
REPORT 2
(1215/52/05/IM)

DEVELOPMENT CONTRIBUTION REMISSION REPORT FOR PODGORA LTD - 31 NAIRN STREET, MT COOK

1. Purpose of Report

This report assesses the development contribution remission application by Podgora Ltd for the conversion of a five bedroom house into two household units by the removal of stairs between the upper and lower level, the creation of external access for the lower level and the addition of bathroom and kitchen facilities to the newly created household unit.

2. Executive Summary

The Policy allows the Council to remit development contributions in exceptional circumstances.

Podgora Ltd has made an application for remission on the basis that there will be no additional people living in the two separate units than were living there previously.

3. Recommendations

It is recommended that the Subcommittee:

- 1. Receive the information.*
- 2. Agree to grant a partial remission, for stormwater only, and invoice the applicant a revised and final fee of \$3,889 (excl GST).*
- 3. Agree to delegate to the Chair and Chief Executive Officer the authority to sign a letter advising Podgora of the reasons for the Subcommittee's decision.*

4. Background

4.1 Proposal

The existing house has five bedrooms split over two levels. There are three bedrooms on the top level and two bedrooms on the lower level. The existing building has one kitchen, one bathroom and two toilets. The proposal is to remove the internal staircase, add a kitchen to the top level, and a bathroom and laundry to the lower level. Separate access will be created for the lower unit.

4.2 The Policy

The building consent was lodged with the Council on 21 November 2007. The remission application has, therefore, been assessed under the 2007 Development Contributions Policy.

This is a residential development as defined under the Development Contributions Policy (“the DC Policy”).

As the development contribution self-assessment process does not apply to residential developments this application for a remission has been referred directly to the Subcommittee for a decision.

The Policy allows for the Subcommittee to remit or postpone payment of development contribution fees at its complete discretion. The Subcommittee will only consider exercising its discretion in exceptional circumstances upon receipt of a remission application as described under 2.6 below.

2.6 Remission and postponement

2.6.1 The Council may remit or postpone payment of a development contribution 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.

2.6.2 Remissions will only be granted by resolution of the Council (or a Committee or Subcommittee acting under delegated authority).

2.6.3 An application for remission must be applied for before a development contribution payment is made to the Council. The Council will not allow remissions retrospectively.

2.6.4 An application must be made in writing, and set out the reasons for the request.

Under the DC Policy, residential developments are assessed on the basis of the number of equivalent household units (EHUs) created. The conversion of the single household unit into two household units has been assessed as an increase from one EHU to two EHUs.

5. Discussion

5.1 The Remission Application

The architect’s argument for a full remission of fees is that the internal alterations will result in no additional demand being placed on Council infrastructure as the numbers living on the property will remain the same because the number of bedrooms is unchanged. The architect further asserts

that the five bedroom house is currently operating as two EHU's and therefore should be given a two EHU credit resulting in no additional charge overall.

The owner e-mailed the Council on 4 August 2010 saying "there is not likely to be an increase in tenant numbers due to the house separation, however I could agree that at any time there may possibly be a 30% increase."

Officers do not support these arguments for the following reasons.

The current built infrastructure is clearly a single EHU as there is only one kitchen and bathroom. Having only one kitchen and bathroom acts as a practical constraint on intensity of use.

Further, the re-developed building will increase the EHUs, creating more intensive use where two distinct sets of kitchens and bathrooms can operate. This new household unit will create a requirement for additional infrastructure capacity which must be met by the Council.

The applicant suggests that because the building was actually being used intensively prior to the introduction of the Development Contributions Policy, the only impact on infrastructure will be peak water and wastewater usage. Transport and Reserves would not actually be impacted.

Officers do not agree with this proposition because the proposed re-development results in physical changes that will increase the maximum potential demand placed upon infrastructure. Put simply, the Policy recognises that increasing EHUs and the resulting changing patterns of use can create new demand for infrastructure.

5.2 Assessment

Officers consider that an additional EHU will be created by this development and recommend that the Subcommittee remit part (\$197) of the development contributions payable in relation to 31 Nairn Street to reflect that there will be no additional capacity created by the development on stormwater infrastructure.

6. Conclusion

The 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, the Subcommittee is able to remit the application in full or in part.

Officers recommend the Subcommittee remit only the stormwater component of development contributions payable in relation to 31 Nairn St and that the owner be invoiced a final development contribution fee of \$3,889.

Contact officer: *Tim Fletcher – Manager, Customer Service and Business Support*

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

This is not a significant decision.

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.

Map showing location of 31 Nairn Street



Applicant's remission application

perception:PLANNING

Wellington City Council
Urban Development and Transport
PO Box 2199
WELLINGTON

Attention: Jane Tam

7 April 2008

Dear Jane,

Re: Development Contribution on Building Consent SR 172144

I am writing on behalf of Podgora Ltd, which owns 31 Nairn Street in Mt Cook, Wellington. Podgora Ltd has recently obtained building consent and resource consent to convert an existing residential building on the site into two separate dwelling units. Subsequent to building consent being granted, Podgora Ltd received a letter (your reference WCC Document #: 1007766v3) advising that development contributions for the property have been assessed to be \$4596.77.

On consideration, I am of the opinion that the development contributions requested for this proposal exceed what should be reasonably required and ask that the contributions be reassessed. The proposed development will result in no measurable increase in demand on existing infrastructure already serving the property, therefore it is not appropriate that a contribution towards infrastructure upgrades be required. I set out reasoning to support this position below.

Objective of Development Contributions Policy

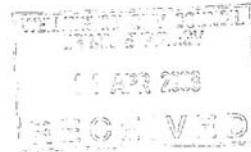
Section 1.1 of the Introduction to the Development Contributions Policy Document states the following (my emphasis):

*1.1.1 A development contributions policy provides the Council with a method to obtain contributions to fund **infrastructure required as a result of growth.***

*1.1.2 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 and reserves. In addition the Council requires development contributions to pay, in full or in part, for capital expenditure already incurred by the Council in anticipation of development.*

These two paragraphs clearly set out why development contributions are needed – they are needed to pay for new or additional infrastructure assets that are required in response to growth. Development contributions may be required *if* the effects of development result in demand for new or additional infrastructure.

Furthermore, the Development Contributions Policy, at Section 5 – Definitions, defines 'development' for the purposes of the policy as (my emphasis):



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Development Contribution
SR No: 172144
ADDRESS: 31 Nairn St
LINK No: 1040113
DOC No:

Development means:

- (a) Any subdivision or other development **that generates a demand** for reserves, network infrastructure, or community infrastructure; but
(b) Does not include the pipes or lines of a network utility operator.

This definition makes it clear that only development that creates demand for assets is deemed to be 'development' for the purposes of the Development Contributions Policy.

There is certainly no requirement for *all* development to contribute development contributions because it is recognised that some development will not result in demand for additional or new assets. Existing development is already paying for the assets that it requires through rates. Rates are the mechanism for existing development to pay for asset maintenance and upgrade to meet existing demand. Development contributions are the mechanism for paying for new or additional assets required to meet additional demand. This approach is probably best summarised within the Development Contributions Policy at Section 9.3 (my emphasis):

*9.3.1 It is appropriate that development contributions fund additional capacity in water supply, wastewater, stormwater, roading and reserves. **The benefits of this additional capacity accrue to new households (EHUs) generating demand for that capacity.** Development contributions paid by developers are likely to be passed on through section prices to the residents of new households. **Existing residents, however, gain no direct benefit from, and should not be required to fund through rates, the addition of capacity to existing networks that adequately meet their needs.***

*9.3.2 Conversely, **the cost of maintaining or improving levels of service provided by the city's infrastructure to the existing population cannot be included in capital expenditure** to be funded out of development contributions, as this expenditure does not benefit developers or new households.*

Determining whether the development results in demand for new or additional assets.

As outlined above, the intention is to require development contributions in situations where development results in demand for new or additional assets. Therefore, to determine whether contributions are required, an assessment of the 'demand' created by the development must be undertaken. Where there is no demand for additional assets, development contributions should not be required. Where there is demand for additional assets, a development contribution relative to that increased demand may be required.

The Development Contributions Policy sets out a guide for assessing when development contributions will be required (Section 2.1). Steps 2 and 3 of that guide require that the number of EHUs that the development will create are identified, and that the number of EHU credits is calculated and that those credits are then deducted from the number of EHUs created.

In the case of 31 Nairn Street, and in terms of defining the number of EHUs 'created' by the development, it is accurate to say that there will be 2 EHUs created. These will be a three-bedroom unit and a two-bedroom unit.

In terms of assessing the EHU credits for the property, I am of the opinion that simply saying that the existing dwelling unit constitutes one EHU is inaccurate and is inconsistent with the Development Contributions Policy. The existing 5-bedroom

residential building on the site is effectively generating the demand of 2 EHUs because of its size, albeit that it is being operated as a single dwelling unit.

An EHU is an 'Equivalent Housing Unit'. It is an averaged unit of measurement to aid the calculation of development contributions. An EHU represents an average household size of 2.6 people (refer to footnote 5 on page 44 of the Development Contributions Policy). By using an average household size, the number of household units that are likely to be created as a result of population growth can be estimated. However it must be realised that an EHU is only an *average* household size. A household of 5 or 6 people is the equivalent to two average households, and therefore 2 EHUs.

To argue that a 5 person household creates the same demand on services as a 2.6 person household would be inaccurate. The more people that live in a residential property, the greater the demand placed on services. So to use a standard unit of demand (EHU), it must be recognised that some residential properties are going to have a higher EHU measurement than others. In the case of 31 Nairn Street, a 5 bedroom property which has consistently had at least 5 people residing in it, the demand on assets is equivalent to 2 EHUs.

Development Contributions required

Based on the above discussion, it is considered the EHU credit attributed to 31 Nairn Street is 2 EHUs. The number of EHUs that will be created after the development will be 2. Therefore there is no increase in demand for assets and development contributions are not required.

The above assessment using EHUs is supported by an actual demand assessment. The existing residential building contains 5 bedrooms and, if retained in its current layout, could reasonably be used by as many as 8 people. When the current owner inspected the property prior to purchase, all 5 bedrooms and the lounge room contained beds and were being used as sleeping areas. Records from the Department of Building and Housing show that there have been a number of periods when 5 people were listed on the tenancy bond forms lodged with the Department (note that the number of names on a bond form doesn't necessarily reflect the actual number of people living at an address). So there has been a pattern of residential use of the property where 5 or more people have lived there.

The proposed development retains the same number of bedrooms and the footprint of the building is not being altered, other than through the addition of decks. With the same number of bedrooms, despite the building being let as two separate units, there is the same capacity for the same number of people to reside there. It is more likely that the renovated, smaller units will attract professional couples or small families and therefore a lower residential density is more likely. The larger property was more attractive to large groups of student or lower income earners who were happy to share accommodation to minimise cost. So the result of the improvements to the property may be that the actual demand on services created by the development will be the same as or less than the existing demand. To require that development contributions are paid for upgrading assets where there will be no additional demand on those assets created by the development would be inequitable.

It appears that the examples of development contribution calculations shown at Section 2.3.4 in the Development Contributions Policy are a little misleading in a situation such as 31 Nairn Street. The example given of the "additional household unit on existing allotment with one house - (with or without subdivision)" which suggests that development contributions are payable for one additional EHU only applies to sites where a new residential building is being constructed. Requiring development contributions where an additional residential building is constructed on an existing site that already

contains a residential building seems appropriate. The new building will increase the number of people living on that site and therefore increase the demand for services and reserves and other assets. But the example, although it can be read as such, does not apply where an additional household unit has been created simply by placing a division within an existing residential building with the net result being the same residential capacity on the site.

To summarise, I am of the opinion that the proposed development does not generate additional demand for assets and will not require the Council to undertake upgrades to infrastructure to meet the needs of the property. Therefore development contributions should not be required.

I am more than happy to discuss this matter with you, and look forward to hearing from you soon.

Yours sincerely,

Phillip Percy
Director

For
Perception Planning Limited

C.c Jeffrey Loo, Urban Development and Transport
Podgora Ltd