



Sharing the cost of Drury's growth

Contributions Policy 2022 Variation A
Consultation Document

25 August 2022, Version 1.0



About this document

This document:

- provides an overview of our long-term plans to invest in parks, community facilities, and transport infrastructure to support growth
- recognises the importance of recovering a fair share of the costs of the infrastructure from all the developers in growth areas to ensure we can deliver the investments.
- describes our long-term plans to deliver infrastructure in Drury and the contribution to costs we propose to recover from developers
- notes the concerns raised when we consulted last year and how we have responded to them
- shows how we have estimated the cost of investments, the share attributable to growth within Drury and the consequent development contributions charges that will apply in the area
- should be read in conjunction with the Draft Contributions Policy 2022 Variation A document.
- sets out how you can have your say on this proposal

Within this document:

- all prices are stated excluding GST unless otherwise noted
- all expenditure includes the forecast impact of inflation

To assist your consideration of this proposal we have made the following supporting documents available: These documents can be found online at akhaveyoursay.aucklandcouncil.govt.nz/DC-policy2022-Drury, or you can request copies through the contact details at the end of this document.

Supporting Document Pack:

General policy documents and information:

- Draft Contributions Policy 2022 Variation A (*Proposed changes have been highlighted in yellow*)
- DC Model
- Methodology for Calculating DCs for Drury – an overview of our approach to calculating contribution charges for Drury
- G1 Drury Funding Area Maps
- G2 Detailed Transport Costs
- G3 Cost escalation factors and interest rates

Additional supporting information for transport, community facilities and parks:

- T1 Drury Developer Contributions Policy Transport Assessment
- T2 Drury Infrastructure Funding and Financing (DIFF) - Cost Allowances
- T3 Property cost estimation – for the Drury area
- C1 Supporting advice for calculation of Drury/Ōpaheke community facilities provision
- P1 Open Space Cost Modelling Method

External reviews of our methodology and approach:

- R1 Review of growth model assumptions
- R2 Auckland Council Cost Estimation Review
- R3 Methodology review: Beneficiary analysis for Auckland Council's Contribution Policy 2022
- R4 Economic incidence of developer contributions
- R5 Equity of options for funding long-term infrastructure investments

Having your say

Public consultation runs from 13 September to 8 November 2022.

For more information on how you can provide feedback, please see the last page of this document.



Contents

- Executive summary 3
- 1.0 Introduction 5
 - 1.1 Our long-term investment plans..... 5
 - 1.2 Recovering the cost of long-term investment plans 5
 - 1.2 Response to engagement in 2021..... 6
- 2.0 Drury context and long-term investment planning 7
- 3.0 Drury investment and development contributions charges 9
- 4.0 Equity and impact of including infrastructure beyond 2031 in our contributions policy..... ~~12~~¹¹
 - 4.1 Key findings on equity of options for funding long-term infrastructure investment..... 12
 - 4.2 Key findings on Impact of development Contributions on house prices ~~13~~¹²
- How you can have your say 13

Executive summary

1. Auckland is projected to continue to grow rapidly over the next thirty years with our population reaching 2.4 million by 2050. Delivering infrastructure such as parks, community facilities, and transport networks to support this growth is a key part of what the council does.
2. The infrastructure we provide not only enables development to occur (through the provision of services such as transport and stormwater) but also ensures communities have access to the parks, libraries and other community facilities that Aucklanders expect. We fund this infrastructure through a mix of rates, central government grants and development contributions paid by developers.
3. Development contributions are charges that recover from new developments an appropriate share of the cost of this investment in infrastructure. The portion to be paid by new development is determined by our Contributions Policy. This policy ensures the cost of new infrastructure is fairly shared between developers and ratepayers based on who causes the need for and who benefits from the investments. To date our contributions policy has only apportioned our infrastructure investment for the next ten years.
4. The council's capacity to support growth with infrastructure is limited and we need to prioritise our investment. Through our 10-year Budget and 30-year Infrastructure Strategy we identified a few key locations to focus our limited resources. These are all joint priority areas with government and include the Auckland Housing Programme (Mt Roskill, Oranga, Māngere, and Northcote and Tamaki), the Northwest (including Redhills, Whenuapai and Westgate), Drury, and the CRL Stations at Mt Eden and Karangahape.
5. Development in these priority growth areas will take a lot longer than ten years and our plans include investment over a thirty-year period. To ensure the costs of this investment are fairly shared between developing landowners and ratepayers we are proposing to extend the time horizon for our contributions policy beyond the next ten years. This means early developers will pay a fair share of the cost of the investments required to meet the cumulative impacts of growth they benefit from and cause the need for.
6. As a first step we are adding longer-term investment projects for Drury to the policy. The next stage will be to add the longer-term investment projects for the remaining investment priority areas.
7. Drury is expected to grow to a city the size of Napier over the next 40 years. The government and Auckland Council will be investing billions of dollars of infrastructure to ensure it develops into a functional community well connected to the rest of Auckland. Auckland Council is planning to deliver \$2.869 billion of this and is proposing to fund \$1.394 billion from developers through development contributions.
8. The Contributions Policy 2022 already provides for the recovery of \$399 million of the investment in Drury in the period to 2031 with a contributions price, including regional and sub-regional charges, of \$22,564 per household equivalent unit. We are now proposing to vary this policy to add investments beyond 2031 to support development in Drury. The investments planned for beyond 2031 are:
 - \$1.882 million in transport including arterial roads and key elements of the collector network to provide an integrated public and private transport network and active transport investment connecting Drury to the wider city (in addition to the \$243 million council has already committed to invest before 2031)
 - \$403 million for 43 new parks, with a total land requirement of 32.4 hectares (in addition to the \$156 million council has already committed to invest before 2031)
 - \$185 million for a single multi-purpose facility including a community facility, leisure centre, library, and local pool.
9. Stormwater requirements for Drury beyond 2031 will be identified and added to the contributions policy as more information becomes available on the location and form of development.

10. Of the \$2.470 billion of projects we plan to deliver beyond 2031, \$1.142 billion is proposed to be funded by developers through our contributions policy. This additional revenue requirement will raise the contributions price for Drury by an average of an additional \$60,687, per household equivalent unit (HUE) to a total of on average \$83,251 per HUE. Different charges will apply to different geographical areas based on the benefits accruing to each area.
11. While this represents a major price increase it ensures developers, over the entire development period to 2060, are paying a fair share towards the cost of the infrastructure required to support growth in Drury. The revenue raised will ensure ratepayers are only asked to meet their fair share of the costs and provide greater certainty that key infrastructure is delivered. Without this funding the burden of providing infrastructure and risk of undesirable outcomes will fall on the remainder of the city's ratepayers and the future residents of Drury.
12. The majority of feedback received from consultation last year supported the proposal to add projects beyond 10 years to the contributions policy, with Drury as the first stage. However, developers were less positive and sought more detailed information. In response the council deferred a decision so that more detailed information could be provided.
13. We have now prepared that detail. In producing this we have updated our forecasts for the timing and location of growth within Drury and of construction costs, land price inflation, and interest rates.
14. We also sought external reviews of our growth forecasting, cost estimation, and approach to calculating the share of costs to be recovered from developers. We have taken on board the recommendations of these reviews and applied them to our calculations of the contributions charges for projects we will deliver beyond 2031 in Drury. We will consider the incorporation of these changes into the wider contributions policy as part of our future policy reviews.
15. We have also undertaken further analysis of the distribution of the benefits of the proposed transport projects within Drury. Our proposal now allocates the transport costs to be recovered from development contributions to four new funding areas within Drury and to the relevant neighbouring areas. We have applied the same analysis to the Drury transport projects to be delivered within the next ten years, that are included in the current Contributions Policy 2022. We are proposing to reallocate these projects to the new funding areas. Adjustments are also made to neighbouring funding areas to reflect the benefits from community facilities investments, the regional transport funding area for wider transport benefits, and to the regional community facilities funding area for the library.
16. As identified above, a substantial increase in contributions charges is required if developers are to meet a fair share of cost of the investments required to support Drury's development. In feedback received last year, developers expressed concern about the equity of charging them now for investments that wouldn't be delivered until the next decade. In response the council sought independent economic advice on this issue, as described in section 4.1 of this document. This advice confirms the council's previously presented analysis: that while the physical infrastructure wouldn't be delivered until later, current landowners still benefit from the commitment to deliver in terms of higher land values. Furthermore, development occurring during the early years of this policy still contributes to the need for planned capital expenditure that will be incurred beyond 10 years' time.
17. Developers also raised concerns that higher contributions prices would raise house prices. While the impact on house prices is not a key consideration in the development of our contribution charges, we have nonetheless sought independent economic advice on the validity of this concern as described in section 4.2 of this document. This research did not find any evidence that increasing DCs in Drury would lead to higher house prices over time.

1.0 Introduction

18. Auckland Council uses development contributions (DCs) to ensure an appropriate share of our investment in infrastructure is recovered from those that create the need for, and benefit from, the investment.
19. Our contributions policy sets out the costs to be recovered and how these are translated into contribution charges in different parts of the region. This is regularly updated to reflect new information, such as updated projections about growth, planned investment, or policy decisions made.
20. A list of assets which receive funding from development contributions under the current contributions policy is published as Schedule 8 to the Contributions Policy 2022 and this is available on [the council's web site](#)¹.
21. The current contributions policy was consulted on in late 2021 and became effective from 10 January 2022 and includes the projects the council plans to invest in during the period of the 10-year Budget 2021-2031. We are now proposing an amendment to this policy, to enable the inclusion of infrastructure for Drury beyond the ten year period of the 10-year Budget 2021-2031. Feedback from this current consultation will be considered, by council early next year before a decision is made on whether to amend the Contributions Policy.

1.1 Our long-term investment plans

22. Planning for investment in transport, water, wastewater, stormwater, parks and community facility infrastructure prior to an area developing ensures the cumulative impacts of growth are accounted for and growth is serviced and occurs in a well-planned and coordinated manner. This planning includes the works that developers will fund and deliver in the immediate area of their development and the public works undertaken by the council to connect and serve the wider area. We work closely with the development community to ensure that our investment plans achieve an appropriate balance between the demands we place on developers and the needs of the communities who will live and work in the area.
23. Inclusion of council delivered infrastructure projects beyond the ten-year horizon of our long-term plan cycle in our contributions policy seeks to achieve a clear pathway to fund and deliver the infrastructure necessary to support well-planned growth and enable thriving communities. Development contributions are a key funding element ensuring we will be able to deliver these investments.

1.2 Recovering the cost of long-term investment plans

24. The Contributions Policy 2022 sets development contributions charges based on the capital expenditure planned over the ten-year period of the 10-year Budget 2021-2031. This doesn't reflect all the infrastructure the city will need to support growth. If we continue to set our contributions policy on this basis, early developers will not pay a proportionate share of the full cost of capital projects that their developments both require and benefit from.
25. The council has investments it proposes to deliver from 2032 onwards and now plans to include these in our contributions policy. We will amend the contributions policy in stages for each investment priority area across Auckland as information becomes available, starting with Drury.
26. The cumulative impact of proposed development in Drury (which will ultimately be an urban area the size of Napier) will result in the need for substantial infrastructure investment to enable Drury to be a well-

¹ See <https://www.aucklandcouncil.govt.nz/plans-projects-policies-reports-bylaws/our-policies/docsdevelopmentcontributionspolicy/schedule-8-assets-for-which-development-contributions-will-be-used.pdf>

functioning community. Our current financing constraints mean that we can only deliver a small proportion of the total infrastructure this decade. Despite this, growth is already occurring.

27. If we do not update our contributions policy to include the infrastructure we will be delivering over the next thirty years, then early developers in Drury might not contribute to its cost even though they are contributing to the need for this infrastructure and benefitting from it. Without this funding the infrastructure investment may not occur resulting in poor development outcomes and/or greater demands on future ratepayers across the region. As a result, costs and/or service level problems will be passed on to future generations of residents and ratepayers.

1.3 Response to engagement in 2021

28. Last year, as part of our consultation on the Contributions Policy 2022, we asked for feedback on our proposal to add projects beyond ten years to the contributions policy in stages starting with Drury.
29. There was general support for this proposal from respondents, with 48 per cent of respondents supporting the proposal compared with 33 per cent who were opposed. The development community held significant reservations however, with 82 per cent of developers opposed.
30. The key concerns raised by developers were:
- there is substantial uncertainty around forecasting infrastructure needs and costs so far in the future and therefore calculating a fair level of DCs was difficult
 - there is a long time lag between the payment of contributions and the physical realisation of the proposed investment. Do early developers receive enough benefit from the future investment to justify charging them now?
 - concern that higher DCs would lead to higher house prices.
31. Developers also requested further information on the proposals for Drury and asked for more time to provide feedback on such a major change.
32. We listened and responded to this feedback. In December last year, the council decided to delay the decision on including Drury projects beyond 2031. This has allowed us to prepare the additional information requested by developers and review key elements of our approach to setting development contributions for application to the proposed changes for Drury.
33. The methodology we used to calculate the DC charges for Drury in this proposal has some differences from that used for the Contributions Policy 2022. Delaying the decision on the inclusion of infrastructure beyond 2031 has allowed us to review data inputs into our DC models, to ensure that we are using the latest available information. We have also undertaken a formal review of the methodology we use to set DC charges. To do this we contracted three external advisors to review our methods for growth forecasting, cost estimation, and how we assess the beneficiaries that underpin our DC charge calculations. These reviews were as follows:
- Business and Economic Research Limited - Review of growth model assumptions
 - Deloitte - Auckland Council Cost Estimation Review
 - PricewaterhouseCoopers - Methodology review Beneficiary analysis for Auckland Council's Contribution Policy 2022
34. Having considered the feedback from our earlier consultation, the recommendations of these reviews, and our updated data models, we have been able to refine our DC calculation methodology to better suit the specific circumstances of Drury. Some of these changes have lowered the costs to be recovered through development contributions whilst others raise them. The key changes are:

- updating the growth forecasts for Drury to reflect the impact that later transport investment timing will have on the timing of growth; and making corresponding adjustments to the timing of other investments and the receipt of revenue
 - adjusting the transport project costs to be recovered by development contributions for collector roads and the cost of road frontage on arterial roads based on the expected level of mitigation works developers will be required to provide
 - refining our approach to cost estimation, in particular our forecasts of the future cost of land acquisition, and applying cost escalation over time to construction costs and land prices. Updating our land price forecasts to reflect long-term historical price movements, despite providing for short-term price falls, has a substantial impact on overall costs. These forecasts of the cost of land acquisition and actual acquisitions will be based on the market at the time and our obligations under the Public Works Act
 - more closely aligning our approach to determining the share of costs to be recovered from developers for transport projects with that used for parks and community facilities, in particular by measuring the benefiting populations from 2022 until full build out rather than over more limited time periods
 - refining the proposed funding areas to better reflect the distribution of benefits from the proposed investments.
35. In due course we will consider the incorporation of the methodology changes recommended by our external reviews into the wider contributions policy.
36. A detailed description of how we have determined the infrastructure investment required to support growth in Drury, our approach to forecasting the costs of this investment, and how we determined the share of the costs to be recovered from growth are set out in Methodology for Calculating DCs for Drury which you can find on our Have Your Say page.

2.0 Drury context and long-term investment planning

37. Drury will develop to accommodate approximately 22,000 dwellings and 12,000 new jobs. The anticipated population of 62,000 will be comparable to the size of Napier over the next 40 years.
38. Auckland Council is working together with central government on a joint housing and growth work programme that will unlock Drury and other priority areas for development. This work has identified billions of dollars of investment required to ensure Drury develops into a well-functioning community connected to the rest of the city. While some of this investment will be funded by central government key elements will be provided by Auckland Council. The council investment includes the provision of parks, community facilities, stormwater, and the arterial roads (and certain parts of collector roads) that form the local public and private transport network and provide for active transport (walking and cycling). A well-planned transport network will ensure development in Drury is consistent with our climate change commitments.
39. A significant proportion of the funding will come from the government to deliver its investment in the rail network, state highway connections, and some strategic transport connections. The government will also provide funding from the national land transport fund (NLTF) for around half of our investment in arterial roads.

40. The council will deliver \$2.869 billion of arterial roads, strategic collector roads, parks and community facilities. We propose to fund \$1.394 billion of this from development contributions.

41. The following table broadly illustrates funding sources for the Drury infrastructure:

Funding source	
Central government direct investment (rail network and state highways)	
Council investment (transport network, parks, and community facilities)	
Funding for council investment	National Land Transport Fund
	Ratepayers for benefit to existing development in Drury and the wider region
	Developers in the wider region through development contributions
	Developers in Drury through development contributions
Developers in Drury (local roads, collector roads, and arterial road frontages)	

42. While the council's capacity to invest is limited over the next ten years, we are planning to deliver the additional investments from 2032. Our ability to deliver this additional investment is dependent on the funding from the contributions from developers provided under these proposed policy amendments.

43. The Contributions Policy 2022 includes \$243 million of transport capital expenditure and \$156 million for parks provided for in the 10-year Budget 2021-2031. We are now proposing to include \$2.470 billion in collector and arterial roads, parks, and community facilities in the Drury area for delivery from 2032. Over time, further detail about the infrastructure required to achieve the vision in Drury will become available and the contributions policy will be updated. At present planning hasn't been completed for the long-term stormwater requirements for Drury. As more information becomes available on the location and form of development, planning for stormwater investment will be undertaken and the contributions policy updated as required.

44. The proposed change to DCs will not change funding available over the next 10 years, nor will it provide any additional infrastructure investment over that period beyond what is currently planned. Rather, what it will do is look at investment requirements over a 30-year horizon and make sure that early developers in Drury pay a fair share towards the cost of long-term infrastructure that their development will create the need for and benefit from.

45. As part of the 10-year Budget 2021-2031, Auckland Council prepared a 30-year Infrastructure Strategy. This strategy identifies the big infrastructure issues over the next three decades and sets out how we plan to respond to them. Here you can find our high-level commitment to the infrastructure improvements we plan to deliver over the next thirty years. The proposed investment package in Drury contained in this amendment to the contributions policy reflects, in greater detail, that high level commitment in the Infrastructure Strategy. The strategy is available on our [website](#).

46. We acknowledge that capital expenditure over a 30-year horizon inevitably involves a higher degree of uncertainty than capex over the year horizon of the 10-year Budget 2021-2031. However, the LGA allows for development contributions to be recovered to fund capital expenditure to be incurred beyond the LTP period (10 years), and allows the council to vary the mix of projects for which development contributions will be used if there is a relevant change of circumstances relating to those projects, and the overall level of contribution does not increase.

47. Our contributions policy is typically reviewed every three years to ensure that our planned infrastructure investment continues to meet the need of the developing community and is appropriately costed using the latest available information. This enables us to respond to changing circumstances, while ensuring that our charges remain fair for developers.

3.0 Drury investment and development contributions charges

48. Based on the funding requirements for the infrastructure to support Drury's growth discussed above we propose to use development contributions to recover a share of the following capital expenditure we intend to incur beyond 2031.

Infrastructure Category	Cost
Transport	\$1,882 million*
Parks	\$403 million
Community Facilities	\$185 million
Total	\$2,470 million

49. The transport investment planned for Drury is designed to provide a road network accommodating private vehicles and active transport, walking and cycling, connected to public transport corridors. This investment is planned around key central government investments in rail and state highways, the councils structure planning for Drury, and the private plan changes sought by developers.

50. Developers are usually required (through contributions of resource consent, or infrastructure funding agreements) to deliver some transport infrastructure to mitigate the effects of their developments. We need to forecast the level of mitigation likely to be delivered by developers in this way, so we can assess the level of remaining investment the council will deliver and fund with development contributions. As part of this engagement, we are seeking feedback on our assumed level of developer mitigation, and hence what is the level of residual investment needing to be funded through development contributions. We will make a final assessment on the appropriate allowance for developer mitigation after considering feedback and undertaking further analysis. Any change to our mitigation allowance will alter the level of capital expenditure to be financed by the council and consequently contribution prices. Whatever level of mitigation we forecast in our policy, developers, as a whole, will need to pay either directly through the delivery of mitigation works or indirectly through development contributions. You can read more about our approach to developer mitigation in the Methodology for Calculating DCs for Drury document in the supporting document pack provided as part of this consultation.

51. Our plans for parks provisions are based on the area serviced, the size of population forecast in Drury, and anticipated population density. We are planning to provide more than 32 hectares of parkland in Drury, with the creation of 43 new parks and civic spaces.

52. To meet our service provision requirements for a population of 67,380 in Drury we propose to provide 9,630 square metres of community facilities, including a community centre, pool, leisure centre and library, mostly likely within a single multi-purpose facility.

53. Of our proposed \$2,869 million infrastructure investment in Drury, \$501 million will be funded by rates, and we expect that \$974 million of our transport investment will be funded from the NLTF. The remaining \$1,394 million will be funded from development contributions.
54. Some of the benefit of our proposed investment in community facilities and transport will be received by development in funding areas outside of Drury. \$63.6 million for transport and \$49.3 million for the library proposed to be allocated to the Auckland Wide funding area while \$42.6 million of the growth costs for the pool/leisure centre is proposed to be allocated to areas neighbouring Drury/Ōpaheke.
55. The benefits of the proposed transport investments do not fall evenly within Drury and adjacent areas. After considering this analysis we are proposing four new transport funding areas for Drury. We are also proposing the introduction of three new neighbouring transport funding areas reflecting benefits immediately beyond Drury from the proposed transport investment. Transport investments proposed in the next 10 years have also been allocated to these new funding areas.
56. Under this proposal, the growth share of costs for the proposed Drury community facilities have been added to funding areas based on the area of benefit for each facility as follows:
- \$97 per HUE will be added to the Auckland Wide funding area for the library, as libraries are part of a regional network
 - \$2,614 per HUE will be charged to a new Drury Pool/Leisure Centre 10km funding area for the swimming pool and leisure centre
 - \$443 per HUE will be added to the Drury/Ōpaheke funding area for the community centre.
57. The benefits of our investment in parks are evenly distributed within Drury and have been charged to a single Drury/Ōpaheke funding area. The parks contribution charge for Drury/Ōpaheke will rise by \$18,924 per HUE from \$11,366 to \$30,290 under this proposal.
58. The table below shows the total change in contributions price for transport, parks and community facilities across each of local funding areas under this proposal.

Changes to Drury/Ōpaheke/Southern Growth Area funding area charges					
Funding area	Current DC charge	Adjusted DC charge: inside 10 years	Additional 2031+ DC charge	Total: Proposed DC charge	Drury infrastructure funded by additional charges
Drury East	\$22,564	\$21,674	\$77,624	\$99,298	Community centre + parks + share of transport, library, pool and leisure centre
Drury West 1	\$22,564	\$22,650	\$53,198	\$75,849	
Drury West 2	\$22,564	\$19,880	\$35,976	\$55,855	
Ōpaheke	\$22,564	\$17,814	\$83,817	\$101,632	
Southern Growth Area 1	\$41,647	\$41,683	\$3,656	\$45,339	Share of transport, library, pool and leisure centre
Southern Growth Area 2	\$15,599	\$15,937	\$4,084	\$20,021	
Southern Growth Area 3	\$17,183	\$17,631	\$3,483	\$21,113	

59. The Drury Pool/Leisure Centre 10km and Auckland Wide funding areas also apply to locations outside the above funding areas. Properties within these funding areas will pay the following charges in addition to any local or sub-regional funding area charges they may be liable for.

Proposed Drury Pool/Leisure Centre 10km and Auckland Wide funding area charge					
Funding area	Current DC charge	Adjusted DC charge: inside 10 years	Additional 2031+ DC charge	Total: Proposed DC charge	Drury infrastructure funded by additional charges
Drury Pool/Leisure Centre 10km	\$0	\$0	\$2,614	\$2,614	Pool and leisure centre
Auckland Wide (all regionally applied DCs)	\$8,718	\$8,718	\$130	\$8,848	Library + regional share of Drury transport

3.1 Price structure options

60. Under the current Contributions Policy 2022 the contribution charge set for each funding area is fixed for the duration of the 10-year budget and will not change unless the policy is formally amended, or a new contributions policy is adopted.
61. We are proposing to set a single price for the investments covered in this proposal consistent with our current policy. An alternative approach is to set in the policy annual incremental adjustments to our contribution charges for the investments covered in this proposal to reflect the benefit the council receives from early payment of contribution charges compared to later payments. Under this option, the developer will pay the incremented charge that applies at the time they pay as set out in the policy that was operative at the time they lodged their consent. We are seeking your feedback on both of these options for pricing. The table below shows how the contribution charge would change between 2023 and 2060 under such an approach.
62. There is no net benefit to the council under either approach. In either case contributions charges are assessed so that total we expect to collect covers the cost of investment plus interest costs for payments received after the investment is made, less the interest on payments. Under incremental approach, early payers will pay less, while late payers will pay more. The table below shows how the single contribution charges and how the charge. would change under the incrementing price option between 2023 and 2060.

Funding Area	Option 1: Fixed Price	Option 2: Incrementing Price	
	2023-2060	2023	2060
Drury East	\$99,298	\$58,580	\$207,738
Drury West 1	\$75,848	\$53,808	\$179,788
Drury West 2	\$55,855	\$38,107	\$111,952
Opapeke	\$101,631	\$61,193	\$236,445
Southern Growth Area 1	\$45,339	\$43,693	\$52,154
Southern Growth Area 2	\$20,021	\$18,269	\$28,025
Southern Growth Area 3	\$21,113	\$19,513	\$27,458
Note that under both options, the prices will be subject to review at least every three years as a part of our general review of the Contributions Policy			

4.0 Equity and impact of including infrastructure beyond 2031 in our contributions policy

63. Adding longer-term infrastructure programmes to the Contributions Policy 2022 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. Feedback from developers during consultation on the proposal last year noted there was substantial uncertainty around forecasting infrastructure needs and costs so far in the future and therefore calculating a fair level of contributions was difficult. In addition, the long-time lag between the payment of contributions and receiving the physical benefit of the proposed investment was noted. Developers also commented that higher DCs would lead to higher house prices.
64. In response to these concerns, we asked Dr Cameron K. Murray, Research Fellow at the Henry Halloran Trust at the University of Sydney and independent economic consultant Dr Tim Helm to provide their views on the equity of our proposal to charge Drury developers for infrastructure to be provided over 30 years. We also asked them to consider the likely impact of the proposal on house prices, and the viability of development in Drury. The key findings from their advice are set out below. The full reports are included in the supporting documents pack released as part of this consultation.

4.1 Key findings on equity of options for funding long-term infrastructure investment

65. Dr Murray and Dr Helm's report concludes that it is fairer to recover a share of the costs from new development via development contributions, than by charging ratepayers across the city. Fairness means those who cause the need for expenditure, and/or those who benefit from it, should fund it.
66. Benefits in this context include the land value uplift from the full planning process – both rezoning and infrastructure delivery. The subsequent purchasers of the developed properties will also benefit from ultimate use of the new infrastructure. However, they will have already paid for the ongoing value of the services in the upfront price of their property. That price captures the premium that developers and landowners are willing to pay for land that will benefit from infrastructure.
67. Since development causes the need for growth infrastructure, and developable land benefits most significantly, it is fair to collect funding from developers rather than ratepayers across the city. This applies to post-2031 infrastructure just as to pre-2031 infrastructure.
68. Early developers contribute towards the need for infrastructure as much as late developers. This proposal to include all the infrastructure to support growth in the contributions policy reduces the inequity of under-charging early developers.
69. An extended lag between payment and infrastructure delivery is not inequitable. Developers benefit financially from planned infrastructure long before delivery. Greater uncertainty over future costs may result in larger revisions to contribution levels, but there is minimal risk of over-charging.

4.2 Key findings on Impact of development Contributions on house prices

70. The use of development contributions to fund infrastructure is commonly used in cities around the world. The size of the proposed development contributions changes in Drury is in line with changes happening elsewhere in high-growth, highly desirable, and high-value cities like Toronto, Sydney, and Los Angeles.
71. Dwelling prices are determined by the larger housing market. Higher DCs therefore cannot be passed forward to rents or prices but will be passed back to land in the form of lower land values. The research did not find any evidence that increasing DCs in Drury would lead to higher house prices and noted that this conclusion was supported by the theory on the impact of land taxes.
72. The reviewers considered the increase proposed in DCs for Drury by around \$50,000 per dwelling last year to a total of \$84,500 is not large enough to render housing development unviable given the high incremental value from changing properties in the area to residential use.² While the DC price will lower the price developers are willing to pay for land this reduction is much lower than the increase in land value arising from the planning changes that enable housing development. There may be an indirect effect on the sequence of sites getting taken up for new housing across the city in the short term as development adjusts around a new equilibrium. However, this will be small relative to other market factors. Higher DCs may be an additional cost to development and could be argued to increase the return to holding land undeveloped however, earlier delivery of infrastructure funded by DCs is likely to accelerate development.

How you can have your say

We want to hear your views on the issues facing Auckland's future.

The public consultation runs from 9.00 am 13 September to 4.00pm 8 November 2022. There are a number of ways you can have your say including:

Feedback can be provided online, and you can find copies of the supporting documents, at akhaveyoursay.aucklandcouncil.govt.nz/dc-policy2022-drury. **Alternatively**, you can request supporting documents, and complete the feedback form and return it to us using one of these options:

- **Email:** Scan your completed form or submission and email it to contributions.policyteam@aucklandcouncil.govt.nz
- **In person:** Drop your completed form off at your local library or service centre
- **By post:** Place your completed form in an envelope and send it to freepost address: Contributions Policy Team, Auckland Council, Freepost Authority 182382, Private Bag 92 300, Auckland 1142

Feedback must be received by 4.00pm 8 November 2022.

Feedback received will be reviewed along with the latest available information (such as additional government infrastructure grants). Early next year the council will consider the feedback received and any updated analysis before deciding whether to amend the Contributions Policy.

² This assessment was performed using the contributions analysis for Drury that formed part of the proposed Auckland Council Contributions Policy 2021 consulted on in October 2021. This analysis has been updated as set out in this document.