

Development Contributions Review

Consultation (20 September - 17 October 2021)

Online Have Your Say (HYS) Event Notes (24 & 30 September 2021)

The below notes capture the consultation questions, comments, and answers from all those that contributed to the Online Have Your Say Events held on 24th and 30th September 2021. They have been displayed in the themes reflective of the proposed changes in the consultation documentation.

Development Contributions Growth/ Recovery Budget

Q1.

Can you please confirm that the average development contributions (DCs) after all adjustments will be less than the current average DC? And can you please confirm what the average change to DCs will be for infill into existing urban areas?

A1.

Overall, the weighted average urban price is proposed to come down from \$23,900 in Contributions Policy 2019 to \$21,500 under the draft Contributions Policy 2021. There are too many variations across the city to be explicit in this forum on the impact on an individual site. The information can be obtained by viewing the comparison between schedule 3 of both policies. The proposed changes to funding areas can be seen in the map on our website.

Q2.

Can you outline the role of central government in funding this growth and whether DCs are the same for Kainga Ora?

A2.

We're expecting central government funding for transport infrastructure from Waka Kotahi. Kainga Ora pay development contributions in the same manner and calculated the same way as any other developer.

Q3.

Has the Council's modelling for the proposed DC policy been independently reviewed and if so, will council make the review publicly available. Same question for legal basis for changes.

A3.

The draft policy has been reviewed for legislative compliance by our internal and external legal advisers. Council doesn't release this advice as it is subject to legal privilege and is therefore confidential.

Auckland Transport has undertaken an independent review of the methodology used to calculate the split between growth, level of service and renewal. The model has been reviewed internally and by Audit New Zealand.

Q4. Comment

Supports the instrument to deal with growth and supports the principle of DCs. My concern is at a very high-level regarding development contributions, that while councillors hop on the DC bus, which they should, there is a huge gulf between the good intentions of policy and what happens in the detail. Council needs to maintain the integrity of development contributions and its requirements. If the underlying system has problems and these problems have not been reviewed properly then it undermines the whole process and leaves a lot of scope for mistakes.

Q5.

Can you please elaborate on the DCs raised in 2010 vs what's prospected for 2023?

A5.

In 2010 DCs were based on liability assessed under legacy council policies. The former councils used some or all of a mix of development contributions, financial contributions and accepted the vesting of assets in lieu of contributions. It is not possible to make a useful comparison between the DC revenue the former councils collected or planned to collect with the revenue the council proposes to collect from DCs under the draft Contributions Policy 2021.

Auckland Council adopted its first contributions policy in 2012. Under the 2012 policy the council forecast to collect \$2.1 billion in DCs over the 10 year period from 2012-2022 from \$20 billion in capital expenditure in the same period. Under the draft Contributions Policy 2021 the council is forecasting to collect \$2.6 billion of DCs over the 10 year period 2021-2031 from \$32 billion in capital investment in the same period.

The table below sets out the DC revenue collected in each financial year since 2013.

Financial Year	DC revenue millions
2013	\$64
2014	\$102
2015	\$107
2016	\$131
2017	\$164
2018	\$180
2019	\$178
2020	\$156
2021	\$226

The early years are not comparable with the later years as a substantial proportion of revenue from developers would not have come from DCs but from financial contributions or assets vested in lieu of contributions, in either form, assessed under the policies of the former councils.

Q6. Looking back since the current policy was introduced in 2019, how does the forecast DC collections compare with the actual collections (for ex calendar years 2019 and 2020)?

A6. While the forecast DC revenue for the last two years individually has varied from actuals in sum the amount collected is 97% of forecast for the combined period. The following table sets out the DC revenue for the financial years 2020 and 2021 from our Annual Report.

Financial year	Forecast, millions	Actual, millions
2020	\$258	\$156
2021	\$137	\$226
Total	\$395	\$383

Q7.

This increase in revenue is a big shift in how council operates. More work is required to be undertaken in demand factors area. Where is this work?

A7.

The work identified through the 2018 and 2019 review process began in 2019. The completion of this work was disrupted by the impact of Covid-19 on the resources available to carry out the work, our ability to assess the demand for use of the services provided by our infrastructure and uncertainty about the way in which the community will use council assets in the future. We are planning to restart this work next year.

Q8.

One of the slides referred to the council's financial stress due to COVID-19, does the council acknowledge we have ALL suffered financial stress due to Covid-19 and this new policy is just making it harder for developments to proceed.

A8.

Council has been impacted and recognises that the general public has been too. However, we also note that the economy has picked up again, and we still need to make infrastructure investments. The Council needs to determine the fairest way to apportion these costs. The issues raised through feedback in the consultation process will be an important part of that decision making.

Q9.

Comment. We need full certainty on delivery of appropriate and timely infrastructure. Keen to work together to achieve that in a cost-effective manner.

Including projects beyond ten years

Q1.

How does this impact Paerata as the proposed policy doesn't impact Paerata

A1.

The initial work focuses on the investments required to support growth in Drury. This doesn't cover the Paerata area. As a result, the draft policy doesn't directly impact on the Paerata area. However, the council will continue to work on the investments required to support growth across the region and if it is determined that further investment is required to support growth in Paerata and the intention is made to deliver this work, it may be included in a future DC policy.

Q2.

Based on the proposed DC cost recoveries provided, how much volatility for development numbers has been considered for the next 10 years? Say if a significant number of developments drop off or accelerate over the 10 years

A2.

We monitor actuals against forecasts monthly so we can identify any variations. If significant variations occur, we may review our policy and the timing and scale of capital expenditure commitments. We review our DC Policy every three years which is normally sufficient to account for this variation.

Q3.

Is there a prioritised list of DCs we are reviewing?

A3.

Council has prioritised investigation into the investment priority areas identified in the 10-year Budget 2021-2031. These include areas around the CRL stations (Mt Eden, for example), the inner Northwest, Drury, and the Auckland housing programme (AHP) areas (Tamaki, Mangere, Northcote, Mt Roskill). We have not prioritised within these areas yet as we are looking at the information now to guide our future decision-making. We will be considering these areas as quickly as possible. The AHP areas could proceed more quickly than others. We are looking to advise on timeframes in December when the council will consider the feedback from this consultation and makes decisions on the adoption of a new policy.

Q4.

What happens if the projects expected to be built beyond the 10 yr horizon do not proceed? Are developers expected to ask for a refund in 30 years time?

A4.

We review our policy at least every 3 years and will have a clearer understanding of where infrastructure is to be prioritised and assumptions will be adjusted each review period.

Q5.

Who makes what decisions in including what areas for development? This is a lot of money developers have to find. Is there a way forward where we can work collaboratively with developers in this area?

A5.

Where significant areas of development, such as Drury, are planned to be developed, there is an extensive process undertaken in developing and consulting on the plans for the area. Where a Structure Plan is developed, it follows a rigorous process of development & consultation. For example, the Drury-Opaheke Structure Plan was developed over a two-year period with three phases of consultation (on planning issues, Land Use Plans, and the Structure Plan). Through this process and through further analysis, the infrastructure needs of the area are understood and we identify what an area needs in its infrastructure over the next 30 years. This work through the Structure Plan and the further analysis, consults and draws information from developers on what their plans are now and what they may expect to have in the future and how this intersects with the infrastructure that is required.

Once this process is complete the investments required will be included in a draft contributions policy amendment. The council will then consult on that policy amendment as we are doing now. The council will then consider feedback on the draft policy before deciding on the amendments to adopt.

Q6.

Question 2 on the feedback form (capital projects beyond 10 yrs): do you have any objective threshold about the minimum quality of level of confidence in the info that you would use, and where they may not be adequate to give you a sufficient level of confidence? And beyond the level of confidence, what level of commitment is there to the difference between work in the year 1-10 in the LTP, and the commitment to what is in years 11-30 which is in the infrastructure strategy?

A6.

The process we have used to identify and cost the investments required to support growth in Drury beyond 2031 is the same used for the programmes of work and projects included in the 10-year Budget 2021-2031. The analysis to establish the proportion of the costs of the programmes of work and projects planned for beyond 2031 that it is proposed to be recovered with DCs is the same as the process used for projects that are planned to be delivered within the next decade.

We do not have information at the required level of detail for the other investment priority areas. We are developing a work program and timeframe to deliver that work with the goal to complete as much of the work as is practical within the next 12 months.

Development contributions and house prices

Q1.

The end user is also an option to pay if targeted rates were considered? This spread's the burden over future years rather than increasing the cost of housing up front. Has this been considered?

A1.

Council has considered the use of targeted rates as an alternative to DCs. However, at present DCs remain the primary tool for the council to recover a share of the cost of growth from development. If targeted rates were used instead of or in conjunction with DCs it would be important to ensure there was no double charging.

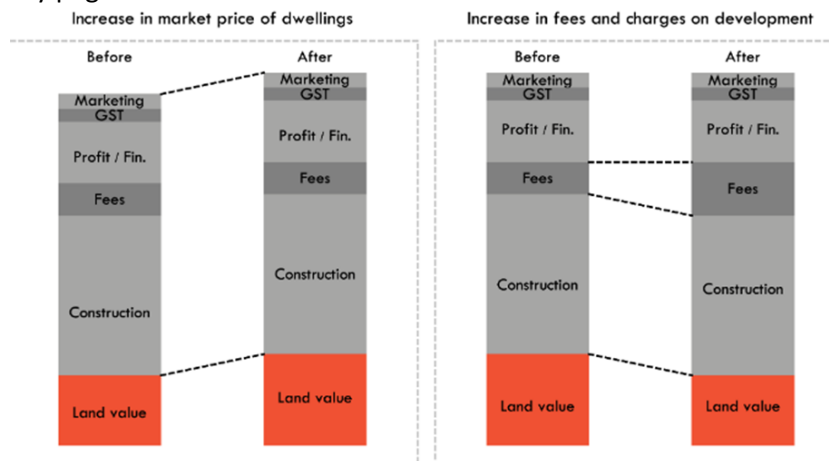
Targeted rates would spread payment of a share of the cost of growth infrastructure over time. However, a rate, unlike a DC, would be payable on land whether or not it was being developed. Despite the land and housing markets not being perfect we consider that a charge to recover a share of the costs of infrastructure investment to support growth would be reflected in the cost of raw land whether it was a DC or a targeted rate. A targeted rate used instead of a DC would have a similar net present value and purchasers of land and houses would take this into account.

Q2.

Developers don't pay DCs. It forms part of our cost structure, and we simply pass it on. For every dollar added on the costs side it adds 2 to the retail end. You are simply raising the cost of housing significantly. That's not how it works in the real world.

A2.

When DCs increase, the impact flows through to land prices. We consider that the price of houses is driven by supply and demand and isn't cost plus. When DCs are increased the cost flows through to raw land prices. We have attached supporting information setting this out further on the Have your say page.



Q3.

Comment.

No disrespect but your charts are wrong. In development, land and construction are fixed costs, fees, margin, interest, and GST are a percentage on the fixed costs and therefore compounding when you add more to the fixed cost price go up. If you want to get in touch directly, we can discuss.

A3.

See answer to question 2 above.

Payment timing

Q1.

Is the payment timing change only for residential development?

A1.

The proposal includes both residential and non-residential development.

Q2.

What happens if DC are paid on granting of BC, but the build ultimately does not proceed/the BC lapses?

A2.

If a building consent or any consent pays DCs and the consent doesn't go through, council will refund DCs as required under section 209 of the Local Government Act 2002.

Q3.

Regarding the new timing in the policy, this has been an issue since 2002 when the LGA was introduced. In the real world, developers cannot get funding lines in place until BCs are granted, and those funds are used to pay the DCs. Because of this, and in the past, council have considered deferrals or bonding to assist and development. is this still an option? For large developments, if we cannot get building consent and therefore funding to start projects, you will kill developments and we won't be able to get anything off the ground.

A3.

The council will need to balance the impact of earlier payment on developers against the benefits earlier payment provides to the council. The purpose of this consultation is to get feedback from the development community to assist the council in decision-making.

Development contributions and Māori land

Q1.

Question 4 on the feedback form is on Māori freehold land, and that council is looking to exempt Māori land from reserve contributions. I presume you're not proclaiming that those developments don't place a demand for reserves – but they're exempt – how will that shortfall be funded if not by the grant?

A1.

The shortfall will be covered by rates.

Other questions of interest

Stormwater

Q1.

Stormwater reticulation exists in areas but has not been extended to particular sites. Council requires a developer to pay the full cost of public assets required to connect to the reticulation. How will the DC policy allow for the forced developer payment for these public assets?

A1.

Infrastructure required by developers to connect to public assets is not included in the calculation of development contributions. These investments are not included in council plans and developers may be required to deliver connectivity infrastructure as well as paying development contributions towards public bulk infrastructure.

Q2.

Historically, where a development drains SW to a natural stream/sea (i.e., not through a HW asset), then stormwater DCs are not paid. Does this still hold true?

A2.

The legislation sets out a test for development which determines a linkage between a development site and demand placed on infrastructure. This process is the same under the proposed policy as it has been in the past. This test is dependent on an individual site as well as cumulatively with other properties in the area/network. If a site is not creating a demand or benefiting from infrastructure that council is recovering some costs from through development contributions, then no DC will be imposed for stormwater.

Consultation

Q1.

Can councillors and officers give the assurance that this is genuine consultation, and you are listening with open minds

A1.

This point was reiterated by several councillors who let it be known their desire to hear feedback before the council makes their final decision regarding this policy. This process whilst different than face to face forums it no less valid or significant. It is important to attend the Have your say events as well as providing feedback to this policy review.

Q2.

Can the council share with the public all the info and documentation used to calculate the proposed DC fees to ensure we fully engage with this proposal?

A2.

There is a large amount of information on the Have Your Say page. We have included pdf copies of our financial models to support this engagement.

Q3.

Will there be an opportunity for stakeholders to present directly to councillors face to face? When?

A3.

Submitters can register to attend an HYS event to present their submissions directly to councillors on 12 October 2021.

Q4.

Can you please put up the video of this event on the website?

A4.

We are not recording the event but will distribute feedback themes before the end of consultation.

Q5.

Can we please have a copy of the presentation (shown at HYS online event)

A5.

A copy of the presentation has been added to the have your say page under the document list.

Q6.

Comment. Given the magnitude of the proposed changes, we consider the council needs to extend the consultation time to ensure the public has enough time to fully engage

A6.

Noted.

[Previous Review/Legal](#)

Q1.

Can you talk about the Hamilton legal case?

A1.

Several developers questioned the validity of the way Hamilton City Council undertook or operated their development contribution policy. The court found in favour of Hamilton City Council in all points.

Q2.

During the last policy review, there was a significant look at the DCs from commercial and retail activities. I understand that this is not being looked at in this policy review but is still being looked at. What is the status of this workstream, and will there be a subsequent policy update before the next policy review?

A2.

Work on a review of demand factors was started in 2019. Unfortunately, this work was impacted by COVID-19, in terms of resourcing and the way in which the infrastructure is being utilised. We're planning to restart this work and develop a new work program considering the new environment and look forward to working with the industry on this.

Q3.

Comment. S197AA of the LGA says in summary says that DCs should be 'fair, equitable, and proportionate'. How can a policy that the council officers acknowledge is incomplete because it hasn't addressed the demand factors (something that council officers had 2 years to do before COVID-19) be consistent with the Act. Putting that another way, how can councillors approve a policy that is only partly on accord with the Act

A3.

Noted.