

Chairperson and Committee Members
REGULATORY MANAGEMENT COMMITTEE

14 MARCH 2013

Meeting Status: **Public**

Purpose of Report: For Decision

**SUBMISSION ON DEVELOPMENT CONTRIBUTIONS REVIEW
DISCUSSION PAPER**

PURPOSE OF REPORT

- 1 This report seeks the Committee's approval of the attached submission (Appendix 1) on the Department of Internal Affairs' Development Contributions Review Discussion Paper.

SIGNIFICANCE OF DECISION

- 2 This report does not trigger the Council's Significance Policy.

BACKGROUND

- 3 Development contributions are allowed under the Local Government Act 2002 for territorial authorities to recoup some of the capital costs of building or expanding the capacity of infrastructure needed to serve new development. The Council has had a Development Contributions Policy in its Long Term Council and Community Plan (LTCCP) and now Long Term Plan (LTP) since 2004.
- 4 As with most fast-growing districts and cities, where a significant amount of new and expanded infrastructure is needed to service new growth, development contributions are an important funding mechanism for the Council. In the 2011/12 financial year they accounted for nearly \$3.5 million in revenue, just over 10% of the capital expenditure that year. Over the 20-year time horizon of the LTP, the Council's expected revenue from development contributions is \$58.35 million, or 8.6% of the capital expenditure programme. If development contributions did not exist, that amount of \$58.35 million would need to be added to rates to deliver the planned capital works programme.
- 5 In March 2012 the Government embarked on a programme to improve the efficiency of local government that included a review of development contributions. Also in March 2012, the New Zealand Productivity Commission released its Housing Affordability Inquiry final report, which included four recommendations regarding the use of development contributions:
 - the development of Best Practice Guidelines to improve understanding of development contributions and how they should be used;

- the establishment of a training programme for local authorities to improve practice around development contributions;
 - the introduction of reporting requirements to demonstrate compliance with the guidelines; and
 - the introduction of a dispute resolution process similar to that in the Resource Management Act 1991 (RMA).
- 6 Since the release of the Productivity Commission's report, the review of development contributions has been widened, resulting in the current discussion paper from the Department of Internal Affairs. The discussion paper is available at <http://www.dia.govt.nz/Better-Local-Government>, and the Executive Summary is attached as Appendix 2 to this report.
- 7 Submissions on the discussion paper close on 15 March 2013.

CONSIDERATIONS

Issues

- 8 The Discussion Paper highlights ten issues, under the following five categories:
- impact on housing affordability;
 - variability and inconsistency;
 - fairness and equity;
 - complexity and efficiency;
 - dispute resolution
- 9 The discussion paper then presents fourteen options to potentially address these issues.
- 10 The attached draft submission responds to each of the fourteen options, and provides some overall commentary.
- 11 At a high level, many of the options would result in cost-shifting from the development community to ratepayers, with developers paying a significantly reduced share of the costs of infrastructure required to service new growth. As pointed out above, if development contributions did not exist, \$58.35 million would need to be added to rates to deliver the Council's planned 20-year capital works programme. The 'exacerbator-pays' principle underlying development contributions is considered fair and efficient, and several options in the discussion paper would undermine this principle.
- 12 One risk of any cost-shifting from the development community is that ratepayers may refuse to invest in more infrastructure than they feel they can afford. This could either constrain development or result in development exceeding infrastructure capacity. Either of those outcomes would result in negative environmental, economic and social consequences. For example, if insufficient ratepayer funding constrains the availability of serviced land, a perverse outcome might be that housing actually becomes less affordable. This would be counter to the Government's stated aims of increasing housing affordability.

- 13 There are a number of other problematic aspects with many of the options proposed, as well as some favourable aspects. The attached submission details these.

Financial Considerations

- 14 There are no financial considerations arising directly from this report, but there could be significant implications of any changes to the development contributions regime allowed by the Local Government Act 2002.

Legal Considerations

- 15 There are no legal considerations aside from the fact that this is a submission on a document which discusses possible legislative changes.

Delegation

- 16 The Regulatory Management Committee has the delegated authority to approve submissions:

7.35 Authority to review and approve any Kāpiti Coast District Council submission on any issue that is being made on behalf of Council.

Consultation

- 17 No external consultation has been undertaken on this matter.

Policy Implications

- 18 This submission does not change Council policy, but most options presented in the Discussion Paper would set the legal framework with which the Council's Development Contributions Policy must comply.

Tāngata Whenua Considerations

- 19 There are no considerations specifically relating to tāngata whenua.

Publicity Considerations

- 20 No publicity actions are necessary.

RECOMMENDATIONS

- 21 That the Regulatory Management Committee approves the attached submission (Appendix 1 to SP-13-838) to the Department of Internal Affairs on the Development Contributions Discussion Paper.

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Approved for submission by:

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ATTACHMENTS:

Appendix 1: Submission to the Department of Internal Affairs on the Development Contributions Review Discussion Paper

Appendix 2: Executive Summary of Development Contributions Review Discussion Paper