditure which will be funded via development contributions. When operating the contributions policy, there must also be a link between an individual development and the works. This link forms part of a fundamental test that should be assessed for each development council intends to require development contribution from (the causal nexus). Development contributions have to be justifiable, fair and transparent*."
- Auckland Council Contributions Policy 2021 DRAFT Paragraph 48 states: "*The amount of development contribution payable under this policy depends on the demand the development is expected to place on reserves and infrastructure by virtue of its type, scale and location*."

For the development type "Education and Health", the Policy equates the demand factor for the transport activity as 1.0 HUE per 271m^2 GDA. This is the same factor as for the "Commercial" development type.

Southern Cross Healthcare Limited has asked Flow for an opinion on whether the Health demand factor for transport in the Draft DC Policy is appropriate.

I am a Chartered Professional Engineer, I hold an MSc Transport Engineering, a Certificate in Transport Planning and Control, and NZCE (Civil). I have over 35 years' experience in a wide variety of transport planning and traffic engineering roles in New Zealand, Australia, Fiji, the UK, Ireland, Germany, Taiwan and Puerto Rico. My skills and experience include public transport planning and priority, urban and rural traffic

engineering and management, traffic modelling, road safety, pedestrian and cycling facilities, strategic studies, master planning and development transport assessment.

ASSESSMENT

Using the same demand factor for Health, Education and Commercial developments assumes that the transport demands generated per m^2 of Health facility are the same as for an Educational or Commercial development.

Developer contributions are targeted towards funding infrastructure capacity improvements required to accommodate growth.

- In the case of Transport activities (as opposed to Stormwater, for example) capacity improvements are typically required to accommodate peak period travel demands, either by increased road capacity or by improved public transport services or improvements to pedestrian and cycle infrastructure
- Demand generated outside of peak hours can generally be accommodated by existing transport infrastructure.

The daily trip generation profile of a Health facility is substantially different to that of a similar sized Education or Commercial development.

- Commercial and Education facilities generally show a very concentrated travel demand of arrivals in the morning peak and departures in the evening peak periods. In Auckland, this puts additional strain on an already congested transport system during the peak morning and afternoon commuter periods
- Table 1 illustrates the average peak hour traffic generation of surveyed Health, Commercial and Education developments in New Zealand. Details of the surveyed sites are included in Appendix 1.

Table 1 Peak Hour Vehicle Trip Generation from Surveyed NZ Health, Commercial and Education Developments

	Trips per hour per 100m^2 GFA		
	Health	**Commercial (Office)**	**Education**
Morning peak	1.03	2.21	9.79
Evening peak	0.97	1.57	6.67
Daily	1.99	3.78	16.46

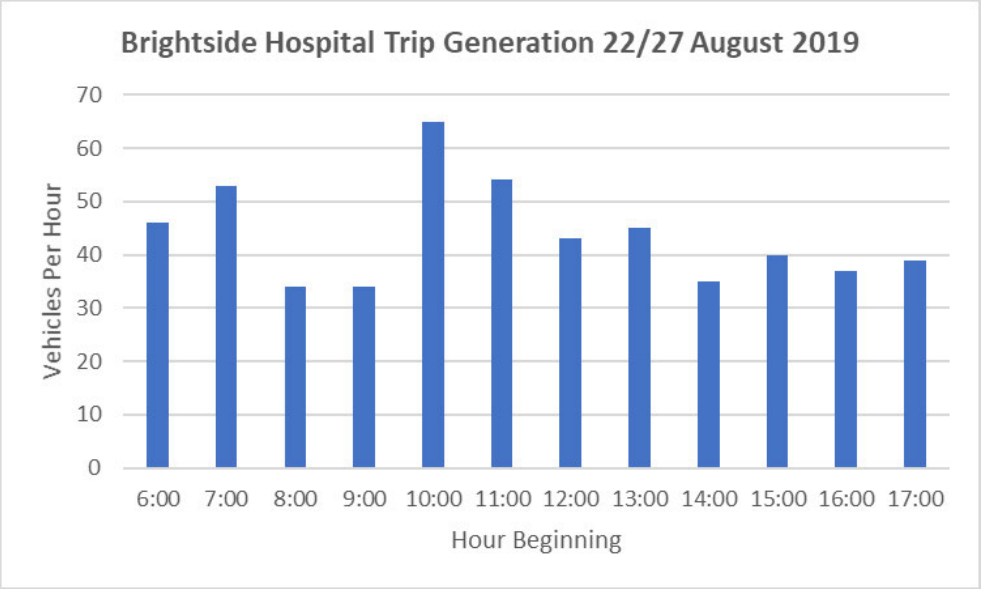
Table 1 illustrates that

- in the morning peak, a Commercial development generates twice the number of trips per m^2 than a Health facility, while and an Education facility generates almost 10 times as many vehicle trips per m^2
- in the evening peak, a Commercial development is likely to generate 50% more trips per m^2 than a Health development, while an Education development generates about 6 times as many trips.

Hospitals have a much more even spread of trips over the day, with shift changes purposefully timed outside of traditional commuter peak periods and visitor hours during off peak commute times.

Surveys of vehicle trips generated by the Southern Cross Brightside Hospital in Epsom, Auckland confirm this, with the peak hour for trip generation being 10 am to 11 am, and the second highest being 11 am to 12 pm. Figure 1 illustrates the daily trip profile.

Figure 1: Brightside Hospital trip Generation



Education and Commercial land uses show very different daily flow profiles as shown on Figures 2 and 3 below for Offices and Secondary Schools, which highlights peak traffic generation occurring during peak commute times. I note that this data is from surveys carried out in the UK (TRICS database)[1] as there is very little all day traffic generation data available for New Zealand developments. I am confident that the profiles for New Zealand office and secondary schools would be very similar to these.

[1] www.trics.org retrieved October 2021

Figure 2: Typical Office Development trip generation profile (TRICS 2021)

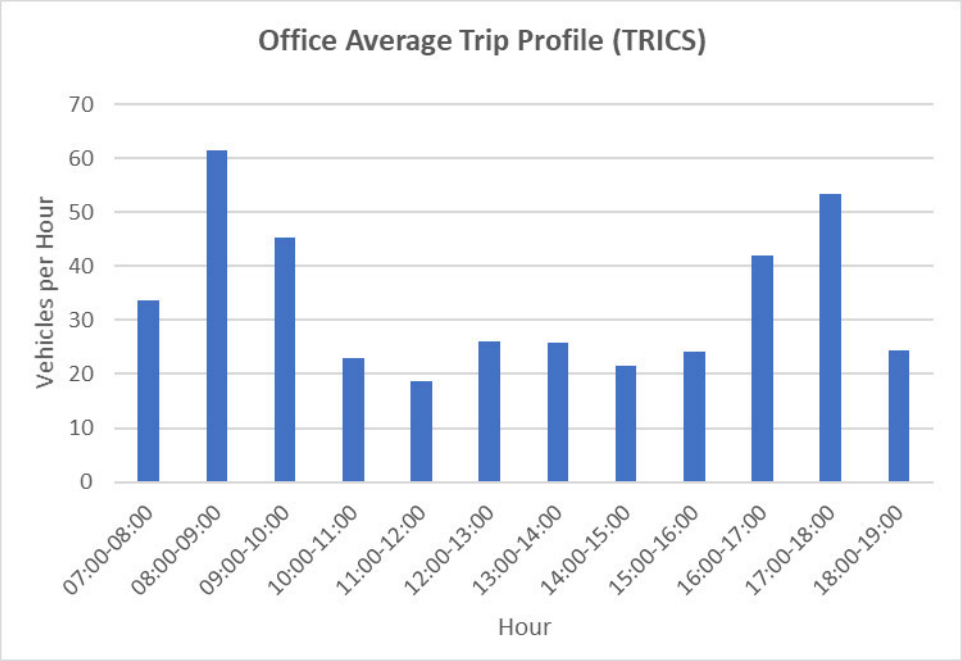
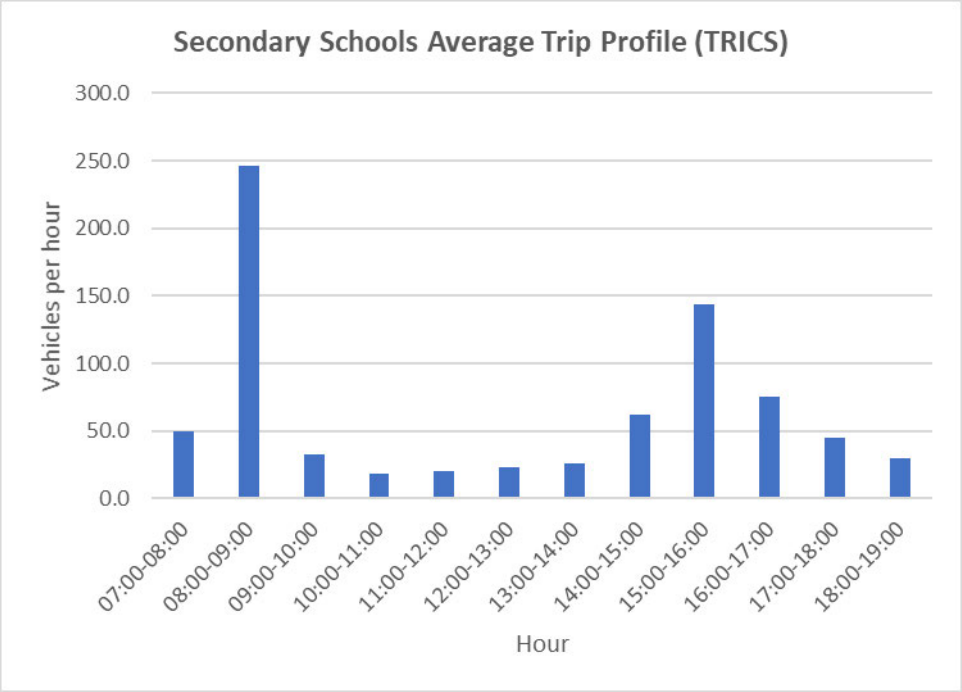


Figure 3: Typical Secondary School trip generation profile (TRICS 2021)



Uniquely, Health developments are not created to generate any new trips or increase the demand for healthcare services. Rather they are required to meet existing demands. New Health developments typically seek to address capacity shortfalls. Without new Health developments, patients are likely to need to travel further to have their needs met.

Further, Health facilities are typically located within the communities they serve, in locations accessible by a range of transport modes for the maximum convenience of their patients, visitors and staff. Consequently, they consistently demonstrate a travel demand spread across a wide range of modes.

CONCLUSIONS

The Draft DC Policy assumption that Health, Education and Commercial developments all have the same impact on the need for transport capacity improvements is considered fundamentally flawed on the basis that their peak hour trip generations are substantially different.

I appreciate that Council cannot create an infinite number of development types for its Development Contribution Policy. However, for the reasons stated above, I do not agree that Health developments can be combined with Education developments, nor that it can be assumed to have the same transport impact as Education or Commercial developments.

I submit that a new separate Health development type needs to be added, with an appropriate HUE factor that recognizes the unique trip generation characteristics of these developments and their relative impact on the need for transport capacity increases.

- On the basis that surveys illustrate that Health developments typically generate about 50% of the peak hour trips generated by a Commercial (office) development per m^2 GDA, an appropriate HUE for Health should be about 50% of that for Commercial (1.0 HUE per 271 m^2 GDA). This would indicate an appropriate HUE for Health (for Transport DC purposes) of 1.0 HUE per 515 m^2 GDA.
- On the basis that surveys illustrate that Health developments typically generate about 12% of the peak hour trips generated by an Education development per m^2 GDA, an appropriate HUE for Heath should be about 12% of that for Education (1.0 HUE per 271 m2 GDA). This would indicate an appropriate HUE for Health (for Transport DC purposes) of 1.0 HUE per 2200 m^2 GDA.

On the basis that the daily trip generation of Health facilities is closer to that of offices than that of schools, and bearing in mind the variation associated with trip generation from all land uses, I submit that an appropriate HUE for Health facilities should be in the region of 1 HUE per 500m^2 GDA.

APPENDIX A: TRIP GENERATION SURVEYS

Health Facilities

	Brightside Hospital Epsom	Waitakere Hospital Henderson	Average
AM Peak	0.98	1.07	1.03
PM Peak	0.74	1.19	0.97

Commercial/Offices

	Greenlane Office Park Greenlane		Addington Office Park, Christchurch	Average
	Day 1	Day 2		
AM Peak	2.28	2.16	2.19	2.21
PM Peak	1.24	1.60	1.88	1.57

Education

	St Kentigern's College Pakuranga	Orewa College	ABC Preschool Christchurch	Prebbleton Childcare Christchurch	Average
AM Peak	11.46	1.80	11.14	14.77	9.79
PM Peak	6.86	1.71	8.57	9.53	6.67

Reference: C:\Users\bbt\AppData\Local\Microsoft\Windows\INetCache\Content.Outlook\OMKSAIMH\24605807-1_24605697-1_Flow - final report 2.docx - [redacted]

SUBMISSION ON AUCKLAND COUNCIL'S DRAFT DEVELOPMENT CONTRIBUTIONS POLICY 2021

To:	Contributions Policy Team Auckland Council Freepost Authority 190197 Private Bag 92300 Auckland 1142 Email: contributions.policyteam@aucklandcouncil.govt.nz
Name of Submitter:	Southern Cross Healthcare Limited
Address:	C/- MinterEllisonRuddWatts PO Box 3798 Auckland 1140 Attention: Bianca Tree [redacted]

Submission on Auckland Council's Draft Development Contributions Policy 2021

Introduction

1. This is feedback on Auckland Council's (**Council**) Draft Development Contributions Policy 2021 (**Draft Policy**) by Southern Cross Healthcare Limited (**Southern Cross**).

2. Southern Cross appreciates the opportunity to provide feedback on the Draft Policy.

3. Southern Cross has six hospitals / surgical centres in Auckland (which includes two that are owned by joint venture). These are North Harbour Hospital, Auckland Surgical Centre, Brightside Hospital, Gillies Hospital, North Shore Surgical Centre and Ormiston Hospital.

Scope of submission

4. Southern Cross' submission relates to the transport unit of demand that applies to healthcare facilities. Southern Cross opposes the transport unit of demand applied to health developments under the development type "Education and Health" because it is not a fair representation of the transport demand, and need for transport infrastructure, created by new or expansion of existing hospitals and healthcare facilities.

5. Southern Cross seeks that the Council creates a separate "Health" development type and applies a transport unit of demand of 1.0 Housing Equivalent Unit (**HUE**) per 500m^2 Gross Development Area (**GDA**) to Health developments.

The Draft Policy as it relates to Health developments will not achieve the purpose and principles of development contributions as set out in the Local Government Act 2002

6. The purpose of development contributions under the Local Government Act 2002 (**LGA**) requires that development contributions only recover a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.[1] In addition, the first development contributions principle under the LGA provides that development contributions should

[1] Section 197AA of the LGA.

only be required if the effects of developments will create or have created a requirement for new or additional assets or assets of increased capacity.[2]

7. These requirements are highlighted in *Neil Construction Limited v North Shore City Council* where the High Court held that provisions in the LGA require that before a development contribution may be required by a council, there must be a direct causal nexus between the development and the demand for infrastructure it, either alone or jointly with another development, generates.[3]

8. The Draft Policy provides that "Education and Health" developments create a unit of transport demand of 1.0 HUE per 271m^2 GDA for transport. This is the same unit of transport demand for "Commercial" developments.

9. Phil Harrison of Flow Transportation Specialists reviewed the Council's approach to allocating this unit of demand to Health developments and prepared the technical report attached to this submission at **Appendix 1**.

10. In summary, Mr Harrison finds that:

    (a) For transport activities, capacity improvements are typically required to accommodate peak period travel demands.

    (b) The Draft Policy assumption that health, education and commercial developments all have the same impact on the need for transport capacity improvements is fundamentally flawed because their peak hour trip generations are substantially different.

11. Mr Harrison's findings show that under the Draft Policy, health developments will be required to pay a value of transport development contributions that is not fair, equitable, or proportionate to the total cost of capital expenditure necessary to service them.

12. Mr Harrison considers that an appropriate unit of transport demand for health developments is 1 HUE per 500m^2 GDA.

Summary of Relief Sought

13. Southern Cross seeks that the Council:

    (a) include a separate development type for "Health" developments in the Draft Policy; and

    (b) sets the units of demand for "Health" developments as

        (i) Stormwater: 1.0 HUE per 292m^2 ISA;

        (ii) Transport: 1.0 HUE per 500m^2 GDA; and

        (iii) All others: 0.0 HUE.

Dated this 15th day of October 2021



Bianca Tree
Counsel for **Southern Cross Healthcare Limited**

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2 Section 197AB of the LGA.

3 *Neil Construction Limited v North Shore City Council* [2008] NZRMA 275, at [120].

Appendix 1

Phil Harrison, *Auckland Development Contributions for Health Facilities Review*, Flow Transportation Specialists, 14 October 2021

Summerset Group Holdings Limited
Level 27, Majestic Centre, 100 Willis St, Wellington
PO Box 5187, Wellington 6140
Phone: 04 894 7320 | **Fax:** 04 894 7319
Website: www.summerset.co.nz

15 October 2021

Finance and Performance Committee
Auckland Council
Private Bag 92300
Victoria Street West
Auckland 1142

Email: contributions.policyteam@aucklandcouncil.govt.nz

Dear Sir/Madam

Submission on Auckland Council Proposed Development Contributions Policy 2021

Background
Summerset is one of New Zealand's leading and fastest growing retirement village operators, with more than 6,600 residents living in our village communities. We offer a range of independent living options and care, meaning that as our resident's needs change, we have support and options within the village. Summerset has 35 villages which are either completed or in development, spanning from Whangārei to Dunedin. We employ over 1800 staff members across our various sites.

Proposed Development Contributions Policy
Summerset has reviewed the draft 2021 Contributions Policy and welcomes the opportunity to provide feedback to the Council.

Further to Summerset's feedback provided to the Finance and Performance Committee on 12 October 2021, Summerset wishes to express its support for the submission of the Retirement Villages Association of New Zealand in its entirety. Summerset requests the Council engages constructively with the Retirement Villages Association in relation to the 2021 Draft Policy.

Yours faithfully,



Aaron Smail
General Manager Development

Tāmaki Makaurau Mana Whenua Forum Memo

[redacted]
From: [redacted] Tāmaki Makaurau Mana Whenua Forum

Date: 22 October 2021

Subject: Development Contributions Policy Consultation

Purpose

1. The purpose of this memo is to provide Tāmaki Makaurau Mana Whenua Forum ("Forum") feedback on the Auckland Council's Development Contributions Policy consultation.

Consultation context

2. Throughout October there has been consultation on a draft Development Contributions Policy with decision-making due to occur in December and a new policy implemented in January 2022.

Forum feedback on Development Contributions Policy

3. Any Council reliance on a grants-based approach rather than remissions approach to off-setting development contributions for the development of Māori land requires that the fund established for the grants is adequate. It is noted that the Council currently provides off-sets for development contributions through the $1.2m Māori Cultural Initiatives Fund (CIF) which was oversubscribed by $500,000 this year. As such, the Forum seeks assurances from the Council that the budget of the relevant fund to address development contribution grants is adequate (either through an increase in the CIF budget for 2022/23 or through some other mechanism), so that mana whenua developments are not negatively impacted.

4. The Forum submits that consideration be given to the nature of mana whenua developments that should be eligible for an off-set of development contributions beyond solely marae and papakāinga. There may, for instance, be potential developments by an iwi that are primarily for the benefit of the iwi membership but in order to be sustainable have some level of commercial activity. This type of development should be considered eligible for a grant to off-set the development contribution.

5. Given the implications of any change to the Development Contributions Policy may vary depending on location and relevant iwi, the Forum strongly advocates that the Council ensures it has engaged directly with mana whenua entities on this kaupapa.

6. The Forum thanks the Committee for the invitation to provide feedback on the Development Contributions Policy.

Contributions Policy 2021

Feedback must be received by **17 October 2021**

Development contributions are charged to people responsible for new developments to ensure that an appropriate share of our investment in infrastructure is recovered from those who either create the need for the infrastructure or benefit from our investment.

We charge development contributions where the new development requires us to provide new or upgraded infrastructure for:

- transport, footpaths, roads and intersections
- drainage systems and stormwater mitigation
- parks, park facilities, sports grounds and community facilities.

The infrastructure required to support Auckland's growth includes infrastructure to allow houses to be built now, through to the regional investments necessary to support communities in a growing city.

Our Contributions Policy sets out the costs to be recovered and how these are charged in different parts of the region. This is regularly updated for new information, including projected growth, planned investment, or policy decisions made.

The current Contributions Policy took effect in January 2019. We want your feedback on a new Contributions Policy, to take effect from January 2022.

We encourage you to give feedback online at akhaveyoursay.nz, or you can complete this form and:

Scan and Email your completed form to contributions.policyteam@aucklandcouncil.govt.nz

If COVID-19 alert levels permit, you can drop off your completed form off at your local library, service centre or local board office.

Post your completed form to this freepost address:
Auckland Council
Contributions Policy Team
Freepost Number 190197
Private Bag 92300
Victoria Street West
Auckland 1142

Your details

Your name and feedback will be included in public documents. All other personal details will be kept private.

First name: Jason Last name: Wong

Email address or postal address: [redacted]

Your local board: Albert-Eden Local Board

Is your feedback on behalf of an organisation or business? (If yes, this confirms you have authority to submit on the organisation's behalf)

☑ Yes ☐ No Name of organisation/business: Waiohua-Tamaki Ropu

Important privacy information

The personal information that you provide in this form will be held and protected by Auckland Council in accordance with our privacy policy (available at **aucklandcouncil.govt.nz/privacy** and at our libraries and service centres) and with the Privacy Act 1993. The privacy policy explains how we can use and share your personal information in relation to any interaction you have with the council, and how you can access and correct that information. You should familiarise yourself with this policy before submitting this form.

Your feedback (all questions are optional)

1. Updating capital projects in the 10-year Budget

In June 2021 Auckland Council adopted its Recovery Budget (10-Year Budget 2021-2031), which included a 10-year capital programme and 30-year Infrastructure Strategy.

We are proposing to update the Contributions Policy to reflect the latest cost projections and timing of the 10-year capital programme in the 10-year Budget. We are also updating our projections of population and development, both by area and over time, to align with those projections in our 10-year Budget.

The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area.

More information on this proposal can be found on page 11 of the consultation document.

What do you think about this proposal?

- [x] Agree
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

We support Council updating project costs and timing to reflect the best available information.

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

Additional infrastructure will be required to cope with the expected growth. All development over the next 30 years will benefit from this.

We propose to include the additional investment from 2032 onwards, that we intend to deliver in order to cope with the expected growth, in our Contributions Policy. We plan to amend the Contributions Policy in stages for each investment priority area as information becomes available, starting with Drury.

The proposed change in Drury will raise the development contribution price from between $11,000 and $18.300, to $84,900 for development in the area.

This reflects the infrastructure investments required to develop a new community the size of Napier, that is accessible and sustainable. The options for funding this infrastructure are from taxpayers, ratepayers or developers. We think it is fair that developers in the area pay an appropriate share of the costs of this investment. This won't affect house prices as they are determined by supply and demand.

More information on this proposal can be found on page 11 of the consultation document and Attachment D.

What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

- [ ] Agree with the proposal and starting with Drury
- [ ] Agree with the proposal but not starting with Drury
- [x] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

The inclusion of projects beyond the 10 years or funding requires special consideration and review. We have concerns that including all identified growth projects beyond the next 10 years will result in development contributions being collected with no confidence that the project/s will be delivered. The further out in time a project is forecast to be delivered, the greater the uncertainty on the likely costs and scope of the project, including possibly lower cost solutions. In addition, there is risk that the project list becomes more of a Council wish list funding plans beyond the next 10 years will be delivered upon.

3. Payment timing change

Under the 2019 policy, the timing of contribution payments due at building consent on residential development was extended to between 6 and 24 months after consent is granted.

Since then, our finances have been affected by COVID-19 and our ability to fund infrastructure for growth is now more constrained.

In light of this, we propose that contributions are paid at the time building consent is granted for all development (residential and non-residential), except non-commercial development on Māori land. Therefore, developers will have to pay development contributions due at building consent 6 to 24 months earlier than at present.

Earlier receipt of payment will allow us to bring forward some of our planned investment.

More information on this proposal can be found on page 15 of the consultation document and Attachment F.

What do you think about requiring developers to pay their contributions when building consents are granted?

- [ ] Agree
- [x] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

The change in Policy is likely to result in large upfront development contributions for high-density developments not previously forecasted, potentially impacting on the cash flow for developments. The proposed change could slow the delivery and number of high-density housing projects.

4. Supporting development of Maori land

A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.

We are proposing to continue supporting the development of marae, papakāinga and Māori housing on Māori land with grants available through the Cultural Initiatives Fund.

Currently, there is not enough money in this fund to meet all requests. As such, we plan to review the level of funding as part of the Annual Budget 2022/2023, along with which types of Māori land should be eligible for a grant.

Additionally, we propose to exempt not-for-profit development on Māori land from reserve contributions.

The earlier payment timing proposed above would not apply to non-commercial development on Māori land.

More information on this proposal can be found on page 15 of the consultation document and Attachment G.

What do you think about our proposal to support Māori development with grants?

- [x] Agree
- [ ] Disagree
- [ ] Other
- [ ] I don't know

Tell us why

We support the grants and increasing the budget avaiable in the Cultural Initiaves Fund.

We request Council undertake further consultation on the reserve contributions exemption requirements and payment timing on Māori land.

5. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas

  This allocates the cost of transport infrastructure to the investment priority areas in Drury and the Auckland Housing Programme areas.
- Stormwater – one new and four amended funding areas

  This provides close alignment with planned investment in stormwater within the Central and Takanini areas.

We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

Proposed funding area maps have been published with this consultation document.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

We disagree with the boundary of the Oakley stormwater funding area, particularly the inclusion of the Wairaka Precinct within the Oakley funding area. The Wairaka Precinct should be identified as its own discrete stormwater funding area. Projects identified BY Council within the Oakley stormwater funding area have no relevance or attributable benefit to the developments proposed within the Wairaka Precinct. We support that the Wairaka Precinct is excluded from the Mount Roskill (AHP) transport funding area.

6. Do you have any other feedback on the draft Contribution Policy 2021?

We request Council ensure sufficient funds are available to work with developers in delivering infrastructure upgrades that go beyond a development's boundary. We are also concerned about the consultation process and timing (during COVID19 Lockdowns) which has likely resulted in many not being in a position to submit.

Need more room? You can attach extra pages, but please make sure you include your name and contact information on each page.

Tell us some more about you

These questions are optional but will help us understand which groups of the community are engaging with us.



Would you like to subscribe to any of the following (tick all that apply):

- ☐ People's Panel – to take part in council surveys
- ☐ Our Auckland – your weekly guide to what's happening in Auckland
- ☐ Auckland Conversations - free public events, offering ideas, inspiration and action for world-class cities

You can also visit AK Have Your Say at akhaveyoursay.nz to find out about, or register to receive regular updates on, consultation activities happening across Auckland.

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T 64 9 969 9800
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www.nzta.govt.nz

15 October 2021

AK Have Your Say
Auckland Council
Freepost authority 182382
Private bag 92 300
Auckland 1142

Dear Sir/Madam

Waka Kotahi NZ Transport Agency Feedback on the Auckland Council Development Contribution Review

Thank you for the opportunity to submit on the Auckland Council Developer Contribution Review.

Waka Kotahi, the NZ Transport Agency (Waka Kotahi), is a Crown Entity required by the Land Transport Management Act 2003 to undertake its functions in a way that contributes to an effective, efficient, and safe land transport system in the public interest. Waka Kotahi's functions include:

- to manage the State Highway system, including planning, funding, design, construction, maintenance and operation;
- to assist, advise, and co-operate with approved organisations; and
- to manage funding of the land transport system.

Waka Kotahi is also required to give effect to the Government Policy Statement (GPS) on Land Transport. The 2021 GPS identifies four strategic priorities:

- Better travel options
- Safety
- Climate change
- Improving freight connections

In addition, the Auckland Transport Alignment Project (ATAP) is recognised as a specific Government Commitment in the GPS. Waka Kotahi is also committed to other established partnerships such as the Auckland Housing and Urban Growth Joint Programme and Te Tupu Ngātahi / Supporting Growth. These commitments respectively enable collaboration with central government and Council on spatial planning initiatives, in Auckland and planning and developing networks to support Auckland's future urban growth areas over the next 30 years.

Waka Kotahi highly values its role, alongside Council, as a co-investor in the transport system for Auckland. As Council will be aware, Waka Kotahi continues to work closely with Council, Auckland Transport (AT) and key stakeholders on a range of initiatives to improve transport in Auckland and to ensure that transport is integrated with land use.

In our previous submission to Council's Long-term Plan, we encouraged Council to continue to explore options for additional revenue, especially where this helps deliver more equitable outcomes – for example growth paying for growth. This Developer Contribution policy review is such an option for providing additional funding and for delivering more equitable outcomes. As such, **Waka Kotahi supports in principle the development contributions policy.**

In particular, Waka Kotahi supports consideration of a more sophisticated policy where:

- urban form is improved

- those that benefit from infrastructure pay a fair and equitable share
- a longer-term perspective is taken to planning, financing and delivering transport infrastructure
- flexibility is maintained, recognising the need to ensure integration of land use, transport planning and investment (which is dynamic).

Waka Kotahi has a particular interest in the following:

1. Ensuring that the Development Contribution policy aligns with improving urban form

Improving urban form is central to addressing mode shift and climate change outcomes. Achieving compact mixed-use development in the right locations improves accessibility and transport options, reduces carbon emissions and other environmental harm and improves health and safety outcomes. Consideration could be given in the policy to an additional 'unit of demand factor' (combined with development type) around specific locations e.g. a reduced unit of demand for higher density development within the walkable catchment of rapid transit stops or the planned frequent transit network.

2. The timeframes for extending the policy to other areas

Waka Kotahi supports the extension of this policy framework to other priority areas as information becomes available. It is important that this is done as soon as possible to avoid incentivising one area over another where outcomes such as carbon reduction, mode shift and safety may be more difficult to achieve.

3. The extent to which there has been consideration of additional funding

There are currently multiple sources of funding available for transport projects in Auckland. Waka Kotahi would encourage ongoing discussions through established partnerships to better understand the approach to development contributions if other funding sources are involved.

5. Other matters

Waka Kotahi would like to continue to discuss the development contribution policy in the context of consistency with other related matters and processes including:
- infrastructure, investment, funding and finance
- business cases including Supporting Growth Alliance
- Regional Land Transport Plan and National Land Transport Programme reconciliation
- alignment with other infrastructure coordination

Thank you again for the opportunity to provide feedback on the developer contribution policy review.

Yours sincerely



Steve Mutton
Director Regional Relationships

#

Development Contributions Review

Feedback received from Monday 20 September to Sunday 17 October

Development contributions are charged to people responsible for new developments to ensure that an appropriate share of our investment in infrastructure is recovered from those who either create the need for the infrastructure or benefit from our investment.

We charge development contributions where the new development requires us to provide new or upgraded infrastructure for:

- transport, footpaths, roads and intersections
- drainage systems and stormwater mitigation
- parks, park facilities, sports grounds and community facilities.

The infrastructure required to support Auckland's growth includes infrastructure to allow houses to be built now, through to the regional investments necessary to support communities in a growing city.

Our Contributions Policy sets out the costs to be recovered and how these are charged in different parts of the region. This is regularly updated for new information, including projected growth, planned investment, or policy decisions made.

The current Contributions Policy took effect in January 2019. We want your feedback on a new Contributions Policy, to take effect from January 2022.

Note: this version of the feedback form has been created for the purpose of publishing submissions. As such, contact and demographic information has been removed and handwritten submissions have been transcribed.

Submitter details

Name of organisation/business:

Questions

1. Updating capital projects in the 10-year Budget

In June 2021 Auckland Council adopted its Recovery Budget (10-Year Budget 2021-2031), which included a 10-year capital programme and 30-year Infrastructure Strategy.

We are proposing to update the Contributions Policy to reflect the latest cost projections and timing of the 10-year capital programme in the 10-year Budget. We are also updating our projections of population and development, both by area and over time, to align with those projections in our 10-year Budget.

The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Agree

Comments:

The proposals in Drury are out of sequence with the planned growth for the region, and the scale of development is far greater than was expected at this time. Developers should have to pay for the privilege of going first and ahead of plans for infrastructure

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

Additional infrastructure will be required to cope with the expected growth. All development over the next 30 years will benefit from this.

We propose to include the additional investment from 2032 onwards, that we intend to deliver in order to cope with the expected growth, in our Contributions Policy. We plan to amend the Contributions Policy in stages for each investment priority area as information becomes available, starting with Drury.

The proposed change in Drury will raise the development contribution price from between $11,000 and $18.300, to $84,900 for development in the area.

This reflects the infrastructure investments required to develop a new community the size of Napier, that is accessible and sustainable. The options for funding this infrastructure are from taxpayers, ratepayers or developers. We think it is fair that developers in the area pay an appropriate share of the costs of this investment. This won't affect house prices as they are determined by supply and demand.

What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Agree with the proposal and starting with Drury

Comments:

2. Payment timing change

Under the 2019 policy, the timing of contribution payments due at building consent on residential development was extended to between 6 and 24 months after consent is granted.

Since then, our finances have been affected by COVID-19 and our ability to fund infrastructure for growth is now more constrained.

In light of this, we propose that contributions are paid at the time building consent is granted for all development (residential and non-residential), except non-commercial development on Māori land. Therefore, developers will have to pay development contributions due at building consent 6 to 24 months earlier than at present.

Earlier receipt of payment will allow us to bring forward some of our planned investment.

3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Agree

Comments:

The earlier the better, and this will ensure that developers rather than homeowners pay their fair share

4. Supporting development of Māori land

A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.

We are proposing to continue supporting the development of marae, papakāinga and Māori housing on Māori land with grants available through the Cultural Initiatives Fund.

Currently, there is not enough money in this fund to meet all requests. As such, we plan to review the level of funding as part of the Annual Budget 2022/2023, along with which types of Māori land should be eligible for a grant.

Additionally, we propose to exempt not-for-profit development on Māori land from reserve contributions.

The earlier payment timing proposed above would not apply to non-commercial development on Māori land.

5. What do you think about our proposal to support Māori development with grants?

Response:

I don't Know

Comments:

6. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas
- Stormwater – one new and four amended funding areas

We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

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The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Disagree

Comments:

The proposed model increases the cost of housing and if the Council cannot fund then other funding mechanism need to be investigated eg from NZ Super fund

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

Additional infrastructure will be required to cope with the expected growth. All development over the next 30 years will benefit from this.

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What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Disagree

Comments:

2. Payment timing change

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Earlier receipt of payment will allow us to bring forward some of our planned investment.

3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

If Covid has got in the road of funding then look at alternatives

4. Supporting development of Māori land

A change in legislation requires our Contributions Policy 2021, along with some of our other financial policies, to support the principles of Te Ture Whenua Maori Act 1993, including to facilitate development and utilisation of Māori land.

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Response:

Disagree

Comments:

6. Other proposed changes

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What do you think about this proposal?

Response:

Agree

Comments:

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Response:

Agree with the proposal and starting with Drury

Comments:

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Response:

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Comments:

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Comments:

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in general the contention that development contributions do not impact house prices is misleading at best. I would consider that they are a major contributor to the marginal new house price, which impacts the price of all houses. Council trying to make somebody else pay for infrastructure is obviously a fair idea, but more effort should be put into lobbying central government rather than simply passing it onto developers, who will then pass it on to property buyers.

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What do you think about this proposal?

Response:

Disagree

Comments:

If you think adding costs at the front end of building a house is not going to increase prices of housing you must have swallowed a very interesting calculator..... think about it before quoting 'research' just think about it...

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Response:

Disagree

Comments:

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

Again you are adding to the cost of housing .... try making efficiencies rather than adding bureaucrats and costs .... a new idea maybe???

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Response:

Other

Comments:

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Comments:

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What do you think about this proposal?

Response:

Other

Comments:

Greenfields development should be heavily discouraged.

Greenfields development contributions usually only recognise a small part of the impact on council budgets. Explansion of coucil services into greenfields includes development of public transport, libraries, parks and community centres, not just road and water assets.

In addition it provokes additional traffic on other roads in the Auckland area, increasing the road maintenance requirements.

2. Including capital projects beyond 10 years

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Response:

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Comments:

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Agree

Comments:

Council needs to be in position to build any required services at the same time as the development is occurring so that the services are available at the time the development becomes occupied.

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Comments:

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What do you think about this proposal?

Response:

Disagree

Comments:

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Response:

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Comments:

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Response:

Disagree

Comments:

Developers, like all businesses, have to manage cash flow. any payment should be tied to the SALE of the properties, perhaps best managed as part of the BUILDING CONSENT process. It is nonsense to claim that "This won't affect house prices as they are determined by supply and demand."

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What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Agree with the proposal and starting with Drury

Comments:

2. Payment timing change

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Agree

Comments:

4. Supporting development of Māori land

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The earlier payment timing proposed above would not apply to non-commercial development on Māori land.

5. What do you think about our proposal to support Māori development with grants?

Response:

Disagree

Comments:

6. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas
- Stormwater – one new and four amended funding areas

We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

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Development Contributions Review

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The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Agree

Comments:

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

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Response:

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Comments:

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Response:

Agree

Comments:

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Response:

Disagree

Comments:

6. Other proposed changes

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Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

new infrastructure to cater for development should come entirely from the developers. if these costs are not fully met the external costs of private development are imposed on the wider public.

2. Including capital projects beyond 10 years

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Response:

Agree

Comments:

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5. What do you think about our proposal to support Māori development with grants?

Response:

Disagree

Comments:

6. Other proposed changes

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Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

2. Including capital projects beyond 10 years

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Response:

Other

Comments:

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Response:

Other

Comments:

While I understand the need to refill the municipal coffers, it'll be important to balance that with the risk of making more developments less viable as some developers may not be able to afford to pay the contributions until they have pre-sold some of their units. This may also make it more difficult to get finance.

Will these contributions be refunded if the BC expires?

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5. What do you think about our proposal to support Māori development with grants?

Response:

I don't Know

Comments:

6. Other proposed changes

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What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

Auckland is running out of water storage/supply, yet more demand from new houses are loaded onto the system, meaning we will be in drought conditions indefinately

2. Including capital projects beyond 10 years

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What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Disagree

Comments:

2. Payment timing change

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Response:

Agree

Comments:

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Response:

Disagree

Comments:

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Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

New Zealand resident, FIRST home buyer deduction/credit of 50%

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What do you think about this proposal?

Response:

Agree

Comments:

Seems logical. Everything around DC's needs to be more transparent to reduce risk to Council from (percieved or real) underdelivery on those DC's.

2. Including capital projects beyond 10 years

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Response:

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Comments:

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Comments:

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Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

Working in this space, the growth programme, and subsequently DC's and how/where they are spent has been a very grey part of the business. I would welcome additional education, input and transparency around this programme.

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The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Disagree

Comments:

In the past development expenditure has NOT been put back into community by ARC. You only have to see this from development in Warkworth to know that NIL is put back.Why now can we trust ARC to put in schools,hospitals,ameenities. It would be very unfair for new builds to now cost an additional $75K +. This will price first homebuyers out of market. You are asking people now to pay for development for next 30 years > absurd

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

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What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Did not respond

Comments:

2. Payment timing change

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

Why should maori land be exempt???? Completely inequitable

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Response:

Disagree

Comments:

6. Other proposed changes

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What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

It is a good idea to recover some funds for development but to suddenly raise it to 85K + is wrong

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The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Agree

Comments:

It seems fairer than the present system

2. Including capital projects beyond 10 years

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What do you think about our proposal to add projects beyond 10-years to the policy in stages starting with Drury?

Response:

Agree with the proposal and starting with Drury

Comments:

2. Payment timing change

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Agree

Comments:

It is absolutely right that the monies are paid at this time as the Council liabilities start then - or even before; why should Council in effect grant a loan to developers.

4. Supporting development of Māori land

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5. What do you think about our proposal to support Māori development with grants?

Response:

Disagree

Comments:

6. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas
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What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

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I think the amendment to timing of payment falling due is a very good thing.

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What do you think about this proposal?

Response:

Did not respond

Comments:

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Response:

Did not respond

Comments:

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

No special treatment for anyone, whether they be Asian, African, Non-maori, Maori or any other race.

Religious organisations should also be very restricted on their tax free status to stop the many rorts that exist.

Developers should not have to pay the fees up front, generally they are already financing their projects so the contributions should be due upon project earthworks starting. Council will already have caused the developer many costly delays. If council grants consents without any delay, then maybe the fees could be paid up front. Two way street.

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Response:

Disagree

Comments:

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Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

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Response:

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

The developer will just have to borrow the money to pay it earlier, your proposed actions to bring payment date forward are the actions of a monopoly organisation. The council can borrow more, even if it impacts on their credit rating and they should do this in these extraordinary times., so why sh

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Response:

Other

Comments:

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What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

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Response:

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Comments:

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Comments:

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What do you think about this proposal?

Response:

I don't know

Comments:

Short on detail, large on marketing. Links not working

2. Including capital projects beyond 10 years

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Comments:

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Earlier receipt of payment will allow us to bring forward some of our planned investment.

3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

Crazy timing and will stifle plus increase dodgy.

4. Supporting development of Māori land

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5. What do you think about our proposal to support Māori development with grants?

Response:

Disagree

Comments:

6. Other proposed changes

We are proposing some other minor changes to funding areas:

- Transport – three additional funding areas
- Stormwater – one new and four amended funding areas

We also propose that the new policy include a clause confirming our ability to recover debt collection costs for outstanding development contribution payments. The current policy does not specify this.

What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

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The proposed updates will have different impacts on the amount of contributions required in different areas, depending on what investment is planned and the projected growth over time in each area..

What do you think about this proposal?

Response:

Agree

Comments:

Its important that in=fractsturusre is developed. its wrong that the developer doesn't have to meet these costs

2. Including capital projects beyond 10 years

Auckland is growing rapidly, and major infrastructure investment is required. The 10-year Budget commits significant investment to support growth in identified investment priority areas. However, this is not enough to address the cumulative impact of growth over the 30-year term of our Infrastructure Strategy.

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Response:

Agree with the proposal and starting with Drury

Comments:

2. Payment timing change

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Response:

Disagree

Comments:

to much up front cost that will unnecessarily increase developers cost

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5. What do you think about our proposal to support Māori development with grants?

Response:

Disagree

Comments:

6. Other proposed changes

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What do you think of the proposed changes (please be clear which proposal you are talking about)?

Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

portion of contributions must be ear marked for greening especially tree planting of specimen type trees this not just street trees

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What do you think about this proposal?

Response:

Disagree

Comments:

Developers are smaller business bodies that will not want to contribute. The fees should not fall on tax payers, we already pay rates and taxes. You don't leave a choice for people, you say WE WILL raise the contribution and it will be either you (taxpayer and ratepayer- which is the most of middle working class, or developers). The state should spend what is allocated for infrastructure and not force people to pay more.

2. Including capital projects beyond 10 years

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Response:

Disagree

Comments:

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Response:

Other

Comments:

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Response:

Disagree

Comments:

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Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

New developments need to include the cost of infrastructure

2. Including capital projects beyond 10 years

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Comments:

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Response:

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Comments:

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Comments:

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What do you think about this proposal?

Response:

Agree

Comments:

2. Including capital projects beyond 10 years

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Response:

Agree with the proposal and starting with Drury

Comments:

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Response:

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Comments:

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Response:

Agree

Comments:

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What do you think about this proposal?

Response:

Other

Comments:

Generally good but some bad.

Need to always take reserve contribution, preferably in land, including from Maori

2. Including capital projects beyond 10 years

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3. What do you think about requiring developers to pay their contributions when building consents are granted?

Response:

Disagree

Comments:

DC should be levied on subdivisions and building consents with payments invoiced at that stage but payment required at a later date to enable the developer to achieve some income, eg 6 mths from S224c or 24mthd from building consent.

To enable greenfield development the developers should be funding the required infrastructure through Development Agreements with other land owners and the council. These worked very successfully in Papakura District (Karaka & Harbourside and also Takanini) In PDC there were huge infrastructure requirements for the rapid development and it went very well with DC and DA's. You should discuss options with the previous Papakura District Council management including Development Control Manager for advise on practical solutions for DC's and Dev Agreements.

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Response:

Other

Comments:

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Comments:

Do you have any other feedback on the draft Contribution Policy 2021?

Take advise from those with experience especially past management (Development Control Manager and others) from the Papakura District Council. It was very successful with DC's and Dev Agreements during very rapid growth

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