From:	Kōrero mai | Wellington City Council
To:	BUS: Policy Submission
Subject:	Jesse completed Development Contributions Policy Review
Date:	Thursday, 11 November 2021 11:49:39 am

Jesse just submitted the survey Development Contributions Policy Review with the responses below.

Your name

Jesse Matthews

Your email or postal address

[redacted]

You are making this submission

as an individual

I would like to make an oral submission to the Councillors

No

Part 1: Policy operation **is about the operational details, including what the charges are and how they are to be assessed, invoiced and paid.**

Note the proposed new charges are in *Part 1: Table 1 Charge Per Equivalent Household Unit* and discussed in the Statement of Proposal.

Do you have any comments about Part 1?

Please see Part 2.

Part 2: Policy background and supporting information **is about why the Council uses development contributions, the methodology and assumptions that informed the proposed development contributions and what the proposed contributions are to be used for.**

Do you have any comments about Part 2?

I oppose both the proposed increase to development contributions, and the thinking underpinning development contributions in general. I believe that the significant investments in new infrastructure in Wellington should be funded out of general rates and / or new land value uplift capture mechanisms, not by disincentivising new development. I fundamentally oppose development contributions on the basis of inter-generational equity and the proper sequencing of financing and investment in new infrastructure. The proposed increase in development contributions will only increase the already astronomical cost of new housing and disincentivise new development. The additional costs will fall disproportionally on first home buyers, the proposed policy is completely counter to the WCC's stated goal of providing tens of thousands of new high quality housing units in

Wellington over the coming decades. My grandparent's generation would fund new infrastructure out of their own pockets to support future growth. This 'paying it forward' was seen as responsible and necessary so that future citizens would be supplied with the infrastructure that would support rising living standards and broad-based economic growth. The idea was that new infrastructure would be in place in time for when it was needed. My parent's generation however decided that investing for the future was no longer necessary, and slowed investment in new infrastructure to a trickle. Even worse, they decided that they could defer maintenance on existing infrastructure, consuming the capital that they had inherited (see Wellington's pipes, for example…). Political pressure meant that rates have been kept artificially low for a very long time. Now it seems that the cost of the back-log of desperately needed infrastructure is being pushed on to the next generation, allowing current rate-payers to not only get away with not maintaining their current assets, but also not leaving anything for the future. My generation is already having to come to terms with the prospect of renting for life, carrying massive student loans well past middle-age, inheriting the costs of climate inaction, and completely impossible house prices (if one is lucky enough to even consider buying a home as an option). This selfishness and short-termism has gone too far and must now be reversed. We have to draw a line in the sand somewhere and ask current rate payers to pony up the cash for what they should have been paying for all along. Pushing the burden of the current infrastructure deficit into the future is morally wrong and cannot be sustained. This is particularly galling when the average Wellington ratepayer has seen their house values increase by an average of $300,000 in the past year alone, an extraordinary (and untaxed) private windfall gain. To suggest that current rate payers cannot afford the cost of deferred and future infrastructure would be incredulous in the extreme. It should be obvious, but new infrastructure needs to be financed and delivered BEFORE demand for that infrastructure manifests itself. We used to do it like that, and we need to do it again. We can't keep playing catchup have must now get ahead of the curve. Despite the development contributions policy, we have already seen how new housing developments such as the Paddington on Taranaki St were forced into an absurdly low density by the limitations of the existing drainage infrastructure on that street. We are seeing 2-3 story houses being built in an area where zoning permits a height of 27m. To put it mildly this is a sub-optimal outcome if we want to build the number of new homes that we need. Funding for and construction of upgraded infrastructure is coming too late to support the development that we actually need. We must move from a reactionary (DC contributions) to a pro-active policy of financing and investment of infrastructure. It is time to stop eating the future and to start to 'pay it forward' once again. I appreciate that this submission touches on a broader scope than may be anticipated as part of this consultation but I hope that the WCC takes the issues I have discussed seriously and addresses them as part of future policy development.

Part 3: Policy catchment maps **provides the different geographic catchment areas for development contributions, and** ***Part 2 Section 15 Catchment Determination*** **has information about how the catchments are determined. Do you have any comments about Part 3?**

Please see Part 2.

Development contribution charges will be reviewed again following capital expenditure decisions, so following the Long-term Plan 2024-34, or earlier, for example if there are funding decisions about Let's Get Wellington Moving. Are there any other aspects of the policy you would you like to see considered in a future review? If so, what are they?

Please see Part 2.

Do you have any other comments on the proposed amended policy?

Please see Part 2.

Property Council New Zealand

Property Council New Zealand

Submission on

Wellington City Council's draft Development Contribution Policy

22 November 2021

For more information and further queries, please contact
Katherine Wilson [redacted]

22 November 2021

Wellington City Council
Freepost 2199
Development Contributions Policy Review
Policy Team 259
PO Box 2199
Wellington 6140
Email: policy.submission@wcc.govt.nz

Wellington City Council Draft Development Contribution Policy

1. Overview

1.1. Property Council New Zealand ("Property Council") welcomes the opportunity to provide feedback on the Wellington City Council's ("the Council") Development Contribution policy 2021 ("DC policy").

1.2. We support the Council adopting and adapting the new template issued by the Department of Internal Affairs. A consistent template will aid industry and cross-sectors understanding of DC policies.

1.3. It is critical to have a robust DC policy that allows the industry to make informed long-term investment decisions and ensures fair distribution of fees amongst all ratepayers. While we believe the proposed charges are reasonable, further work is still required to ensure fair distribution of fees amongst all ratepayers.

2. Recommendations

2.1. Our recommendations are:

- Seek early engagement with Property Council on the proposed future work of Equivalent Household Unit's;
- Do not include community infrastructure into Development Contribution ("DC") fees and consider alternative tools to cover the costs (e.g. rates, targeted rates, Special Purpose Vehicles);
- Ring-fence DC revenue and associated funded infrastructure to the local area that DC charges are located; and
- When making a decision, consider the broader impact of key reforms on the property industry, such as housing affordability.

3. Introduction

3.1. 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.

3.2. 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.

3.3. 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.

3.4. This submission responds to Wellington City Council Contributions Policy 2021 consultation materials. In preparing our submission we sought and received feedback from a selection of our Wellington-based members. Comments and recommendations are provided on those issues that are relevant to Property Council and its members.

4. Key concepts

4.1. One of the key concepts of the Council's DC policy is the use of Equivalent Household Unit's (EHUs). We have been notified that the Council is not proposing any changes as part of the current DC policy review but will seek feedback on this concept in the future. Property Council would like to be involved in future EHU discussions with the Council, preferably at the pre-engagement or development of policy stage.

5. Presentation

5.1. The Department of Internal Affairs issued a new template for DC policies in February 2021. We support the Council's decision to adopt and adapt the new template at this review as it will help the Council meet the requirements of the Local Government Act. Having a consistent template will also provide ease of understanding DC policies for the industry as a whole.

6. New charges

6.1. We believe that the proposed increases are reasonable. However, we are concerned that not all growth has been calculated under the current review. For example, the funding for 'Let's get Wellington moving' has not been included in the Long-Term Plan 2021-31. This means that more substantial increases will be expected in 2024 Long Term Plan, which we are cautious could extend to the proposed next review of development contributions.

6.2. We urge wider considerations such as; housing affordability and alternative funding mechanisms are considered well before the 2024 Long Term Plan and review of DC policy consultation documents are released. We welcome the Council to work closely with us for the 2024 review.

6.3. While we are in support of the current DC policy and proposed charges, further refinement of the policy is recommended to ensure fair distribution of fees amongst all ratepayers. These are outlined by our recommendations in the below paragraphs.

<u>Community infrastructure</u>

6.4. The Council plans to incur around $2.8 billion on community facilities partially or wholly needed to meet the increased demand for community facilities resulting from the asset investment that has a growth component. This includes works undertaken in anticipation of growth, and future planned works. The total amount to be funded by DCs is nearly $300 million.

6.5. We question using DCs to pay for community infrastructure. The Property Council has long opposed the incorporation of community infrastructure into DC fees. Collecting DCs to fund community infrastructure will result in an increase in DC fees charged to developers (ultimately passed on to the home buyer or tenant). Large increases in DC fees will negatively impact Wellington as developers will need to factor in the additional costs in their feasibility. A concoction of DC increases, increased material costs, skill shortages, supply chain restrictions and other uncertainties that the COVID-19 pandemic has caused, will impact on whether projects proceed. This is particularly concerning given the impact of COVID-19 on housing affordability.

6.6. 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.

6.7. 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 several ongoing 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.**"*

6.8. Given the above, we recommend the Council consider alternative funding mechanisms 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. For example, targeted rates for the funding of community infrastructure could occur over a period of time compared to being a lump sum upfront in house prices.

[1] Insight Economics. (2018). Likely Developer Reactions to Increased Development Contribution Charges. Retrieved from 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

Ring-fencing income from DCs

6.9. From a fairness and intergenerational equity point of view, we recommend the Council ring-fence revenue collected from DCs to the local area. For example, DC revenue collected should be used to fund infrastructure within the local area that the DC charges occur. This will help ensure that DCs reflect the infrastructure costs within the area and will assist in the implementation and successful delivery of the projects these DCs have been collected for.

7. Additional comments

7.1 There are additional factors the Council should also consider before finalising the DC policy. We encourage the Council to take into consideration the broader impact from key reforms on the property industry at both a national and local level. For example, at a national level considering how resource reform and the National Policy Statement on Urban Development impacts DCs, and at a local level how the Let's Get Wellington Moving options will impact DCs. 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.

8. Conclusion

8.1 The DC policy is of significant importance to our members in the Wellington 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.

8.2 We keen to continue working with the Council to ensure fairness and equity of DC charges for all.

8.3 For any further queries contact Katherine Wilson, Head of Advocacy, via email: [redacted] or cell: [redacted]

Yours sincerely,

Gerard Earl
Wellington Regional Chair

From:	Kōrero mai | Wellington City Council
To:	BUS: Policy Submission
Subject:	... completed Development Contributions Policy Review
Date:	Tuesday, 23 November 2021 10:37:22 am

... just submitted the survey Development Contributions Policy Review with the responses below.

Your name

Lincoln Fraser

Your email or postal address

[redacted]

You are making this submission

on behalf of an organisation

Your organisations name

Newcrest

I would like to make an oral submission to the Councillors

No

***Part 1: Policy operation* is about the operational details, including what the charges are and how they are to be assessed, invoiced and paid.**

Note the proposed new charges are in *Part 1: Table 1 Charge Per Equivalent Household Unit* and discussed in the Statement of Proposal.

Do you have any comments about Part 1?

We understand that there has been a historically low investment in critical infrastructure. It does not follow however that new development should be burdened with a catch up cost for this under-investment. For the resilience of the entire city, Wellington's CBD is in need of new high quality, seismically resilient and low-energy office buildings. New office development does not happen without the commitment of tenants which only occurs at 'market' rentals. Our assessment is that new office towers have been developed in Wellington as follows: 1981 to 1991 - 23 towers 1991 to 2001 - 1 tower 2001 to 2011 - 3 towers 2011 to 2021 - 2 towers Experience gained from recent seismic events has informed that 1980's buildings can suffer from design and construction factors that impact the building's resilience. While strengthening can mitigate more immediate issues with risks to occupants, it is often not feasible to strengthen to achieve building resilience. This over-reliance on potentially low-resilience building stock is a significant risk to the Wellington economy. During 2020-2021 the costs of vertical construction have increased substantially (more than for infrastructure, low rise and house construction) due in part to key materials such as steel plate increasing in supply price by more than 100%. The proposed 57%

increase in CBD non-residential development contributions will add in excess of $1m to the development cost of a medium sized office building, further widening the gap between existing building stock and reducing the appeal of new development to tenants. The rates charged on new buildings is dramatically higher than on existing buildings. An example is 20 Customhouse Quay is charged rates some $55 per m2 higher than 2 Hunter Street which has a directly comparable location. Taking a hypothetical 14,500m2 building the difference between these two projects would alone generate almost $800k in 2022 of additional rates. Stimulating new office building development should be a high priority to grow the rating base rather than seeking one-off development contribution charges which may lead to the development not proceeding due to the rentals being uneconomic. We do appreciate that an increase in the Development Contributions is appropriate however we wish to suggest that this be phased in over a period, to lessen the impact on those developments which are currently in planning. A phased increase of say, for example, ten percent per year for five years would certainly reduce the dramatic step change in a significant cost base that new buildings face.

Part 2: Policy background and supporting information **is about why the Council uses development contributions, the methodology and assumptions that informed the proposed development contributions and what the proposed contributions are to be used for.**

Do you have any comments about Part 2?

No.

Part 3: Policy catchment maps **provides the different geographic catchment areas for development contributions, and** ***Part 2 Section 15 Catchment Determination*** **has information about how the catchments are determined. Do you have any comments about Part 3?**

No.

Do you have any other comments on the proposed amended policy?

Property developments occur over many years and councils can assist greatly by providing certainty. The proposed step change is a significant barrier to new development which is already facing considerable pressures.

Disabled Persons Assembly NZ

December 2021

To

Please find attached DPA's submission on the Wellington City Council's Development Contributions Policy

Disabled Persons Assembly NZ

Contact:

Prudence Walker

Chief Executive

[redacted]

Chris Ford

Acting Wellington Kaituitui

[redacted]

Introducing Disabled Persons Assembly NZ

The Disabled Persons Assembly NZ (DPA) is a pan-impairment disabled person's organisation that works to realise an equitable society, where all disabled people (of all impairment types and including women, Māori, Pasifika, young people) are able to direct their own lives. DPA works to improve social indicators for disabled people and for disabled people be recognised as valued members of society. DPA and its members work with the wider disability community, other DPOs, government agencies, service providers, international disability organisations, and the public by:

- telling our stories and identifying systemic barriers
- developing and advocating for solutions
- celebrating innovation and good practice

The submission

DPA is making this submission as a means of ensuring that more accessible, universally designed housing and public buildings are constructed in the Wellington Region. Currently, as Council realises, there is a real shortage of housing, and this is compounded for disabled people by the severe lack of suitable, accessible housing. This is particularly the case for people with mobility impairments who use wheelchairs or mobility aids as well as for older people who are more likely to experience impairment and hence the disabling barriers of living in housing not designed to accommodate their needs.

DPA would like to see all new public buildings designed and constructed according to universal design standards so that all users, including disabled people, can access them according to the principles of the universal journey which enables everyone to easily navigate buildings from entry through to exit and to conduct any activities within them free of barriers.

Universal design housing and building in this country is promoted and supported by Lifemark, a company owned by CCS Disability Action, whose universal design principles have been increasingly used by several property developers, both in the public and private sectors, to construct accessible homes. More specifically, these types of housing have accessibility features which mean that all people who reside in such a dwelling over the course of its lifetime will be able to do so in an accessible way. This means, for example, that if any modifications are needed, these can be done easily, affordably and readily to accommodate, amongst others, disabled and older people.

The reason why DPA is making this submission is to call upon Wellington Council to consider incentivising the building of universally designed housing and public buildings through the payment of development contributions remissions to developers who do so. Indeed, a similar policy has already been adopted by the Hamilton City Council in respect of their development remissions policy and we have called upon other territorial local authorities around the country to do the same.

Ultimately, we want developers to focus on desired outcomes including the construction of accessible housing. Also, the development of a good remissions policy will give developers the ability to control costs and inputs, particularly when it comes to the construction of universally designed housing.

The New Zealand Government policies and strategies which are relevant to this submission are as follows:

The United Nations Convention on the Rights of Persons with disabilities (UNCRPD) Articles most relevant to our submission are:

- Article 4.3 Involving disabled people and our organisations in decisions that affect us
- Article 5: Equality and non-discrimination
- Article 9: Accessibility
- Article 19: Living independently and being included in the community
- Article 20: Personal mobility

New Zealand Disability Strategy 2016-2026:

- Outcome 5: Accessibility

DPA's recommendations

Recommendation 1: DPA strongly recommends that Wellington City Council incorporate in its Development Contributions Policy a clause enabling Council to incentivise the construction of universal design housing and public buildings within its boundaries commencing on the date when the policy takes effect.

Recommendation 2: DPA strongly recommends that WCC undertake to do so through any tools at its disposal including, for example:

- Discounted fees and charges
- Development fee rebates
- Capital charging rebates
- Rates rebates on properties for a set number of years after construction

- Through any other tools which the WCC sees fit to utilise in order to increase the stock of universally designed dwellings and buildings in the Wellington area.

Recommendation 3: DPA recommends that development contributions also be applied where aspects over and above universal design are incorporated into a build, such as, for example, the need to recognise costs associated with the construction of additional features that might include the addition of visual fire alarms for Deaf and hard of hearing people and anything else required for people around their particular impairment, for example, adjustable lighting to take into account the needs of Deaf, hard of hearing and neurodiverse residents/building users.

Recommendation 4: DPA recommends that before any development contribution remissions are applied, Council should have an appropriate auditor ascertain that the homes and buildings constructed meet standard universal design requirements and principles at both the design and completion stage. A list of access advisors to Council should be developed in order for this to take place and the perspectives of disabled people should also be fully incorporated into any processes.

Conclusion

DPA supports the right of all disabled people to live in the communities of their choice and in housing which meets accessibility criteria. Therefore, we believe that remissions on development charges be deployed as one of a suite of policies to achieve this outcome. If Hamilton City Council can introduce a policy along these lines, then so can our country's second largest council, Wellington City Council.

VICTORIA UNIVERSITY OF WELLINGTON
TE HERENGA WAKA

PROPERTY SERVICES
TE PUNI TAUWHIRO
TE HERENGA WAKA—VICTORIA UNIVERSITY OF WELLINGTON,
PO Box 600, Wellington 6140, New Zealand
David Stevenson – Director, Property Services Email; David.Stevenson@vuw.ac.nz

1 December 2021

Dear Councillors

Submission relating to the Wellington City Council Development Contributions Policy

Every day across our city, thousands of people enjoy the use of facilities provided by Te Herenga Waka, Victoria University of Wellington, including our libraries, teaching, research spaces and sporting facilities. They are accessible to students, staff, and the public, and represent the role our global civic University plays in supporting our wider Wellington community.

As one of the City's largest building owners the University is committed to sustainability, an approach that also benefits Wellington City Council (hereinafter "WCC"). Over the years the University has progressively invested in more efficient water conservation though rainwater harvesting and the installation of low flow fixtures. This has halved daily water use on the Kelburn Campus from our 2008 levels, despite the addition of three large buildings. We also encourage active transport by providing bike racks and end-of-trip facilities as part of our developments.

The University understands the balance between the costs of development and provision of public amenity. We recognise the importance of resilient and functioning infrastructure to the quality of life enjoyed by students, staff, and the wider Wellington community, and we welcome this opportunity to provide input into the Council's review on your Development Contributions Policy. We acknowledge the efforts you have made in this latest update to make the development contributions policy clearer. We have reviewed the draft policy and have the following comments as follows:

Section 7.12 – Special Assessments
Holistic assessment of infrastructure demands
The University operates three main campuses with multiple interconnected buildings consisting of teaching, research, office and science facilities. The load the University places on the city's infrastructure is significantly different to residential and typical commercial demand profiles. This is because of how people move between buildings, and the ranges of use and occupancy of our buildings – compare a large lecture theatre filled with students to a research lab that may be virtually empty while experiments are running.

By viewing the campus as a whole, we are able to drive better use of resources by reducing our demands on WCC's infrastructure, invest in water conservation and maximise the efficient operation of our estate. Individual assessments of new campus buildings in isolation not only fails to recognise the University's wider investment in our infrastructure, it also places more pressure on Wellington's infrastructure.

On this basis we understand the draft policy's provision for special assessments would apply to the University's preference for a campus-level assessment of water, wastewater, stormwater and transport demands, with new developments to be included as part of the campus consideration. We also ask that WCC's self-assessment process is as transparent as possible, enabling a simple and accurate assessment on the impact that the development a building will have on the campus and city's infrastructure (an activity beyond the scope of certification of individual assets).

Your draft document includes provision for Credits (Section 7.17) and we seek clarification that this is the appropriate mechanism for assessing the impact of a campus as outlined above.

Calculation Details
In addition, we believe example calculations or an appendix with supplementary detail for special assessments would reduce ambiguity on how these are to be calculated.

Section 7.13 – Stormwater
Rainwater harvesting and stormwater attenuation reduces the amount of stormwater entering WCC's stormwater network in large rainfall events. This can prevent the inundation and flooding of infrastructure downstream. The inclusion of these systems in developments, benefits Wellington's stormwater network by reducing peak discharge flows and generally reducing the amount of stormwater that enters WCC's network.

Currently in *Table 6: Demand Measures* retention systems are not considered for stormwater. We encourage WCC to include retention measures (e.g. rain gardens, attenuation tanks, rainwater harvesting) as a grounds for a special assessment and potential remission, where they reduce the runoff loading, rather than levying development contributions to increase the capacity of the infrastructure downstream.

Sections 9.15-9.17 – Green Building Remission
Recognising the benefits of high-performance buildings
While WCC's document refers to Green Star, the University recognises the value of even more challenging green building certification for the wider urban environment, and is currently well advanced in the development of Wellington's first 'Living Building Challenge' certified building, the Living Pā on our Kelburn campus.

This new building is being designed to have a positive impact on the city's infrastructure, e.g. net zero water and energy consumption, with the Living Building Challenge rating holding the building's design to account for the high level of environmental performance. The University encourages WCC to recognise the benefits of this high performance (which is significantly above 5* Green Star) through an even greater remission – potentially removing all development contributions relating to water infrastructure.

Aligning Green Star and other tools with WCC's infrastructure delivery
The University also recommends that the Green Building remission should require the inclusion of the green rating tool credits that directly relate to demand on council infrastructure. For example, in securing Green 5-Star certification WCC should mandate Credit 17 – End of Trip Facilities, Credit 18 – Potable Water and Credit 25 – Storm Water as part of the criteria for development contributions remission. Other tools will have similar focus areas that should be mandated.

The University is always happy to engage with the Council on ideas to make developments in our city more efficient and sustainable, and we would welcome the opportunity to discuss the University's views on this policy review.

Yours sincerely,

David Stevenson
Director Property Services

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

1 December 2021

Development Contributions Policy Review
Policy Team 259
PO Box 2199
Wellington 6140

Email: policy.submission@wcc.govt.nz

Dear Sir/Madam

Submission on Wellington City Council Development Contributions Policy Review 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 consultation documents for the Development Contributions Policy Review and welcomes the opportunity to provide feedback to the Council.

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 Development Contributions Policy Review.

Yours faithfully

Aaron Smail
General Manager Development

107B Westchester Drive
Churton Park
Wellington 6037

1st December 2021

Wellington City Council
Development Contributions Policy Review
Policy Team 259
PO Box 2199
WELLINGTON 6140 By EMAIL: policy.submission@wcc.govt.nz

Dear Sir/Madam

SUBMISSION ON 2021 DRAFT DEVELOPMENT CONTRIBUTIONS POLICY -

Please find below our submission on the draft 2021 Development Contributions Policy

Name of Submitters: Best Farm Ltd
Hunters Hill Ltd,
Lincolnshire Farm Ltd,
Stebbings Farmlands Ltd

Address for Service: 107B Westchester Drive,
Churton Park
WELLINGTON 6037

Email: [redacted]

Phone: [redacted]

Submission Summary: We oppose the substantial increases in Areas I & J

Introduction: We are making a submission as owners and developers of land within the Northern Growth Area and Lincolnshire Structure Plan area (or Urban Development Area).

As a development company we pay very close attention to DC Policy and any changes proposed to contributions demanded in Catchment Areas I (Churton-Stebbings) and J (Grenada-Lincolnshire). We hold significant areas of land in both these areas that have been identified for urban growth by WCC and we have been subdividing land for development and constructing over 70 houses per year. As we have been communicating to Council Officers, Senior Managers, Councillors and Ministers for some time, development contributions are a major contributor to the rate in which sections and new housing areas are delivered to the market, and directly affect section values and housing affordability. Our comments on the Draft Policy are outlined below.

Part 1: Policy Operation.

Self-Assessments – It is apparent to us that the self-assessment process is not working fairly with numerous accounts of self-assessments being rejected by Council staff. The way in which the fixtures and loading units are determined and calculated does not allow for a fair assessment of actual expected use of Councils' Infrastructure. An example of this is provided below for a recent development in Grenada Village.

NZ POST – 4 Carmel Terrace

This development is a large 10,996m^2 GFA commercial development comprising mainly processing floor (94%) and some offices. Within the entire building there are a total of 4 showers, 9 toilets, 2 urinals, 10 basins, 3 sinks, 3 dishwashers and a cleaners sink. Our self-assessment determined this was equivalent to a maximum of 3 large household units.

However Councils assessment was that water usage would be equivalent to 188 households. This is equates to 146,000 litres per day (or flushing all toilets 11 times a minutes, every minute of the day)!

Working this backwards, based on a standard 4 bedroom house containing 2 showers, 3 toilets, 3 basins, 1 sink, 1 dishwasher a cleaning tub (conservative numbers), if the NZ Post building is deemed to equate to 188 household units this would therefore be equivalent to containing….. 376 showers, 564 toilets, 564 basins, 188 sinks, 188 dishwashers and 188 cleaning tubs. Despite the building operating 24 hours a day, the assessment by Council would appear to be wildly wrong and grossly unfair.

Demand Measures – We note in Section 7.13 that when Council undertake a special assessment there is a table of demand measures. This includes water supply (780L/EHU/day), wastewater (50% of water), Traffic (4 trips per person) and stormwater. With regards to the latter, we note the specific comment that water retention systems and stormwater detention is not considered. This seems wrong given stormwater neutrality is a now a standard requirement across the city, in that post-development flows in a design storm event must be equal to the pre-development flow. We are told this is due to networks being at capacity and to minimise downstream flooding. Given these measures protect the Councils infrastructure and delay the requirement for upgrades, it seems logical that such measures are in fact taken into account when determining network demand, long-term planning and replacement/upgrade cost and timing. Otherwise property owners pay for detention measures on site plus the full cost of stormwater contributions despite providing cost savings for WCC/WWL. This approach does not seem equitable and in our view on-site detention should be factored in when it's required by WWL.

Review Rights – We support the introduction of the review rights policy provisions (Section 8) but submit that there be another formal avenue for appeal following any objection decision by the panel of three independent commissioners (apart from a judicial review). We also object to Section 8.13 that states objectors shall be liable for any costs incurred by Council. This is unfair and goes against democratic principles. As with objections to resource consent conditions, there should be no charge to challenge a decision of Council where an applicant believes the condition, or in this case development contributions, are not fair and reasonable.

Part 2: Policy Background

New Contributions Charges for Areas I & J – There have been significant increases in both these catchment areas with Area I increasing from the current $9,930 plus GST to $13,058 plus GST (an increase of 31.5%) and Area J increasing from $10,944 plus GST to $17,451 plus GST per EHU (an increase of 59.5%).

On examination, much of these increases have stemmed from Transport in Churton (Area I) and a combination of Transport and Reserves in Lincolnshire (Area J). With regards to Churton (Area I) we note the three roading projects have all increased in cost, but as noted below we have requested two of these be removed from this catchment (refer Part 3 discussed below).

With regards to Lincolnshire, we note that the number of roading projects have increased from four to five and have increased in cost from 2016. We have been unable to find any maps showing where these roading projects start and finish and we request these be provided. This is because as developer we will be building the majority of these roads and we will be seeking a developer/Council agreement to recover these costs and/or agree a DC exemption for these roads.

The other significant cost increase for this catchment is due to the Parks and Reserves. Specifically, $8.83 million has been allocated for a community park on Lincolnshire Farm (Refer Schedule 2 of the proposed policy). We have asked Council for more detail on this but have only been provided with partial information as to how this overall figure is derived.

Accounting for Expected Household Growth in Areas I & J – Both of these catchment areas are identified for growth in the current Operative District Plan and Draft WCC Spatial Plan. In addition, the government has recently announced a new bill that will see the introduction of The Resource Management (Enabling Housing Supply and Other Matters) Amendment Bill that is designed to improve housing supply by speeding up implementation of the National Policy Statement on Urban Development (NPS-UD) and enabling more medium density homes. This will be called the Intensification Streamlined Planning Process (ISPP) and will allow for up to 3 dwellings on a site without resource consent. In this regard we are interested to know why the proposed DC Policy has not factored this increase in, in terms of total forecast EHU's in each catchment. For Example, in the 2016 Policy, Council forecast 1,360 EHU's in Area I and 2,489 in Area J and this has remained the same in the proposed policy.

<u>**Part 3: Catchment Areas**</u>

Area I – Churton-Stebbings Catchment Area – We note the catchment boundary is effectively the same as the current 2015/2016 policy area. For this catchment there are three roading projects that are to be funded from development in this catchment. These are as follows

- Cortina to Ohariu $1.42 million (was $1.42 million in 2016 Policy)
- Ohariu to Westchester $3.34 million (was $2.95 million in 2016 Policy)
- Westchester to Glenside $10.53 million (was $9.10 million in 2016 Policy)

Our issues with these projects are that the first two are not within the Area I catchment Area and are in fact situated within Area F (Johnsonville-Onslow). However, there is no requirement for this catchment to fund these two projects in any way through development contributions. This does not appear logical or reasonable and we request these two roading projects be removed and re-assigned to Area F in which they are situated. In addition, the Ohariu to Westchester project is now to be funded entirely through DC's whereas in the 2016 policy there was funding from other sources being provided (roughly 59%). We seek this be re-instated.

The second point we seek to make is that the Westchester to Glenside roading project is now complete (back in 2013) yet the cost of the project in the draft policy has risen from $9.10 million to $10.53 million. This is an increase of 15% for a completed project, and we seek this be reduced to the actual budgeted cost.

Contributions for Non-Residential Developments:

We have repeatedly objected to the figure used by Council to calculate the total number of EHU's for non-residential development, which is being retained at 42m² GFA as being equal 1 EHU. This was dropped from 55m² GFA to 42m² during the 2015/2106 policy review and we also made a submission at this time opposing the change. It is inherently wrong that this figure be used for non-residential developments such as commercial, industrial or other large-scale developments, many of which are highly automated with low employees, when they clearly do not create the impacts on Infrastructure commensurate to the contributions being requested.

The justification of the EHU's figure of 42m² for non-residential development according to Section 7.3 of the proposed policy is …*the Council has assumed that an employee requires approximately 16m² of gross floor area (gfa) and that 2.6 employees, being the equivalent average household occupancy, would require 42m².*

This is flawed as the calculation method may be appropriate for inner city office developments, but it is certainly not appropriate to then apply it unilaterally across all other types of non-residential development in the City including industrial, commercial, places of worship etc. The impact this is having on commercial development in the City cannot be ignored by Councillors and there is already little/no investment in commercial development in the City with commercial and industrial investors pushing out to other areas of Wellington such as Porirua and Lower Hutt.

Summary:

There are significant changes to the charges proposed for Area I – Churton-Stebbings and Area J – Grenada-Lincolnshire with both areas identified as growth areas for the city. Several other policy and operational issues and catchment projects in our view require review/changing along with the objection/appeal pathway.

We trust the above submission is taken into consideration and look forward to hearing from you. We wish to be heard on the above matters.

Yours faithfully
Best Farm Ltd
Hunters Hill Ltd
Stebbings Farmlands Ltd
Lincolnshire Farm Ltd

Rod Halliday
Resource Management Planner

Submission on WCC development contributions policy

30 November 2021

Inner City Wellington (ICW) seeks that the development contributions policy helps to achieve the goals of the green network plan in the inner-city residential area (policy mapzone q), by way of:

- further increasing the parks and reserves catchment specific charge; and
- broadening the base of this charge by requiring a parks and reserves catchment specific charge for non-residential development.

The draft green networks plan, adopted on 27 October 2021, highlights: 'there are few incentives or requirements for private development contributions to the city's green network'. However, there is no reference to this in any of the consultation documentation for this policy, which we consider a key omission that requires further consideration.

Increasing the catchment specific charge

When comparing the proposed parks and reserves catchment specific charge for the inner city residential area to the existing policy, there is only an increase of $507 per equivalent housing unit. Considering the heavy lifting the inner city residential area has been doing over the since the policy was last updated 6 years ago, and is forecast to keep doing over the coming years, this increase seems a bit light – especially considering how much inner city land values have likely risen over the past 6 years which makes it even harder to use these contributions towards acquiring land for new inner city parks and reserves.

We also note that both the current and proposed development contribution charges are much lower than other cities in New Zealand, particularly in relation to reserves contributions. We request that the green networks plan, with some urgency of meeting its goals on a limited council budget, is taken fully into account when setting this final charge.

Broadening the base

Wellington City Council does not require a parks and reserve contribution from non-residential development, only residential development – in both the current and proposed policy. This is the case city wide but differs from Hutt City Council's ethos as they do require reserves contributions from both residential and non-residential development, as they consider this all puts extra pressure on parks and reserves. We consider that the council should reconsider their position, particularly in relation to the inner city residential area where the highest proportion of residential growth is anticipated.

We also noted that an 2019 amendment to the Local Government Act 2002 (LGA) repealed Section 198A which restricted councils from requiring reserves related development contributions for non-residential development. We see this as a blessing from central government that councils should not exclude non-residential development from providing for reserves – especially in high growth areas such as the central city.

Indexing of charges

We support the proposal that charges may be adjusted for inflation annually as permitted by the LGA, and go further by requesting that this does happen every year.

Stephen King
CHAIR
[redacted]

WILLIS
BOND

Wellington
Level 2
5 Cable Street
PO Box 24137
Wellington 6142

Auckland
Level 4
12 Viaduct Harbour Avenue
PO Box 2007
Auckland 1140

willisbond.co.nz

1 December 2021

Wellington City Council
Freepost 2199
Development Contributions Policy Review
Policy Team 259
PO Box 2199
Wellington 6140
Email: policy.submission@wcc.govt.nz

Wellington City Council Draft Development Contribution Policy – Submission by Willis Bond

Thank you for the opportunity to take part in the Development Contributions (DCs) policy (the "***Proposed Policy***") review. Our comments are as follows:

1. ***Revised charges***

The proposed new charges represent a considerable uplift on the previous charges in the 2015 Policy, for example:

	2015 charges	Proposed new charges
Inner city – Residential	$6,137	$10,270
Inner city – Non residential	$4,118	$7,128

Over a 100-apartment development, this equates to over $400,000 of extra cost. We note the concerns expressed by the Property Council New Zealand (***PCNZ***) in its submission on the Proposed Policy that even higher increases may follow from the 2024 Long Term Plan. Increased DCs cannot be wholly absorbed by the developer, especially in a market of rising construction, regulatory and insurance costs. As PCNZ identifies, these increases will be passed largely on to the occupier, be that tenants or home purchasers. In a time of rising unaffordability for housing and already significant rises in lease costs, we question whether it is appropriate to implement such material increases or whether other infrastructure funding options should be considered.

It is our view that reducing development contributions would better incentivise much-needed development.

2. ***Expanded definition of gross floor area (GFA)***

The definition of GFA in the Proposed Policy now includes stairways and lift spaces. The explanation for this expanded definition is to align it with the terms from the Local Government Act 2002 and the National Planning Standards 2019.

We acknowledge the benefit of having consistent terminology; however, the logic for including stairways and lift spaces when measuring the infrastructure impact of a non-residential development does not necessarily follow. The previous definition distinguished between regularly occupied spaces or spaces that have a clear business use versus transient and circulation spaces. This distinction aligns better with the purpose of DCs and the basis for the EHU calculation.

Alternatively, if the Council is committed to aligning terminology, the fiscal effect of the new definition could be neutralised by increasing the area ascribed to the non-residential unit of demand (currently $42m^2$).

3. *Green Building remission*

The existing and proposed policy definition on the nature of development that qualifies for this remission remains unchanged, in that it must be a commercial or mixed development. It also refers to a 5 Star Green Star rating or equivalent. We have two comments on this part of the policy:

- First, it should be made clear that the remission extends to residential developments that achieve the equivalent Homestar rating. If there are accepted benefits of green buildings, then there is no obvious reason for distinguishing between non-residential and residential developments and this definition should be updated.

- Secondly, the Proposed Policy should incorporate a more nuanced remission scheme with added benefits where the rating achieved exceeds 5 Star Green Star equivalent. For example, the Green Star ratings system includes the 6 Star rating, where a development demonstrates "world leadership". The Council has an expressed goal to become an eco-city and to be an environmental leader, as the "capital city of clean and green New Zealand". The Council's eco-city vision would be better achieved through further incentives in this regard.

We do not wish to provide an oral submission.

Yours sincerely

Willis Bond

Metlifecare
RETIREMENT VILLAGES

1 December 2021

By Email: policy.submission@wcc.govt.nz

Attention: Leila Martley and Fiona Bailey

Development Contributions Policy Review
Policy Team 259
Wellington City Council

Feedback on the Wellington Development Contributions Policy Review Statement of Proposal 2021

1. Introduction

1.1 Metlifecare New Zealand Limited (**Metlifecare**) wishes to provide feedback on the Development Contributions Policy for 2021/2022 (**proposed DC Policy**) and appreciates the opportunity to do so.

1.2 Metlifecare was established in 1984 and is a leading owner and operator of retirement villages in New Zealand. Metlifecare currently owns and operates a portfolio of 25 retirement villages located predominantly in New Zealand's upper North Island, providing rewarding lifestyles and outstanding care to more than 5,600 New Zealanders.

1.3 Metlifecare already has a presence in the lower North Island through its village in Kapiti and, as recently announced to the market, is acquiring Selwyn Sprott in Karori. Metlifecare appreciates the demand for retirement accommodation in Wellington and is considering further development in the capital.

1.4 Metlifecare is concerned that the proposed DC Policy has not anticipated or appropriately provided for retirement village development. Retirement villages play an important role in the community, and it is critical that the proposed DC Policy fairly allocates and charges development contributions for this use. The proposed DC Policy should reflect that retirement villages have less demand and infrastructure needs than standard residential development to be consistent with the purposes and principles of the Local Government Act 2002 (**LGA**).

2. Retirement village development will predominately be considered as residential activity under the proposed DC Policy

2.1 In the current Wellington Development Contributions Policy (**Current Policy**) retirement village development would have, at least partly, been defined as non-residential development. Residential development is currently defined as the "*development of premises for any domestic or related purpose for use by persons living in the premises along or in family and/or not family groups*" but does not include "*rest homes, hostel accommodation or similar premises that provide shared or communal facilities*".

2.2 The Council has changed the definitions relied on in the proposed DC Policy to include a definition of residential unit, small residential unit, and residential activity. Non-residential development is not defined. Metlifecare anticipate that this change in approach was intended to align with the National Planning Standards and to recognise a broader range of residential activities, including retirement village development. However, we note the following:

(a) "Residential activity" is broadly defined to be "*the use of land and building(s) for people's living accommodation*", however, that definition is not used anywhere in the proposed DC Policy. Rather the term residential development is used throughout, including to determine the Equivalent Household Units (**EHU**) payable per type of development.

(b) Residential unit means *"building(s) or part of a building that is used for a residential activity exclusively by one household, and must include sleeping, cooking, bathing and toilet facilities*". The proposed DC Policy itself further clarifies that residential units are areas that are capable of being self-contained and which include kitchen and bathroom facilities "of any nature" and are units which can be physically separated from other residential units (see page 1 of the proposed DC Policy). We anticipate that this would include independent living units within a retirement village development and Metlifecare's assisted living units which have kitchenette facilities. (We also note that the policy uses the term residential unit and household unit interchangeably).

(c) Small residential unit means "*a residential unit which only has one bedroom and includes a studio unit/apartment that does not have a separate bedroom.*"

2.3 On the basis of the definitions provided above, the majority of the buildings within a retirement village will be considered residential activities, however specialist units such as dementia care units which do not have kitchen facilities of any nature would be non-residential activities.

2.4 As retirement villages provide housing for the elderly, Metlifecare considers it appropriate that retirement villages, including both independent living units and dementia care units, be considered as residential activities. However, Metlifecare is concerned that in the proposed DC Policy, development contributions (**DCs**) for residential development are charged per residential unit or small residential unit and that these activities do not reflect the demand generated by retirement village developments. There is no specific provision to calculate DCs for a retirement village development.

3. The proposed DC Policy must be consistent with the LGA

3.1 Under the proposed DC Policy, the majority of the buildings within a retirement village would be assessed at a rate of 1 EHU per residential / household unit or 0.7 EHU per small residential / one-bedroom household unit.

3.2 The purpose of DCs is to allow local councils to recover 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 LGA).

3.3 The principles of DCs include:

(a) that DCs 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 (section 197AB(a) of the LGA);

(b) requiring cost allocations used to establish DCs to 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 (section 197AB(c) of the LGA); and

(c) DCs should be predictable and consistent with the methodology and schedules of the territorial authorities DC policy (section 197AB(f)).

3.4 The approach to calculating DCs in the proposed DC Policy is contrary to the LGA because DCs for retirement villages are based on demand from typical residential households rather than the actual infrastructure demand from this use. The proposed DC policy is based on assumptions about householder water and wastewater use, the need for reserve land and transport use. The proposed DC Policy does not recognise that comprehensive care retirement villages generate much lower demand on council services than standard residential development and small residential units.

Level 4, 20 Kent Street, Newmarket, Auckland 1023
PO Box 37463, Parnell, Auckland 1151
Phone 09 539 8000 **Fax** 09 539 8001
metlifecare.co.nz

4. The DC Policy must be amended to reflect the demand on infrastructure created by retirement village development

4.1 Metlifecare considers that the proposed DC Policy should make specific provision for retirement villages to allow the Council to recognise the different characteristics and demand for services of a retirement village compared to a standard residential development, for the following reasons:

(a) Retirement villages have a fundamentally different yield to standard residential development due to lower occupancy rates. The household occupancy in a retirement village is approximately 0.46 of the typical household occupancy of a residential dwelling.

(b) While Metlifecare recognises that there has been specific consideration of one bedroom units, the proposed DC policy should also take into account lower demand on council services which a retirement village generates and also lower usage of public assets that are funded through development contributions compared to the demand and use from standard residential homes, even one bedroom homes.

(i) Retirement villages are self-contained in terms of their recreational and community facilities. Typically, they will have community meeting rooms, a library and active and passive recreation facilities. These can include bowling greens, vegetable gardens, outdoor seating, formal gardens and swimming pools. Therefore, a retirement village places minimal demand on public recreational and community facilities. These on site services are provided by and funded by the retirement village provider. The proposed DC Policy levies development contributions for community infrastructure projects at a rate that reflects growth in Wellington. This would place an unequitable charge on retirement village developments.

(ii) The traffic generation of a retirement village is significantly lower than a normal household. Residents have lower average car ownership (either due to resident mobility constraints, access to village transport services, or access to services on site). Furthermore, residents and village transport services avoid travelling at peak periods. Therefore, a retirement village development does not cause the need for increased capacity in the transport network. This is largely driven from the need for transport infrastructure to respond to peak travel time requirements.

(iii) Wastewater and water services are based on occupancy. However, as noted above, the household occupancy in retirement village units is significantly less than other residential housing units. The effect of this can be significant. As an example, in Kilbirnie development contributions are proposed to increase from $6,137 to $10,270 (per EHU) due to an increase in water supply contributions. Retirement village developments would have to contribute to water infrastructure at a much higher rate than the demand they generate.

4.2 Recognising retirement village units and aged care units separately is an approach supported by the Department of Internal Affairs in its template DC policy updated in February 2021.

4.3 Metlifecare appreciate that the proposed DC Policy provides an avenue for special assessments, however, that approach is discretionary and does not provide certainty to Metlifecare (or other retirement village operators) that the Council will use a special assessment or provide certainty of the likely quantum of DCs. The special assessment approach in the proposed DC Policy is also insufficient because:

(a) it indicates that "special assessments will, in general, not be considered for residential developments";

(b) it does not recognise that special assessments are also appropriate where infrastructure works undertaken by the developer will substantially reduce the demand or lead to no demand on council facilities; and

(c) the proposed DC Policy includes guidance in relation to special assessments that suggests a special assessment will be considered more appropriate when the expected usage measures are significantly different to the usage measures in Table 6. The assumptions used to create that table are unclear, particularly when residential land non-residential activities will have different average demands.

4.4 The Council needs to provide separately for retirement village developments with appropriate units of demand to enable the Council to levy fair, equitable and proportionate development contributions for retirement villages that reflect the capital expenditure required to service the development. The proposed DC Policy is contrary to the principles and purpose of development contributions under the LGA and would be a barrier to development in Wellington city.

5. Specifically providing for retirement villages in the DC Policy would be consistent with other council DC policy's around New Zealand

5.1 Other councils around New Zealand recognise that retirement village developments do not have the same demand on council services as other developments.

(a) Auckland Council specifically provides for retirement units[1] and aged care rooms[2]. They are a specific development type with separate (and lower) units of demand factors for stormwater, transportation and other (as shown in below);

Figure 1 – unit of demand factors for retirement units in Auckland DC Policy (draft)

Retirement unit	Stormwater	1 HUE per $292m^2$ ISA
	Transport	0.3 HUE per unit
	All others	0.1 HUE per unit

(b) The Hutt City District Council has a separate demand factor for aged care units and retirement units (being 0.5 EHU for water, wastewater and stormwater; and 0.3 EHU for transport). Hutt City also has separate provisions for minor or small residential units;

(c) Waipa District Council specifically provides for retirement units, being any dwelling unit in a retirement village subject to the Retirement Villages Act 2003 (excluding aged care rooms). Retirement units are assessed at 0.5 of a HEU per retirement unit;

(d) Tauranga City Council provides for retirement villages as one-bedroom dwellings (defined to include any household unit in a retirement village that is registered under the Retirement Villages Act 2003) and are assessed at 0.5 of a HEU per dwelling. Other elements of retirement villages, where 24-hour on-site medical support is provided, are defined as residential activities. Under the Tauranga DC policy, if a household unit or household unit equivalent associated with other types of residential development that falls within the scope of residential activity is likely to have a significantly lesser impact on infrastructure than the average anticipated demand 50% below or 100% above the anticipated demand), a special assessment may be made; and

(e) Christchurch City Council specifically provides for retirement units and care suites and are assessed as having less demand that a residential household (as shown in Figure 2 below). All other elements of retirement villages, such as a hospital, care/assisted living units etc are assessed using a special assessment.

1 Retirement units are defined as any unit in a retirement village (other than an aged care home). Retirement village is defined as managed comprehensive development used to provide accommodation for aged care people.

2 Defined as a dwelling unit in a rest home, or hospital care institution.

Level 4, 20 Kent Street, Newmarket, Auckland 1023
PO Box 37463, Parnell, Auckland 1151
Phone 09 539 8000 **Fax** 09 539 8001
metlifecare.co.nz

Figure 2 - unit of demand factors for retirement units in Christchurch DC Policy

District Plan Zone	Reserves HUE per development	Stormwater & flood protection HUE / m2 ISA	Water Supply per HUE	Wastewater Collection per HUE	Wastewater Treatment and Disposal per HUE	Transportation HUE per M2 GFA	Community infrastructure
Retirement village - residential unit only[3]	0.1		0.50	0.50	0.50	0.50	0.1
Retirement village – care suite only	Nil		0.40 HUE	0.40 HUE	0.40 HUE	0.1 HUE	Nil

5.2 It is important that there is more consistency in how development contributions are calculated throughout New Zealand. The approach proposed in the proposed DC policy is overly simplistic and does not align with other councils.

6. Relief sought

6.1 For the reasons set above, Metlifecare requests that Wellington City Council adopt a separate classification for DCs for retirement village units and dementia suites / care bed facilities in retirement villages as follows:

(a) *Reserves and community facilities* – 0.1 HUE per retirement village unit or independent living unit and 0.0 HUE per dementia suit / care bed. This recognises the minimal demand for community facilities by retirement village residents and the provision of these services in the village. It also acknowledges that residents have very low or no use of council recreational and open space services. These needs are supplied within the retirement village.

(b) *Transport / Wastewater / Water* – Assess all independent living units as 0.5 of a EHU and all dementia unit or care bed units as 0.3 EHU (this also takes account of residents, visitors and staff).

(c) *Stormwater* – The standard DC regime should apply which calculates DCs for stormwater based on impermeable surface area (**ISA**) created by a development. Auckland Council uses a 1 HUE to 292m^2 ISA calculation while other councils including Marlborough and Matamata-Piako use 0.26 HUE per 100m^2 ISA. This is an appropriate mechanism which also encourages developments where possible to reduce impermeable surface area and therefore reduce stormwater runoff. It is noted that the proposed DC Policy does not use ISA to calculate stormwater contributions. Instead, stormwater contributions are assessed for multi-unit residential development on the basis of the greatest number of EHU on any floor. This method does not directly relate to the ISA of a development, or encourage reduction in ISA.

6.2 This would involve introducing a new activity into the EHU payable per type of development table, as follows:

<table>
<tr><th>Type of development</th><th>EHU assessment based on:</th></tr>
<tr><td>Residential development</td><td>1 EHU per ~~household~~ <u>residential</u> unit

0.7 EHU per one-bedroom ~~household~~ <u>residential</u> unit

<u>For retirement village units:</u>
• <u>0.26 EHU per 100m^2 ISA for stormwater;</u>
• <u>0.5 EHU per retirement village unit for water, wastewater and transport; and</u>
• <u>0.1 EHU per retirement village unit for reserve and community infrastructure.</u>

<u>For aged care units:</u></td></tr>
</table>

Level 4, 20 Kent Street, Newmarket, Auckland 1023
PO Box 37463, Parnell, Auckland 1151
Phone 09 539 8000 **Fax** 09 539 8001
metlifecare.co.nz

	• 0.26 EHU per $100m^2$ ISA for stormwater; • 0.3 EHU per aged care unit for water, wastewater and transport; and • 0.0 EHU per aged care unit for reserve and community infrastructure.

6.3 The relief sought by Metlifecare would also involve introducing the following definitions of retirement village unit and aged care unit similar to those already provided for in DC policies across New Zealand:

(a) **Retirement village unit** means: Any unit in a managed comprehensive residential development used to provide accommodation for aged people that is subject to the Retirement Villages Act 2003 (other than an aged care room), including:

(i) the use or development of any site(s) containing two or more units that provides accommodation, together with any services or facilities, predominantly for persons in their retirement, which may also include their spouses or partners; and

(ii) recreation, leisure, supported residential care, welfare and medical facilities (inclusive of hospital care) and other non-residential activities accessory to the retirement village.

(b) **Aged care unit** means any dwelling unit in a "rest home" or "hospital care institution" as defined in section 58(4) of the Health and Disability Services (Safety) Act 2001.

6.4 It is appreciated that the amendments sought require significant changes to the proposed DC Policy. However, it is considered that these changes are necessary to ensure the DC Policy applies a fair and robust development contribution regime that complies with the LGA.

6.5 Metlifecare also requests that Wellington City Council amends the special assessments paragraphs to recognise that special assessments are appropriate where a development has less demand on council infrastructure as follows:

(a) Developments sometimes require a special level of service or are of a type or scale which is not readily assessed in terms of EHUs – such as large-scale primary sector processors, retirement village and aged care facilities which generally have lower demand on council facilities or service stations. In these cases, Council may decide to make a special assessment of the EHUs applicable to the development. ~~In general, special assessments of residential developments will not be considered.~~

(b) ~~Without limiting the Council's discretion, when determining an application for a special assessment or a special assessment is initiated by the Council, the demand measures set out in Table 6 below will be used to guide a special assessment.~~ Special assessments may also be applied where other features, such as infrastructure works undertaken by the developer, substantially reduce demand or lead to no demand on council facilities.

6.6 Metlifecare would appreciate the opportunity to present this submission to the Council.

Yours faithfully

Metlifecare Limited

Joe Bartley

Level 4, 20 Kent Street, Newmarket, Auckland 1023
PO Box 37463, Parnell, Auckland 1151
Phone 09 539 8000 **Fax** 09 539 8001
metlifecare.co.nz

85 Molesworth Street,
PO Box 3942, Wellington,
6140, New Zealand

Wellington City Council
113 The Terrace
Wellington 6011

Dear Councillors,

Response to your draft Development Contribution Policy consultation

Beca has delivered many of Wellington's landmark 'green buildings', including the Meridian Building on the waterfront (New Zealand's first 5-Star Green Star rated building), completed in 2007; the refurbishment of Aorangi House, winner of the World Green Building Council's 2018 'Leadership in Sustainability' award; and Tākina Wellington Convention and Exhibition Centre, which has just secured a 5-Star Green Star design rating – the first for a convention centre in New Zealand.

Delivering high performance buildings like these has seen us engage with WCC on the appropriate development contributions, and we welcome the opportunity to comment on your draft Development Contribution Policy.

Ground for remission

Self-assessment

While Green Star is a well understood ratings product, it carries significant costs to obtain the certification, on top of the development's resource efficient design. Marketing and development costs all play heavily into the decision to go for a Green Star rating, with the cost of documenting and certification often consuming the bulk of any remission from WCC.

Currently there is no process for owners to demonstrate reduced impact other than through a rating tool such as Green Star, which is essentially a template for establishing environmental impacts as a proxy for reduced impact on Council's infrastructure. However a building without a Green Star rating but which pays very careful attention to water management and end-of-trip facilities could deliver significantly lower impact on water and transport demands without the costs of a branded green certification.

We believe if WCC can outline clear performance targets for developments, and the assessment criteria to determine these, then developers (and their engineering teams) will be able to secure a remission by showing they have delivered lower impact assets without the expense of using a branded rating product.

We welcome WCC's statement in Section 9.10 that 'Council may remit all or part of a development contribution at its complete discretion. Council will only consider exercising its discretion in exceptional circumstances.' Previously we have previously worked with WCC to understand the changes in demand of our client's developments on WCC's infrastructure, and secure development contributions remissions – an approach WCC has referred to as 'self-assessment'.

One of our challenges is establishing how we demonstrate to WCC that the buildings we design reduce loadings on WCC's drinking water and wastewater systems – particularly with regards to WCC providing a transparent assessment schedule, and we encourage WCC to demonstrate how the route to securing a remission without using a branded tool could be pursued.

In short, we believe this process would be better at incentivising developers to minimise a new asset's impact on Wellington's infrastructure. The framework could be developed from the existing Green Star criteria, with changes made to make the assessment specific to the project location and connecting infrastructure. This would make the process for demonstrating reduced impact on infrastructure, but also allow the development's impact on the local infrastructure to be considered, rather than relying a tool developed for the whole of New Zealand.

Green Building Remission (Sections 9.15 and 9.16)

Encouraging uptake of appropriate green building ratings tools

We feel WCC's 'Green Building Remission' policy should encourage a broad ecosystem of high quality buildings ratings approaches, rather than simply mandate Green Star. Green Star is a ratings product that is well understood by the New Zealand market, but there are other green rating tools available that may be more appropriate – e.g. LEED and Living Future's 'Core' rating – which all address a broad spectrum of building performance (rather than focusing on specific areas, e.g. carbon or energy).

These all allow WCC to have confidence that the development has been done to a high standard, but give the market flexibility choose the right tool for their project, while demonstrating high quality outcomes for the project and reduced impact on Wellington's infrastructure. Being open to other high quality ratings tools allows WCC to embrace innovation. We also note the policy does not mention residential assessment tools, e.g. Homestar which could help incentivise high quality urban development and reduce demand on Council's infrastructure.

We suggest the following amendment and addition:

9.15 To encourage economic development and recognise the strategic importance of Green Star (or equivalent) rated buildings a standard remission equating to 50% of the total standard assessed charge can be applied for developments that meet the criteria outlined below.

9.16 *[additional bullet point]* If the building is a residential development of greater than *X* [to be determined] equivalent household units it must have received a 7 Star Homestar Certified Rating or equivalent or higher.

Furthermore the performance from particularly demanding certification regimes could be recognised by an even greater remission – e.g. a 'Living Building Challenge' rating is only granted for buildings that are 'self-sufficient and remain within the resource limits of their site' – and thus places significantly reduced demand on Council infrastructure.

Alignment of ratings tools with WCC's infrastructure pressures

The current Development Contribution remission allowance does not specifically address design attributes which impact on council infrastructure i.e. stormwater systems and run-off, or potable water consumption. We suggest WCC's Green Building Remission criteria should mandate the inclusion of the green rating tool credits that relate to demand on council infrastructure.

For example, in securing 5-Star Green Star certification WCC should mandate minimum outcomes in Credit 17.4 – Active transport, Credit 18 – Potable Water and Credit 25 – Storm Water as part of the criteria for development contributions remission. Other tools will have similar focus areas that should be mandated. Likewise there should be a similar alignment for Homestar credits if Council includes residential developments in the policy.

We are happy to discuss what these specific outcomes should be – and how WCC can mandate these requirements thought the ratings tools.

Alignment with current Green Star tools

Remissions pertaining to ‘green certification’ should only be granted on securing an ‘As Built’ rating, rather than a ‘Design’ rating; ‘As Built’ verifies that the attributes incorporated in the design have actually been installed and commissioned.

Seismic resilience and Low Damage Design

Beca suggests WCC recognises the value of buildings that adopt Low Damage Design (LDD) principles with a reduction in Development Contributions. LDD encompasses design features such as base isolation and viscous dampers, and goes beyond the minimum standard required by the Building Code. It also offers benefits in line with WCC’s ‘community outcomes’ aspirations (Section 14.7), including:

- **Environmental** with buildings inherently likely to have a greater return on their embodied carbon as their lifespan is less likely to be shortened through seismic activity
- **Social** as the buildings are highly resilient and able to keep people safe
- **Economic** as disruption from building closure and demolition is significantly reduced

Constructing a building using LDD adds about 5% to the overall cost of a development, so any remission WCC can offer will offset a very small part of that – but it would make a clear indication of the resilience that WCC wishes to encourage.

Patrick Breen
Senior Technical Director
[redacted]

SUBMISSION ON WELLINGTON CITY COUNCIL'S DRAFT DEVELOPMENT CONTRIBUTIONS POLICY 2021

To:	Development Contributions Policy Review Policy Team 259 Wellington City Council PO Box 2199 Wellington 6140 Email: policy.submission@wcc.govt.nz
Name of Submitter:	Stride Property Group
Address:	C/- MinterEllisonRuddWatts PO Box 3798 Auckland 1140 Attention: Bianca Tree Email: [redacted]

Submission on Wellington City Council's Proposed Amended Development Contributions Policy – Consultation Draft November 2021

Introduction

1. This is feedback on Wellington City Council's (**Council**) Proposed Amended Development Contributions Policy – Consultation Draft November 2021 (**Draft Policy**) by Stride Property Group (**Stride**). The Draft Policy is open for consultation by Wellington City Council (**Council**) to 1 December 2021.

Scope of submission

2. Stride's submission relates primarily to the method used by the Draft Policy to calculate equivalent housing units (**EHUs**).

3. It is considered that the Draft Policy fails to take into account the demand rates that different activities have on infrastructure that is required to service growth. Accordingly, it is submitted that the Draft Policy does not levy fair, equitable and proportionate development contributions for non-residential and residential development and is contrary to the Local Government Act 2002 (**LGA**).

4. Stride seeks that the Draft Policy be amended to provide a fair and equitable assessment of EHUs in terms of the types of developments and demand it places on infrastructure.

Background to Stride

5. Stride is a group of companies and funds, including:

   (a) Stride Property Limited (**SPL**), which manages one of New Zealand's largest diversified investment property portfolios, with a range of commercial office, retail and industrial properties.

   (b) Equity Trustees Limited (also known as Diversified Property Fund) (**Diversified**), which is an investment property fund.

(c) Stride Investment Management Limited (**SIML**) is a specialist real estate investment manager which currently manages the property portfolios of SPL, Diversified and Investore Property Limited (**Investore**).

(d) Investore specialises in investing in large format retail assets.

(e) Fabric Property Limited (**Fabric**), a subsidiary of SPL, specialises in commercial office properties, primarily in Wellington and Auckland.

6. Stride owns and manages properties throughout New Zealand. Stride develops properties with a view to long-term ownership and, therefore, invests in its buildings to meet high quality and design standards. Stride appreciates the requirement for Councils to invest in infrastructure to service growth. Stride takes an active approach in district plan, long term plan and development contribution processes around the country.

7. Stride appreciates the opportunity to comment on the Draft Policy. In particular, Stride has significant concerns about the approach taken in the Draft Policy and considers that the Draft Policy does not provide for a fair or equitable assessment of development contributions.

The method used to calculate EHUs will not achieve the purpose and principles of development contributions as set out in the LGA

8. The purpose of development contributions under the Local Government Act 2002 (**LGA**) requires that councils 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 development contributions principles under the LGA provide that:[2]

(a) development contributions should 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; and

(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.

9. 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]

10. The approach taken in the Draft Policy to calculate EHUs is as follows:

(a) There are only three development types that are used to assess development contributions per EHU. These are residential development, fee simple subdivision and non-residential development.

(b) The EHU for residential developments are assessed as 1 EHU per household unit or 0.7 EHU per one-bedroom household unit.

(c) Any non-residential development will have 1 EHU for every 42m^2 of gross floor area (**GFA**).

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1 Section 197AA of the LGA.

2 Section 197AB of the LGA.

3 *Neil Construction Limited v North Shore City Council* [2008] NZRMA 275, at [120].

(d) The reasoning provided by the Draft Policy is that the Council has assumed that an employee requires approximately 16m^2 GFA and that 2.6 employees, being the equivalent average residential unit occupancy, would therefore require 42m^2.

(e) This EHU calculation applies for all activities that development contributions can be charged for. In the case of non-residential developments these activities are water supply, wastewater, stormwater, and transport.

The assessment for non-residential activities will not result in fair, equitable and proportionate development contributions

11. The approach taken by the Draft Policy to assess non-residential activities is contrary to the purpose and principles of development contributions under the LGA for the following reasons:

(a) Providing for only one non-residential development type fails to consider the wide range of non-residential development types which place very different demands on network infrastructure and assets.

(b) The assumption that 42m^2 GFA of a non-residential use is equivalent to a EHU is unsound. It is not appropriate to levy development contributions based on the number of employees, or to assume that there is a correlation between the number of employees and residential occupancy and the demand that non-residential and residential activities have on infrastructure. For example, an office building has significantly more 'employees' than a large format retail centre with the same GFA.

(c) This issue becomes apparent when considering transport demand:

(i) Applying a development contribution for transport infrastructure based on GFA ignores the trip generation rate of the non-residential activity. It is the trip generation rate that places demand on the transport network, not the GFA per se.

(ii) As the Council appreciates, trip generation rates vary significantly and there is reliable data on trip rates for a wide range of non-residential activities. Trip generation is the appropriate starting point to assess the demand that an activity will have on the transport network.

(iii) In addition, capacity improvements are typically required to accommodate peak period travel demands. Demand generated outside of peak hours can generally be accommodated by existing transport infrastructure. It is also therefore important to consider the type of activity and if it will require new or increased capacity on the network.

(d) Similar concerns arise when considering the development contribution assessment for stormwater:

(i) The Draft Policy proposes that stormwater development contributions be levied on the basis of 1 EHU per 42m^2 GFA, for the greatest number of EHUs on any particular floor.

(ii) This mechanism based on floor area fails to capture all impermeable surface area (**ISA**) as part of a development that generates stormwater runoff, or alternatively recognise that a development can increase floor area but result in no change to ISA and therefore not increase stormwater runoff.

(iii) Calculating the stormwater development contribution on the basis of GFA also does not encourage developers to consider measures to reduce ISA and stormwater runoff.

(iv) The recognised fair, equitable and appropriate method to assess development contributions for stormwater is on the basis of additional ISA. It is considered that the Draft Policy should levy development contributions for stormwater on this basis.

(e) The Draft Policy also proposes to collect the stormwater development contributions on a city wide basis for “Stormwater Flood Protection” and “Stormwater – Network” assets. There is no list in the Draft Policy of stormwater infrastructure works that are proposed to be undertaken by the Council using the development contributions collected. Stormwater and the need for works is a local catchment issue and it is important that stormwater development contributions that are collected in a particular area are allocated to stormwater works within that area. Developers need certainty that the stormwater development contributions collected for any project will be invested in stormwater improvement works within the catchment of their development. Therefore, the Council needs to list in Schedule 2 of the Draft Policy the stormwater works that are to be undertaken in each local area.

(f) It is also not appropriate to levy water and wastewater development contributions on the basis of GFA:

(i) As above, the Draft Policy proposes that water and wastewater development contributions are levied on the basis of 1 EHU per $42m^2$ GFA.

(ii) However, the floor area of a non-residential development has no correlation to the water use or wastewater discharged. Water and wastewater demand is based on the type of activity, and in particular whether it is a low, medium or high water user. For example, retail developments can have a large floor area but have very low water and wastewater demand.

(iii) Appropriate water and wastewater demand rates should also be assessed and applied on an activity basis.

12. The approach taken in the Draft Policy is overly simplistic and does not provide a regime that enables a fair, equitable and proportionate level of development contributions to be collected for the capital expenditure required to service development. It is considered that the Draft Policy does not comply with the requirements of the LGA.

Applying only two demand rates for residential use will not facilitate residential development to meet Wellington’s housing needs

13. The Draft Policy provides two residential unit demand rates, 1 EHU per household unit and 0.7 EHU per one-bedroom household unit.

14. This means that the same development contributions will be levied for a large four-bedroom standalone dwelling as a two-bedroom apartment. These residential activities do not have the same demand on Council’s infrastructure. It is also important that more intensive residential development is encouraged and not disincentivised by the Council’s development contribution regime.

15. It is considered that the Draft Policy should recognise a greater range of residential development types and apply appropriate demand rates for those residential uses.

Recognising the range of non-residential and residential use and different units of demand in the Draft Policy would be consistent with other council DC policies around New Zealand

16. Other councils around New Zealand recognise in their development contribution policies that non-residential development has varying levels of demand on council services and therefore vary the charges accordingly, including for Auckland, Hutt City, Christchurch, Tauranga and Hamilton.

17. In particular, Auckland Council in its Draft Development Contribution Policy 2021 provides for six different non-residential development types,[4] with transport levied within a range of 1 HUE per 215 – 346m^2 GDA, and stormwater on the basis of 1 HUE per 292m^2 ISA.

18. As a result, a new retail development in Wellington would incur significantly greater development contributions than the same sized development in Auckland. Although it is appreciated that the development contributions also reflect the capital projects required to service growth in a particular area, the discrepancy in this example is based on the approach to inflating the units of demand for retail development in the Draft Policy which, as above, does not reflect the actual demand for new infrastructure to service that development.

19. Other councils also provide a more graduated approach to residential development types, which appropriately recognises that different forms of residential development have lower demand on council infrastructure.

20. As an example, Auckland Council in its Draft Development Contribution Policy 2021 provides for detached dwellings, low rise attached, and medium to high rise attached, with each having different demand rates based on dwelling size (see figure 1 below).

Figure 1 – Auckland Council Draft Development Contribution Policy 2021

Schedule 2 – Development types and unit of demand factors

Land and building development

Table 3

Development type	Activities	Units of demand
Detached dwelling unit / duplex	Stormwater	1.0 HUE per unit
	All others	0.8 HUE per unit at 0m^2 - 99m^2 GFA
		1.0 HUE per unit at 100m^2 - 249m^2 GFA
		1.2 HUE per unit at 250m^2 and over GFA
Attached dwelling unit – low rise	Stormwater	1 HUE per 292m^2 ISA
	All others	0.7 HUE per unit at 0m^2 - 99m^2 GFA
		0.9 HUE per unit at 100m^2 - 249m^2 GFA
		1.1 HUE per unit at 250m^2 and over GFA
Attached dwelling unit – medium to high rise	Stormwater	1 HUE per 292m^2 ISA
	All others	0.6 HUE per unit at 0m^2 - 99m^2 GFA
		0.75 HUE per unit at 100m^2 - 249m^2 GFA
		0.9 HUE per unit at 250m^2 and over GFA

21. This approach more appropriately recognises the lower occupancy in smaller dwelling units, and also incentivises more intensive residential developments.

22. It is important that there is more consistency in how development contributions are calculated throughout New Zealand. The approach proposed in the Draft Policy is overly simplistic, does not align with other councils, and fails to levy fair and equitable development contributions.

[4] Retail, hospitality, recreation and personal services; Commercial; Education and health; Production and distribution; All others.

Stride seeks that the Draft Policy be amended to provide a fair and equitable assessment of EHUs in terms of the types of developments and demand

23. Stride considers that the Council needs to reconsider how EHUs are calculated and provide for a greater range of development types each with their own appropriate level of demand.

24. Stride seeks the following relief:

(a) that the Council amend the Draft Policy to provide for separate development types and units of demand for non-residential activities as follows:

Activity	**Transport**	**Stormwater**	**Water**	**Wastewater**	**Community Infrastructure / Reserves**
Non-residential use					
Retail, hospitality, recreation and personal services	1.0 EHU per 215m^2 GFA	1.0 EHU per 292m^2 ISA	Low demand	Low demand	0.0 EHU
Commercial	1.0 EHU per 271m^2 GFA	1.0 EHU per 292m^2 ISA	Low demand	Low demand	0.0 EHU
Production and distribution	1.0 EHU per 346m^2 GFA	1.0 EHU per 292m^2 ISA	Low demand (except for wet industries)	Low demand (except for wet industries)	0.0 EHU

(b) that further residential categories be provided to recognise medium to high rise residential development, and lower levels of demand based on the size of the unit (rather than only recognising one-bedroom units); and

(c) that the Council confirms in Schedule 2 of the Draft Policy the stormwater works that are required in each catchment.

25. It is appreciated that the relief sought is a significant change to the Draft Policy. However, it is considered that these changes are necessary to ensure the Draft Policy takes a fair, equitable and proportionate approach to development contributions and does not disincentivise development in Wellington City.

Dated this 1st day of December 2021

Bianca Tree
Counsel for **Stride Property Group**

SUBMISSION ON WELLINGTON CITY COUNCIL'S DRAFT DEVELOPMENT CONTRIBUTIONS POLICY 2021

To:	Development Contributions Policy Review Policy Team 259 Wellington City Council PO Box 2199 Wellington 6140 Email: policy.submission@wcc.govt.nz
Name of Submitter:	Southern Cross Healthcare Limited
Address:	C/- MinterEllisonRuddWatts PO Box 3798 Auckland 1140 Attention: Bianca Tree Email: [redacted]

Submission on Wellington City Council's Proposed Amended Development Contributions Policy – Consultation Draft November 2021

Introduction

1. This is feedback on Wellington City Council's (**Council**) Proposed Amended Development Contributions Policy – Consultation Draft November 2021 (**Draft Policy**) by Southern Cross Healthcare Limited (**Southern Cross**). The Draft Policy is open for consultation by the Council to 1 December 2021.

2. Southern Cross appreciates the opportunity to provide feedback on the Draft Policy.

Scope of submission

3. Southern Cross' submission relates primarily to the method used by the Draft Policy to calculate equivalent housing units (**EHUs**). It is considered that the Draft Policy in applying a single demand rate for non-residential activities fails to take into account the different demand rates that different activities have on infrastructure that is required to service growth. Accordingly, it is submitted that the Draft Policy does not levy fair, equitable and proportionate development contributions for non-residential development and is therefore contrary to the Local Government Act 2002 (**LGA**).

4. Southern Cross seeks that the Draft Policy be amended to provide a fair and equitable assessment of EHUs in terms of the types of developments and demand on infrastructure.

Background to Southern Cross

5. Southern Cross has the largest network of private surgical hospitals and procedure centres in New Zealand, with 10 wholly-owned hospitals as well as ten joint ventures operated in partnership with leading healthcare providers.

6. Where possible Southern Cross co-locates its health services so that it can provide an effective and efficient patient experience. Co-location means bringing together in one

Southern Cross site surgical, recovery, endoscopy, consulting and imaging services. By doing this, Southern Cross is able to significantly reduce delays in patients receiving treatment and reduce the need for patients to travel to various locations within a city or town to access these services, which are often an integral part of a patient's treatment. This makes a significant difference in patient care.

7. Southern Cross' hospitals are located immediately adjacent to or within residential areas of towns and cities in New Zealand. They are also often located in proximity to public hospitals and other healthcare providers, which also provides time and efficiency benefits for specialists who work in this sector.

8. In Wellington, Southern Cross owns and operates the hospital at 90 Hanson Street, Newtown, Wellington (**Hanson Street Hospital**). Hanson Street Hospital offers a range of clinical services, and specialties currently include orthopaedics, gastroenterology, endoscopy, general & colorectal surgery, vascular services, gynaecology, urology, paediatric surgery, neurophysiology, ophthalmology, and oncology. Hanson Street Hospital is essential social infrastructure, which has an important role of supporting the public health sector to provide for the health and wellbeing needs of Wellington City and the Greater Wellington Region.

9. As Wellington's population grows and ages the demand for surgical services increases. Southern Cross is seeking to expand its existing Hanson Street Hospital to meet this demand. It is important that the Council's development contribution regime provides a certain, appropriate and fair assessment of development contributions for new hospital services.

The method used to calculate EHUs will not achieve the purpose and principles of development contributions as set out in the LGA

10. The purpose of development contributions under the Local Government Act 2002 (**LGA**) requires that councils 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 development contributions principles under the LGA provide that:[2]

    (a) development contributions should 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; and

    (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.

11. 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]

12. The approach taken in the Draft Policy to calculate EHUs is as follows:

    (a) There are only three development types that are used to assess development contributions per EHU. These are residential development, fee simple subdivision and non-residential development.

    (b) Any non-residential development will have 1 EHU for every $42m^2$ of gross floor area (**GFA**).

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1 Section 197AA of the LGA.

2 Section 197AB of the LGA.

3 *Neil Construction Limited v North Shore City Council* [2008] NZRMA 275, at [120].

(c) The reasoning provided by the Draft Policy is that the Council has assumed that an employee requires approximately $16m^2$ GFA and that 2.6 employees, being the equivalent average residential unit occupancy, would therefore require $42m^2$.

(d) This EHU calculation applies for all infrastructure that development contributions can be charged for. In the case of non-residential developments these are water supply, wastewater, stormwater, and transport.

13. The approach taken by the Draft Policy is contrary to the purpose and principles of development contributions under the LGA for the following reasons:

(a) Providing for only one non-residential development type fails to consider the wide range of non-residential development types which place very different demands on network infrastructure and assets.

(b) The assumption that $42m^2$ GFA of a non-residential use is equivalent to a EHU is unsound. It is not appropriate to levy development contributions based on the number of employees, or to assume that there is a correlation between the number of employees and residential occupancy and the demand that non-residential and residential activities have on infrastructure.

(c) This issue becomes apparent when considering transport demand:

(i) Applying a development contribution for transport infrastructure based on GFA ignores the trip generation rate of the non-residential activity. It is the trip generation rate that places demand on the transport network, not the GFA per se.

(ii) As the Council appreciates, trip generation rates vary significantly and there is reliable data on trip rates for a wide range of non-residential activities. Trip generation is the appropriate starting point to assess the demand that an activity will have on the transport network.

(iii) In addition, capacity improvements are typically required to accommodate peak period travel demands. Demand generated outside of peak hours can generally be accommodated by existing transport infrastructure. It is also therefore important to consider the type of activity and if it will require new or increased capacity on the network.

(iv) For example, Southern Cross' hospitals have a daily trip generation substantially less than many other non-residential developments, including offices, education and retail. Offices and education facilities also generally produce a very concentrated travel demand of arrivals in the morning peak and departures in the evening peak periods. This places a strain on the existing transport network. Whereas 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 also during off peak commuter times.

(v) Therefore, although a new hospital development would have significantly less impact on the transport network, under the Draft Policy it would be assessed the same as any other non-residential activity. This would result in a new hospital development being charged development contributions that do not reflect the capital expenditure required to improve the transport network to service that development.

(d) Similar concerns arise when considering the development contribution assessment for stormwater:

(i) The Draft Policy proposes that stormwater development contributions be levied on the basis of 1 EHU per $42m^2$ GFA, for the greatest number of EHUs on any particular floor.

(ii) This mechanism based on floor area fails to capture all impermeable surface area (**ISA**) as part of a development that generates stormwater runoff, or alternatively recognise that a development can increase floor area but result in no change to ISA and therefore not increase stormwater runoff.

(iii) Calculating the stormwater development contribution on the basis of GFA also does not encourage developers to consider measures to reduce ISA and stormwater runoff.

(iv) The recognised fair, equitable and appropriate method to assess development contributions for stormwater is on the basis of additional ISA. It is considered that the Draft Policy should levy development contributions for stormwater on this basis.

(e) It is also not appropriate to levy water and wastewater development contributions on the basis of GFA:

(i) As above, the Draft Policy proposes that water and wastewater development contributions are levied on the basis of 1 EHU per $42m^2$ GFA.

(ii) However, the floor area of a non-residential development has no correlation to the water use or wastewater discharged. Water and wastewater demand is based on the type of activity, and in particular whether it is a low, medium or high water user.

(iii) Appropriate water and wastewater demand rates should also be assessed and applied on an activity basis.

14. The approach taken in the Draft Policy is overly simplistic and does not provide a regime that enables a fair, equitable and proportionate level of development contributions to be collected for the capital expenditure required to service development. It is considered that the Draft Policy does not comply with the requirements of the LGA.

Recognising the types of non-residential use and the different units of demand in the Draft Policy would be consistent with other council DC policies around New Zealand

15. Other councils around New Zealand recognise in their development contribution policies that non-residential development has varying levels of demand on council services and therefore vary the charges accordingly, including for Auckland, Hutt City, Christchurch, Tauranga and Hamilton.

16. In particular, Auckland Council provides for six different non-residential development types,[4] with transport levied within a range of 1 HUE per 215 – $346m^2$ GDA, and stormwater on the basis of 1 HUE per $292m^2$ ISA.

17. As a result, a new hospital development in Wellington would incur significantly greater development contributions than the same sized development in Auckland. Although it is appreciated that the development contributions also reflect the capital projects required to service growth in a particular area, the discrepancy in this example is based on the approach to inflating the units of demand for hospital development in the Draft Policy which, as above, does not reflect the actual demand for new infrastructure to service that development.

18. It is important that there is more consistency in how development contributions are calculated throughout New Zealand. The approach proposed in the Draft Policy is overly simplistic, does not align with other councils, and fails to levy fair and equitable development contributions.

[4] Retail, hospitality, recreation and personal services; Commercial; Education and health; Production and distribution; All others. Note that Southern Cross' submission on the Auckland Draft Policy sought a separate assessment for health and education.

Southern Cross seeks that the Draft Policy be amended to provide a fair and equitable assessment of EHUs in terms of the types of developments and demand

19. Southern Cross considers that the Council needs to reconsider how EHUs are calculated and provide for a greater range of development types each with their own appropriate level of demand.

20. In particular, Southern Cross seeks that the Council amend the Draft Policy to provide for a separate development type for "Health", with transport to be assessed as 1 EHU per 500m^2 GFA, stormwater as 1 EHU per 292m^2 ISA, and water and wastewater on a medium user basis.

21. It is appreciated that this is a significant change to the Draft Policy. However, it is considered that these changes are necessary to ensure the Draft Policy takes a fair, equitable and proportionate approach to development contributions.

Dated this 1st day of December 2021

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Bianca Tree
Counsel for **Southern Cross Healthcare Limited**

SUBMISSION ON THE DRAFT WELLINGTON CITY COUNCIL CONTRIBUTIONS POLICY 2021 BY RYMAN HEALTHCARE LIMITED

Introduction

1 This is a submission on the draft Wellington City 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; and

3.2 Ryman's position on the 2021 Draft Policy.

Ryman, its villages, and its residents

4 Ryman currently has 38 operational retirement villages throughout New Zealand providing homes for more than 11,000 elderly residents. It has five retirement villages currently operating in the Wellington region – located in Petone, Waikanae, Khandallah, Kilbirnie and Avalon. Ryman is in the process of planning, or obtaining consents for, two further villages in Karori and Newtown and expects to continue developing new villages in Wellington 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 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 Wellington'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 Wellington'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 Wellington each year. In the last nine years, it has obtained resource consents to build and operate five large villages at Petone, Waikanae, Khandallah, Kilbirnie and Avalon, which are now completed.

9 Ryman therefore builds a substantial portion of all new retirement village units. We expect to continue to increase our proportion of Wellington's new build retirement village over time.

10 Overall, these statistics show that Ryman is a significant portion of the retirement village industry in Wellington. This significance is both in terms of existing villages, but importantly for present purpose, in terms of planned growth.

Ryman's residents

11 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

12 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 notes that it worked closely with Auckland Council over many years to ensure DC policies and charges fairly reflect the significantly reduced demand retirement villages have on council services, successfully resolving 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*[1]).

Ryman's position on the 2021 DC Policy content

13 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 Wellington's growing ageing population. There is a real risk that the 2021 Draft Policy will delay necessary retirement and aged care accommodation in the region, and reduce housing affordability for a particularly vulnerable sector of Wellington's population.

Relief sought

14 Ryman seeks the relief sought by the RVA in its submission on the 2021 Draft Policy.

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1 Ryman Healthcare Limited v Auckland Council, Decision on Objection, 10 August 2018.

Regards,

Matthew Brown
NZ Development Manager
Ryman Healthcare Limited
[redacted]

Wellington City Council Proposed Amended Development Contributions Policy 2021 Consultation Draft

Submission by the Retirement Villages Association of New Zealand

1 December 2021

SUBMISSION ON THE CONSULTATION DRAFT OF THE PROPOSED AMENDED DEVELOPMENT CONTRIBUTIONS POLICY BY THE RETIREMENT VILLAGES ASSOCIATION OF NEW ZEALAND

To: Wellington City Council

Name of submitter: Retirement Villages Association of New Zealand Incorporated (*RVA*)

INTRODUCTION

1 This is a submission on Wellington City Council's (*Council*) November 2021 consultation draft of the Proposed Amended 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 Wellington.

3 There is currently a severe lack of appropriate housing and care for our growing ageing population, which is predicted to worsen. With expected ageing population growth and increased opportunities for intensification in Wellington under the National Policy Statement for Urban-Development, further villages in the city are expected in the short to medium term.

4 The RVA acknowledges the importance of development contributions for funding new assets needed for Wellington's growth and development, and the role its members play in supporting that necessary work. They wish to ensure the 2021 Draft Policy adopts a fair, equitable and proportionate for retirement accommodation. This in turn will support the supply and choice of housing in Wellington. Providing increased housing supply and choice is a key issue identified in Wellington's Spatial Plan.

5 RVA's key concern is the 2021 Draft Policy does not specifically acknowledge the very low demand on community facilities generated by new retirement accommodation. The 2021 Draft Policy differentiates between residential and non-residential developments and subdivisions. However, retirement villages units and aged care rooms are not recognised. Specific recognition would better enable retirement village providers to plan and progress new residential retirement developments. It would also reduce disputes with Council during special assessment processes and Local Government Act 2002 (*LGA*) objections. It is noted that other major centre councils in New Zealand apply specific activity classes for retirement villages.

6 In the absence of specific development classes for retirement activities, RVA members will need to rely on the Policy's special assessment process. The current version in the consultation is not considered to be fit for purpose. We present some thoughts on how it could be improved.

7 We set out in this submission further background to the retirement village industry and the main reasons for our submissions. Given the limited prior engagement with Wellington City Council on DC policy matters, we are very keen to engage with officers further on this proposal and speak to Council decision-makers tasked with confirming the current Policy. The RVA's background in DC policies around the country is extensive. We have built up a wide body of experiences and evidence in relation to the matters in this submission, which we are keen to share with you.

And, we are keen to better understand Council's process for preparing the DC policy and the evidence it has used to derive the current activity classes.

SUBMISSION CONTENT

8 This submission covers:

8.1 An introduction to the RVA;

8.2 An overview of the importance of retirement villages in addressing the housing crisis;

8.3 An outline of the statutory framework governing DC policies;

8.4 The RVA's comments on the 2021 Draft Policy content; and

8.5 Conclusions.

9 **Appendix 1** provides an insight into the different types of retirement villages. **Appendix 2** provides a summary of the relevant provisions of the LGA. These appendices support RVA's feedback on the 2021 Draft Policy.

THE RVA

10 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.

11 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

- New Zealand 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 Wellington[1] will more than double between 2018 and 2048, from about 30,000 to 80,000.[2]
- Demand for retirement village accommodation is outstripping supply.
- Deliverability of this pipeline and affordability is materially impacted by DC charges.

12 New Zealand and Wellington are 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.

13 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).[3] The GPS-HUD records that "*[s]ecure, functional housing choices for older people will be increasingly fundamental to wellbeing*."[4]

14 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.[5] 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*."[6]

Benefits of retirement villages

15 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.[7] 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.

16 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+

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1 References to the number of aged people in Wellington refer to the Wellington region, not Wellington City.

2 Greater Wellington Region Population Forecasts, Demographics Sense Partners, http://demographics.sensepartners.nz/

3 The GPS-HUD was issued in September 2021.

4 GPS-HUD, page 10.

5 *Better Later Life – He Oranga Kaumatua 2019 to 2034* (available online).

6 Ibid, page 32.

7 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.

age population at the end of 2012.[8] In Wellington City alone the number of people older than 75 is forecast to increase from 8,681 in 2018 to 23,643 in 2048.[9] There are currently five retirement villages in Wellington, with a further five in development. The total capacity of these ten villages will be 1,390, which represents only 5.8% of the 75+ age group population. The RVA considers that currently consented retirement village developments in Wellington will be entirely inadequate to meet this demand.

17 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.[10]

18 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.

19 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 a Wellington average of 2.65 people per standard dwelling.

20 The retirement village sector also produces other broader benefits:

20.1 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.[11]

20.2 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.[12]

Increasing demand for retirement villages

21 The proportion of older people compared to the rest of the population in New Zealand, and the Wellington region, is increasing greatly (as illustrated by the graph below). The Wellington region is the third largest contributor to New Zealand's

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[8] Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 15.

[9] Greater Wellington Region Population Forecasts, Demographics Sense Partners, http://demographics.sensepartners.nz/

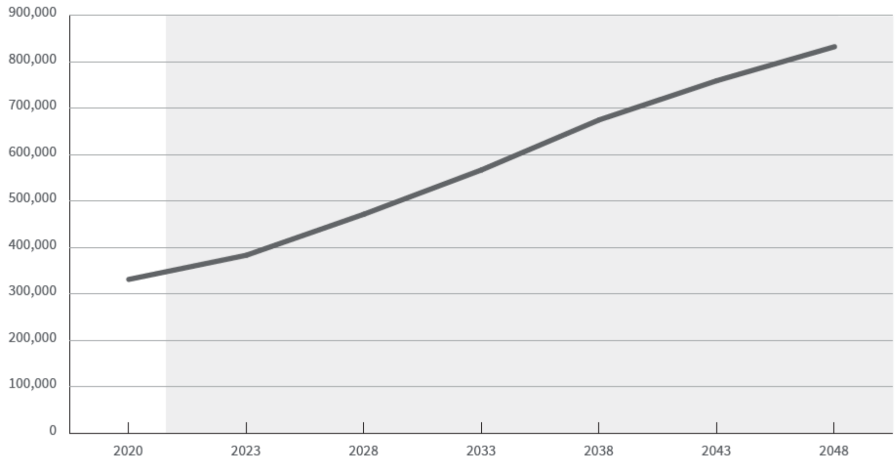
[10] See *Over 35,000 homes consented in July year – Stats NZ Media and Information Release: Building consents issued: July 2019.*

[11] PWC 'Retirement village contribution to housing, employment, and GDP in New Zealand' (March 2018) page 4.

[12] Ibid.

estimated 75+ population growth. The +75 demographic in Wellington will double between 2020 and 2048, from about 40,000 last year to 80,000 in 2048.[13]

Figure 1 75+ years population 2020 - 2048



Source: JLL Research and Consultancy; Statistics New Zealand (medium forecast scenario)

22 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 availability.[14]

23 Wellington's district planning policy and rules are currently undergoing a significant overhaul. The Spatial Plan aims to provide homes for 80,000 new residents. The recent draft district plan provides for a massive increase in the medium density housing zone for townhouses and low-rise apartments.

24 These changed rules represent an opportunity for retirement and aged care providers to maximise site opportunities and make more effective use of space, but still provide a high level of amenity for the residents. Such proposals will help address housing shortfalls. They will make better use of limited land availability. They will enable more efficient use of other resources. They will also allow residents to live within, and feel connected to, the communities they are familiar with.

25 However, delivering retirement villages and aged care beds to meet the projected need 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. DC charges that are predictable and proportionate to the demand placed on community facilities by the development will help deliver the needed facilities.

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13 Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 8.

14 Ibid, pages 5 and 25.

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.
- Developments can be grouped where this is fair and equitable, while being administratively efficient.
- The DC regime should be clear, transparent and predictable.

Fairness, equity and proportionality

26 The LGA empowers councils to require DCs in certain circumstances. The purpose of the DC scheme is:[15]

> *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.*

27 A territorial authority can only require a DC if:[16]

> *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.*

28 This provision essentially imposes a threshold test. If there is no new demand for infrastructure from a development, there can be no DC charge. This threshold test reinforces several themes in the DC principles noted above, including the need for a 'causal connection'.

Causal connection

29 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. That means, there needs to be some "link" between a development and the community facilities to be funded by DCs.

Need generated

30 A DC regime is to recover the costs of specific growth projects. The causal connection principle reflects the theme that DCs levied should reflect the benefit

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[15] LGA, s197AA.

[16] LGA, s199.

received by the user. The regime is not to be used for making profit or as a general pool of public money.

31 Developers should only pay for the infrastructure that is required by a development. Communities should pay for infrastructure that will benefit the whole community. DCs do not provide an opportunity for councils to ask developers to subsidise ratepayers as a whole or pay for costs unrelated to growth.

Grouping

32 Section 197AB(g) allows for the grouping of certain developments by categories of land use. The need for administrative efficiency in calculating and requiring DCs is acknowledged in allowing grouping. But, the grouping approach still needs to be fair and equitable, while being administratively efficient.

33 Further legal context relied on to support this submission is outlined in **Appendix 2**.

THE RVA'S CONCERNS ABOUT THE 2021 DRAFT POLICY

Summary

The RVA's key concerns about the 2021 Draft Policy relate to:

- **Lack of provision for retirement villages or aged care facilities:** The draft residential activity classifications do not reflect the significantly lower demand retirement village units and aged care rooms place on community facilities.

  Change sought: Include specific categories for retirement units and aged care rooms based on the regime developed by Auckland Council.

- **Special assessment process is not fit for purpose:** Without specific categories, retirement villages will be assessed under the special assessment process.

  Change sought: Provide clearer guidance on when residential developments can be assessed under the special assessment process, particularly acknowledging the lower demands generated by retirement villages.

- **Payment timing:** DC payments should not be required when resource consents are issued.

  Change sought: DC payments associated with resource consents should be due at the time the development begins placing a demand on community facilities.

- **Infrastructure work contributions:** The 2021 Draft Policy should allow works undertaken by a consent holder to comply with a resource consent condition to be taken into account in setting DCs.

  Change sought: Allow works required by a resource consent condition to offset the payment of a development contribution or financial contribution in appropriate circumstances.

- **Development agreements:** Development agreements are a useful tool to deal with infrastructure offset issues.

Change sought: Provide further guidance on when Council should enter into development agreements.

Historic under-investment in infrastructure: The capital expenditure anticipated by the 2021 Draft Policy proposes substantial investment in three-waters infrastructure, which is disproportionate to growth-related investment.

Change sought: The Council must clearly demonstrate where capital expenditure is allocated to growth instead of renewal or level of service.

Provision for retirement villages or aged care facilities

34 As stated above, if there is no new demand for infrastructure from a development, there can be no DC charge.[17] This legal threshold test is particularly relevant when considering retirement units and aged care rooms. And, in any case, a DC charge should reflect the need generated and the benefit received by the user.

35 The 2021 Draft Policy differentiates between residential and non-residential developments and subdivisions by providing different equivalent household unit (*EHU*) values. Table 5 of the policy allows for lower assessments for 'small residential units' (defined as "a residential unit which only has one bedroom and includes a studio unit/apartment that does not have a separate bedroom"). However, the significantly lower demand on community facilities generated by retirement villages and aged care rooms is not specifically recognised.

36 The RVA acknowledges that the Policy is drafted using the new template developed by the Department of Internal Affairs for DC policies in February 2021 (*DIA template*). This template includes definitions for retirement units, and provides a lower household weighting for demand from these units.[18] This suggests the Council has consciously decided to omit a specific category for retirement units in the 2021 Draft Policy. But, no supporting reasons are given to justify this omission.

Retirement villages have different demands to typical residential activities

37 Due to age and frailty, the residents of retirement units and aged care rooms may not benefit from community facilities at all, or would have a much lower use of them. New city-wide transport projects for example, will usually have very low to no benefit for retirement village occupants. Retirement village occupants travel much less frequently than typical household occupiers. Research by RVA members also indicates that retirement village units and aged care rooms use much less water and produce much less wastewater per person than a standard household unit.

38 In relation to community reserves, 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 local authority or others in the wider community. The research further identifies that there is often so much to do within a retirement village that there is very little time for other activities.[19]

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17 LGA, s 199. See also **Appendix 2** from para 5.

18 Department of Internal Affairs for DC policies in February 2021, at [41].

19 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.

39 Surveys of retirement village residents at Ryman villages in Auckland in 2017 provide an example of this lower demand, showing that the residents made very little use of community infrastructure. The survey data was ultimately relied on to support a successful objection by Ryman under the LGA objection process that its proposal created substantially reduced demand on council facilities (**attached**). This work also led to Auckland Council reviewing its DC policy to substantially reduce the Household Unit Equivalent rates for retirement units and aged care units.

40 The 2021 Draft Policy current approach of 'one-size-fits-all' does not make allowance for the reduced demand placed on community facilities by residents of retirement units, and aged care rooms, or the lower occupancy rates of retirement units compared to standard residential dwellings. This approach does not recognise the demographic, frailty and health of residents, or the on-site amenities provided by retirement villages.

41 Grouping of all residential developments in the 2020 Draft Policy into either household units, or one-bedroom household does not appropriately balance the need for DCs to be "fair, equitable and proportionate" with the requirement for practical and administrative efficiency. The balance is skewed towards administrative efficiency and does not fairly allow for other forms of residential development.

42 The RVA considers the characteristics of retirement and aged care accommodation, and its residents, justify a lower EHU value and a lower community facilities charge on retirement units and aged care rooms. The DCs levied on retirement accommodation should reflect the need generated and the benefit received by the user.

43 By way of example, the Auckland Council Contributions Policy 2019 has specific categories for aged care rooms[20] and retirement units.[21] The units of demand for these two categories of development are set at appropriate fractions of 'household unit equivalents' (HUE) for different classes of activity. In this system, a retirement unit retains the full weighting for stormwater of 1 HUE, but only 0.3 HUE for transport and 0.1 HUE for community infrastructure, reflecting the relatively lower demands on transport and community infrastructure from residents of retirement units.

44 Given the extensive work that has gone into Auckland's policy over several years, the RVA considers this regime would provide a useful base for a Wellington retirement village policy. The RVA is keen to engage with the Council further on this proposal. The Auckland Policy does not address water and wastewater (which are charged separately by Watercare/Veolia). RVA members wish to engage with Council on the demands on water and wastewater systems from retirement units and aged care rooms, which are much lower than the demands of an average household unit to agree an appropriate EHU.

Impact on housing supply and affordability

45 The Wellington Spatial Plan states that the availability of adequate housing choice is crucial. Adequate housing choice requires encouraging and enabling the development of a range of quality, 'fit for purpose' housing types that cater for

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[20] Being any dwelling unit in a "rest home" or "hospital care institution" as defined in section 58(4) of the Health and Disability Services (Safety) Act 2001.

[21] Being any dwelling unit in a "retirement village" registered under section 10 of the Retirement Villages Act 2003.

people of all ages, stages and mobility – from standalone dwellings, terraced housing and apartments to papakāinga and co-housing initiatives.[22]

46 The implementation of the 2021 Draft Policy could impact on housing supply, including the provision of retirement villages, which will in turn have an impact on housing affordability. Higher or uncertain DCs will impact the feasibility of projects, as developers of retirement villages may wait or not develop land at all. Retirement village developers are more likely to proceed with developments when they can be confident the DCs are predictable and will reflect the actual demand the development will place on community facilities.

47 The alternative of requiring each and every retirement villages to go through a special assessment process would increase uncertainty, could lead to a lower level of supply at any given time, and could cause upward pressure on house prices and delayed purchasing. This outcome goes against the government's goal of delivering more supply and more affordable homes, as set out in its GPS-HUD*.*

Change sought:

48 The RVA seeks that residential developments in the 2020 Draft Policy EHU scheme include the sub categories of retirement village units and aged care rooms using definitions from the 2019 Auckland DC policy. It considers this approach would enable the Council to meet its requirements under the LGA. Such sub categories would then apply demand values reflecting the reduced demand on community facilities for the different components of the charges per EHU, using the 2019 Auckland DC policy and advice from RVA members to set appropriate demand values.

49 As mentioned, establishing the correct demand values requires careful assessment. The RVA is well placed to assist the Council, as we can draw on the considerable technical expertise of our members and have worked to establish such a regime for other councils. As also noted, the provisions in the Auckland Council DC policy were developed over many years of engagement and consultation with RVA members. This more specific categorisation is working well in practice. The RVA considers this is a good base for a Wellington regime and would support it being adapted for the DC Policy .

Special assessment process

50 In the absence of specific recognition for retirement units and aged care rooms, retirement village developers will need to make use of the special assessment process. In the current form the special assessment process is not suitable for this purpose.

Residential exclusion

51 Insofar as it relates to retirement villages and aged care facilities, the RVA strongly disagrees with the proposed wording stating that *"special assessments will, in general, not be considered for residential developments".* Setting this limit on the Council's discretion to make special assessments is unnecessary, not contemplated by the DIA template, could deter retirement village developments and will ultimately lead to disputes.

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[22] Spatial Plan for Wellington City, Vol. 2: Key Influences, Housing choice and affordability.

52 The RVA seeks that this introductory paragraph be amended to recognise retirement villages.

Demand measures

53 In principle, it is useful for typical demand measures to be set out when determining when a special assessment is appropriate and to guide the outcome of a special assessment. However, guidance should be included on *how* the demand measures will be referred to. Currently the values in Table 6 are only to be used 'as a guide'. For example, *a special assessment will be considered more appropriate when the expected usage measures for the development are significantly different to the usage measures in Table 6.*

54 The assumptions used are also unclear and therefore potentially fraught. For example, it is unclear how the averages would be applied to different activity classes. Residential and non-residential activities are likely to have different average demands. The numbers used are also not supported by the RVA's independent technical advice as being a reasonable averages for the Wellington area in some categories. In particular the RVA notes:

54.1 It is not clear how the reference to 'water loading units' and 'type of proposed water fixtures' is to be interpreted in assessing water supply.

54.2 It is generally accepted that residential wastewater usage is approximately 80% of water supply demand. Industrial and commercial uses generally return an even higher percentage.[23] The proposed wastewater usage of half the water supply input is too low and should be revised to a more realistic percentage.

54.3 A rate of four trips per person per day underestimates the number of expected trips per person in Wellington, which is more like 4.7.

55 Accordingly, the RVA seeks that the specific usage measures in Table 6 should be revised.

Infrastructure offsets and works and services conditions

56 It is self-evident that the special assessment process can be used to assess developments that differ from standard developments. The differences could include <u>any</u> features that reduce additional demand on community facilities.

57 However, the 2021 Draft Policy does not appropriately recognise or allow for contributions that developers may make to community facilities as part of a development. For example, a developer may establish a public reserve, construct a road, or upgrade stormwater infrastructure. Where the effect is to reduce the additional demand on community facilities, this should be recognised in the calculation of DCs, which should only reflect the final need for further community facilities generated by the development

58 Paragraph 9.10 of the 2021 Draft Policy appears to prevent the Council from taking account of works required by a resource consent in assessing DCs. This is not consistent with the requirements of the LGA as set out above. While the Resource Management Act 1991 (*RMA*) and the LGA have different purposes, the requirements of the statutes are integrally linked. The function of the RMA is to

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[23] For example, https://www.watercare.co.nz/Manage-account/Our-charges/Industry-wastewater-percentages

manage environmental effects – but that includes cumulative effects and consideration of the level of service for infrastructure. DCs are imposed to recover a portion of the cost of the capital expenditure necessary to service growth and also address cumulative effects.

59 It is possible that a developer may not be entitled to claim the full dollar cost of works spent to comply with a resource consent requirement as an offset against a DC assessment. However, where the effect of a mitigation measure is to reduce the additional demand on community facilities, it is fair and equitable that this is recognised in the calculation of DCs.

60 For example, where a developer puts in place a stormwater system that mitigates the effects on a council's network infrastructure, this means that Council has not been required to undertake or fund those works itself. The developer has provided the same assets that DCs would otherwise need to provide for. If the council by failing to provide a discount or payment for the stormwater system provided by the developer, then they may have 'double dipped'. For example, the decision on Ryman's LGA objection (referred to earlier) confirmed that local stormwater works provided by Ryman meant there was little to no impact on Council stormwater infrastructure. Accordingly, a DC charge was held to be not payable for that category.

61 RMA mitigation can address cumulative effects and reduce requirements for capital expenditure. It is not credible for the 2021 Draft Policy to say the Council can completely ignore its resource consent assessment, and the mitigation required by consent conditions, when assessing DCs. As explained above, and in **Appendix 2**, if there is no new demand, then there can be no DC charge.

62 In summary, it is acknowledged that some small scale local infrastructure works would not qualify for a reduced DC charge under a special assessment. But, there should not be a presumptive rule as is currently specified in section 9.10 of the Policy. The circumstances of each case may differ.

Change sought:

63 The RVA seeks the following changes:

63.1 Amend the introduction to special assessments in paragraphs 7.12-7.13 as follows:

> *7.12 Developments sometimes require a special level of service or are of a type or scale which is not readily assessed in terms of EHUs – such as large-scale primary sector processors, <u>retirement village and aged care facilities which generally have lower demand on council facilities or</u> service stations. In these cases, Council may decide to make a special assessment of the EHUs applicable to the development. In general, special assessments of residential developments will not be considered.*
>
> *7.13 Without limiting the Council's discretion, when determining an application for a special assessment or a special assessment is initiated by the Council, the demand measures set out in Table 6 below will be used to guide a special assessment. <u>Special assessments may also be applied where other features, such as infrastructure works undertaken by the developer, substantially reduce demand or lead to no demand on council facilities.</u>*

63.2 Based on technical advice received by the RVA, amend table 6 as follows:

Type of community facility and network	Usage Measure per EHU
Water supply	~~Water loading units calculated using the number and type of proposed water fixtures and~~ Based on reservoir storage requirement of 780 litre
Wastewater	~~Half the~~ <u>80% of</u> the water supply input (Conservation systems are not considered)
Stormwater	Runoff co-efficient not exceeding 0.7 (Retention systems are not considered)
Traffic and roading	4<u>.7</u> trips per person (Assessment of combined trips by all modes per person plus servicing)
Reserves	600m2 of allotment area (rounded up to nearest EHU) (Nil if legislation doesn't allow)

63.3 Section 9.10 be amended as follows:

9.10 The Council may impose a condition under s108(2)(c) of the RMA requiring works or services, in the form of isolated and localised infrastructure, to be undertaken to mitigate potential adverse effects arising from a proposed development. For instance, the Council may impose a condition of consent requiring retention tanks for delayed discharge of waste or storm water where there would otherwise be an adverse effect on the waste or storm water network if it was not provided. Where this occurs, ~~it does not~~ <u>any</u> offset of the payment of a development contribution or financial contribution, which fund planned Council infrastructure <u>will need to be made under the special assessment process.</u>

Payment timing change

64 The requirement in Table 4 for development contributions to be paid by the 20th of the month following "the issue of a resource consent (other than a resource consent for subdivision)" should be reconsidered. The invoice timing is not stated, but is presumed to be at granting of the resource consent. Resource consents are usually obtained very early in the development process, well before any connections to network infrastructure are made, or any residents move in and begin using community facilities. Construction of some large retirement villages may take 3-4 years before they are fully completed and occupied.

65 The proposed requirement for early payment could have a significant impact on the feasibility and financing of many projects.

66 That said, the Policy is somewhat unclear when this category would apply to a retirement village land use consent, given other categories such as service connections and issue of certificates of compliance would also appear to trigger payments. Retirement village operators usually make DC payments relating to land use consents at these stages in other districts.

Change sought:

67 The RVA seeks that payment for development contributions associated with resource consents should be due at the time the development begins to place a demand on community facilities. For a residential development this would be as close to the point of a resident moving into a unit (ie occupation). The RVA seeks the following changes:

Resource consent (other)	~~*20th of the month following the issue of the invoice,*~~ <u>*For the relevant development, whichever is the earlier of:*</u> *1. <u>Issue of a building consent code of compliance certificate;</u>* *2. <u>Prior to occupation of the relevant unit; or</u>* *3. <u>At issue of the service connection approval.</u>* *unless Council agrees to different payment timing for large-scale multi-stage developments.*

68 As the RVA is not clear on how this provision applies to land use consents for retirement villages, the wording may require further consideration. We would be keen to engage with you further on this matter.

Limitations on imposing Development Contributions

69 RVA agrees in principles with statement in paragraph 9.7 of the 2021 Draft Policy, that limits when development contributions may be imposed. However, the final reference to 'whether on the granting of a building consent or a certificate of acceptance' is unhelpful. While these words are used in the DIA template, they do not address DCs imposed in respect of resource consents or service connections. Removing this phrase clarifies the intent of the preceding statement.

Change sought

70 Remove the words '*whether on the granting of a building consent or a certificate of acceptance*' from the end of paragraph 9.7.

Development agreements

71 The RVA supports development agreements for the provision of specific infrastructure as set out in 9.9. Development agreements are a useful tool to deal with infrastructure offset issues. The RVA considers it would be useful to provide further guidance in the 2020 Draft Policy on when it is appropriate for the Council to enter into a development agreement with a developer. Usually this will be the case when proposed aspects of a development address a need that the Council would otherwise have to construct infrastructure for.

Change sought:

72 Provide further guidance on when the Council should consider entering into development agreements. For example:

> *The Council should consider entering into a development agreement where a development directly provides community facilities, or has other features that will significantly reduce the need for the Council to provide community facilities as a result of the development.*

Locking in DC rates

73 The RVA notes the statement in 2021 Draft Policy that DCs will be assessed under the DC Policy in force at the time of the relevant application. As noted, Retirement Villages can take several years to build – 3- 4 years for major modern retirement villages. It is important for feasibility and financial planning that DC charges are clear and predictable at the outset of a project. The RVA seeks that the Policy be amended to enable DC rates to be confirmed at the first stage of known demand.

Change sought:

74 The RVA seeks paragraph 6.5 be amended as follows:

> *Development contributions will be assessed under the Policy in force at the time the application for resource consent, building consent, certificate of acceptance, or service connection relating to the development (whichever is the earlier) was submitted with all required information.*

Historic Underinvestment in Infrastructure

75 Historic underinvestment in infrastructure should not be viewed as a growth cost. Under Schedule 13 of the 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 DC and must be addressed through alternative funding tools.

76 The lack of historic investment in Wellington in fundamental infrastructure, such as three-waters infrastructure, is well-documented,[24] and will require significant capital investment over the coming years to address. The Council acknowledges that development contributions cannot be utilised for capital expenditure related to renewal or level of service,[25] but there is a lack of transparency in the manner in which the growth component of infrastructure contributions to be funded by DCs have been calculated.

77 The RVA recognises and supports investment to address this, but funding for this expenditure needs to be allocated fairly using appropriate funding mechanisms available to the Council. Developers should not disproportionately bear the cost of rectifying this historic underinvestment.

Change sought:

78 The Council must clearly demonstrate where capital expenditure is allocated to growth instead of renewal or level of service, and the reasons why. The Council must also demonstrate that alternative funding and financing models are being fully utilised, including opportunities to partner with others (Government, other councils and the private sector) for joint funding of investments.

79 These 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.

CONCLUSION

80 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

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24 Nikki Mandow "Wellington tip of iceberg for country's water woes" (4 March 2021) Newsroom <https://www.newsroom.co.nz/under-the-surface-of-our-ageing-water-infrastructure>.

25 2021 Draft Policy, Statement of Proposal at [12].

Draft Policy and future reviews to ensure a fair, equitable and proportionate outcome and a DC regime that is fit for purpose for all retirement village types.

John Collyns
Executive Director

Contact details:
Retirement Villages Association
P O Box 25-022, Featherston St, Wellington 6142
[redacted] | [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 w1 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) have some level of aged residential care within the village.[26] The Wellington region contains about 3,850 aged care beds, which represents 10% of the national stock.[27]

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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26 Jones Lang LaSalle, NZ Retirement Villages and Aged Care Whitepaper, June 2021, page 23.

27 Ibid, page 22.

APPENDIX 2 – SUMMARY OF RELEVANT LGA PROVISIONS

Purpose and principles

1 The purpose of the LGA's DC scheme is:[28]

> 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.[29] 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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[28] LGA, s197AA.

[29] 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.[30]

When DCs can be required

5 A territorial authority can only require a DC if:[31]

> 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*[32] where the Court of Appeal recorded that:[33]

> 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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30 Interpretation Act 1999, section 5. *Commerce Commission v Fonterra Co-operative Group Ltd* [2007] 3 NZLR 767 (SC), at paragraph 22.

31 LGA, s199.

32 [2016] NZCA 223.

33 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:[34]

(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*".[35] The final 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.[36] 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.[37]

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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[34] LGA, s200.

[35] LGA, s198(2).

[36] LGA, s201A(1).

[37] LGA, s201A(7).

From:	[redacted]
To:	BUS: Policy Submission
Subject:	Development Contributions Policy Review - Wellington City
Date:	Monday, 6 December 2021 3:50:21 pm
Attachments:	image003.png image004.png image002.jpg

Dear Leila

With reference to our meeting last Friday, the following comments are our feedback as discussed with you at the meeting.

Our comments are based upon our experience of being one of the largest residential developers in Wellington and specifically target the inner city residential development levy policy changes, and again based on our actual experience as the largest inner city apartment developer, having competed in excess of 12 buildings together with 2 more currently under construction with a further 3 in design.

Generally we understand the need for a development levy and also appreciate that over time there will be pressure for these levies to increase, so we are certainly not responding on the basis of objecting to an increase in development contributions.

However, it is evident from reviewing the proposed amended residential levy that a disproportionate increase is being applied to inner city residential, it appears that the increase is approximately 67%, with the exception of Grenada/Lincolnshire, this is by far the largest percentage increase citywide.

In our experience most Wellington property is now completely unaffordable for first and second home owners (recent data has confirmed that the average sale price is now in excess of $1m).

Therefore the only hope for a first or second home buyers to purchase property in Wellington is by purchasing an inner city apartment and that would now probably be a one bedroom apartment or a smaller 60-65m2 2 bed apartment.

A typical first or second home buyer in Wellington is a young couple or a higher earning person on their own and typically their individual or joint income will be between $80-160k, and they will work in government, IT or the various professions. These are the young people who are the life blood of the city and are the future of the city and it is essential that they are given the opportunity to purchase in Wellington as that decision guarantees that many of these people will stay in the city in the future. With banks now requiring at least 20% deposit to purchase a $1m+ property in the suburban areas is well outside there levels of affordability and increasingly to gain a step on the property ladder they will purchase a presale of an apartment in a new building, the presale is an important part of their steps to own a property because the 2 year construction period gives them the time needed to save the balance of deposit required especially now with most banks requiring a 20% deposit not 10% which was sometimes available in the past.

In all of our most recent developments and upcoming projects the buildings typically are 80% 1 bedroom and smaller 2 bedroom units. This is very deliberate and is catering directly to this market, yet your proposed levy policy is actually penalising these purchasers by enforcing the highest increase of levies citywide. A typical 1 bed apartment is now selling between $530-650k and a smaller 2 bed between $600-700k. The level of proposed levy increase can only be passed on to the purchasers and will result in higher prices and is just another one of many cost increases being imposed on new buildings via local authority or compliance changes.

An interesting example is comparing the inner city (Q) increase of 67% to properties in the $500-600k property range with the Johnsonville area that is increasing by approx. 25% but the average sale price in Johnsonville is now $950k-1.3m.

Our submission is specific to zone Q, inner city residential, and we would like you to consider allocating more of this cost to the overall city, we note specifically to large costs within the schedule that apply to the Wright St water upgrades and also inner city parks, the parks are enjoyed by all Wellington residents and visitors to the city so we question why this is applied to levies for zone Q only, as does in many respects the water upgrade.

In summary the vast majority of inner city residential will be purchased by first and second home buyers who are essential to the future of Wellington City and are a key demographic group targeted by other council policies to ensure that they do not leave the city and are also targeted by central government policy to make more affordable housing available yet as a council you are totally contradicting this by singling out this group to impose the highest development levy increase to the properties that they can afford to buy.

We have no comment the template or maps changes

Kind regards

Craig Stewart

STRATUM MANAGEMENT LTD
PO Box 11 680
Manners Street
Wellington
Web: www.stratum-mgt.co.nz