

Minutes of the workshop of the Finance and Performance Committee held on Monday, 10 September at 2.00pm in Meeting Room 1, Level 26, 135 Albert Street, Auckland.

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## Attendees

<b>Deputy Chairperson</b>	Cr Desley Simpson, JP, presiding	
<b>Members</b>	Cr Josephine Bartley	From 2.09pm
	Cr Dr Cathy Casey	
	Deputy Mayor Bill Cashmore	
	Cr Chris Darby	
	Cr Hon Christine Fletcher, QSO	From 2.06pm, until 3.45pm
	Cr Penny Hulse	From 2.13pm, until 3.37pm
	Cr Daniel Newman, JP	From 2.06pm
	Cr Greg Sayers	From 2.02pm
	Cr Sharon Stewart, QSM	From 2.02pm
	Cr Sir John Walker, KNZM, CBE	From 2.27pm
	Cr Wayne Walker	From 2.06pm, until 3.23pm
	Cr John Watson	From 2.04pm

## Apologies

<b>Chairperson</b>	Cr Ross Clow	Leave of absence
<b>Members</b>	Cr Fa'anana Efeso Collins	
	Cr Linda Cooper, JP	
	Cr Alf Filipaina	

## Absent

<b>Members</b>	Mayor Hon Phil Goff, JP
	Cr Richard Hills
	IMSB Member Terrence Hohneck
	Cr Mike Lee
	IMSB Chair David Taipari

- **Purpose:** The purpose of the workshop is to discuss the new Development Contribution Policy and direction.

ITEM	TOPIC
1	<p><b>Apologies</b> Cr E Collins, Cr L Cooper and Cr A Filipaina (for absence); Cr W Walker (for lateness); and Cr R Clow (for leave of absence).</p>
2	<p><b>Declaration of interest</b> There were no declarations of interest.</p>
3	<p><b>Introduction to development contributions</b> Andrew Duncan and Ross Tucker gave a PowerPoint presentation on an introduction to development contributions, the proposed timeline and policy issues. A copy of the PowerPoint presentation is attached to these minutes.</p> <p><i>2.02pm Cr G Sayers entered the meeting</i>  <i>2.02pm Cr S Stewart entered the meeting</i>  <i>2.04pm Cr J Watson entered the meeting</i>  <i>2.06pm Cr D Newman entered the meeting</i>  <i>2.06pm Cr C Fletcher entered the meeting.</i>  <i>2.06pm Cr W Walker entered the meeting.</i>  <i>2.09pm Cr J Bartley entered the meeting.</i>  <i>2.13pm Cr P Hulse entered the meeting.</i>  <i>2.27pm Cr Sir J Walker entered the meeting.</i>  <i>3.23pm Cr W Walker retired from the meeting.</i>  <i>3.37pm Cr P Hulse retired from the meeting.</i>  <i>3.45pm Cr C Fletcher retired from the meeting.</i></p>

The workshop ended at 3.50pm.

# Development Contributions

Finance and Performance Committee

10 September 2018

# Purpose and agenda

## Purpose

To provide an update on key contributions policy issues

## Agenda

1. Context: growth, capital programme and legislation
2. Policy issues
  - Payment timing
  - Demand factors review
  - Waivers and remissions
3. Proposed timeline and consultation approach

# Strategic context

- Delivering housing development means working closer with developers
- Policy is an opportunity to set out how we determine:
  - the infrastructure we will build and finance
  - infrastructure developers need to build and finance
  - how infrastructure will ultimately be paid for
- Opportunity for us to better integrate our planning and funding

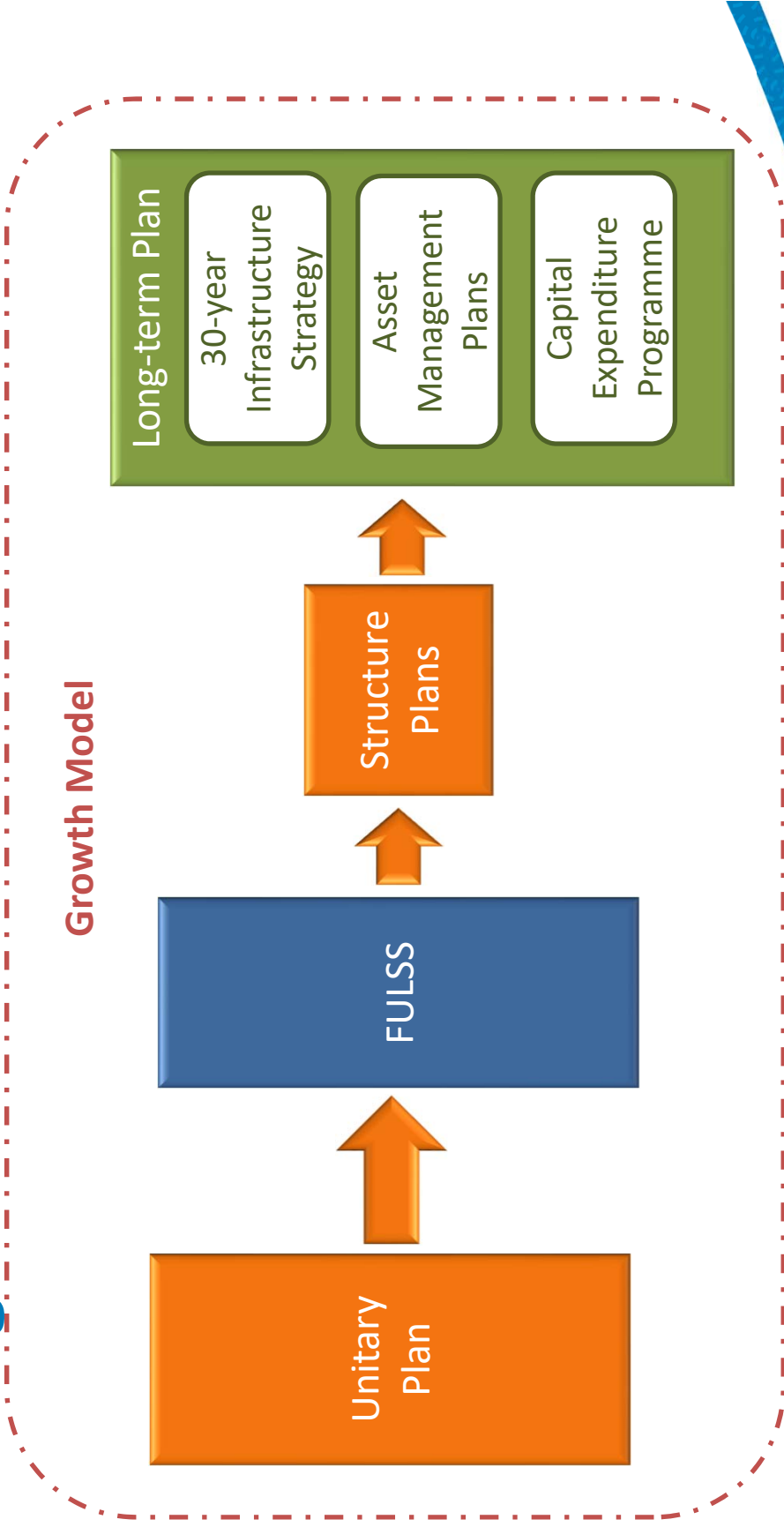
# The role of development contributions

What do we finance and what do developers finance?



- Council build and finance  
all developments pay a share on the same basis  
across the region
- Council build and finance  
developments pay different amounts in different  
Areas
- Developers build and finance

# Planning



# Greenfields/30 year view

- FULSS - \$150k per house for greenfields development
- Investments not in council or government budgets
  - Council working with government on costs, financing and funding issues
    - Auckland Development Plan
    - Infrastructure Investment Implementation Plan

- Not practical to include in contributions policy now
- requires cost and deliver certainty
  - even if DC price rises, council constrained by debt limits
  - council and government exploring other financing and funding models (e.g. HIF and CIP)



# Contributions Policy 2018 - Capex



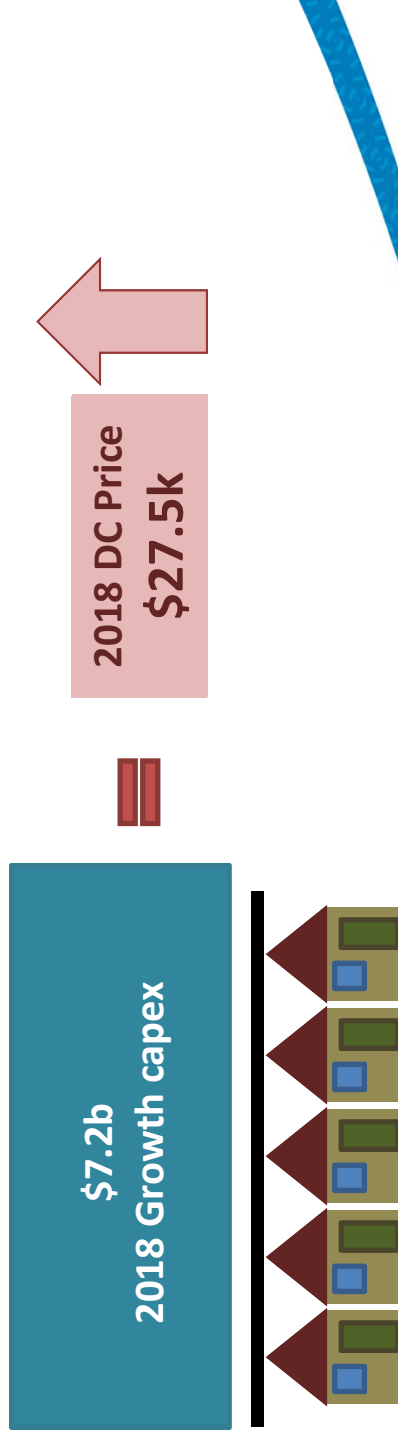
Capital Expenditure	2018 DC	2015a DC
Transport	\$1.1b	\$725m
Storm water	\$530m	\$545m
Parks and community infrastructure	\$1.3b	\$956m
Total	\$2.9b	\$2.26b

# Distribution of growth capex (indicative)

Area	Transport	Stormwater	Parks & Community
<b>Total</b>	<b>\$1,100m</b>	<b>\$530m</b>	<b>\$1,300m</b>
Regional	\$780m		\$420m
Sub-regional	\$250m across 5 areas	\$210m across 2 areas	\$620m across 4 areas
Local catchment	\$70m across 5 areas	\$320m across 37 areas	\$260m across 18 areas

# Contributions Policy 2018 - Charges

- Draft Contributions Policy 2018 reflects growth share of capex in
  - LTP 2018-2028
  - RLTP
  - Provision for HIF and CIP projects
- Growth share of capex up by \$2 billion



# Development impact of charges

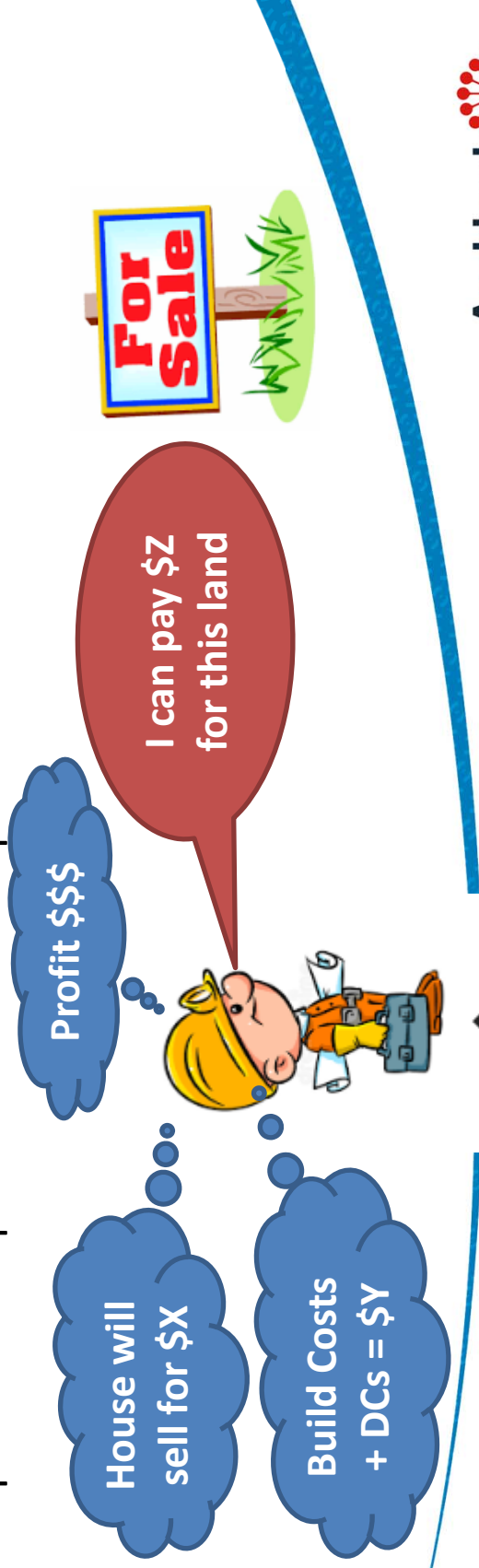
House prices are set by the market

CBRE - announcing and building infrastructure raises land prices

- large unearned windfall gains for land owners

Higher DC price lowers prices for developable land

- market adjusts land price for true cost of infrastructure
- impacts developers who have overpaid for land



# Legislation

- Local Government (Community Wellbeing) Amendment Bill 2018 scheduled to be passed in December
- Provides for DCs to fund libraries and pools
- Staff will consider implications once passed
- Provides an opportunity to adjust capital programme within borrowing constraint

# Policy issues

Policy issues

# Payment timing

Contributions payment generally required at consent granting

- incorporates council's cost of interest

Developers have a strong preference for timing closer to sale of land/houses

- mismatch timing of cash flows increases their funding requirements
- need to work within restrictions imposed by banks and other lenders

May 2018 proposal to extend timing for residential construction

- 5 or more dwellings at CCC – 12-18 months later than at present
- Others 6 months after building consent – 6 months later than at present

Option to require payment at first trigger on all development

- eg: Resource consent, building consent

# Payment timing (con't)

- No option impacts on ratepayers
  - interest costs modelled into DC price
  - security of payment strong – bad debt minimal over time

Early payment	Status quo	Extension for residential
\$25,000	\$27,500	\$27,750
Payment up to two years earlier for subdivision and non-residential	No change	6 – 12 months later for residential construction

- Extension would reduce short-debt debt headroom by about \$20m
- Could explore more flexible payment timing options – with interest costed in



# Demand factors

- Different kinds of development place differing demands on infrastructure
  - housing development requires more parks and community investment
  - retail development requires more transport investment
- Some development types therefore pay more or less for particular types of infrastructure
- Review of demand factors undertaken to ensure costs allocated fairly

# Review of demand factors

- Transport
  - reviewed local and international trip generation research
  - determining factors that apply to Auckland context
  - no material change to residential
  - increases proposed for commercial and retail
  - decreases proposed for production and distribution
- Stormwater – no material change
- Parks and community facilities
  - Comprehensive research underway
  - Complete in January – subsequent policy amendment if indicated
  - Data may also support/input to wider council decision making

# Remissions and waivers

## Māori Development

- many barriers to developing Māori land
- Māori gifting land to council for parks
- redress
- Māori aspirations

## Social Housing

- one part of response to housing crisis
- working with central government
- funding for infrastructure

What is council's role?  
How do we best achieve outcomes?  
Who pays and how?

# Remissions and waivers

- Current policy does not provide for remission of DC charges
- Support for DCs can be provided through remissions or grants
  - same outcome for developers
  - costs for both funded by rates
- Remissions would provide certainty of cost for developers but less certainty for council
- Grants would provide:
  - certainty of cost to council but less certainty for developers
  - greater transparency of decisions – oversight by committee
  - greater flexibility – can support more than just DCs

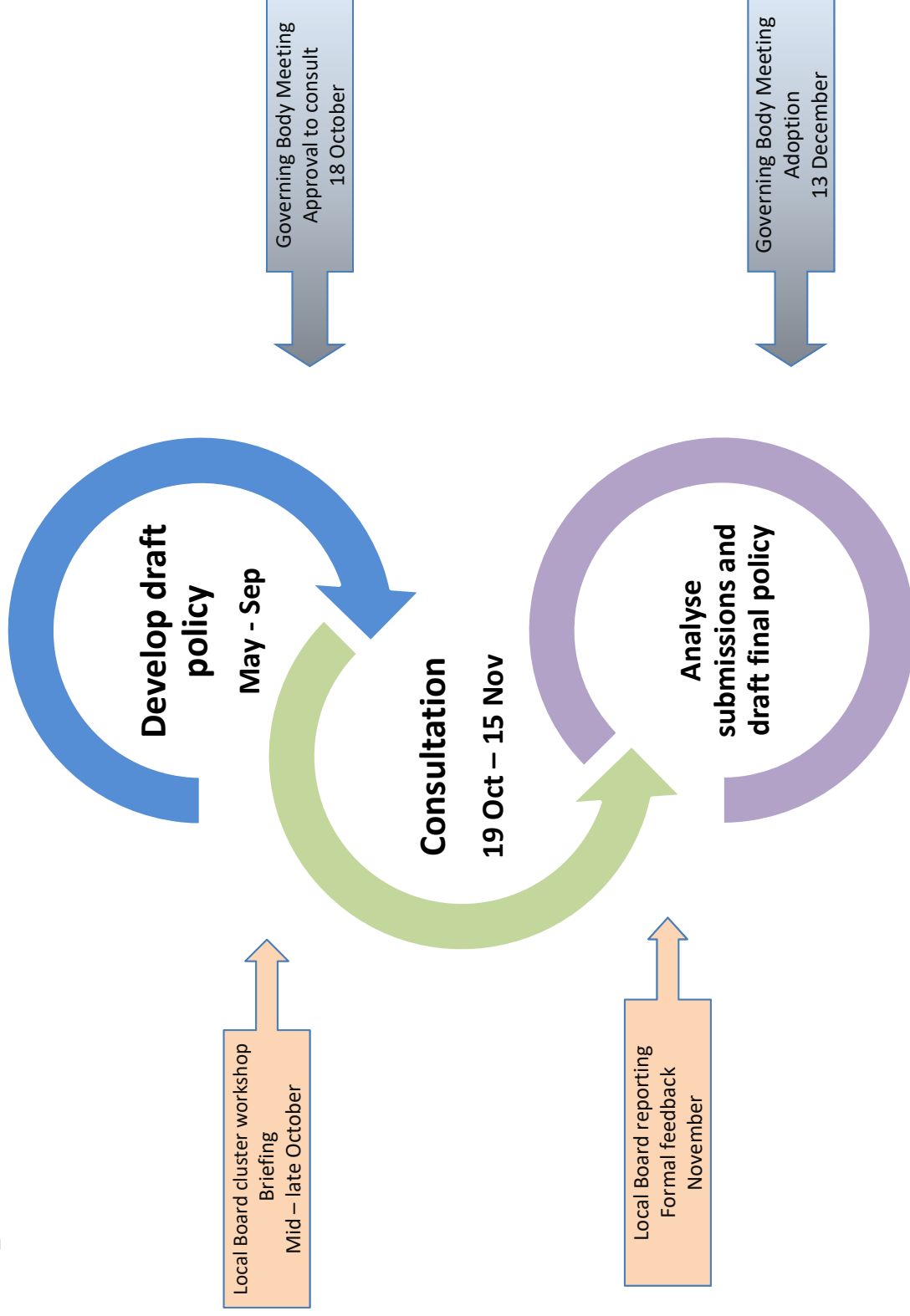
# Grants

- Māori Development: Māori Cultural Initiatives Fund
  - \$1m per annum for Marae and Papakāinga development on Māori land
  - Includes grants for DCs, but also assists with: capability building, planning costs, capital costs
  - Options for expansion to be considered this year
- City Mission grant included in the 10-year Budget
- Social housing: No funding currently available
  - Current community grants exclude social housing (responsibility of central government)

# Proposed timing

Policy issues

# Proposed timeline



# Proposed consultation

