
**ADDITIONAL INFORMATION RELATING TO THE
DEVELOPMENT CONTRIBUTION REMISSION
APPLICATION FOR WILLIS CENTRAL (44-52 WILLIS
STREET, WELLINGTON CENTRAL)**

1. Purpose of Report

The purpose of this report is to provide additional information to the Development Contributions Subcommittee (“the Subcommittee”) on the development contribution fee remission application received by the Wellington City Council (“the Council”) from Gill Consultants Limited (“Gill Consultants”) and Aurecon New Zealand Limited (“Aurecon”) on behalf of Boulcott Land Limited for the development known as Willis Central.

2. Executive Summary

The application for remission of the development contributions fee for the development known as Willis Central was heard by the Subcommittee on the 17 March 2010. Following this, the Subcommittee requested that the Council’s officers (the officers) undertake further work on the issues raised by the applicant in respect of the remission application.

This report sets out the officers’ response to this request. No change has been made to the recommendations as set out in the 17 March 2010 report to the Subcommittee.

3. Recommendations

The officers recommend that the Subcommittee:

- 1. Receive the information.*
- 2. Agree not to grant a remission of the development contributions fee to Boulcott Land Limited for the development known as Willis Central (44 – 52 Willis Street).*

4. Discussion

4.1 Development contribution assessment

On 17 March 2010 officers recommended to the Subcommittee that a final development contributions fee of **\$1,106,692.20**¹ should be paid based on the following:

| Development Contribution based on 1 July 2007 Policy | Original fee (GST incl.) | Adjustment after any remission (GST incl.) | Revised fee (GST incl.) |
|--|--------------------------|--|-------------------------|
| DC Zone K - Reserves | \$97,295.40 | \$97,295.40 | \$97,295.40 |
| DC Zone K - Wastewater | \$407,403.00 | \$407,403.00 | \$407,403.00 |
| Citywide - Roading | \$246,848.40 | \$246,848.40 | \$246,848.40 |
| Citywide - Reserves | \$153,334.80 | \$153,334.80 | \$153,334.80 |
| Citywide - Water Supply | \$109,672.20 | \$109,672.20 | \$109,672.20 |
| Citywide - Wastewater | \$92,138.40 | \$92,138.40 | \$92,138.40 |
| Citywide - Stormwater | \$0.00 | \$0.00 | \$0.00 |
| Total | \$1,106,692.20 | \$1,106,692.20 | \$1,106,692.20 |

As the proposed Willis Central building will not result in an increased level of stormwater run-off from the site than previously existed on the site, the stormwater development contribution was remitted as part of the self assessment process.

4.2 Additional Information

The Subcommittee asked for additional information relating to:

- 1) the purpose and effect of development contribution fees;
- 2) the additional intensity of the development;
- 3) specific demands on roading infrastructure;
- 4) the North Shore City Council's High Court case and its relevance to the Development Contributions Policy (the Policy); and
- 5) the retention of the McCarthy building.

4.3 The Purpose and Effect of Development Contribution Fees

Assessment of Applications for Remissions

The Development Contribution Policy (DC Policy) requires that remissions of development contribution fees are only granted in exceptional circumstances. There is no definition of what might comprise such circumstances. If the Subcommittee was to reach a view that the circumstances are exceptional, it is able to remit the application in full or in part. The Policy also states that applications for remission of development contributions fees will be considered

¹ Note that all monetary figures used in this report are inclusive of GST unless otherwise stated.

on their own merits and that any decision of the Subcommittee will not be regarded as creating precedent or expectations.

Infrastructure Provision for Growth

Infrastructure provision is planned and designed based on the best information of current usage and predicted growth over many years. This information is based on:

- projections provided by Statistics New Zealand on population and employment growth and household formation; and
- the Council's own research, planning and infrastructural developments².

The provision of water, roading and wastewater, and the planning and design of infrastructure must provide for growth demand often in excess of fifty years. The capital costs of building extra capacity to meet growth demands placed on infrastructure is then recovered from each new development.

The Policy is based on 10% growth in the residential population and an 11% increase in full-time employment over the next 10 years. These growth assumptions underpin considerations relating to the provision of network and community infrastructure.

For non-residential uses, a gross floor area (GFA) based approach to calculating development contributions is used. Under the 2007 DC Policy, the standard was 65m² of GFA per equivalent household unit (EHU), based on 1 person per 25m² of GFA multiplied by 2.6 persons. However, this has been altered to 55m² of GFA per EHU in the latest version of the Policy (2009). The new standard is based on 1 person per 21m² multiplied by 2.6 persons. This recognises that the majority of Wellington's non-residential buildings are offices and that this office space is being rationalised to accommodate more workers. This standard was based on the most up to date information on floorspace usage in Wellington in 2008.

Water Storage and Supply

Development contributions are payable to provide for catchment (local) infrastructure as well as city-wide infrastructure. For catchment-based water infrastructure, development contributions pay for the growth-related costs of providing reservoirs and pumping mains (rising mains) for the storage of water to provide for:

- 1) everyday use (including peak demand);
- 2) emergency supply; and
- 3) fire-fighting.

The Health (Drinking Water) Amendment Act 2007 requires territorial local authorities to ensure uninterrupted provision of drinking water to all points of supply at all times. The Council's Code of Practice for Land Development gives

² This includes growth planning as part of the Urban Development Strategy, which is given effect to through the Centres Planning Programme (Kilbirnie, City Centre, Adelaide Road etc), transport initiatives such as roading and transport improvements as part of the Ngauranga to the Airport Corridor Plan etc, reserves and the development of community infrastructure etc.

effect to this requirement by ensuring that there is at least 24 hours storage (that is, for the current day and the following day) to provide for 1-3 above.

Current water monitoring usage and analysis supports the Council's service level standard of providing 600 litres per person of water storage capacity. The water storage requirement is the main area of cost imposed on the provision of the Council's water infrastructure and services.

The city-wide water network involves provision for the reticulation system, including pump stations and pipe network to reticulate water to individual properties which are installed and renewed to meet current and future growth demands.

When assessing the merits of reduced water usage on individual buildings, the main consideration for the Council is that the network has sufficient capacity to meet water demands for the purposes referred to in 1-3 above.

Similar capacity and usage issues apply to wastewater collection, processing and disposal.

Day-to-day Operational Water Usage

The 780 litre guideline that is applied as part of the self assessment process is based on 300 litres of water per person per day multiplied by 2.6 people per 55m² of non-residential GFA. This is equivalent to one EHU.

Current usage information shows that the average consumption per person is 250 litres per day. The figure of 300 litres per person per day takes into account points 1-3 above. In a situation where there is a breakdown of supply to the reservoir or due to broken pipes in the network or pumps etc, the Council must be able to provide water at the same rate for 24 hours before the supply needs to be restored. In an emergency, the Council would likely ration the balance of stored water depending on the situation.

Based on the advice provided by the applicant, the Willis Central 'green' building will impose lower average day-to-day demands on the water supply network than other similar sized office buildings. However, it will not necessarily reduce peak loadings on the network. Furthermore, during extended periods of no rain the building will need to be supplemented from the Council's water supply network.

The marginal saving in the cost of constructing the infrastructure required to provide the service expected by a green building system is negligible and would only be noticeable if a large number of buildings were employing sustainable measures over a period of time. Notwithstanding this, the responsibility for providing an uninterrupted supply of drinking water still falls on the Council if any part of the green building's water infrastructure network fails at any time.

The principal benefits from reduced day-to-day water usage are the savings that will go to the owner/leasee in terms of lower water meter charges.

Traffic and Transport

Based on the 2007 Policy (as set out in the 2006/7–2016/17 LTCCP), approximately 10% of the growth related CAPEX expenditure on traffic and roading infrastructure is paid for by development contributions. This contribution provides for new or extended roads, footpaths, walkways, cycleways, parking and public transport access and shelters etc.

As stated in the remission report prepared for the 17 March 2010 Subcommittee meeting, the Willis Central development will increase demand on traffic and transport-related infrastructure. The new building will provide for up to 2,300 employees and will result in an additional 305.6 EHUs compared with previous uses on the site. This will place pressure on the traffic and roading infrastructure in the CBD (and other infrastructure at peak times).

Consultants for the applicant have submitted that the development does not cause any increased demand for roading and transport because the redeveloped buildings have been occupied by tenants that have moved from existing buildings within the CBD; and therefore there is no growth related demand as they are already using the transport network.

This submission can not be accepted and shows a failure to understand the DC policy. The DC Policy uses floor area (converted to EHUs) as a proxy for growth. This is approved methodology and is consistent with the Local Government Act 2002. For these reasons no reduction has been proposed for the traffic and transport aspects of the development contributions fees.

Reserves

The 2007 Policy (and the current 2009 Policy) requires development contributions for non-residential developments within the inner city (catchment K) to provide for Waitangi Park, the 'three parks in three years' initiative, and other inner city parks. The citywide component of the Policy provides for the acquisition of open space land with ecological, landscape and/or recreational value.

The Policy is based on the public being able to access reserves, rather than the use of reserves. Reserves in the inner city and wider locality will be able to be accessed and enjoyed by workers accommodated in these commercial buildings. Reserves also provide passive ecological and landscape benefits that are able to be enjoyed by people who live and work in the locality and the wider City.

The arguments put forward for traffic and transport are similar for reserves in that the large increase in the numbers of workers occupying these sites will result in an increased demand on reserves as buildings vacated by Telecom workers will be used by other workers over the next 10 years. With respect to Willis Central, there is also the potential for this increased demand to be much greater than the Policy anticipates because of the very intensive use of the building.

Green Buildings

The Policy does not specifically provide for 'green buildings'. On 5 November 2008 the Subcommittee was advised by officers that:

"There are a range of potential financial incentives [for environmentally sustainable design initiatives such as green buildings], of which development contribution reductions are only one form. Others include grants, rates rebates, low interest loans or reduced fees. There is also a range of potential regulatory concessions such as planning concessions.

Having considered the issue the Subcommittee agreed that:

"The DC Policy is not the most appropriate vehicle to advance environmentally sustainable design, and that incentives to encourage environmentally sustainable design be excluded from the scope of the current [2009] review."

4.4 The Additional Intensity of the Development

The Subcommittee has sought direction from officers on whether the "significantly greater intensity than the norm" of the Willis Central development needs to be taken into account as part of the remission process.

Willis Central will provide for up to 2,300 office workers, resulting in approximately one employee per 12m². As stated in section 4.3 'Infrastructure Provision for Growth' in the 2007 Policy (which must be applied to the assessment of this application) is based on the assumption that a worker will on average occupy 25m² of office space. The 2009 Policy is now based on 21m² of GFA per person. This standard is well founded and consistent with average floor space demands for office workers.

The high number of office workers will result in a significantly greater intensity of use of Willis Central than what the 2007 (and 2009) Policy anticipates. This will have a corresponding effect on the level of demand placed on the Council's infrastructure.

4.5 Specific Demands on Roading Infrastructure

The Subcommittee requested information about the amount of carparking that would be provided by the Willis Central development, and what impact the level of on-site carparking would have on commuting. This information is in addition to the general matters referred to under *Traffic and Transport* in section 4.3 of this report.

The resource consent for 'Willis Central' approved 77 carparking spaces, only 15 more carparks than were existing on the site at the time. Given the small increase in traffic associated within the development it was considered that this would not result in a significant increase in traffic on Willis Street and that staff will be able to rely on the frequent bus services along Willis Street.

Other beneficial traffic and transport issues identified were that the development would:

- establish pedestrian permeability through the site;
- improve the Willis Street and Boulcott Street footpaths; and
- incorporate cycle parking and related facilities.

Whilst there may only be a modest increase in the number of on-site carparks and therefore a small increased demand by car users on Boulcott Street in the vicinity of the building, the increased numbers of workers will place additional pressure on the provision of carparks and roading in other parts of the CBD, as well as increased demand for cycleways, pedestrian, servicing and public transport facilities. In addition, where workers rely on park and ride facilities, there will be increased demand placed on other parts of the City's roading infrastructure.

4.6 The North Shore City Council's High Court Case and its Relevance to the Policy

In 2007 a group of developers successfully challenged the North Shore City Council's Development Contributions Policy (DC Policy) on the basis that it incorrectly required development contributions to be collected from those who cause those costs to be incurred (exacerbator pays principle), notwithstanding that existing and future communities will both benefit from a range of capital expenditure necessary to support growth.

The challenge was largely brought because of North Shore City's policy of using development contributions to pay over 90% of the total costs of the northern busway project (involving bus lanes and stations adjacent to the northern motorway). As a consequence of this decision, North City Council is proposing to pay back a significant proportion of the development contributions collected since the DC Policy was enacted in 2004.

The High Court strongly reinforced the Local Government Act 2002 requirement that Councils' must demonstrate that a section 101(3) determination has been undertaken for each type of infrastructure. Section 101(3) requires the Council to explicitly consider:

- the community outcomes to which the activity primarily contributes;
- the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals;
- the period over which the benefits are expected to occur;
- the extent to which the actions or inactions of particular individuals or a group contribute to the need to undertake the activity and the costs and benefits, including the consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural wellbeing of the community.

The Wellington City Council's Development Contributions Policy clearly states the rationale for using development contributions to fund growth related investment in public infrastructure, and demonstrates that the Council has

given regard to all funding options available to it. It is therefore consistent with the Court's findings.

4.7 The Retention of the McCarthy Building

The District Plan identifies the McCarthy Building as a heritage building, which is being retained as part of this development. Submissions by the applicant on 17 March 2010 were that this preservation should be considered as grounds for a remission.

Retention of most of the 979m² McCarthy Building has resulted in a 'DC credit' of 598m² or 9.2 EHUs'. This means that the applicant pays \$35,355.60 (incl GST) less in DCs. This credit is significant and a positive outcome for the developer.

The retention of heritage buildings is a desirable outcome. However, this issue is not related to development contributions, which are charged on the basis of the growth-related costs that developments place on the Council's infrastructure. Where a contribution to built heritage will reduce demand on infrastructure, the self-assessment process is the appropriate means to reduce development contributions. However, the applicant's contribution to built heritage will not reduce demand on the Council's infrastructure.

The Policy makes no allowance for remissions of development contributions on the basis of either voluntary or involuntary contributions to built heritage. This is more appropriately considered using other policy and financial incentives such as the Built Heritage Policy and Built Heritage Incentive Fund.

5. Conclusion

The recommendation is that the Subcommittee agrees not to grant a remission of the development contributions fee to Boulcott Land Limited. The final development contributions fee payable should be **\$1,106,692.20** (GST incl.) and is summarised as follows:

| Development Contribution based on 1 July 2007 Policy | Original fee (GST incl.) | Adjustment after any remission (GST incl.) | Revised fee (GST incl.) |
|--|--------------------------|--|-------------------------|
| DC Zone K - Reserves | \$97,295.40 | \$97,295.40 | \$97,295.40 |
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Contact Officer: *Tim Wild – Planning Technician, Development Planning*

Supporting Information

1) Strategic Fit / Strategic Outcome

The Policy supports the Council's infrastructure-related activities, by ensuring those responsible for increased demand through growth contribute to the cost of providing infrastructure to service that demand.

2) LTCCP/Annual Plan reference and long term financial impact

The Subcommittee decision has implications for the LTCCP and financial impacts where the cost of the growth-related portion of infrastructure development is paid for by those generating the additional demand on infrastructure. There is an expectation that development contributions will fund infrastructure.

3) Treaty of Waitangi considerations

This report has no direct impact on iwi.

4) Decision-Making

Whilst the monetary figure involved with this decision is substantial, this is not a significant decision. The Policy has no scope for considering the applicant's departures from the standardised GFA and EHU measures that the Policy is based on. Furthermore, the applicant's proposed measures and justifications and their new development contributions fee calculation, which they believe is reasonable and which more accurately reflects the actual demand Willis Central will have on services and infrastructure, should be rejected. Lastly, the recommendation is that there should be no reduction in the amounts charged for those components of the development contributions fee that the applicant is agreeable to paying, with the exception of stormwater.

5) Consultation

a) General Consultation

As part of the remission process, the applicant has been provided with a copy of this report for their information.

b) Consultation with Maori

This report has no direct impact on iwi so consultation was not conducted.

6) Legal Implications

The Council's lawyers have not been consulted during the development of this report.

7) Consistency with existing policy

This report is consistent with the Development Contributions Policy and with all other existing policies of the Council.