

DEVELOPMENT CONTRIBUTIONS SUBCOMMITTEE

10 APRIL 2013



REPORT 1
(12/15/52/051M)

DEVELOPMENT CONTRIBUTIONS – REMISSION FOR VICTORIA UNIVERSITY OF WELLINGTON, ALAN MACDIARMID BUILDING AND HUB BUILDING

1. Purpose

This paper provides advice on an application by Victoria University Wellington (VUW) for a remission of development contribution fees for The Alan MacDiarmid Building (AMB) and the HUB Building (HUB). If a remission is unsuccessful then VUW have provided information for and requested a self-assessment process. In a self-assessment the actual usage of the buildings is taken into account.

This report considers the remission application on its merits, how it relates to the development contributions (DC) policy, and its implications. This report also provides advice on the likely outcome of a self assessment process, based on information provided by Victoria University. The application letter for self assessment (to be first considered as part of the remission process by the Development Contributions Subcommittee) and supporting building assessments by Beca Cater Hollings and Ferner Ltd (Beca) are attached as appendix one.

Summary

The application for remission is based on the premise that student numbers are not increasing and therefore the demand on the infrastructure has not changed. The new buildings simply add greater space for students and improve the overall experience on campus. Officers have assessed the application and looked at what the options are for charging development contributions. Because there are no additional students or staff on campus there is no growth to trigger a development contribution charge beyond the costs assessed by VUW. On that basis officers agree with this assessment and based on the policy recommend that the remission be approved. The approval should be subject to a clause providing a charging mechanism should student numbers exceed current levels, or a change of use of the new buildings that would increase student numbers overall on campus. Officers also recommend that a mechanism is put in place to review VUW to ensure compliance with the agreement.

Officers note that if the remission is declined VUW would likely submit a self assessment which would be assessed by officers. Officer advice based on assessing the report is that their self assessment is accurate and VUW would be liable for a total charge of around \$17k which they have already agreed to pay.

2. Recommendations

Officers recommend that the Development Contributions Subcommittee:

1. *Receive the information*
2. *Note that Victoria University consider that the addition of the Alan MacDiarmid and the HUB buildings to campus will have a zero net impact on infrastructure, officers accept this assessment.*
3. *Note that Development Contributions can only be charged for growth infrastructure. A standard assessment based on floor space assuming that this would accommodate additional students and staff would be for Alan MacDiarmid building – 4,532 m² which equates to 82.4 Equivalent Household Units (EHU's) yielding a charge of \$338,087 and for the HUB building – 2,850 m² which equates to 52 EHU's yielding a charge \$213,356 giving a total of \$551,443.*
4. *Note that Victoria University of Wellington advise that student and staff numbers are not predicted to increase which means that the university as a campus will not draw on any extra resources as a result of the additional buildings.*
5. *Note Victoria University of Wellington have indicated a willingness to enter into an arrangement where if the numbers of students and teachers on campus were to increase within 10 years then additional development contributions would be triggered. Officers recommend this be included, as well as a clause covering change of use that brings more students on to the site and ongoing monitoring of the agreement as part of any final decision on the remission*
6. *Note that the infrastructure usage of the university campus as a whole can only be taken into account in a remission and not in the self assessment process.*
7. *Note that officers recommend a remission as the appropriate mechanism rather than a self assessment. The policy states that the committee has complete discretion and should only grant remissions in exceptional circumstances.*
8. *Approve the remission request and the offer of \$16,822.30 from Victoria University of Wellington as a remission.*
9. *Note that if you decline the remission request Victoria University of Wellington will likely apply for a self assessment, noting that a self assessment can only focus on individual building usage and will likely amount to a charge of around \$17K for the two buildings.*

3. Background

Victoria University (VUW) has added two buildings to their Kelburn Campus and is seeking to determine the development contributions that apply to them. The buildings are The Alan MacDiarmid Building (AMB) and the HUB Building (HUB). The Council provided VUW with a development contribution summary template that advised them based on the floor area of the new buildings the cost would be \$551k.

In response to the summary VUW undertook their own assessment of the impact of their buildings based on actual demand on the Council infrastructure network. VUW factored in a range of information that has allowed a better understanding of the growth implications and therefore the development contribution levels.

The Council received a letter (Appendix 1) from VUW and a self assessment undertaken by Beca Cater Hollings and Ferner Ltd (Beca) on their behalf (Appendix 2), which officers have interpreted as requesting a DC remission. If a remission was declined then VUW requests a self- assessment in order to determine the appropriate level of development contributions for the two buildings. Officers would undertake the self assessment in line the DC policy.

Victoria University View

The University has asked that their assessment be considered on the following basis that can be summarised in two parts:

- Part One – That the AMB and HUB buildings do not use or require any additional infrastructure from Wellington City Council over and above what is already provided to the University, and therefore should not be subject to Development Contributions that are designed to pay for growth infrastructure. This position is supported by the purposes of the two buildings - they are designed to provide more space for the existing campus population. If the campus population does not increase then there will be no additional impact on Council provided infrastructure. This can be summarised as the 'student numbers argument' and is the basis of the remission request.
- Part Two – That if the student numbers argument is not accepted then the actual usage of the building itself is significantly lower than the average assessment provided for in the Development Contributions Policy and that a self assessment as provided for by the policy should conclude that the AMB building be charged 2.5 EHU (rather than 82) and the HUB building 1.6 EHU (rather than 52).

4. Discussion

4.1 Part 1 - Remission

Remission process background

Remissions will only be granted by resolution of the Council (or a Committee or Subcommittee acting under delegated authority). When assessing whether to give a remission the Council can consider an application on its merits. The Development Contributions policy states that:

‘The Council may remit or postpone payment of development contributions at its complete discretion. The Council will only consider exercising its discretion in exceptional circumstances. Applications made under this part will be considered on their own merits and any previous decisions of the Council will not be regarded as creating precedent or expectations.’

This means the committee can take into account any factors it likes when deciding on whether to grant a remission. The following officer advice provides guidance to the Committee.

Victoria University Argument Overview

VUW make the case that development contributions should be assessed based on the number of students on campus, rather than the infrastructure usage of new buildings. They make the point that the University is able to forecast levels of uses over a long period combined with the point that new buildings do not translate into increased demand on city infrastructure where infrastructure use transfers from one building to another. Their case is that infrastructure use is not increased by additional buildings unless those additional buildings result in a higher campus population.

Officer Assessment

The central point of the remission request is contained in Victoria University’s letter (appendix 1), the extract is below:

‘the development of AMB and the Campus Hub will enable the existing campus population to spread across a larger GFA, so as to improve the overall quality of the education and research facilities on campus. It is axiomatic that a student or staff member who takes up space in the AMB or the Hub does so by decreasing his or her occupation of some other part of the existing campus facilities.’

VUW argue that the AMB and Campus Hub will not add any load on Wellington’s infrastructure if the Council were to consider the buildings as part of a Campus. The reason for no additional demand being that no additional people will be on campus, and that it’s people who use infrastructure.

The table below (amended by officers) shows VUW findings of campus wide infrastructure usage.

Infrastructure type	Projected Increase On a Campus Wide Basis
Water Supply	Nil based on actual campus wide water consumption figures
Wastewater	Nil based on actual water consumption figures
Stormwater ^{notes}	Nil – no change to catchment area
Traffic and roading	Nil – population numbers have not changed as a result of development

The principle underpinning the Development Contributions policy is that development contributions act as a user pays charge, and charge developments for the infrastructure burden they place on the city. This can be seen from the following documents:

DC Policy Introduction

‘Development contributions may be required in relation to developments if the effect of the developments is to require new or additional assets of increased capacity and as a consequence the Council incurs capital expenditure to provide appropriately for network infrastructure, community infrastructure or reserves. In addition the Council may require development contributions to pay, in full or in part, for capital expenditure already incurred by the Council in anticipation of development.’

Best practice Guide to Development Contributions

‘It is appropriate for territorial authorities to have a tool for collecting revenue from those who cause the need for additional infrastructure as a result of growth. In that sense, development contributions are a fiscal tool to identify and allocate, fairly and equitably, the cost of growth.’

DIA Government Review

‘Under the LGA02 development contributions may be imposed by a territorial authority on people undertaking development work. Their purpose is to recoup some of the capital costs incurred by the territorial authority when building, or expanding the capacity of, infrastructure that is needed to serve a new development.’

If the Council accepts that the purpose and use of the future buildings is to improve campus quality, and not to increase the number of students on campus,

then granting a remission would be in-line with the principles of the Council's policy.

Victoria University demonstrates the purpose of the building by providing a summary of the reasons for construction, and pointing out that there have not been any new major infrastructure connections since works in 1976-7.

Victoria University also notes that a combination of university plans, declining school roles, and capped Government funding make any net addition of people on campus extremely unlikely within at least a 10 year period. They note that their current investment plan sees a net reduction of students.

Remission is appropriate rather than self assessment

Officers consider that a remission is appropriate rather than a self assessment as the self assessment process centres on the actual usage of a building. The central argument by Victoria University is that the usage of the building does not matter as it is simply displacing demand that is already on the system from other parts of campus.

Managing Risk

There may be a small risk that infrastructure usage will increase as a result of the new buildings, due to an unexpected rise in student numbers. This is considered unlikely; if there is concern then the Council could seek an agreement to collect some development contributions if student numbers were to increase in the next 10 years.

Financial Implications of a DC Remission

If a remission is accepted there will be no development contributions collected. If the remission is not agreed then a self assessment, looking at the actual infrastructure usage of the building would be appropriate to decide the level of contribution. Victoria University have provided this self assessment and believe a self assessment will result in contributions of \$10,257.50 for the AMB building and \$6,564.80 for the Campus Hub. They have offered to accept an invoice of this amount. Officers recommend accepting this offer as payment as part of the remission.

Remission Summary

Officers recommend that the Council Committee approve a remission request. A full remission is appropriate and in line with the principle of development contributions in a circumstance where development will place no actual additional demand on infrastructure. This will mean no development contribution charges for The Alan MacDiarmid Building (AMB) and the HUB Building (HUB). Granting a remission will have no effect on future University buildings, future buildings should be assessed on their own merits.

Should Council decline the remission request the level of development contributions will be determined through the self- assessment process. Officer

comment on the likely outcome of this process is below. In general VUW and officers are close in their analysis of the appropriate development contribution. The initial officer assessment indicates a lower level of contributions for the buildings combined than the VUW assessment.

4.2 Part 2 – Self-Assessment, Likely Outcome

Self Assessment Background

As stated in the development contributions policy the non residential unit of demand (55m² gross floor area per EHU) may be departed from through a self-assessment in circumstances where the actual increased demand created by the development is different from that assessed by applying the non residential unit of demand. 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 Council may determine an application made under this section at its discretion. In doing so the Council must take into account everything presented to it by way of the written application, and may take into account any other matter(s) it considers relevant.

Self Assessment

An application for self-assessment is determined by Council officers. The self-assessment process looks at the usage of a building 'likely to become established in the development' and does not look at number of people or the way people interact between different buildings. As such the self-assessment process can not take into account displaced infrastructure use from other buildings and discount for it. This restriction makes the self-assessment process unsuitable for considering a 'student numbers' based approach to the assessment of the HUB and Alan MacDiarmid Buildings.

Infrastructure Covered by Development Contributions

Infrastructure covered by development contributions for non-residential dwellings includes:

- Water Supply
- Waste Water
- Storm Water
- Traffic and Roading
- Reserves

4.2.1. Alan MacDiarmid Building (AMB)

Building Description

The AMB is described as a laboratory and research building, this means the building consists of laboratories, write up space, and teaching space.

The building is likely to have a low infrastructure usage due to a VUW policy of low flow sanitary fittings and fixtures, rainwater harvesting and the nature of

the building as it's specifically designed for research. This contrasts with a typical commercial building.

Infrastructure Usage

Infrastructure Type	Metered usage	EHU equivalent
Water Supply	1,930 litres/day	2.5
Wastewater	1,275 litres/day	3.3
Storm water	Nil (due to rainwater harvesting)	0

Traffic and Rooding

The impact of a building on citywide transport infrastructure is based on the implicit assumption that people travel to the building in order to work (or study) in it. Given the use of the AMB building it is difficult to establish a strong connection between the people who will use the building and an increase in transport use. For this reason officers recommend that a zero EHU should be given.

Reserves

The need for more reserve space in Wellington is based on an increase in city population requiring a larger area of reserve to maintain amenity levels. It is difficult to see a strong connection between the construction of the AMB and a need to increase reserves given there is no additional students

Conclusion

Victoria University assessed their development contribution at \$10,257.50 plus GST. Officers agree with this assessment

4.2.2. The HUB Building

Building Description

The primary purpose of the HUB building is to create a campus hub and provide better connections between surrounding buildings. The ground floor is a mixed use space with a plaza, the mezzanine floor provides connections and the upper floor is a reading room and library.

The building is likely to have a low infrastructure use due to its usage, for instance a total of five new toilets are installed in the building.

Infrastructure Usage

Infrastructure Type	Projected usage	EHU equivalent
Water Supply	1,117 - 4,500 litres/day	1.4 - 5.8
Wastewater	608 - 2,250 litres/day	1.6 - 5.8
Storm water	Nil (previously an impermeable surface)	0

Traffic and Rooding

The impact of a building on citywide transport infrastructure is based on the implicit assumption that people travel to the building in order to work (or study) in it. Given the use of the HUB building it is difficult to establish a strong connection between the people who will use the building and an increase in transport use. For this reason officers recommend that a zero EHU should be given.

Reserves

The need for more reserve space in Wellington is based on an increase in city population requiring a larger area of reserve to maintain amenity levels. It is difficult to see a strong connection between the construction of the HUB and a need to increase reserves.

Conclusion

Victoria University assessed their development contribution at \$6,546.80 plus GST. Officers agree with this assessment

Standard EHU based levy

An assessment of the building using the standard infrastructure use measurements for non-residential buildings is not appropriate as VUW have indicated they wish to complete a self- assessment and the standard EHU based levy is not designed to apply to all buildings. A standard assessment would result in levies of:

- AMB building – 4,532 m² which equates to 82.4 EHU's – \$338,087
- HUB building – 2,850 m² which equates to 52 EHU's – \$213,356
- Total equals \$551,443

Contact Officer: *Andrew Stitt, Manager Policy*