



Hastings District Council

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OPEN

A G E N D A

COUNCIL MEETING

(Howard St Submissions – Development Contributions)

Meeting Date: Tuesday, 3 December 2019

Time: 1.00pm

**Venue: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings**

Council Members	Chair: Mayor Hazlehurst Councillors Barber, Corban, Dixon, Harvey, Kerr, Lawson, Nixon, O'Keefe, Oli, Redstone, Schollum, Siers, Travers and Watkins
Officer Responsible	Chief Executive – Mr N Bickle
Democracy & Governance Advisor	Mrs C Hilton (Extn 5633)

HASTINGS DISTRICT COUNCIL

COUNCIL MEETING

TUESDAY, 3 DECEMBER 2019

VENUE: Council Chamber
Ground Floor
Civic Administration Building
Lyndon Road East
Hastings

TIME: 1.00pm

A G E N D A

1. Prayer

2. Apologies & Leave of Absence

Apologies from Councillor Lawson and Councillor Kerr have been received.

At the close of the agenda no requests for leave of absence had been received.

3. Seal Register

4. Conflict of Interest

Members need to be vigilant to stand aside from decision-making when a conflict arises between their role as a Member of the Council and any private or other external interest they might have. This note is provided as a reminder to Members to scan the agenda and assess their own private interests and identify where they may have a pecuniary or other conflict of interest, or where there may be perceptions of conflict of interest.

If a Member feels they do have a conflict of interest, they should publicly declare that at the start of the relevant item of business and withdraw from participating in the meeting. If a Member thinks they may have a conflict of interest, they can seek advice from the General Counsel or the Manager: Democracy and Governance (preferably before the meeting).

It is noted that while Members can seek advice and discuss these matters, the final decision as to whether a conflict exists rests with the member.

5. Confirmation of Minutes

Minutes of the Council Meeting held Wednesday 27 November 2019.
(Previously circulated)

- 6. Howard Street Development Contribution Submissions** **5**
- 7. Additional Business Items**
- 8. Extraordinary Business Items**

REPORT TO: COUNCIL

MEETING DATE: TUESDAY 3 DECEMBER 2019

**FROM: FINANCIAL POLICY ADVISOR
ASHLEY HUMPHREY**

**SUBJECT: HOWARD STREET DEVELOPMENT CONTRIBUTION
SUBMISSIONS**

1.0 EXECUTIVE SUMMARY - TE KAUPAPA ME TE WHAKARĀPOPOTANGA

- 1.1 The purpose of this report is to hear submissions which have been received to the proposed amendment to the 2019/20 Development Contributions Policy.
- 1.2 This proposal arises from the need to update council's Development Contributions Policy to reflect its proposed funding mechanism to recover the land and corridor servicing costs required under the Howard Street Designation
- 1.3 This decision contributes to the purpose of local government by primarily promoting the social and economic wellbeings and more specifically through the council's strategic objectives of providing residential development opportunities.
- 1.4 Council agreed to consult on its Amended 2019/20 Development Contributions Policy on 22 August. Changes to the policy included the proposed recovery of the internal servicing infrastructure costs by way of a ring-fenced development contribution from those land owners within the residential zone that benefit from the infrastructure.
- 1.5 Council received 5 submissions to the proposed policy with the following general themes being expressed:
- concerns around the quantum of the cost underpinning the 'Internal Servicing Development Contribution' (ISDC),
 - requests that an independent peer review of the costs and design be undertaken and these findings be made available to landowners,
 - questions around the compensation value for the land required by council for the road and service corridor,
 - frustrations around the pace of the development proceeding, and not being able to proceed with their own development aspirations,
 - concerns that no recognition of the wider beneficiaries of the infrastructure, nor the additional rates that will be recovered from these properties, has been made.
- 1.6 A summary of submissions is outlined within section 4.1 along with officer comments in section 4.2 to further clarify / update council in respect of some of the points outlined.

2.0 RECOMMENDATIONS - NGĀ TŪTOHUNGA

- A) That the Council receives the report titled Howard Street Development Contribution Submissions.**
- B) That the Council receive the submissions relating to the report in A) above.**
- C) That the Council make a decision on the Amendment to the 2019/20 Development Contributions Policy at its meeting of 10 December 2019.**

3.0 BACKGROUND – TE HOROPAKI

- 3.1 The Howard Street Residential Zone consists of approximately 19 hectares of land situated between Howard Street and Havelock Road. The land was rezoned for residential use in May 2017, with appeals being resolved in March 2019.
- 3.2 The land is made up of 11 different owners with almost half of the land bordering the Havelock Road only. Development must access on to Howard Street in accordance with the structure plan.
- 3.3 To unlock the development, council proceeded with a notification of the Designation of the Road Corridor including the three water services within the road corridor. The designation was approved in February 2019.
- 3.4 Whilst council has no legal obligation to purchase the land and construct the road and service corridor, there is a real risk that development would be stifled and development may not proceed in a timely manner if council left it to the market and asked each land owner to construct their portion of the works.
- 3.5 Whilst not all developments are the same, the general principle for the provision of infrastructure is for council to build services to the boundary of the property **with the land owner being responsible for all internal works.**
- 3.6 Based on concept plans, a budget of \$12.2m (plus GST) is forecast to be required to complete all the works, of which \$8.7m (plus GST) relates to land acquisition and infrastructure required under the designation.
- 3.7 Officers brought a report to council titled Howard Street Urban Residential Zone on 27 June 2019, where the following recommendation was supported by council:
- A) *That Council gives authority for the Chief Executive to negotiate to purchase the land required for the Howard Street Urban Residential Zone road and services corridor up to the total cost of \$2m (plus GST), noting that before any land purchases can be concluded, Council is required to approve the negotiated land purchase subject to an approved development contribution funding model.*
- B) *That Council consult with the Howard Street Urban Residential Zone landowners on changes required to the Development Contributions Policy to provide for the implementation of a ring-fenced Howard Street development contribution which recovers all costs incurred by Council within the development area.*
- C) *That Council approve the continuation of design work to enable the internal infrastructure solution to be more precisely defined and to reduce delay risks.*
- 3.8 With regards to Recommendation A), council has engaged NZ Infrastructure Ltd (Ian Bates) to carry out negotiations with landowners to acquire the land. Negotiations are ongoing and no contracts have been signed to date.
- 3.9 With regards to Recommendation B) council adopted its Amended 2019/20 Development Contributions Policy for special consultation on 22 August 2019.

This included a proposal to ring-fence the costs associated with the road and three water services within the road corridor and recover them by way of an 'Internal servicing Development Contribution' (ISDC) from those land owners within the residential zone.

- 3.10 Based on concept plans, using a budget of \$8.7m (plus GST), excluding interest, a development contribution of \$33,500 (plus GST) per Household Unit Equivalent was proposed. This is in addition to the standard 'Greenfield' development contribution of \$19,000 (plus GST) per Household Unit Equivalent.
- 3.11 Council directly consulted with those landowners holding land within the residential zone. An information session illustrating the proposed changes and the financial impacts was provided to landowners on 27 September, which 5 landowners attended.
- 3.12 An offer for a one on one meetings was provided to landowners of which 1 further landowner took up this offer.
- 3.13 The proposed changes were also communicated to the wider development community by way of email including a link to our website, providing more detail around the proposed changes.

4.0 DISCUSSION - *TE MATAPAKITANGA*

- 4.1 Council received 5 written submissions (with a further submitter endorsing one submission) in relation to the Amended 2019/20 Development Contributions Policy. The following summarises the key points raised by each submitter.

SUBMITTER & SUBMISSION NUMBER	SUMMARY OF SUBMISSION & OFFICER COMMENTS
Chris Burns (1) CP-03-10-10-19-19	<p><i>The submitter supports the calculation methodology, however:</i></p> <ul style="list-style-type: none"> • <i>raises concerns around the quantum of the costs underpinning the ISDC calculation,</i> • <i>expresses concerns around the delays in finalising detailed design plans,</i> • <i>requests that an independent peer review of the costs be undertaken.</i>
Marcus Hill (2) (TW Property Holdings) CP-03-10-10-19-20 <i>Note this submission is supported by <u>Barry & Lynne</u></i>	<p><i>The submitter:</i></p> <ul style="list-style-type: none"> • <i>raises concerns around the quantum of the costs underpinning the ISDC calculation,</i> • <i>provides details of discrepancies between the concept plan estimate and their experience of recent market rates,</i> • <i>requests that an independent peer review of the costs and design be undertaken,</i> • <i>expresses frustrations around the timing of the detailed design</i>

SUBMITTER & SUBMISSION NUMBER	SUMMARY OF SUBMISSION & OFFICER COMMENTS
<u>Keane- owner of 214 Havelock Road</u>	<p><i>being provided to council,</i></p> <ul style="list-style-type: none"> • <i>expresses frustrations around the pace of the development proceeding, and not being able to proceed with their own development aspirations.</i>
Daniel Robert (3) CP-03-10-10-19-21	<p><i>The submitter:</i></p> <ul style="list-style-type: none"> • <i>raises concerns around the quantum of the costs underpinning the ISDC calculation,</i> • <i>requests greater transparency of the costs,</i> • <i>requests that an independent peer review of the costs be undertaken and be made available to landowners,</i> • <i>questions the compensation value for land required by council for the road and service corridor,</i> • <i>expresses concerns around the impact of the ISDC and DC on the economic viability of the land,</i> • <i>raises concerns that HDC has not made recognition of the wider beneficiaries of this infrastructure,</i> • <i>sought confirmation as to how one land parcel (250 Havelock Road) will be assessed.</i>
Ken Gee (4) CP-03-10-10-19-22	<p><i>The submitter:</i></p> <ul style="list-style-type: none"> • <i>questions the compensation value for land required by council for the road and service corridor.</i>
Karen Cooper (5) CP-03-10-10-19-23	<p><i>The submitter:</i></p> <ul style="list-style-type: none"> • <i>opposes the proposed ISDC recovery approach with the view that it will unfairly impacts landowners / developers, and will become a cost they are unable to pass on,</i> • <i>questions the compensation value for land required by council for the road and service corridor.</i> • <i>raises concerns that HDC has not made recognition of the wider beneficiaries of this infrastructure or the additional rates that will be recovered from these properties,</i> • <i>raises concerns around the quantum of the costs underpinning the ISDC calculation,</i> • <i>requests that an independent peer review of the costs and designs be undertaken,</i> • <i>raises concerns around the refund process,</i> • <i>expresses frustrations delays around the timing of infrastructure works.</i>

SUBMITTER & SUBMISSION NUMBER	SUMMARY OF SUBMISSION & OFFICER COMMENTS
	<p><i>The submitter asks council to consider:</i></p> <ul style="list-style-type: none"> • <i>reducing the ISDC from the 'additional rates' recovered from Howard Street land,</i> • <i>recovering a portion of the cost by way of a targeted rate on land within the Howard Street Residential Zone,</i> • <i>applying the ISDC on a land area basis rather than per dwelling,</i> • <i>allowing developers to construct the services themselves.</i>

4.2 Officer responses to the submissions raised can be summarised below:

- Officers acknowledge the concerns raised by submitters around costs. The costs that underpin the ISDC are based on concept plans. It was always council's intention to update its policy as detailed design plans are developed and land acquisition negotiations are concluded, giving landowners greater certainty as to what they will be required to pay. Council is legally obliged to only recover the costs (including any interest) it has incurred. If the costs are lower than the current estimates that formulate the ISDC, the ISDC will be revised accordingly and a lower ISDC will be required from landowners. As was the case for land within Irongate Industrial Zone, in the event the landowner pays a ISDC which is higher than subsequent revisions, council agrees to refund the difference between the two rates to the landowner who paid the ISDC.
- It is anticipated that detailed designs including revised cost estimates will be provided to council early December. For transparency, Officers propose to set up a meeting with submitters to understand where they believe savings could be made. To alleviate concerns, officers would support some form or peer review being undertaken by a suitably qualified independent civil engineer.
- Council acknowledges the landowners frustration around the timing of the development, although some of those delays have been due to the court processes and are beyond council's control. Council remains committed to working proactively with landowners and help facilitate the development to bring much-needed residential sections to the market.
- Officers have provided detailed estimates under the concept plans to one landowner upon request, and are willing to share this information with others to ensure transparency.
- As part of the land acquisition process, council engaged an independent valuer to carry out an estimate of the cost of acquiring the land required for the road and service corridor. Most properties were perceived to receive a betterment from the land acquisition and road corridor construction,

subsequently resulting in little or no compensation being provided. Landowner negotiations however continue. If council is required to increase its budget to acquire the land, it will seek to recover these additional costs through a revised ISDC.

- The quantum of the ISDC and DC combined is not insignificant, however officers are of a view that the ISDC component should be viewed as a cost of developing land not necessarily a 'development contribution' per se, as this cost relates to infrastructure that the landowner would ordinarily expect to incur as they develop their land. If council wasn't constructing these services under the designation, each landowner would have to construct their own services (at their own cost) and they would have to sacrifice land for their portion of the internal road corridor.
- The ISDC covers the cost of infrastructure that directly relates to the servicing of land within the Howard Street Residential Zone. Officers are of a view that the need for, and the benefit of this infrastructure, lie with those Howard Street Residential Zone landowners, and therefore consider it appropriate that these costs be recovered from these landowners by way of the ISDC. If council were of a view that the ISDC was prohibitive to development proceeding, it could consider some form of 'ratepayer subsidy' although it has historically refrained from doing this in the past.
- Officers wish to clarify that the property at 250 Havelock Road currently contains a residential dwelling which is connected to council water and has road access to Havelock Road. A contribution would therefore only apply on this particular property if, a) the property is required to connect to Council wastewater services, or b) the land is subdivided. Under a) the wastewater portion of the ISDC only (which is calculated at \$5,998 (plus GST) and the standard Urban Wastewater DC of \$4,203 (plus GST) would apply. Under b) the additional lot only would be subject to the full ISDC. This position would also apply to any other residential dwelling within the zone.
- A common misconception is that 'growth' (*through the subdivision of land and change in land uses*) increases the amount of rates council collects. This is incorrect as the rating budget is set independently by council through the Annual Plan and Long Term Plan processes. It is acknowledged that 'growth' does increase council's rating base (i.e the amount of land value our rates are recovered across) however, this is often offset by the increased costs council incurs as a result of those change of uses (i.e the renewal and maintenance costs associated with maintaining those new roads supporting growth, the maintenance costs associated with new reserves being provided etc).
- Whilst council has historically chosen to recover 'growth related costs' through development contributions, council could consider recovering all or a portion of these costs by way of a targeted rate on the land. Council needs to be mindful that recovering a portion of the costs in this manner may not necessarily reduce the cost to landowners; it will however impact who pays and when they are required to pay.

- A targeted rate approach favours those wishing to develop their land early as it moves costs from the developer to the end user (ratepayer) purchasing the section.
- A targeted rate approach however may not be supported by all landowners, as it disadvantages those choosing not to develop early, as they will be required to pay a rate a rate on their land irrespective of their development aspirations.
- A targeted rate may indirectly encourage landowners to develop their land or sell to a developer to develop, however it may affect the affordability for the ratepayer through higher rates for the duration of the targeted rate.
- Officers considered calculating the ISDC on a land area basis, however for consistency and simplicity, proposed a per Household Unit Equivalent (HUE) basis. Applying the contribution in this manner is generally consistent with how residential contributions are recovered by most councils, and it provides an alignment with how our other residential contributions are applied. A per HUE basis also arguably provides for a better reflection of demand for council infrastructure i.e it is not unreasonable to believe that generally 15 dwellings on a 1ha site are likely to place a greater demand on infrastructure than 10 dwellings on a 1ha site, and therefore should be required to pay a greater contribution towards that impact.
- The request to allow developers to construct their own portion of works is contrary to the driver for the designation being put in place in the first instance. Without the designation, each landowner would be responsible for their portion of works on their land. However, some landowners may not have the opportunity to develop until the neighbouring property brought services to their property boundary. Council proceeded with the notification for the Designation or the Road corridor and three waters services within the road corridor to unlock the development and enable every landowner the same development opportunity.

Attachments:

1 ⇨	Submission No. 1 - Chris Burns	CP-03-10-10-19-19	Under Separate Cover
2 ⇨	Submission No. 2 - Marcus Hill	CP-03-10-10-19-20	Under Separate Cover
3 ⇨	Submission No. 3 - Daniel Robert	CP-03-10-10-19-21	Under Separate Cover
4 ⇨	Submission No. 4 - Ken Gee	CP-03-10-10-19-22	Under Separate Cover
5 ⇨	Submission No. 5 - Karen Cooper	CP-03-10-10-19-23	Under Separate Cover

SUMMARY OF CONSIDERATIONS - HE WHAKARĀPOPOTO WHAIWHAKAARO

Fit with purpose of Local Government - *E noho hāngai pū ai ki te Rangatōpū-ā-rohe*

The Council is required to give effect to the purpose of local government as set out in section 10 of the Local Government Act 2002. That purpose is to enable democratic local decision-making and action by (and on behalf of) communities, and to promote the social, economic, environmental, and cultural well-being of communities in the present and for the future.

Refer paragraph 1.3 of the report.

Link to the Council's Community Outcomes - *E noho hāngai pū ai ki te rautaki matua*

This proposal promotes the social and economic wellbeings of communities in the present and for the future. Refer paragraph 1.3 of the report.

Māori Impact Statement - *Te Tauākī Kaupapa Māori*

No known impacts.

Sustainability - *Te Toitūtanga*

At this stage of the project, the significant sustainability issue being address is ensuring the District has a sustainable supply of land for residential development activity.

Financial considerations - *Ngā Whaiwhakaaro Ahumoni*

Refer paragraph 3.10 of the report. The infrastructure costs are proposed to be recovered from growth development in line with Council's current approach to funding growth related expenditure.

Significance and Engagement - *Te Hiranga me te Tūhonotanga*

In accordance with the Local Government Act 2002 provisions, Council has consulted with the affected community on this issue through the Special Consultative Procedure.

Consultation – internal and/or external - *Whakawhiti Whakaaro-ā-roto, ā-waho*

In accordance with the Local Government Act 2002 provisions, Council has consulted with the affected community on this issue through the Special Consultative Procedure.

Risks: Legal/ Health and Safety - Ngā Tūraru: Ngā Ture / Hauora me te Haumarū

Not Applicable.

Rural Community Board - Ngā Poari-ā-hapori

Not Applicable.