Report on Proposed Development Contributions in the Living 1B Deferred Zone area

Purpose of this Report

This paper describes how a transparent and fair allocation of costs of infrastructure (to be met by developers) can be implemented in the Living 1B deferred zone of Rolleston. It has been prepared for the hearing of the plan change to demonstrate that such a system can be implemented by Council.

It is intended that this will be used as the basis of an amendment to the LTCCP development contributions policy. However, this will be the subject of a separate Council process. The paper establishes how such as system could work and that costs to developers will not be excessive. But it does not commit Council to any particular course of action.

The final decision on what development contributions regime to introduce will be made after a Special Consultative Procedure under the Local Government Act. Any parties who wish to influence the policy should participate in that process.

Introduction

The implementation of the structure plan will mean that infrastructure (roads, walkways, sewers, waterpipes) will have to be built and funded. It is expected that developers will pay for the cost of this infrastructure as is normal practice.

The role for Council is facilitate the development. In carrying out this role, Council may need to build infrastructure ahead of development and recoup the costs from subsequent developers.

It is regarded as important that a transparent and fair mechanism to allocate the cost of development is in place from the start, so that developers can plan accordingly.

The means of allocating costs will be a regime of development contributions under the provisions of the Local Government Act.

If the structure plan were not to be put in place, individual developers are likely to build infrastructure to suit their individual developments. In terms of access, this is likely to consist of a series of private rights of way, with one right of way being required for each development.

The structure plan will mean that fewer rights of way will be required and costs will be saved. But it also means additional cost for the construction of roads.

Costs of Development

Within this report, all costs are estimates based on average development costs. They are an estimate and should not be taken as absolute. The costs of development that have been used are outlined in attachment 4.

There will be additional costs in the south of the area to pay for works on Jozecom and Fairhurst Place (such as widening or the installation of urban style kerbing). These have not been included in the calculation as they will need to be paid (by developers in these respective areas) regardless of whether Plan Change 11 is implemented.

I have drawn up diagrams illustrating complying subdivision layouts for each site in the area, under both the existing L1B provisions and under the structure plan. These illustrate the type

and amount of development that could occur. Whilst there are many possible ways that each site could be developed, the diagrams show a realistic option for each site.

If every developer was to develop individually, without a structure plan in place, the cost of infrastructure (sewer, water, roads and private accessways) has been estimated at $8.1m. This can be broken down as follows:

Roads	$1.26m
Shared Accessways	$4.88m
Individual Accessways	$2m

The cost of development with a structure plan in place would be approximately $9.7m. Of this, $5.1m would be communal assets ($3.9m for infrastructure and $1.2m land purchase). The costs can be broken down as follows:

Roads and infrastructure (funded communally):	$3.9m
Roads (funded by individual developers):	$800,000
Land purchase:	$1.2m
Shared accessways:	$2.1m
Individual Accessways	$1.6m

The extra cost of development under the structure plan scenario is not excessive, and will be partly offset by higher density (when the north is rezoned to Living 1).

When this is taken into account, the average cost of development under the structure plan is estimated at $21,308 per section. This compares with $20,472 without a structure plan.

However, there is no doubt that the costs of development would fall on different parties. Some landowners would be required to provide more roading than under the existing provisions, whilst other will benefit and need to provide less.

There appears to be a natural break in the structure plan, with a more intensive pattern of roads to be provided in the north and more limited provision of roading in the south. The break down of development costs in each area is broken down as follows:

	North	South
Roads and infrastructure (funded communally):	$3.2m	$544,000
Land purchase:	$838,000	$412,000
Total:	$4.0m	$956,700

Allocating the Costs of Infrastructure

For Plan Change 11 to be implemented successfully, a logical, transparent and fair means of allocating the costs of the required infrastructure is needed.

In designing this it is important to be aware that under any system there will be winners and losers with the structure plan compared to the previous Living 1B zoning. It is not possible to design any system which will avoid this and there is in any case some uncertainty for landowners in land development. To some extent, changes in regulation and development costs are part of the risk in development. However, some effort has been made to ensure that no landowner is greatly disadvantaged by the provisions of Plan Change 11.

The communally funded cost of the structure plan is $4.9m. The maximum number of sections that could be developed under the proposed zoning is 456. If the area is developed to its full potential this cost would work out at $10,800 per section. Note that this does not take into account the impact of inflation and the time value of money on the costs charged to developers. The actual charges will depend on assumptions made in relation to the timing of both the infrastructure works and the payment of development contributions.

This figure includes a budget of $1.2m for land purchase. In general, developers are expected to provide land which is required for access and reasonable connections, but there are some instances where the amount shown on the structure plan is greater than what could reasonably be required. This land is shown in orange in Attachment 3. Reserve land would be bought from reserve contributions, which are provided under existing policy.

However, it is unlikely that the area would be developed to its full potential, especially within a normal timeframe for LTCCP purposes (where costs are frequently worked out over a timeframe of 20 years).

An estimate of the likely level of development has been used and it has been assumed that 80% of the possible development will take place in the medium to long term. Accordingly, the costs of development have been spread out over 365 sections. This means that the average cost will be $13,500 per section (in 2009 dollars).

For the purpose of these estimates, it has been assumed that all costs are met by developers in the area as the beneficiaries of the infrastructure. If the Plan Change is confirmed then an assessment of the amount of benefit to the wider Rolleston community will be carried out and may lead to a reduction in the costs to landowners. However, any such reduction is likely to be small in percentage terms.

A number of alternative ways of allocating this cost across the landowners have been considered as described below.

Options

1: A standard amount for each lot.

2: A standard amount for each lot in the north, and a standard amount for each lot in the south, based on the cost of development in each area.

3: As 2, but with a discount for those lots that do not receive access to new roads

4: An amount based on the difference in cost of developing with and without the structure plan

Description and assessment of each option

1: A standard amount for each lot.

This option would aggregate the cost of development and divide it between the expected number of sections.

The cost is estimated at $13,500 per lot.

The advantage of this system is that it is easy to understand and administer.

The disadvantages are:

- That it is unfair to some landowners who would not benefit by way of cost saving (for accessways), but would pay the same as other landowners who are greatly advantaged.
- That the north of the area has more intensive development and there is little benefit to the south in this. There is no particular reason that lots in the south should pay for the additional roads in the north.

2: *Different amounts in the north and south, based on the cost of development in each area.*

This option would aggregate the cost of development in the north and south respectively and divide it between the expected number of sections in each area.

The per section cost is estimated at:

$16,100 in the north
$ 8,000 in the south

(assuming 80% of potential sections are created)

The advantages of this system are:

- That it is easy to understand and administer.
- That the costs of development are distributed more locally and fall more directly to those who will benefit.

The disadvantages are:

- That it is unfair to some landowners who would not benefit by way of cost saving (for accessways), but would pay the same as other landowners who are greatly advantaged.

3: Different amounts in the north and south, with a discount for lots that do not receive access to the new road network

This option would see two rates of development contribution for each of the north of the area and two for the south.

It is based on the premise that those lots that receive access to the new road network are the main beneficiaries as they will receive access for their lots (and in most cases will save development costs as they will not have to provide accessways, or will have to build shorter and lower spec accessways).

The map in attachment 2 shows which lots would pay each rate.

The proposed way to determine the costs that each will pay is as follows:

- All lots will pay a basic charge which covers the cost of establishing connectivity. This would cover the cost of all land purchase and the formation of walkway cycleways. It would also include a proportion of the cost of building roads. It is suggested that this would be 25% of these costs. This charge is justified because each subdivision contributes to the urbanisation of the area and the need for connections.
- Those lots with access to new roads would pay the basic charge and a contribution to the cost of roading, based on apportioning the remaining cost of the roading amongst the lots.

  With this system, the costs would break down as follows:

North: $6,900 (sites without access)
$17,500 (sites with access)

South: $6,100 (sites without access)
$13,600 (sites with access)

The advantages of this system are:

- That the costs of development are distributed more locally
- That the costs fall quite directly to those who will benefit.
- That those who do not benefit from access are not greatly disadvantaged.

The disadvantages are

- It is slightly more complex to understand and administer.
- There are some sites which gain access which would serve some lots, but there is a significant portion of the site which would not benefit from the new roads. In these cases, the new roads would only help them achieve access to a relatively small proportion of their lots. An example of this is the Pineglades site which has a road along one side only and will have to provide additional roading to access the centre of the site.

3A: A more sophisticated allocation of costs with a further discount for sections which receive limited access.

In order to address the second point identified above, a second discount rate is suggested. This would be set at 70% of the higher fee (for access). This would equate to a discount of around 50% on the access component of the charge.

Sites where this would be applicable are identified in attachment 2.

Under this system, the costs would be as follows:

North: $7,200 (sites without access)
$18,600 (sites with access)

$14,000 (identified sites with limited access)

South: $6,200 (sites without access)
$14,100 (sites with access)

$11,000 (identified sites with limited access)

This system would spread costs more fairly, but would be more complex to administer. There may still be those who feel that that they should have been allocated a discount or different discount. However, these problems are likely to occur in any system.

4: An amount based on the difference in cost of developing with and without the structure plan

This option would use the estimated costs of development under the two scenarios, illustrated in attachment 1. An individual estimate of the cost of development would be calculated for each landowner under both scenarios. The amount charged to each landowner would be based on the amount they would save because of the structure plan. In effect, those who are expected to save on the cost of building accessways will instead be charged the cost of roads.

With this system the costs would be individual to each lot.

The advantages of this system are:

- That no-one who develops their land to its maximum potential will be greatly disadvantaged
- That the costs fall directly to those who will benefit.
- That no landowner will be greatly disadvantaged.

The disadvantages are:

- It is very complex to administer and difficult to understand.
- That there is an element of arbitrariness to the figures. The subdivisions have been designed from a desktop. Developers are likely to do something entirely different in reality with different costs and benefits. It is not possible to predict with accuracy how all the land will be developed, mostly because there are always multiple options.
- The complexity and arbitrary nature of the approach make it weaker in practical terms. It is hard to administer and any figures will be open to accusations of unfairness as there is always more than one way to develop land.

Assessment

Principles for the assessment of options include:

- Costs should be allocated to those that benefit
- Costs should reflect the scale of benefit
- The system should be understandable and capable of implementation.

The complexities and administrative difficulties of option 4 mean that it is not a practical option as it is not easy to understand or capable of implementation.

Options 1 and 2 would advantage those who benefit from access but at the expense of those who do not.

Option 3 is and 3A are considered to be the fairest mechanisms and it is recommended that the development contributions policy should be based on one of these options.

Conclusion

This analysis demonstrates that a fair system of development contributions can be implemented in the area.

Further consultation will be carried out by means of a Special Consultative Process under the Local Government Act to determine the exact mechanism for development contributions.

David Hattam, 19 October 2009

Attachments

Attachment 1: Illustration of possible development options for each lot.

Attachment 2: Illustration of which lots will pay high and low contributions under options 3 and 3A.

Attachment 3: Assumptions on land Council may purchase

Attachment 1: Illustration of possible development options for each lot.

1 Brookside Road Area

A Under L1B zoning

B Under Structure Plan Zoning

East Maddisons Road Area

A Under L1B zoning

B Under Structure Plan Zoning

Waterbridge Way Area

A Under L1B zoning

B Under Structure Plan zoning

Pineglades Area

A Under L1B zoning

B Under Structure Plan zoning

Jozecom Place

A Under L1B zoning

B Under Structure Plan zoning

Fairhurst Place

A Under L1B zoning

Attachment 2

Possible Distribution of Development Contributions to Landowners under Options 3 and 3A

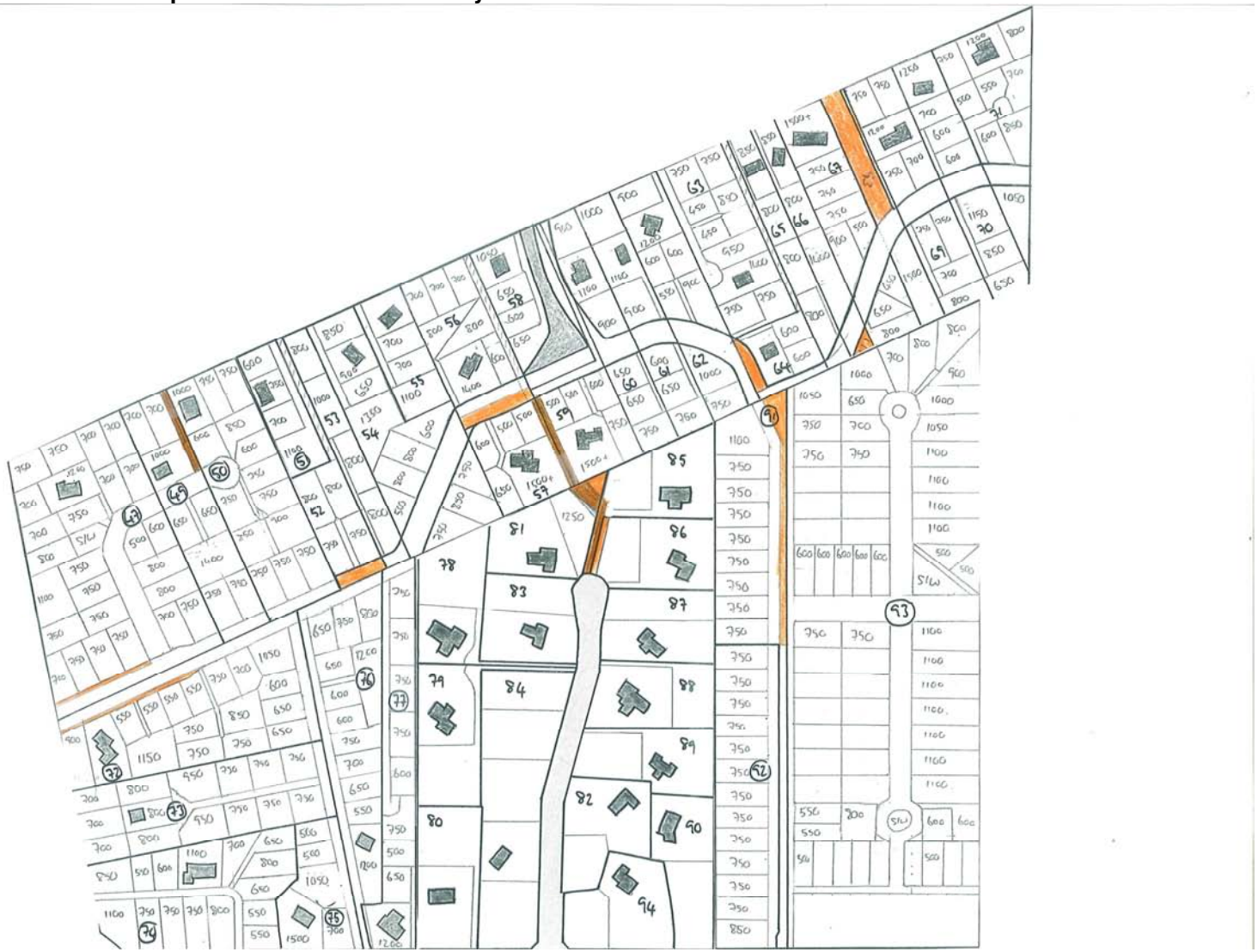

LOWES ROAD
EAST MADDISONS ROAD
0
387.9
meters
Scale: 1:10,000
Legend
N
Water races
Indicative Walkways/Cycleways
Indicative Roads
Walkways/Cycleways
Roads
Parks
L1B Zone Boundary

1 – Option 3

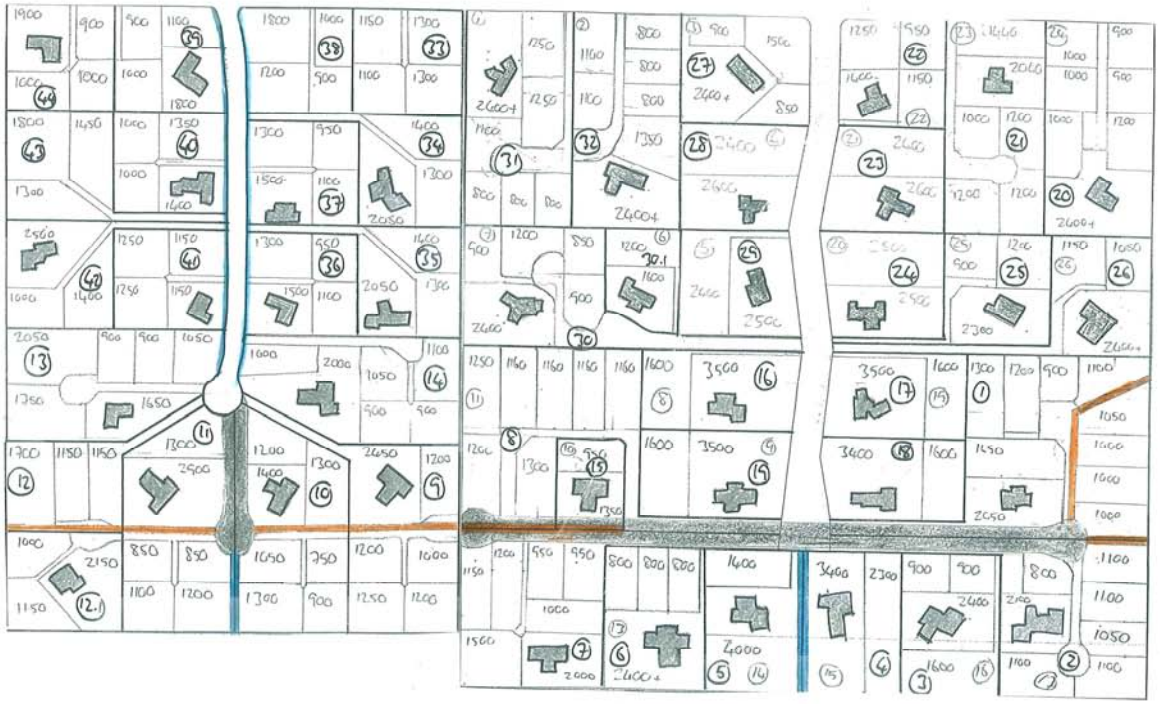

LOWES ROAD
EAST MADDISONS ROAD
0
387.9
meters
Scale: 1:10,000
Legend
N
Water races
Indicative Walkways/Cycleways
Indicative Roads
Walkways/Cycleways
Roads
Parks
L1B Zone Boundary

2 - Option 3A

Attachment 3 - Assumptions on Land Council May Purchase



North – potential purchases shown in orange



South – potential purchases shown in orange (structure plan) and blue (widening / existing walkways). Blue not included in calculations.