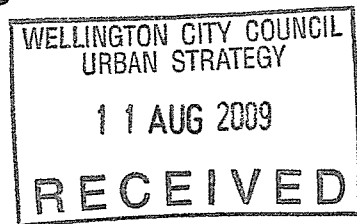




GILL CONSULTANTS



11 August 2009

Development Contributions Officer
Urban Development and Transport
Wellington City Council
PO Box 2199
WELLINGTON

Attention: Jane Tam

Dear Jane

**WILLIS CENTRAL DEVELOPMENT, 50 WILLIS STREET, WELLINGTON
LOT 2 DP 55488 AND LOT 1 DP 89063**

We refer to our letter dated 25 March 2009, copy attached.

Please find attached our self assessment of the number of EHU's payable for this development.

Mark Hughes of Gill Consultants and Mark Ashby of Aurecon will be will be working on the application and would like to meet you to progress matters. Would you please advise when you would be available to meet.

Yours faithfully

RASBEER GILL

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11 August 2009

Mark Hughes
Project Manager
Gill Consultants
PO Box 11 405
Wellington

Dear Mark

Development Contributions Self Assessment – Willis Central (SR 182680)

Wellington City Council has requested Gill Consultants to provide a self assessment of the development contribution payable on the redevelopment of 44 – 52 Willis Street, and the adjoining land at 66 – 70 Boulcott Street. This development is referred to as “Willis Central”.

Gill Consultants has requested that Aurecon provide an independent assessment that can be passed to the Council. We have based our review on the Council’s Development Contributions Policy¹ (“the Policy”), and information provided by Gill Consultants at our meeting on 10th July.

Our assessment, detailed in the following pages of this letter, shows that a self-assessment of development contributions is justified. We have concluded that the actual increased demand created by the development is significantly different from that assessed when the standard approach of the Policy is applied.

Our assessment outlines the nature of the site’s redevelopment, sets out the development contributions that would be payable under the Council’s standard approach, and details a self-assessment which reaches conclusions about payment. Based on the Policy’s standard approach (which includes a credit for pre-existing development on site), a development contribution of **\$792,512** would be payable. However, based on the self assessment process, we believe that the amount payable should be **\$139,285**.

The main finding of our review is that the standard floor area based approach in determining Equivalent Household Units (EHUs), for this particular site, grossly overstates the required level of development contribution. We conclude our assessment by recommending a development contribution that is far more clearly based on reality, and which reflects the intent of the Local Government Act.

¹ July 2007

1) Local Government Act 2002

The Local Government Act 2002 empowers a territorial authority to require contributions for developments. Section 198 states:

198(1) A territorial authority may require a development contribution to be made to the territorial authority ...

Section 199 prescribes the basis on which development contributions may be required:

199(1) Development contributions may be required in relation to developments if 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*

Section 197 of the Act defines “development” to mean:

Any subdivision or other development that generates a demand for reserves, network infrastructure, or community infrastructure;

2) The Willis Central development

Construction on the Willis Central site is currently underway. Resource consent for the redevelopment of the site was granted on 6 October 2008. The building is a five-green-star rated design and includes the latest in environmentally sustainable design, from energy-efficient lighting to parking for small cars and bicycles.

Willis Central will accommodate commercial and retail spaces, with on site car parking. The development includes 25,984 m² of office space (gross floor area), which will be tenanted predominantly by Telecom. There will also be 1,482 m² of retail space (gross floor area). The combined total gross floor area will be 27,466 m². Although staff numbers will no doubt be variable, we anticipate that approximately 2,300 people will work in the building – a level that equates to approximately 12 m² per person in the office space. Initial occupation by Telecom is scheduled for mid 2011.

There will be two towers on the Willis Street and Boulcott Street halves of the site, linked by a central glass atrium. The overall 14 storey development involves 12 levels of office floor plates, with retailing planned at the ground floor frontages to both Willis Street and Boulcott Street. There will be a garden on the north of the Boulcott Street building and a two level enclosed plant room on the Boulcott Street building with an adjacent external plant area.

Pedestrian access to and from the buildings will be available from both Willis and Boulcott Streets, and public pedestrian permeability is also provided through the site. These access arrangements for pedestrians will be supplemented by corresponding access and parking for cyclists.

A total of 76 car parking spaces and 5 motorbike parks will be provided, giving an overall total that is greater than the 61 spaces provided by the pre-existing development. No vehicular access will be provided to or from Willis Street. Servicing access will also be accommodated through the Boulcott Street driveway, with a dedicated internal courier park and truck turntable.

The pre-existing Boulcott St apartments (1,266 m²) have been demolished. Airways House and the McCarthy building have been / are being partly demolished to make way for Willis Central. The floor areas of the pre-existing development added up to 7,438 m². This includes 6,172 m² in commercial space, and 1,266 m² in residential. We have no exact information about the pre-existing population of the commercial buildings. However, using the same figure of 12 m² per person applied to Willis Central, the pre-existing office / retail space equates to 514 people. There were a further 28 people in the Boulcott Street apartments, bringing the total assumed pre-existing population to around 540.

The Willis Central development would therefore increase population on the site by around 1,760. At other places in our assessment we refer to this figure as the “additional population”.

3) Right to apply for self-assessment

Boulcott Land Limited has the right to apply for a self-assessment, as set out by 2.5.6.1 of the Council's Development Contributions Policy (2007). In particular, the circumstances described by 2.5.6.1(c) are applicable in the case of Willis Central. That is:

The onus is on the applicant to prove (on the balance of probabilities) that the actual increased demand created by the development is different from that assessed by applying the non residential unit of demand in paragraph 2.2.1. Actual increased demand means the demand created by the most intensive non residential use(s) likely to become established in the development within 10 years from the date of application.

The following parts of our assessment show that the actual increased demand will be different from demand assessed by applying the Policy's standard non residential unit of demand.

In addition, we note that Telecom has a 12 year lease on the property, so the intensity of the development (“actual increased demand”) can be regarded as ‘fixed’ for the purposes of assessment.

4) Standard calculation of development contribution (including credit)

The Policy bases the fees payable on the number of EHUs (Equivalent Housing Units) associated with each development. For non residential development (such as Willis Central), section 2.2.1 of the Policy specifies an equivalent measure based on floor area. The Policy sets a standard measure of 1 EHU for every 65m² of gross floor area.

The proposed Willis Central development comprises 27,466 m² of gross floor area (gfa), although 5,386 m² of that figure is retained from the pre-existing development (4,788 m² Airways, 598 m² McCarthy), leaving 22,080 m² as the gfa of new development.

Using that area, and on the basis of 1 EHU being the equivalent of 65m² gfa, the total EHU is 340. The number of EHUs must be multiplied by the development contribution required for the specific catchment of the City in which the development is located. For this development, its location is within Zone “K”, and the overall level of contribution required in that zone is \$3,416 per EHU.

Section 2.3.2 of the Policy notes that a credit for existing EHUs is given:

To recognise situations where existing structures on the site or uses on the site mean that the development being assessed will not contribute to growth to the extent that the assessed number of units of demand implies.

The need to apply a credit related to pre-existing (demolished) development is clear in the case of Willis Central.

At 65 m² per EHU, the 5,574 m² pre-existing floor area of the commercial buildings represented an EHU of 86. For the residential buildings, the 22 apartments represented an EHU of 22. Combined, the pre-existing EHU was therefore 108.

The additional 'growth' is therefore 232 EHUs, being the difference between 108 (existing development) and 340 (proposed development).

The Table on page 9 of the Policy sets out the fees (exclusive of GST) payable for specific elements in Zone "K", on a per EHU basis. Based on that Table, and using a growth of 317 EHUs, the fees that would be payable are:

Development Contributions in Zone "K"

<i>Citywide</i>	<i>Water Supply</i>	<i>Waste Water</i>	<i>Roading</i>	<i>Reserves</i>	<i>Total</i>
\$1,948 per EHU	\$0 per EHU	\$1,185 per EHU	\$0 per EHU	\$283 per EHU	\$3,416 per EHU
232 EHUs					
\$451,936	\$0	\$274,920	\$0	\$65,656	\$792,512

5) Need to assess actual increased demand

However, we believe that simply applying the 'standard minus credit' approach is inappropriate for Willis Central. This is principally because the green-star design of the building will substantially reduce water use – and therefore also reduce wastewater production.

We also believe that the elements which constitute the Citywide component of development contributions are either not applicable, or not applicable at the standard level. Our reasons for reaching that conclusion are set out later in this assessment.

Given these circumstances, we believe that the need to undertake a self assessment is clear, and that the standard or 'standard minus credit' assessment of EHUs should not be used as the basis of assessment. The remaining parts of our assessment therefore examine actual increased demand, in terms of the various components of the Policy.

Our assessment considers whether or not the guidelines provided by the Policy should be applied in this instance. The driving factor in this assessment is the number of EHUs. As noted above, based on a standard approach, Willis Central could be regarded as representing a growth of 232 EHUs. However, we strongly contend that applying this approach is not reasonable in the circumstances, and does not accurately represent "the actual increased demand".

6) Basis of the assessment

The Policy uses EHUs as the basis for calculating development contributions. EHUs in the Policy are based on the Council's overall assessment of demand for individual infrastructure services, and the assumed costs of meeting that demand. This is a broad-scale approach that has the potential to penalise developments that place fewer demands than 'average' on the growth and maintenance of City services.

Non-residential development (especially office development) may be particularly penalised by the Policy. The Policy makes no distinctions between an office's typically lower per person demand placed on services such as water and wastewater, as compared with residences, where bathing, toileting, dishwashing and laundry add up to a far greater level of demand.

In our opinion, a valid approach can be to identify 'per measure' changes in demand specific to a development. For example, if an actual per litre change in water demand can be identified, this is a better basis for assessment than using costs that have been averaged across the City.

For that reason we have chosen to use the 'per measure' approach for the following reasons:

- The additional population of Willis Central is known with a reasonable degree of certainty
- The rates of use / output for the principal measures subject to assessment (water supply / wastewater) are clearly established
- The known rates of use / output are clearly more applicable to Willis Central than the standard rates set out in the Council's Policy
- The approach can be linked to an inferred 'per measure' contribution rate in the Policy
- The 'per measure' approach is more likely to reflect 'actual increased demand' than using an EHU based approach

The following parts of our assessment therefore set out the 'per measure' approach where relevant. The assessment also refers to EHUs, but only for the sake of comparison as we regard the use of EHUs as an unreliable measure in the particular case of Willis Central. In contrast, we consider the 'per measure' approach to be well grounded and defensible.

7) Actual increased demand - Wastewater

As a means of determining a more credible contributions figure, we have examined the issue of wastewater. Our reason for choosing wastewater is that Wastewater is the only catchment specific element payable in zone "K". The Citywide contribution is discussed later in this assessment.

As wastewater production is closely tied to water use, we believe it is essential to note Willis Central's green-star focus on sustainable water management. Sustainable management of water use in Willis Central has two components. These are:

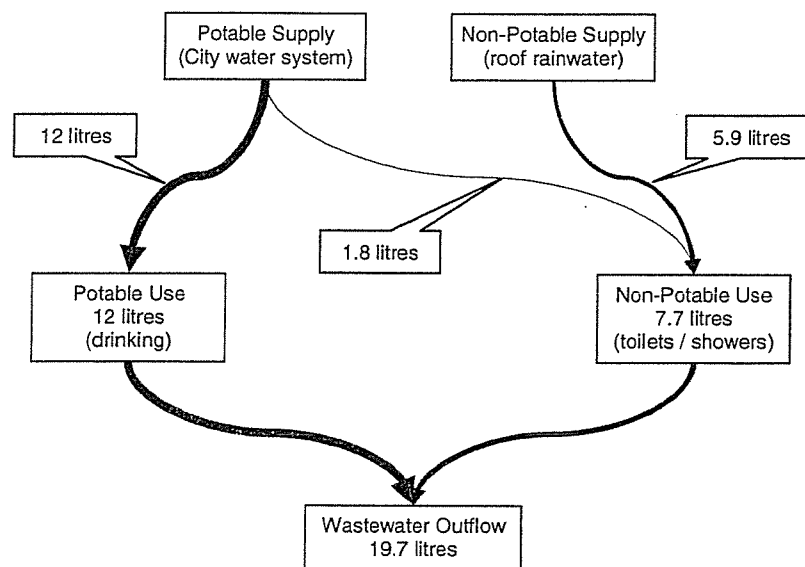
1. supply management related to potable water, and
2. independent supply, and supply management related to non-potable ('flushing') water.

With regard to potable water, the standard demand for water in an office type environment is 8 litres / person / day for both hot and cold water, making a total of 16 litres / person / day. However, with the use of efficient fittings and sensors, the amount of water used is capable of being reduced to 6 litres / person / day for both hot and cold water. Therefore in total, we anticipate that potable water, supplied from the City's water system, will be 12 litres / person / day. For the sake of our calculations, we have assumed that all of this water will make its way into the wastewater system on-site.

With regard to non-potable water, rainwater will be harvested from the roof and stored in a basement storage tank to serve uses such as toilet flushing and irrigation of the roof garden. It is expected that the 2,800 m² roof will collect as much as 1,200,000 litres of water each year.

Through the use of AAA water efficient fittings on toilets and showers, Willis Central's demand for flushing water will be limited to around 7.7 litres / person / day. It is expected that 76% of flushing demand will be met by the rainwater system – with the remaining 24% of demand (1.8 litres / person / day) met from the City's water supply system.

In total, therefore, the amount of wastewater generated on site will be 19.7 litres / person / day, made up of 13.8 litres from the City supply, and 5.9 litres from rainwater. City supplied water will therefore be the source of 70% of the wastewater. The relationships between these figures are shown in the diagram below.



Based on Willis Central's additional population of 1,760 and the figure of 19.7 litres per person, the daily *increase* in wastewater flow will be 34,672 litres. The Policy (page 12) indicates that an EHU is considered the equivalent of 390 litres per day of wastewater production. On that basis, the estimated wastewater flow from Willis Central equates to 89 EHUs, over and above the pre-existing situation. [34,672 ÷ 390 = 89]

However, we note that the Policy's basis of calculation is an outflow of 150 litres / person / day². Clearly, this is significantly different from the reality of Willis Central where the production of wastewater will be 19.7 litres / person / day (or 51.2 litres per EHU).

We believe that the most reasonable way to assess the costs to the City is to disregard EHUs and adopt a 'per litre' approach. That is, the Policy's wastewater contribution of \$1,185 should be divided by 390 litres to give a per litre contribution. On that basis, the City's required contribution is \$3.04 per litre. Applying this rate to Willis Central's assessed increase in wastewater production results in the following calculation:

$$34,672 \text{ litres} \times \$3.04 = \$105,403$$

² If 1 EHU = 2.6 people, then 390 ÷ 2.6 = 150 litres per person

Having regard to the above assessment, it is our recommendation that \$105,403 should be payable in relation to the Zone K Wastewater component.

8) Actual increased demand - Citywide

The Citywide development contribution is a generalised contribution comprised of specific components for water supply, stormwater, wastewater, traffic and roading, and reserves. The Policy's per EHU contribution for each of these components is as follows:

Water supply	\$319
Stormwater	\$197
Wastewater	\$268
Traffic and roading	\$718
Reserves	\$446
<i>Citywide total</i>	<i>\$1,948</i>

Citywide water supply

As noted above under the heading of Wastewater, Willis Central's use of potable water from the City water supply system will be significantly offset through supply management and the use rainwater collected on site. We have calculated City supplied water usage to be 13.8 litres / person / day.

Based on Willis Central's additional population of 1,760, the daily *increase* in use of City supplied water will be 24,288 litres. The Policy (page 12) indicates that an EHU is considered the equivalent of 780 litres per day of water supply. On that basis, the increase in water usage by Willis Central equates to 31 EHUs.

$$[24,288 \div 780 = 31]$$

However, we note that the Policy's basis of calculation is a usage of 300 litres / person / day³. Clearly, this is significantly different from the reality of Willis Central where the use of City supplied water will be 13.8 litres / person / day (or 35.9 litres per EHU).

As noted earlier, we have therefore decided to adopt a 'per litre' approach. That is, the Policy's Citywide water supply contribution of \$319 should be divided by 780 litres to give a per litre contribution. On that basis, the City's required contribution is \$0.41 per litre. Applying this rate to Willis Central's assessed increase in use of City supplied water, results in the following calculation:

$$24,288 \text{ litres} \times \$0.41 = \$9,958$$

Having regard to the above assessment, it is our recommendation that \$9,958 should be payable in relation to the Citywide Water Supply component.

Citywide stormwater

There will be no difference between the pre-existing and Willis Central developments, in terms of the hard surfaced area. For that reason, we have assumed that the Citywide stormwater development contribution should be nil. To the extent that rainwater will be harvested on-site and discharged into the wastewater system, Willis Central's impact on the stormwater system will actually be less than from the pre-existing development.

³ If 1 EHU = 2.6 people, then $780 \div 2.6 = 300$ litres per person

Citywide wastewater

As noted earlier, we have adopted a 'per litre' approach. That is, the Policy's Citywide wastewater contribution of \$268 should be divided by 390 litres to give a per litre contribution. On that basis, the City's required contribution is \$0.69 per litre. Applying this rate to Willis Central's assessed *increase* in wastewater production, results in the following calculation:

$$34,672 \text{ litres} \times \$0.69 = \$23,924$$

Having regard to the above assessment, it is our recommendation that \$23,924 should be payable in relation to the Citywide Wastewater component.

Citywide traffic

The Transportation Assessment submitted as part of the Willis Central resource consent application concluded that the expected level of traffic movements would not be measurably different from the pre-existing development. On that basis, it is our recommendation that no development contribution should be payable.

Citywide reserves

We believe that no Citywide Reserves development contribution should be payable. Our opinion on this point is set out in section 9) below.

9) The 'Nil' argument

We understand that the development of Willis Central represents a rationalisation by Telecom of its operations spread over several buildings within Wellington City. In effect, there will be no additional staff placing demands on City services, simply a change in their geographic location. On that basis, there is cause to argue that development contributions should be Nil.

However, it is also possible that the intensification of development in a particular location (as is the case with Willis Central) will have specific impacts on City infrastructure that should be compensated for by way of a contribution. In the case of Willis Central, due to a local population increase of about 1,760 people, there will be changes in localised effects related to most of the infrastructure covered by the development contributions policy. As noted by section 12.1.1 of the Policy, Citywide development contributions will be applied to network infrastructure, which is:

Those systems characterised by interdependent components where development growth adversely impacts other areas of the network if action is not taken to mitigate those effects. The network infrastructure attracting citywide development contributions will comprise roads and the water supply, stormwater and wastewater reticulation networks.

For these reasons we believe that the Nil argument in relation to network infrastructure is not tenable. However, we believe our recommended contributions should be regarded as maximums, due to the Willis Central development being a relocation of demand – rather than new demand.

With regard to Citywide Reserves, section 12.1.1 of the Policy states that development contributions will be applied to:

Reserves and community facilities that are destination amenities used by groups from across the city such as sports fields and the botanic gardens.

Given that the relocation of staff within the City will have a neutral impact on their use of the "destination amenities" referred to by the Policy, we believe that no Citywide Reserves contribution should be paid. In addition, the 456 m² roof garden will provide on-site amenity that will reduce the use Council reserve facilities by the occupants of Willis Central.

10) Summary of assessment

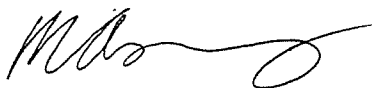
Our assessment of the Willis Central development has found that:

1. The site is in zone "K". The Citywide and Wastewater elements are therefore the only aspects potentially chargeable in assessing a development contribution.
2. The pre-existing floor area of development on the site should be used as a credit in the development contributions calculation.
3. The 'green-star' design of the building in relation to water usage has a significant impact on the calculation of contributions related to wastewater and water supply.
4. There will be a decrease in stormwater runoff from the property.
5. There will be no measurable increase in traffic generated by the redevelopment.
6. There is no justification for charging a development contribution in relation to the Citywide Reserves component as Willis Central will not result in a need for "new or additional assets or assets of increased capacity".

It is therefore our recommendation that a development contribution of \$139,285 should be payable, as detailed below.

Zone K	Citywide				
Wastewater	Water Supply	Wastewater	Traffic	Reserves	Total
\$105,403	\$9,958	\$23,924	Nil	Nil	\$139,285

Regards



Mark Ashby
Planning Manager