
DEVELOPMENT CONTRIBUTIONS- AGREEMENT WITH MASSEY UNIVERSITY, WELLINGTON

1. Purpose of report

This paper seeks the Committee's approval to enter into the Development Contributions Agreement (attached as appendix 1) with Massey University (Massey).

This agreement allows Massey to redevelop the Wellington Campus with certainty on how to assess the effect of their developments on the Council's infrastructure and calculate development contributions payable to the Council over the next ten years.

2. Executive summary

A Smart City that attracts talented students

Massey is a significant employer and an educational, economic, social and cultural contributor to Wellington. Massey contributes approximately \$250 million per annum of economic benefit to the Wellington Region.

Massey has a ten year plan to invest in the Wellington Campus. For Massey to grow and attract world class talent it is critical that they provide a modern and inviting Campus.

The Council recognises that it is essential to support Massey's intention to grow to achieve its vision for a smarter and stronger economy.

An opportunity exists to support Massey's development plans, through a Development Contributions Agreement. A Development Contributions Agreement will provide Massey with certainty around development costs so they can redevelop their Campus and compete more effectively to attract smart people to Wellington to study.

This opportunity was recognised by the Development Contributions Subcommittee (Subcommittee) when remitting development contributions for Massey's recently built College of Arts Building. The Subcommittee requested that officers and Massey work together to negotiate a strategic Development Contributions Agreement that would balance the Council's need to provide and pay for infrastructure and support Massey's growth.

New way of working that reduces bureaucracy

The Massey agreement signals a new and better way of working more collaboratively and openly with developers. The Massey agreement will also provide a signal to other developers that the Council is open for business and supports development that contributes to the Council's objectives.

As a result of the Massey agreement it is anticipated that further agreements could be negotiated with other developers that can help Wellington grow. Other large developers such as Housing New Zealand have already signalled their interest in negotiating an agreement. The approach taken to develop the Massey agreement and the agreement itself provide a tool that can be used to collaborate with other developers.

How will the Massey Development Contributions Agreement Work

The Agreement:

- provides certainty for Massey on the costs of development contributions for the next ten years
- provides a transparent and accurate methodology to determine development contributions charges based on actual, rather than assumed, demand on Council infrastructure
- is consistent with the Development Contributions Policy in that Massey will be required to pay 100 percent of growth related capital expenditure the Council incurs as a result of developments to the Wellington Campus
- reduces bureaucracy and represents a long-term strategic approach to collaboration between Massey and the Council that will provide a basis for further cooperation.

Government changes to the Local Government Act 2002

The Council's approach to encouraging the formation of Development Contribution Agreements will now be supported by Government as outlined in the changes to the Local Government Act 2002 announced on 15 August 2013.

In the announcement Government stressed the need for a simple and transparent methodology for calculating development contributions. The agreement with Massey provides a simple methodology and demonstrates that the Council is proactive and well on the way to achieving the outcomes sought by Government through the amendments to the Local Government Act 2002.

The changes announced will be introduced to Parliament later this year and it is anticipated that new legislation will be enacted in mid 2014. Changes agreed also include; a narrowing of the range of infrastructure that can be financed by development contributions, provisions to ensure policies are more transparent, and the introduction of an objections process involving independent commissioners.

To ensure that the Council's Development Contributions Policy aligns with the new legislation and that the Policy reflects best practice, officers have initiated a Development Contributions review work programme. A report to Councillors on the implications of the changes to the legislation will be provided early next year when draft legislation is available. The report will incorporate advice around how the Development Contributions Policy, our Housing work programme (including a potential housing accord), and strengthen of commercial buildings supports and reduces impediments to economic growth.

3. Recommendations

Officers recommend that the Strategy and Policy Committee:

1. *Receive the information.*
2. *Note that Massey University has a ten year plan of proposed investment in the Wellington Campus.*
3. *Note that an opportunity exists for the Council to support Massey University's development plans through a Development contributions agreement and entering into an agreement will help the Council achieve its vision of a smart and strong economy.*
4. *Note that Massey University agreement (appendix 1 of the report) is consistent with the Development Contributions Policy as provided for in Clause 2.5.6 which states that private development contribution agreements may be progressed.*
5. *Note that under the proposed agreement Massey will be required to pay 100 percent of growth related capital expenditure created by developments to the Wellington Campus based on student and staff numbers and recorded water use, rather than gross floor area as assumed in the Development Contributions Policy.*
6. *Note that the recently announced amendments to the Local Government Act 2002 will support the Council's approach of entering into Development Contributions agreements with developers. Amendments will be introduced to Parliament in late 2013 and it is anticipated that new legislation will be enacted in mid 2014.*
7. *Agree that the Development Contributions Agreement with Massey University be approved. Upon your approval the Chief Executive has the delegation to sign the agreement on behalf of the Council.*
8. *Agree to delegate to the Chief Executive the authority to amend the Development contributions agreement with Massey University to include any amendments agreed by the Committee and any other minor consequential edits.*

4. Background

What are development contributions?

Under the Local Government Act 2002 Councils may require developers to pay a development contribution. Development contributions may be charged if the effect of a development is to require new or additional infrastructure or infrastructure of increased capacity, and as a consequence, the territorial authority incurs capital expenditure to provide appropriately for; reserves, network infrastructure and community infrastructure.

Effectively development contributions are a fiscal tool to identify and allocate, fairly and equitably, the cost of growth.

Development contributions Policy (the Policy) and delegations

The Council's Policy states that development contributions will fund 100 percent of growth related capital expenditure.

A schedule of charges is set out in the Policy by catchment area and activity. The Policy apportions growth related capital expenditure by catchment area based on the number of Equivalent Household Units (EHUs) of demand expected to occur in that area.

The amount of contribution a developer will pay under the Policy depends on the demand, or number of EHUs, the development is expected to place on network and community infrastructure. The Policy provides that one EHU is equivalent to the infrastructure demand created by a single household living in an average dwelling or for non-residential dwellings one EHU is equivalent to 55m² of gross floor area.

Developers have the right to challenge the Council's assessment of contributions through a self-assessment process. Council officers have the delegated authority to agree and approve a self-assessment process. However, the self-assessment process can only consider buildings on an individual basis.

Developers can also apply for a remission of contributions from the Council's Development Contributions Subcommittee (acting under the delegated authority of the Council). The Development Contributions Subcommittee can consider any relevant factors in granting a remission however, remissions are still specific to a particular development. The Subcommittee does not have the delegated authority to approve the type of strategic agreement Massey is seeking.

The type of agreement Massey is seeking is provided for in the Development Contributions Policy under Clause 2.5.6 which states that private development contribution agreements may be progressed.

Officers have reviewed the delegations for approving the agreement with Massey and determined that a decision from the Strategy and Policy Committee is required. Upon your approval the Chief Executive has the delegation to sign the agreement on behalf of the Council.

5. Discussion

Rationale for entering into a Development contributions agreement with Massey University (Massey)

Massey is a significant employer and an economic, social and cultural contributor to Wellington. Massey contributes approximately \$250 million per annum of economic benefit to the Wellington Region.

The built environment at the Wellington Campus is essentially out of date. To retain students and attract new world class talent it is critical that they provide a world class modern campus.

To grow and improve the Campus, Massey has a Wellington Campus Plan that envisions the development of 16,500m² of new gross floor area by 2020.

Massey has been seeking a Development contributions agreement with the Council for sometime now.

In May 2013, the Development Contributions Subcommittee in remitting contributions for Massey's recently built College of Arts Building recognised Massey's importance to the Wellington region and that there was an opportunity to support Massey's development through a Development Contributions Plan.

A Development contributions agreement will provide certainty for Massey around development contributions charges and assist their forward financial planning.

An agreement will also reduce the significant costs and time required from Massey and the Council when Massey contest development contributions levied each time a new building is constructed.

The Council and Massey have also had discussions about the development of an overarching strategic agreement. Both parties are keen to progress a strategic agreement and the Development contributions agreement reflects a significant step towards achieving a more strategic relationship.

The Development Contributions Agreement (the Agreement) Principles

The agreement is based on the principles that:

- the Council and Massey acknowledge that the methodology in the Policy to calculate development contributions does not reflect the growth related demand effects of Massey on the Council's Infrastructure
- Massey and officers agree that calculating universities development contributions on gross floor area¹ is not appropriate as increases in staff and student numbers and water use, rather than floor area, place increased demand on Council infrastructure
- Massey will be required to pay 100 percent of growth related capital expenditure created by developments on the Wellington Campus.

Methodology

Payment triggers

The requirement to pay development contributions to the Council will be triggered for:

- storm water, if the gross floor area of the buildings on the Wellington Campus increase as the result of any development on Campus using 2013 as a baseline year

¹ Under current policy Massey is charged development contributions based on the number of EHUs of demand created by a development calculated using the gross floor area.

- transport, reserves and the Adelaide Road Precinct, if the full time equivalent student and staff numbers increase on Massey's Wellington Campus, using 2005 Campus numbers as a baseline year
- water supply and waster water, if water use increases at Massey's Wellington Campus above the estimated water use in 2005.

Officers and Massey agree that using 2005 as a baseline year to determine increases in student and staff numbers and water is appropriate because:

- the equivalent full time student and staff numbers on Campus are currently less than when the Council's Development contributions policy came into effect in 2005
- development contributions would be paid once the 'already paid for infrastructure impacts have been exceeded" i.e. when the people on Campus and/or water usage exceeds 2005 levels.

Invoicing and Charges

To streamline the process and acknowledge that there will be ebbs and flows in infrastructure demand over the ten year period of the development contributions agreement, invoices will be issued at year 4, year 8 and year 10 of the agreement.

If the requirement to pay contributions has been triggered charges will be levied at the applicable rates outlined in the Policy at the time an invoice is raised

Term

Upon your approval the Agreement will determine development contributions payable to the Council for developments on Massey University's Wellington Campus over the next ten years (2013-2023).

Reporting

Massey will be required to provide an annual report on student and staff numbers and water consumption. The Council also has powers to audit the information supplied by Massey if required.

Changes to the Local Government Act 2002

In February 2013, the Department of Internal Affairs released a Development Contributions Review Discussion Paper. Subsequently, the Government has agreed to amend the development contributions provisions in the Local Government Act 2002. Changes will be introduced to Parliament in late 2013, with enactment anticipated in mid 2014.

The key amendments agreed by Cabinet include:

- the introduction of new principles to direct and guide the use of development contributions. Principles will be based on: need, efficiency, equity, accountability, transparency and certainty

- charging for community infrastructure be limited. Charges may only apply to community and neighbourhood halls, play equipment on neighbourhood reserves and public toilets
- no reserve charges will be levied on commercial or industrial developments
- the Policy will be required include more detail on the infrastructure projects being funded and the proportion funded by development contributions
- provisions to encourage the use of development contribution agreements between developers and Councils
- the introduction of an objections process. The Minister of Local Government will establish and maintain a list of registered commissioners that the Council may appoint to resolve disputes on whether the Development Contributions Policy has been applied correctly. The Council may set fees and charges to recover the costs associated with an objection. Decisions of a commissioner will be binding. The ability to apply for a judicial review of decisions will be retained.

A report will be provided to Councillors on the implications of these changes early in the New Year once draft legislation is available.

In the meantime, the Development Contributions Agreement with Massey has been drafted to ensure that any legislative changes enacted can apply to the agreement.

5.1 Consultation and Engagement

The following Council business units have been consulted and have no issues with this paper: Financial Strategy and Strategic Asset Planning and Transport Planning.

Strategic Asset Planning wanted to ensure that the agreement has the ability to recover costs incurred for infrastructure growth including requirements provided for under legislation to:

- supply water to the university and surrounding properties if the water demand increases to levels that affect the network
- provide for storage for fire sprinkler demand for the new development.

Officers want to make it clear that potentially there is a risk that not all costs may be recovered or that Massey could be over charged. As part of the partnership approach there will be give and take over the ten year period.

To minimise this risk officers will monitor Massey's peak demand water use to determine when any new infrastructure investment is required due to Massey's growth. Should investment be necessary the fee schedules in the Development Contributions Policy will be amended to reflect the infrastructure project required.

In the spirit of partnership that underpins the agreement and to ensure the best outcomes for both Massey and the city, officers will also offer Massey support from a working group that can provide advice on smart water sensitive urban design and water demand management.

Officers also recognise that this agreement represents a strategic approach to support Massey's growth and realise the consequential economic growth benefits for the city.

5.2 Legal considerations

The Council's lawyers, DLA Philips Fox, have reviewed the agreement and confirm that the agreement is legally robust.

Buddle Findlay Massey University's lawyers have led the drafting of the agreement and have confirmed that they are "satisfied that it meets the requirements of the Local Government Act 2002".

5.3 Financial considerations

The agreement is consistent with Policy in that Massey University will be required to pay 100 percent of growth related capital expenditure incurred by the Council to provide infrastructure as a result of Massey's development of the Wellington Campus. The agreement is likely to reduce the Council's costs associated with processing self assessment and remission requests from Massey University.

6. Conclusion

Officers recommend that the attached Development Contributions Agreement between the Council and Massey University be approved.

Contact Officer: *Andrew Stitt, Manager Policy.*