

APPENDIX 1

Appendix One: Massey University's submission requesting a private development contributions agreement with the Council.



24 April 2013

Wellington City Council
101 Wakefield Street
PO Box 2199
Wellington 6140

Attn: Tim Fletcher

Dear Tim

Application for Development Contributions Hearing

1. Outline

- 1.1 This letter outlines the reasons for a proposed private agreement between Massey University (**Massey**) and Wellington City Council (**Council**) and signals the first step in a proposed two-step process.
- 1.2 At the hearing on 15 May 2013 before the Development Contributions Subcommittee (**Subcommittee**), Massey will explain the compelling rationale for the private agreement (the agreement is a good result for the Council as well as Massey), the process that Massey seeks, and request decisions from the Subcommittee that it:
 - agree in principle to a private agreement as the basis for determining development contributions payable from Massey for the Wellington campus (**Campus**);
 - agree that Council officers and Massey negotiate the specific terms of the private agreement; and
 - agree that the proposed private agreement be presented to the Subcommittee for approval in July 2013.

2. Background

- 2.1 The Massey College of Creative Arts (**CoCA**) building is a state of the art building specially developed for the creative arts, employing the latest seismic and green technology. Its teaching spaces are world class reflecting the status of Massey's world-class teaching in this area.
- 2.2 Following a building consent application for the CoCA building in 2011, the Council required Massey to pay a development contribution assessed under the methodology of the Development Contributions Policy (**Policy**). The CoCA building has since been completed and occupied, but discussions between Massey and the Council regarding an appropriate level of contribution continue.
- 2.3 Since June 2011, Massey has worked closely with Council officers to firstly discuss the required development contribution then, on the suggestion of Council officers, to develop the concept of

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a Campus-wide private agreement. At the outset, Massey sought an indication from Council officers that a private agreement would be considered by the Council. In August 2011, the concept was approved in principle by the Council's director of strategy, planning and urban design.

- 2.4 From August 2011 Massey worked with Council officers to determine what technical information might be required and how an agreement might be structured. The work culminated in a draft agreement being prepared, which was reviewed by the Council's legal advisors, DLA Phillips Fox. However, despite the efforts of Massey and Council officers towards developing the private agreement, there was no significant progress after August 2012. In November 2012, Massey and Council officers agreed that the concept of developing a private agreement should be put before the Subcommittee.

3. Reasons for a private agreement

- 3.1 The key reasons are outlined below and are expanded in the attached submissions from myself and Mark Ashby (Planning and Environmental Consultant).

A Fairly defines and addresses actual demand on Council infrastructure

- 3.2 The Policy assumes, through its methodology for calculating development contributions, that increases in gross floor area equate to increased demand on Council infrastructure. This assumption is necessary to cover the wide range of situations that the Policy has to cover. However, the assumption is not appropriate for Massey where increases in student numbers, not gross floor area, place increased demand on Council infrastructure. A private agreement provides the ability to tailor a methodology specific to actual Campus demand on Council infrastructure. The parameters of the private agreement would:

- ensure full payment of 100% of *growth-related* capital expenditure created by developments on Campus;
- be grounded in actual, rather than assumed, demand on Council infrastructure;
- have regard to the overall nature of development on the Campus, now and into the future; and
- be equitable, as required by the Local Government Act 2002.

B Provides a simple methodology

- 3.3 The agreement is based on two base year thresholds, one for the number of equivalent full time students and staff on the Campus in 2005 (**base year EFTS**), another for the amount of water supplied to the Campus in 2005 (**base year water**). Under the private agreement, if the total equivalent full time student and staff numbers (**EFTS**) at the Campus for an academic year exceeds the base year EFTS, or the total water supplied to the Campus for an academic year exceeds the base year water, Massey pays the Council for the demand the additional EFTS or

water supply place on Council infrastructure, based on the calculation methods in the agreement.

3.4 The main points of this methodology are that:

- it is based on Massey paying 100% of growth related capital expenditure;
- 2005 is the base year because that is the year of the Council's first Development Contributions Policy, giving the Council the ability to levy such contributions;
- the base year EFTS and base year water set thresholds beyond which *already paid for infrastructure impacts* may be exceeded. Once numbers exceed the 2005 thresholds, Massey pays development contributions;
- effects on Council infrastructure are currently *less* than in 2005, due to a reduction in EFTS on the Campus including relocation of its engineering school to the Palmerston North and Albany campuses;
- effects on Council infrastructure arising from EFTS use of the Campus are readily measured and verified;
- proposed rates of payment to Council are directly related to the unit costs (e.g., for water or wastewater) that underlie the Policy;
- unlike the gross floor area methodology, payments will be made to the Council even in the absence of any new building on Campus, as the methodology is linked to *intensity of actual use* (EFTS and water), which is more verifiably linked to demand on infrastructure than the Council's standard methodology (which uses built floor area as a proxy); and
- EFTS do not affect stormwater, so demand on stormwater infrastructure is treated independently of the methodology described above, with any new development being calculated by the Policy's methodology, where appropriate.

C Strategic partnership

3.5 A private agreement represents a long-term strategic partnership between Massey and the Council. In particular, a private agreement would:

- promote Massey's continued contribution to Wellington as a thriving arts and culture centre;
- provide greater certainty to Massey about its future costs and to the Council about its future income, aiding sound budgetary planning for both parties; and
- streamline future development for Massey in Wellington, given that there are naturally competing developments at its Albany or Palmerston North campuses.

D Envisaged by the Policy

- 3.6 A private agreement is consistent with, and envisaged by, the Policy. Clause 2.5.6 of the Policy states:

"The Council may enter into a private agreement with a developer. The agreement must clearly record why an agreement is being used, record the basis of the cost sharing when the infrastructure will be provided and, in particular, whether there is any variation from the Council's policy that new development should pay 100 percent of growth related capital expenditure."

E Efficient process

- 3.7 As creation of new floor area does not necessarily equate to increased demand on Council infrastructure, Massey will, in each case unless an agreement is reached, undertake a self assessment. Ad hoc disputes over development contributions are costly and inefficient, involving experts, lawyers, and Council staff over long time periods. In contrast, the private agreement:

- avoids ongoing costly ad hoc arguments arising out of assumed, rather than actual demand; and
- minimises administrative costs and maximises administrative efficiency for both parties, through the application of a transparent, simple and agreed methodology.

4. Self-assessment comparison

- 4.1 If the Subcommittee at the first hearing decides that a private agreement is not acceptable to the Council, Massey would consider other options. One of those options is to use the second hearing in July 2013 to present a finalised self assessment of the development contribution payable on the CoCA building. The CoCA building only creates a stormwater demand on Council infrastructure which, on self assessment, is likely to be minimal. Massey's provisional assessment is that it would be liable for \$3,110.33 under a self-assessment. Any future buildings on the Campus would also be progressed through individual self-assessment.
- 4.2 A private agreement still provides for the self assessed stormwater demand to be paid for the CoCA building. In addition, as it is based on actual demand, a private agreement has the potential to require payments to the Council even in the absence of new building development.

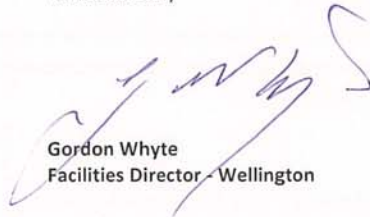
5. Conclusion

- 5.1 Massey is a key contributor to Wellington's thriving arts and culture society and contributes approximately \$250 million annually to the Wellington economy. It requests that the Subcommittee endorse the private agreement so that it can continue to contribute to Wellington's growth, acknowledging that Massey competes for students with other universities within New Zealand and overseas.

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- 5.2 Massey is a growth-focused university. As student numbers rise they will be captured under the private agreement and payments will be made under that agreement whether or not new buildings are created. A private agreement allows Massey and the Council to agree development contribution levies in a manner that is legally robust, provides greater certainty and saves administration costs. It is an exciting win-win opportunity for Massey and the Council.
- 5.3 For the reasons outlined in this letter, Massey requests that the Subcommittee:
- agree in principle to a private agreement as the basis for determining development contributions payable from Massey for the Campus;
 - agree that Council officers and Massey negotiate the specific terms of the private agreement; and
 - agree that the proposed private agreement be presented to the Subcommittee in July 2013.
- 5.4 Massey looks forward to a positive decision, and a positive and mutually beneficial future working relationship with the Council.

Yours sincerely



Gordon Whyte
Facilities Director - Wellington

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APPENDIX 1: LEGAL FRAMEWORK

Local Government Act 2002

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 reserves, network infrastructure and (if applicable) community infrastructure (section 199 Local Government Act 2002 (**Act**)).
2. Before a development contribution may be required, the territorial authority must also be able to answer the first two questions in the affirmative, and the third in the negative (per the High Court decision *Neil Construction*¹):
 - Step 1 Is the subdivision or development a "development", i.e. does it generate a demand for reserves or infrastructure? (s 197 definition)
 - Step 2 Does the development (either alone or cumulatively with another development) require new or additional assets or assets of increased capacity to provide for reserves or infrastructure which will cause the council to incur capital expenditure (s 199(1)) or has already caused the council to incur capital expenditure for the development? (s 199(2))
 - Step 3 Is there an alternative source of funding? (s 200).
3. Under clause (2) of Schedule 13 of the Act the Council must be able to demonstrate in its methodology that it has attributed units of demand to particular developments or types of development on a consistent and equitable basis.

The Development Contributions Policy

4. Under clause 2.5.6 of the Policy, the Council may enter into a private agreement with a developer. Clauses 2.5.6 and 2.5.7 of the Policy provide:

"Private development agreements

2.5.6 *The Council may enter into a private agreement with a developer. The agreement must clearly record why an agreement is being used, record the basis of the cost sharing when the infrastructure will be provided and, in particular, whether there is any variation from the Council's policy that new development should pay 100 percent of growth related capital expenditure.*

2.5.7 *Any proposal as part of a private agreement that a new development should pay less than 100 percent of growth related capital expenditure will be dealt with as if it were an application for remission under this Policy."*

¹ *Neil Construction Limited and others v North Shore City Council* (High Court, Auckland, CIV 2005-404-4690, 21 March 2007, Potter J).

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5. By allowing private agreements the Policy recognises that, in appropriate circumstances, it is necessary to deviate from the methodology in the Policy to ensure that development contributions are charged:
 - (a) having regard to the actual effects of a development on infrastructure; and
 - (b) on an equitable basis.

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1. Introduction

- 1.1 My name is Gordon Whyte. I am the Director of Facilities and Buildings at Massey University (**Massey**) in Wellington.
- 1.2 I am responsible for the day to day management of all buildings and infrastructure at the Massey Wellington Campus (**Campus**). This includes both maintenance and new development, such as the College of Creative Arts (**CoCA**) building, which is our newest facility. I am directing a substantial refurbishment programme to address seismic issues and improve the quality of the built environment for students and staff. I am also responsible for the development and implementation of Massey's campus development plan, which I refer to later.
- 1.3 I am responsible for Massey's efforts to negotiate a private agreement with Wellington City Council (**Council**). As noted in my covering letter, in 2011 Massey was encouraged to consider the private agreement option by Council officers, and I have been involved in Council officer level discussions from the outset. Massey's governing council has given me the authority to progress the private agreement.
- 1.4 In this statement I provide a brief overview of:
 - (a) Massey (Wellington) and the Campus;
 - (b) the background to, and qualities of, a private agreement; and
 - (c) current and future growth at Massey.

2. Overview of Massey

- 2.1 There is a long history of teaching on Campus. In 1962 the Wellington Technical College was divided into Wellington High School and the Wellington Polytechnic – both occupying the same site which is now the Campus. Massey University was established in 1999, taking over control of teaching many of the diplomas formerly taught by the Wellington Polytechnic. Attached as **Appendix 1** is a map showing the existing Campus extent and location, as set out in the Campus Development Plan 2010-2020.¹
- 2.2 The Campus is a small niche campus and provides quality research and a quality learning experience in defined areas of academic excellence. It is a destination for students of visual arts, design, music, communication and journalism, nursing and postgraduate psychology and public health.
- 2.3 While the Campus has been part of Massey for 13 years, it is still relatively new as a university site. Our current academic strengths reflect more than a decade of developing and broadening the traditional strengths of the former Wellington Polytechnic: Design, Nursing and Journalism. We have broadened and enhanced these strengths with world class research and increased undergraduate and postgraduate courses. In 2006 Massey Wellington was the Performance-

¹ Please note T20 should refer to T30 and the Basin Reserve Residential Complex is no longer managed by Massey.

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Based Research Fund leader in both Design and Nursing, second in Visual Arts and Public Health and third in Exercise Science.

- 2.4 We are recognised as the home of a College of Creative Arts of international standing which has enhanced its presence with new purpose built facilities opened in June 2012. The recent establishment of the College of Health is also of significance as about 20% of Campus EFTS are in health related programmes such as Nursing, Health Science and Public Health degrees, and health is a major research focus with the School of Public Health, the Psychology Clinic and the Centre for Disaster Research, a joint initiative with GNS Science. The Campus is home to some of the core programmes of the New Zealand School of Music, a joint initiative with Victoria University. It also hosts Ako Aotearoa, the national centre for tertiary teaching excellence, being a collaboration of several tertiary institutions.
- 2.5 Massey Wellington is a significant employer and contributor to the region in economic, social and cultural aspects. It contributes approximately \$250 million per annum economic benefit to the Wellington region. Many of Massey's most distinguished alumni are based in the city and Massey has a large number of extramural students in the region.
- 2.6 Massey essentially inherited an out of date built environment at the Campus. Most of the permanent structures were constructed between the 1960s and the 1980s. Some of the pre-fab buildings are newer and date to the 1990s, but all of them pre-date Massey's occupation of the Campus. Massey has been working since it took over the Campus to improve that built environment in order to continue to attract students to Wellington.

3. Background to a private agreement

- 3.1 Our interest in seeking a private agreement was sparked by the development contribution fee required for the recently completed CoCA building. The invoiced \$258,000 is supposed to pay for assumed additional demand on the Council's infrastructure but a provisional self-assessment shows that there is only minimal (stormwater) demand on Council infrastructure resulting from the establishment of this building.
- 3.2 The CoCA building provides a much better environment for existing students and staff who were in various old prefabricated classrooms scattered around the Campus. The CoCA building is therefore the first new permanent building constructed since the 1980s. An old gymnasium and another building (T30) were demolished on-site to make way for construction of the CoCA building. Also in the nearby area another ten pre-fab buildings were demolished in 2006 to make way for future developments. The footprint of the CoCA building is 1,055m². The footprint of the demolished gym and T30 building is 1,659m². The footprint of the ten pre-fab buildings (now demolished) is 966m².
- 3.3 Mr Ashby has conducted a provisional self assessment for the CoCA building concluding that the only type of Council infrastructure potentially affected by the CoCA building is stormwater run-off. I agree with that assessment. I also note the design and build of the CoCA building adheres to Massey's Environmental Policy for sustainability activities on university's campuses, reducing demand on Council and other infrastructure. In this instance it includes sensor lights, dual flush cisterns, low water use tap systems, timber columns and beams (building superstructure), natural ventilation with automated control of the window opening/closing, central ventilation and light shafts

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limiting cooling loads and artificial lighting loads, green roof limiting stormwater run off from the site. The development exceeds the minimum building green star rating and is the world's first for utilising timber post tension laminated veneer lumber (LVL) incorporate a new generation of seismic resistant engineering technology and damage avoidance design principles. Future buildings will also be constructed in accordance with Massey's Environmental Policy. Under Massey's Environmental Policy Massey has also implemented a pro-active approach to monitoring water consumption and promptly addressing any unusual usage. As a member of the Australia/New Zealand Tertiary Education Facilities Management Association (tefma) Massey collects data and submits an annual benchmarking report which covers all aspects facilities activities including environmental performance measures and targets with water and waste included in the categories measured.

- 3.4 The equivalent full time student and staff (EFTS) numbers on Campus are currently less than when the Council's development contributions policy came into effect in 2005, meaning that Campus-wide demand on Council infrastructure is also less. In light of those facts, we formed the strong view that taking a standard approach to development contributions was inappropriate, and that there had to be a fairer way that is more grounded in reality. A private agreement based on intensity of use (EFTS numbers), rather than building gross floor areas, is a better reflection of actual demand and therefore seemed the best way forward.
- 3.5 A difficulty with the current building development based Policy is that Council needs to wait for a building to be built before it can see payment for assumed effects on its infrastructure. However, effects actually accrue from student numbers at Campus. Under the Policy, if no new buildings are built but student numbers increase above 2005 levels, effects will not be paid for.
- 3.6 From Massey's perspective, a private agreement makes good sense for our forward financial planning. There is a direct link between planned growth in EFTS numbers and what we need to pay the Council. It leaves us free to get on with the business of providing better quality spaces, while not spending considerable effort contesting development contributions levied each time a new building requires consent. We have no intention of avoiding payment in relation to actual as opposed to assumed effects, but the system must be a fair reflection of the reality of infrastructure demands. I firmly believe that Massey and the Council are capable of achieving a fair outcome via a private agreement.

4. Qualities of a Private Agreement

- 4.1 The Council's development contribution policy recognises the importance of private agreements in appropriate circumstances. I understand that the Council has reached private agreements with individual building developers for 'one-off' development contributions. In contrast, the agreement proposed by Massey would be Campus-wide for a set time period, and with the possibility of renewal. The main features that we propose the agreement should include are:
 - annual reporting by Massey and therefore opportunity for annual assessment of whether payments to Council are triggered;
 - requirement for payments linked to the growth in EFTS numbers and water use past defined threshold levels;

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- the per unit rate of payment being tied to measurable and recorded effects; and
 - acceptance of existing development contribution policy provisions in appropriate circumstances (ie, for stormwater contributions).
- 4.2 At the heart of our approach to the private agreement are two simple facts. One, is that demands on Council infrastructure are tied to the number of people, not new buildings, on Campus. The second is that only increased demand beyond 2005 levels should be levied, as that is when the Council first issued its development contributions policy. These two facts result in a central plank of the agreement: the use of a 2005 thresholds for EFTS and water supply beyond which requirements for payment are triggered.
- 4.3 The type of agreement we propose will include a formula for calculating when payments are required, how much is paid, and why it is paid. The agreement would be an alternative to the methodology in the development contributions policy specific to the Campus. The difference between the agreement and the Council's development contributions Policy is its grounding in actual infrastructure demand attributable to the Campus. This approach will work because the Campus is a defined area, Massey is a single entity, and the associated infrastructure demand is known and able to be defined.
- 4.4 As described in my cover letter, a private agreement would set the trigger for future payments by Massey to the Council, by establishing a formula that recognises the actual demand effects of growth in Campus EFTS, and growth in water use, on Council infrastructure.
- 5. Current and Future Growth at Massey**
- 5.1 I understand that the Development Contributions Subcommittee has recently heard submissions from Jenny Bentley, who holds my equivalent position at Victoria University. I fully agree with her observation that in order to compete and reflect modern teaching requirements, universities need a greater floor area per student, even if there is no actual increase in student numbers. High standard facilities are the expectation of our 'market', the students and staff who we need to attract to Wellington to survive. This is especially so in the market for international students. We also need to upgrade many of the buildings on Campus to ensure that they meet current building standards (in particular, seismic strengthening).
- 5.2 I also agree with Jenny's observation of external constraints on student numbers (declining secondary school roles and caps on Government funding). However, Massey can and certainly intends to take on more students. In the days when the site was the Wellington Polytech, the Campus was host to nearly 20% more EFTS numbers than there are here at present.
- 5.3 To attract and compete for students, the university has a programme of continuous investment, set out in its Campus Development Plan (**Plan**) which covers the period 2010 – 2020. The Plan was the outcome of a thorough masterplanning exercise that had regard to the characteristics of the Campus, its surroundings, the quality of the building stock, and what Massey wants to achieve in terms of education and the environment it is provided within. Under the Plan, there will be both new building and upgrades of existing buildings over the next seven years and beyond. Attached as **Appendix 2** is a map showing proposed development opportunity sites on Campus.

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- 5.4 The Plan envisions the development of 16,500m² of new gross floor area in the period up to 2020. Some of that area will replace old pre-fab buildings, but most of it will be entirely new. The approach of the Plan has been to identify the locations of the new space, rather than identify a specific use for it in all instances. However, I can say that the Plan seeks to accommodate a major library extension, a sport and recreation centre, schools of Psychology and Public Health, a Stage 2 of CoCA, a Joint Centre for Disaster Research, and a student village. Not all of the space or all of those indicative uses may come to fruition but the point is that we have a well thought out approach to accommodating need and opportunities as they arise. The Plan provides for all of that development to be set within an environment that also sees improvements in the open space framework, and how the Campus visually and physically relates to the surrounding environment.
- 5.5 Evidence of the programme mandated by the Plan can be seen in the CoCA building, which occupies a prominent site in what we are developing as the heart of the Campus. This \$20 million project exemplifies the future high quality style of building that Massey will be pursuing, incorporating flexible teaching spaces as well as classrooms, workshops, green-screen film studio, gallery and multipurpose presentation space for students and staff, together with the environmental sustainable design features that exceed the building code requirements.. The quality of the CoCA building is a huge step forward for the Campus and lessons learnt from this building will be applied to future developments on Campus.
- 5.6 Other work, such as earthquake strengthening and renovation is currently underway in some of the other buildings. I invite the Subcommittee to visit our Campus as a way to better understand the issues that we face, and as background for considering our proposal for a private agreement.

6. Conclusion

- 6.1 Massey proposes a private agreement because the Campus is demonstrably and significantly different from the average type of non-residential development envisaged by the development contributions policy. Mr Ashby, in his summary, explains this issue further. I am convinced Massey is not treated equitably by the existing policy, and that a private agreement is the best way of addressing this situation.
- 6.2 Developing a private agreement together, and operating it into the future, is a significant opportunity for Massey and the Council to have a closer working relationship and for Massey to continue to contribute to Wellington as a vibrant city.

APPENDIX 2



DRAFT
 Massey University Wellington
 Campus Development Plan 2010-2020
 August 2011



PROPOSED DEVELOPMENT OPPORTUNITY SITES

APPENDIX 2



PROPOSED DEVELOPMENT OPPORTUNITY SITES

DRAFT
 Massey University Wellington
 Campus Development Plan 2010-2020
 August 2011



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1. INTRODUCTION

- 1.1 My name is Mark Ashby. I am an independent planning consultant.
- 1.2 After receiving a development contribution levy for the College of Creative Arts (**CoCA**) building for \$258,661, Gordon Whyte, Massey University's (**Massey**) Director of Facilities and Buildings, engaged me to advise Massey on development contribution issues, which evolved to a proposed private agreement across the Massey Wellington Campus (**Campus**).
- 1.3 This statement sets out Massey's approach to developing a private agreement, explains the principles of a private agreement, and provides an overview of my provisional self-assessment of the development contributions payable for the CoCA building, compared to the Council's assessment.

2. MASSEY'S APPROACH

- 2.1 Development contributions may be required if the effect of 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 reserves, network infrastructure and (if applicable) community infrastructure (section 199 Local Government Act 2002).
- 2.2 The Council's development contributions policy (**Policy**) uses increases in gross floor area as the basis of assessing increased demand. A central assumption in the Policy is that more floor area equals more people, with a consequence being the need for Council spending on new infrastructure assets, or spending on an increase in the capacity of existing assets.
- 2.3 The Policy assumes that there will be an additional 2.6 people for every 55m² of new floor area at the Campus. The 3,090m² of new floor area in the CoCA building, as calculated by the Council, therefore equates to an assumed growth of 146 people on Campus. However, in reality, the CoCA building will result in no increase to student or staff numbers, as its purpose is to consolidate existing teaching spaces and improve the built environment at Campus.
- 2.4 The Policy is also unlikely to be an accurate measure of the demand that future upgrades of existing building stock place on Council infrastructure. Such upgrades are likely to have a similar focus to the CoCA building, providing for an improved built environment, meeting the demands of the student market and ensuring compliance with seismic requirements.
- 2.5 Because there will be no associated growth in people on Campus, I have provisionally calculated the development contribution payable for the CoCA building at \$3,110.33. That sum is conservative because it reflects the possible impact of the new building on stormwater runoff, but it may be less on further analysis. I consider there is no basis for levying other aspects of the standard development contribution.
- 2.6 People, not buildings, increase demand on Council infrastructure. Introducing a Campus-wide agreement that reflects this fact means that the Council would be paid for the cost of increased demand arising from people, and would not have to wait for the construction of buildings until a

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development contribution is payable. It would also mean that Massey is not engaged in a dispute about the demand each new building or building upgrade places on Council infrastructure. The central principles of a private agreement are detailed below.

3. CENTRAL PRINCIPLES OF A PRIVATE AGREEMENT

- 3.1 A private agreement would use three central principles to determine whether or not contributions are required.

Principle 1: intensity of use by equivalent full time students and staff, not gross floor area, drives infrastructure demand

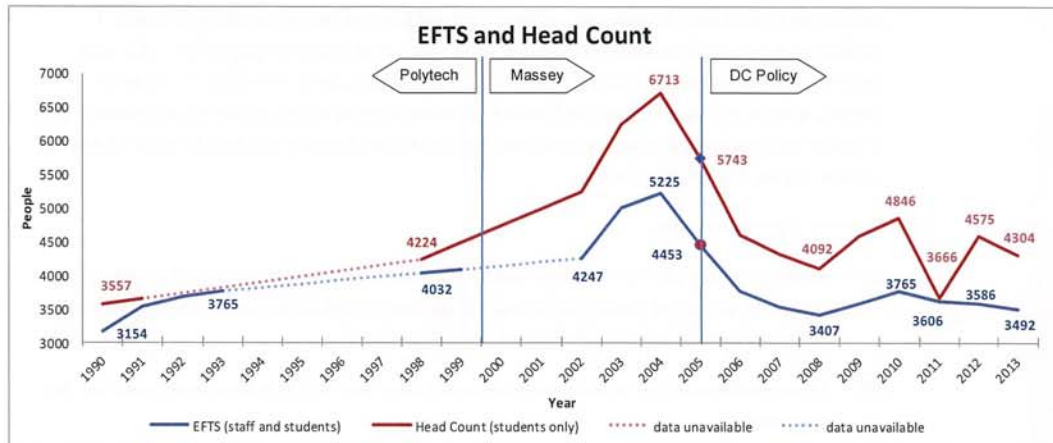
- 3.2 As demonstrated by the CoCA building, actual demand on Council infrastructure relates to intensity of use at the Campus rather than new built development. Massey proposes that increases in gross floor area should not be used as the basis of the private agreement. Intensity of use (i.e., the number of equivalent full time students and staff (**EFTS**) on Campus), and its associated specific impacts, is a far better indicator of the need for new or upgraded Council infrastructure capacity. The EFTS on Campus is a viable measure to use, as it is now consistently and reliably reported each year to meet Ministry of Education requirements.
- 3.3 Notwithstanding the fact that gross floor area should not be used as the general basis for determining contributions, it is relevant with regard to stormwater impacts if new buildings replace previously green areas and therefore increase stormwater runoff. For that reason, under the private agreement Massey would report annually to the Council on the gross floor area of any buildings constructed in that academic year, and development contributions for increases in gross floor area would be calculated under the Council's Policy.
- 3.4 Principle 1 recognises that:
- (a) there is a need to monitor and report on the EFTS on Campus; and
 - (b) payments may become due even in the absence of new built development.

Principle 2: 2005 base year thresholds

2005 base year

- 3.5 2005 is selected as the base year because it is when the Council's policy was introduced, and the ability to require development contributions commenced.
- 3.6 As shown in Figure 1, at the time of the Council's first development contributions policy in 2005, the Campus population was 4,453 EFTS, after having peaked at 5,225 in 2004. In comparison, the 2013 Campus population is 3,492 EFTS, 961 below the 2005 levels.

Figure 1: Campus EFTS 1990-2013



- 3.7 The significant dip in head count in 2010 relates to Government funding policy changes and the relocation of the University's engineering school to the Palmerston North and Albany campuses. The rebound in head count to 2012 is likely to be due to a number of factors including, an increase in the summer school (semester 3) particularly the College of Business, the transfer of CoCA students from Albany Campus to Wellington Campus and University focus on Government funding streams. EFTS is proposed as the best measure of the intensity of use on Campus, as a "head count" student may only be present for a very small part of the day, and a very limited time during the year.
- 3.8 Given that Campus population is currently less than in 2005, the intensity of use and consequent costs to infrastructure are logically less than in 2005.
- 3.9 In 2005, the combined footprint of all buildings on the Campus was 64,803m². In 2012, with completion of the CoCA building, and taking into account buildings demolished over the intervening period, the footprint of all buildings on the Campus has reduced to 61,268m². The location of all buildings built since 2005, and most of those demolished, is appended as Figure 3.

Two base year thresholds

- 3.10 Two different types of base year thresholds are proposed, but each would be independent of the other. In each case, a payment would first become due in the year that the 2005 threshold is exceeded, and additional yearly payments would be due if the measure continues to rise.
- 3.11 The first threshold would be based on EFTS on Campus and would be used as the trigger for payments related to roading and reserves. At the conclusion of each year Massey would report to Council on the year's EFTS levels. If EFTS exceeds the 2005 threshold of 4,453 then roading and reserves payments would be required for each additional EFTS.

- 3.12 The second threshold (water) would be based on metered water consumption. Again, at the conclusion of each year Massey would report to Council on the year's consumption levels. If consumption grows beyond the 2005 level, it would act as the trigger for payments. The water base year threshold would be independent of the Campus population threshold. For example, if Massey held its population below the threshold at which contributions are due, but at the same time its water consumption grew beyond the water threshold, then payment would still be due in respect of water supply / wastewater outflow.
- 3.13 Principle 2 recognises that:
- (a) existing costs to infrastructure imposed by the presence of the Campus have already been taken into account in the Council's financial planning for infrastructure, as the Campus was largely developed when the Policy was first adopted; and
 - (b) future development contributions are payable if base year EFTS or base year water use are exceeded.

Principle 3: separation of known costs from assumptions about use

- 3.14 Once EFTS or water use exceed base-year levels, payments are due based on actual per-person costs on the relevant aspect of Council infrastructure.
- 3.15 The Policy contains either stated or inferable information that generally allows a per-person cost for providing new capacity to be derived for each type of infrastructure. For example, the Policy assumes that each person uses 300 litres of water per day. Based on that level of consumption, the underlying cost for water supply infrastructure (in Zone "N" where the Campus is located) can be derived as \$1.44 per litre of new water use / capacity¹.
- 3.16 In contrast, water metering records held by Massey and the Council for the period 2007 – 2012² show that annualised usage has typically varied between 12.5 and 14.5 litres per EFTS / day, which is quite different from the Policy's fixed assumption of 300 litres per person. Massey's water metering records also show that annual water use is reasonably well correlated with changes in EFTS, with the exception of a spike in usage from mid 2011 to mid 2012, due to a major (but hidden) leak from a burst pipe³. Even in the case of that spike, water used remained well below the level assumed by the Policy.
- 3.17 The Policy's fixed assumptions about use are out of step with Massey's increasingly pro-active approach to addressing sustainability and environmental issues. For instance, water consumption is now monitored closely and investigations undertaken if readings are higher than normal. Water saving features on toilets / urinals undergo regular preventative checking and maintenance. In addition, all new or replacement tap fittings have mixers that reduce water consumption, and toilets

¹ The per EHU contribution for water supply is \$1,125 in Zone N. Working backward from the Policy's assumption that each person uses 300 litres of water per day, the calculation is: \$1,125 [contribution] ÷ 2.6 [persons per EHU] = \$433 [\$ per person], then \$433 ÷ 300 litres = \$1.44 [contribution required for each litre of new or upgraded capacity].

² Excluding 2011 which shows a significant spike in water usage due to several major incidents involving burst pipes.

³ The burst pipe discharged directly to a stormwater main, and was therefore not discovered until other circumstances led to the leak flooding a basement.

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- are being replaced with dual flush systems. Recent water metering data indicates that the rate of water use per EFTS is falling in response to these measures. The CoCA building itself has a four-star GreenStar rating and all its plumbing fittings were selected on the basis of minimising water consumption.
- 3.18 In another example of where the Policy's assumptions of use do not reflect actual demand: the Policy assumes 3.8 vehicle trips per person whereas national data⁴, based on research, shows 1.4 trips per student. The use of this lower number of trips per student at Massey is backed up by the University's own survey of travel patterns.
- 3.19 These examples highlight the important point that although the costs of providing new capacity may be fairly well known and accurate (e.g., \$1.44 / litre), broad city-wide assumptions about an individual's consumption are less reliable. Massey's proposed private agreement therefore seeks to separate known costs from the Policy's assumptions about use, and apply those costs to Campus-specific demand.
- 3.20 Principle 3 recognises that:
- (a) Massey should pay 100% of the costs of Council infrastructure, and those costs should be based on actual demand;
 - (b) demand need only be translated into a payable charge once an agreed base year parameter has been exceeded;
 - (c) there is a need to monitor and report on demand; and
 - (d) the intensity of demand may change over time, but the methodology for deriving the associated costs will remain the same because it is based on comprehensive data on the actual demand placed on the relevant aspect of Council infrastructure by an EFTS.
- 3.21 This principle is in accordance with the Local Government Act because it is equitable, and ensures the amount payable is proportionate to the actual demand placed on Council infrastructure.
- 4. OVERVIEW OF COCA BUILDING SELF ASSESSMENT**
- 4.1 The purpose of this hearing is not to determine the self-assessed amount payable for the CoCA building. However, for the purpose of comparison with the private agreement, the high level conclusions for the demand the CoCA building places on each type of Council infrastructure are presented below:
- (a) **stormwater** – The building's construction necessitated the loss of approximately 450m² of green area and may therefore have led to an increase in stormwater runoff. However, this possible outcome would need to be verified by more detailed analysis, as the pre-existing green area was steep and therefore already had high rates of runoff. In addition, the new building incorporates an approximately 100m² green roof which mitigates the degree of runoff.

⁴ NZTA Research Report 453, Trips and parking related to land use, November 2011

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- (b) **traffic and roading** – The need for development contributions related to roading and traffic relates to the number of people using the City's roads. The construction of the CoCA building does not increase the number of EFTS attending Massey, there is no additional need for service vehicles associated with the building's use, and its location on Campus does not change local traffic patterns. Given these circumstances, Massey's assessment is that no payment is due;
 - (c) **reserves** – The CoCA building is not for the purpose of housing additional EFTS on the Campus. There is therefore no additional population to place extra demand on the City's parks and reserves. Given this circumstance, Massey's assessment is that no payment is due.
 - (d) **water supply** – With respect to the infrastructure capacity required to deliver water, Massey's assessment is that no payment is due as a consequence of the CoCA building construction. This is due to three circumstances:
 - (i) EFTS is a major determinant of demand for water (and hence demand for infrastructure capacity), and EFTS currently remain below the 2005 level. The CoCA building does not add to EFTS as the people it serves were previously scattered across the Campus in other buildings.
 - (ii) Water supplied to the Campus is metered and paid for by Massey. The metering record demonstrates that actual water use remains below the 2005 level, and that the rate of water use per EFTS is stable or declining. As the CoCA building does not increase EFTS, there will be no additional demand for water supply or additional infrastructure capacity.
 - (iii) The CoCA building adds 26 taps, 26 sinks, 22 toilets, and 2 showers to the complement of sanitary fittings on Campus. However, the Campus has lost many sanitary fittings to previous demolition, with the end result that there are now 107 taps and 38 sinks fewer than in 2005. There are 15 toilets and 3 showers more than in 2005, but the use of more water efficient fittings, and the loss of the many taps and sinks, means that on balance the level of Campus-wide water use is not increased by the CoCA building.
 - (e) **wastewater** – The CoCA building does contribute to the outflow of wastewater from the Campus. However, wastewater outflow can never be greater than the water supplied to the Campus, and is potentially less. For instance, Auckland residents pay a volumetric charge for wastewater (which isn't metered) set at 80% of the freshwater supplied (which is metered). Given that the CoCA building will not add to the Campus demand for water, there will also be no increase in wastewater outflows. For that reason, Massey's assessment is that no development contribution should be imposed for wastewater.
- 4.2 In assessing "actual increased demand" the Policy requires the Council to have regard to the "most intensive non-residential use likely to become established in the development within 10 years from the date of application". I note that the CoCA building is unlikely to see intensification in the next

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10 years beyond its existing use because it was designed to consolidate existing students previously spread across Campus, and is not designed for intensification beyond its current use and student cap.

- 4.3 Taking into account each of the matters that I refer to above, I consider that a self-assessment would likely determine the required contribution to be **\$3,110.33**. This is the contribution for stormwater based on the CoCA building's footprint and the standard formula of the Policy. However, as I noted earlier, this is a maximum that could be reduced upon further analysis. This self-assessed amount (\$3,110.33) is also what Massey would anticipate paying under the proposed private agreement.

Figure 2: Comparison of development contribution assessments for the CoCA building

A	B
Assessed by WCC	Assessed by Massey
Standard DC Policy	Self-Assessment (stormwater payment only)
\$258,661	\$3,110.33
Based on floor area of 3,600m ² and allowance of 510m ² for demolished gym and T30 (total of 3,090 m ²). Floor areas based on building consent information supplied to WCC.	Figure is for stormwater only (which acknowledges the new building) and uses the standard DC Policy calculation. Based on the CoCA footprint of 1,055 m ² equalling 19.18 EHUs and charged at \$162.15 per EHU including GST. As noted in paragraph 4.1, Massey's assessment is that payment for other aspects (e.g. water supply) do not apply as the Campus population level is less than in 2005.

5. CONCLUSION

- 5.1 In our discussions to date with Council officers we have developed a series of draft formulae for establishing charges in relation to water supply, wastewater, stormwater, roading and reserves. In sum, those draft charges equate to around \$1,400 per EFTS, which would become payable if Massey exceeds the base year EFTS and water thresholds.
- 5.2 In my opinion a private agreement, based on the above principles, will ensure that Massey pays, and the Council receives, equitable and justifiable development contributions.

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