REPORT 3

DEVELOPMENT CONTRIBUTIONS POLICY – ADOPTION OF AMENDMENTS TO POLICY

1. Purpose of report

This report recommends changes to the Council's Development Contributions policy as proposed in the Draft Annual Plan to:

- Reduce unnecessary costs to developers in doing business with Council
- Streamline the Development Contribution application, development, assessment, and planning processes
- Change the invoicing date to when a building is occupied or sold
- Reduce the development contribution levies (cost to developers) by removing charges for community infrastructure and also reserves for commercial buildings.
- Introduce a remission for significant 'green' building developments to recognise their strategic importance in the city.

This report also recommends amending the Council's initial proposal included in the Draft Annual Plan to:

- Recognise that there may be other equivalent environmental rating tools and assessments available for buildings which provide evidence of equal or better environmental performance for the city, when compared to the green star rating tool.

2. Recommendations

Officers recommend that the Governance, Finance and Planning Committee:

1. *Receive the information.*
2. *Agree to recommend to Council the amendments to the Development Contributions policy as outlined in appendix one.*
3. *Agree that the Council delegate authority for approving payment delay applications and associated security requirements for development contributions to the Chief Financial Officer.*
4. *Agree that the Council delegate authority for approving remission applications based on Green Star certification or equivalent ratings to the Chief Executive Officer.*
5. *Note the Development Contributions Policy will be reviewed alongside the 2015-25 Long-term Plan as the setting of the capital expenditure programme determines the Development Contributions levies.*

3. Discussion

As part of the Draft Annual Planning process we proposed key changes to the Council's Development Contributions policy which included introducing a remission for significant 'green' building developments to recognise their strategic importance to the city. We also proposed reducing the development contribution levies (cost to developers) in the areas where the Local Government Act 2002 amendment bill (No 3) proposed changes.

During the consultation process officers continued to review their advice on the remission policy for significant 'green' commercial building developments and sought feedback from developers, engineering consultants, building performance researchers and regulators, other building rating agencies and the general public.

In response to this targeted engagement, officers recommend widening the green building remission to include the ability to approve remissions on commercial buildings which receive equivalent environmental ratings and assessments while continuing to work with 'green' rating agencies to assess the most effective rating tool to incentivise sustainable behaviour in the future. Other rating tools such as NABERS are coming into the market that are focused on performance rather than design and are also appropriate measures of reduced pressure on Council's infrastructure.

It is noted that under the current DC policy remissions must be granted by resolution of the Council (or a Committee or Subcommittee acting under delegated authority). To streamline the application and approval process for the green building remissions, officers recommend that Council delegate this approval to the Chief Executive Officer. Other remissions will remain under the delegation of Council.

As any proposal to delay a DC payment is not a remission, such decisions can be overseen by the Chief Financial Officer and the recommendations have been drafted to reflect this.

The Local Government Act 2002 amendment bill (No 3) proposed changes mean the Council would no longer be able to charge development contributions for some community infrastructure, or charge commercial developments for reserves contributions. While the outcome of the legislative change is yet to be confirmed, the Council proposed changes to the DC policy to remove charges for reserves for commercial developments and for community infrastructure as of 1 July 2014. The impact of the proposal on current levies is outlined in Appendix 1.

Following consultation officers recommend continuing with the proposed reduction in levies and will reassess the impacts of this initiative and the final legislative changes for the 2015-25 Long-term Plan.

The above changes will simplify the remission process and incentivise both residential and commercial development in Wellington, contributing to the Council's aim of being 'open for business' and facilitating economic growth.

4. Conclusion

Development Contribution revenue (cost recovery) remains an important and equitable funding tool to local authorities across the country, based on the demand for new infrastructure that developments create. A review of the implementation and impact on 'users' of the policy has highlighted some improvements that can be made to streamline the process and the consultation process has also highlighted some changes that can be made to the Council's original proposals to further streamline the assessment process. These proposed changes also contribute to one of the economic development strategy support mechanisms – helping make the council and the city 'open for business'.

Contact Officer: J*acinta Straker Principal Analyst, Funding and Financial Strategy. Martin Read, Manager Financial Strategy & Planning*

SUPPORTING INFORMATION

1) Strategic fit / Strategic outcome

The policy supports Council's overall vision of Wellington Towards 2040: Smart Capital. The policy supports Council activities as a provider of infrastructure services. Agreement to the policy will contribute to Council meeting the outcome of offering a low intervention process and reduce the cost of development contributions, and recognise the wider benefits of the developments.

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

The policy creates a funding mechanism which recovers the cost of capital expenditure required for population and workforce growth. The changes indicated here will lead to a reduction in the revenue collected for this purpose due mainly to proposed changes in the Local Government Act 2002 which excludes some capital expenditure items, which are currently being recovered by DC levies .

3) Treaty of Waitangi considerations

None

4) Decision-making

This is not a significant decision. The report sets out a number of options and reflects the views and preferences of those with an interest in this matter who have been consulted with.

5) Consultation

A subset of affected parties have been consulted with during the development of these proposals . See section 5.1 above

6) Legal implications

Council's lawyers have been consulted and provided legal advice during the development of this report.

7) Consistency with existing policy

This report recommends certain measures which are intended to improve consistency with existing WCC policy, such as the Economic Development Strategy and rates remissions policy

Appendix 1

Proposed changes to the Development Contributions policy, effective 1 July 2014.

Changes and impacts to section 2.4.2

Summarised schedule of development contributions with proposed impacts of policy changes

	City Wide ($ per EHU)		Catchment Specific Infrastructure ($ per EHU)				Total		Impacts of policy change proposed as part of 2014/15 AP			
Policy Map Zone	Residential	Non-Residential	Water Supply	Waste Water	Transport	Reserves	**Residential**	**Non-Residential**	Residential Levy Excluding Community Infrastructure	% Change	Non-Residential Excluding Reserves	% Change
A Roseneath	$ 4,377	$ 2,723	$ 2,360	$ 1,185	$ -	$ -	$ 7,921	$ 6,268	6,438	-19%	5,588	-11%
B Karori	$ 4,377	$ 2,723	$ 1,720	$ 2,440	$ -	$ -	$ 8,537	$ 6,884	7,053	-17%	6,204	-10%
C Beacon Hill	$ 4,377	$ 2,723	$ -	$ 1,185	$ -	$ -	$ 5,562	$ 3,908	4,078	-27%	3,229	-17%
D Brooklyn -Frobisher	$ 4,377	$ 2,723	$ 1,156	$ 1,185	$ -	$ -	$ 6,718	$ 5,064	5,234	-22%	4,385	-13%
E Kelburn	$ 4,377	$ 2,723	$ -	$ 1,185	$ -	$ -	$ 5,562	$ 3,908	4,078	-27%	3,229	-17%
F Johnsonville-Onslow	$ 4,377	$ 2,723	$ 1,193	$ 1,185	$ -	$ -	$ 6,755	$ 5,101	5,271	-22%	4,422	-13%
G Ngaio	$ 4,377	$ 2,723	$ 850	$ 1,185	$ -	$ -	$ 6,412	$ 4,759	4,928	-23%	4,079	-14%
H Maldive	$ 4,377	$ 2,723	$ -	$ 1,185	$ -	$ -	$ 5,562	$ 3,908	4,078	-27%	3,229	-17%
I Churton-Stebbings	$ 3,903	$ 2,250	$ 2,939	$ 722	$ 3,176	$ -	$ 10,740	$ 9,087	9,257	-14%	8,407	-7%
J Grenada-Lincolnshire	$ 3,903	$ 2,250	$ 4,082	$ 722	$ 1,184	$ 295	$ 10,186	$ 8,533	8,703	-15%	7,558	-11%
K Maupuia	$ 4,377	$ 2,723	$ -	$ 1,185	$ -	$ -	$ 5,562	$ 3,908	4,078	-27%	3,229	-17%
L Newlands	$ 4,377	$ 2,723	$ 851	$ 722	$ -	$ -	$ 5,950	$ 4,297	4,467	-25%	3,617	-16%
M Melrose	$ 4,377	$ 2,723	$ 1,996	$ 2,440	$ -	$ -	$ 8,813	$ 7,159	7,329	-17%	6,480	-9%
N Central & Coastal	$ 4,377	$ 2,723	$ 873	$ 1,185	$ -	$ -	$ 6,435	$ 4,782	4,951	-23%	4,102	-14%
O Tawa	$ 4,377	$ 2,723	$ -	$ 722	$ -	$ -	$ 5,099	$ 3,446	3,616	-29%	2,766	-20%
P Wadestown	$ 4,377	$ 2,723	$ 2,333	$ 722	$ -	$ -	$ 7,432	$ 5,778	5,948	-20%	5,099	-12%
Rural	$ 3,423	$ 1,770	$ -	$ -	$ -	$ -	$ 3,423	$ 1,770	1,940	-43%	1,090	-38%
Q Inner city Residential	$ 4,377	N/A	$ 873	$ 1,185	$ -	$ 1,878	$ 8,313	N/A	6,829	-18%	N/A	N/A
Q Inner city Non-Residential	N/A	$ 2,723	$ 873	$ 1,185	$ -	$ 235	N/A	$ 5,016	N/A	N/A	4,102	-18%
R Johnsonville	$ 4,377	$ 2,723	$ 1,193	$ 1,185	$ 2,108	$ -	$ 8,863	$ 7,209	7,379	-17%	6,530	-9%
S Adelaide Road	$ 4,377	$ 2,723	$ 873	$ 1,185	$ 3,856	$ -	$ 10,291	$ 8,638	8,807	-14%	7,958	-8%
T Pipitea Precinct - Resdiential	$ 4,377	N/A	$ 873	$ 1,185	$ 2,644	$ 1,878	$ 10,956	N/A	9,473	-14%	N/A	N/A
T Pipitea Precinct - Non Residential	N/A	$ 2,723	$ 873	$ 1,185	$ 2,644	$ 235	N/A	$ 7,660	N/A	N/A	6,746	-12%

Delete existing section 2.6 and insert replacement section as follows:

2.6 Remission and postponement

2.6.1 The Council may postpone payment or grant a remission on development contributions at its complete discretion.

2.6.2 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.

2.6.3 An application for remission must be made before any development contributions 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

2.6.5 Green Building Remission

To encourage economic development and recognise the strategic importance of green star rated buildings a standard remission equating to 50% of the total standard assessed levy can be applied for developments that meet the criteria outlined below.

Conditions and criteria for 50% remission to standard assessment of development contributions levies

A remission of the standard development contributions levy calculated may apply under the following conditions and criteria:

i. If the building is a commercial or mixed development of greater than 10 equivalent household units it must have received a 5 Star Green Star Certified Rating or equivalent or higher.

ii. the remission must be applied for within 12 months of the Development Contributions being assessed by Council.

iii. the remission will only apply to the standard DC assessment (hereinafter referred to as “the levy”) made on the property.

iv. the remission will not be available retrospectively once the Council has invoiced the Development Contributions levy.

The granting of green building remissions is delegated to the Chief Executive Officer.

2.6.6 Other remissions - the Council will only consider exercising its discretion in exceptional circumstances.

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

Insert the following paragraph into section 3 ‘Assessment and Payment’:

Liability should construction not commence within two years

Should construction of a development not commence within two years of being granted building consent, the remission of charges and fees provided under this policy shall no longer apply. At that stage, all fees and charges will be fully payable for the development as per usual. Commencement of construction will be deemed to have occurred when the activity for which a resource and building consent has been issued, has commenced.

Add the text underlined to clause 3.3.2:

Security

The Council may register any development contributions under the Statutory Land Charges Registration Act 1928 as a charge on the title of the land in respect of which the development contributions were required, as provided for in section 208 of the

Local Government Act 2002 <u>or it may require other appropriate security as agreed with the developer.</u>

Community Infrastructure

Delete all references and levies relating to 'community infrastructure' from the Development Contributions policy

Reserves Contributions

Delete all references and levies relating to non-residential 'reserves' from the Development Contributions policy

Delete clause 3.2.9 and replace it with the following:

3.2.9 Payment

All development contributions required by the Council must be paid prior to the Council issuing a code of compliance certificate, a section 224(c) certificate, a consent for a service connection or giving effect to a land use consent (as the case may be), unless a payment delay agreement has been approved by the Council.

Consequential amendments

Consequentially amend all other related clauses in the policy to give effect to the changes above.