The Northern Action Group Incorporated

Development Contributions for Rodney

Proposed Contributions and Proportional Adjustments for recent builds

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Introduction

Development Contributions (DCs) play a pivotal role in ensuring that communities can fund necessary infrastructure and services to accommodate population growth. In Rodney, a rapidly growing region with increasing housing demand, setting a development contribution of $200,000 for new Housing Equivalent Units (HEUs) is both a practical and equitable measure.

If higher DCs look to have increased values beyond inflation, introducing proportional increases in rates or payments for HEUs built in the last five years aligns with fairness and sustainability principles.

Collecting a proportion of DCs at earlier stages in the development process where value is added, at Plan Change or Consent approval stages looks fair and may help discourage property speculation.

Development Contributions

Growth pays for growth

Growth pays for growth is more than a slogan.

The Local Government Act requires Development Contributions paid by those who benefit from living in new accommodation:

[LGA Clause 197AA]

> *The purpose of the development contributions provisions in this Act is to enable territorial authorities to recover from those persons undertaking development a fair, equitable, and proportionate portion of the total cost of capital expenditure necessary to service growth over the long term.*

[LGA Clause 197AB]

- *cost allocations used to establish development contributions should be determined according to, and be proportional to, the persons who will benefit from the assets to be provided (including the community as a whole) as well as those who create the need for those assets;*

Government is making changes to financing and charging arrangements for Councils to improve flexibility to support "Growth pays for growth".
https://www.beehive.govt.nz/release/going-housing-growth-new-and-improved-infrastructure-funding-and-financing-tools

Auckland Council (AC) supports the "Growth pays for Growth" approach and sets DCs for new HEUs.

Watercare has separate Infrastructure Growth Charges (IGCs) (from $12k to $50k per HEU) for reticulated housing.

Calculating DCs

Costs for providing infrastructure vary depending on location and on housing and population density. Unit infrastructure costs in urban areas are less than in rural areas.

AC's policy Overview [7] recognises this *"The Contributions Policy, in line with the Auckland Plan 2050, promotes particular types of development because of the lower marginal cost of infrastructure provision through a more compact future Auckland."*

AC's model for DCs (Watercare's IGCs are separate) assesses DCs by dividing the number of new residential and non-residential developments into the 10 Year Planned and undertaken capital expenditure for growth.

It is an urban based model in that AC's planning is for more compact urban growth in Priority Investment Areas (PIAs). Capital Expenditure planning reflects the costs of facilities and assets needed to maintain prior or standard levels of common service and community facilities and assets proportional to the population in those areas. This covers items like libraries, halls, information centres, local parks and reserves, sports facilities, administration facilities, toilets, waste disposal, and transport (includes roads).

The 10 year Plan and the timing of expenditure is also constrained by AC's financing ability. As the policy shows in the following diagram, PIAs do not include AC's rural areas (Rodney is 46% of AC land area and contains 9 of ACs 28 regional parks – as well as over 300 local parks).

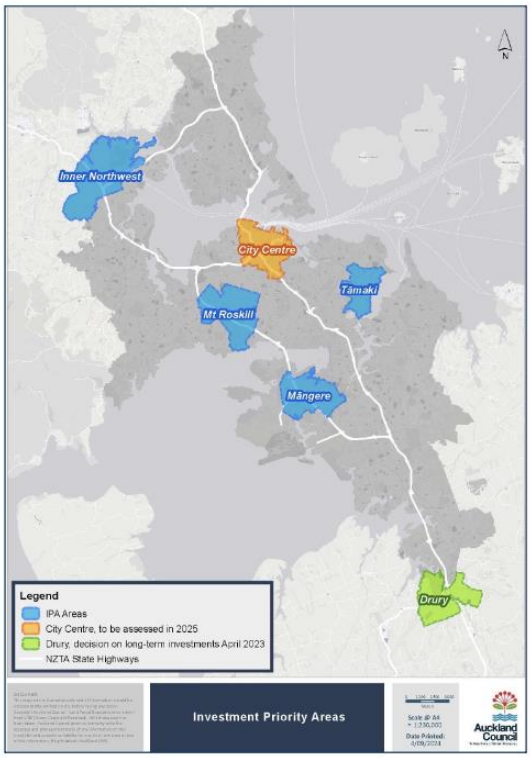
Executive summary

Growth

1. Auckland's population is forecast to continue to grow, with a further net 200,000 Aucklanders expected by 2034 and a further 409,000 by 2054. Providing infrastructure such as parks, community facilities, stormwater systems, and transport networks, to support this growth is a key council function.
2. Rapid growth is creating substantial demand for infrastructure investment in both brownfield (previously built on) and greenfield (never built on) areas. Significant investment in infrastructure is required to cope with the cumulative impacts of growth expected over the next 30 years.
3. The infrastructure we provide not only enables development to occur (through the provision of services such as transport and stormwater) but also ensures communities have access to the activities and services at parks, libraries, and other community facilities that Aucklanders expect.

Infrastructure investment

4. Over the 10-year period 2024-2034 we will be investing around $39.3 billion in our capital investment programme which includes $10.3 billion of growth-related investment.
5. The council's financing and funding capacity to support growth with infrastructure is limited and we need to prioritise our investment.
6. Through our Future Development Strategy, Long-term Plan 2024-2034 (LTP), and 30-year Infrastructure Strategy, we identified a few key locations to focus our limited resources. These are all joint priority areas with government and include the Auckland Housing Programme (Mt Roskill, Māngere, and Tāmaki), the Inner Northwest (including Red Hills, Westgate and Whenuapai), Drury, and the City centre (CRL stations at Maungawhau and Karanga-a-Hape). We refer to these areas as Investment Priority Areas (IPAs).
7. Development in the IPAs will continue for a lot longer than ten years. Our plans include $11.7 billion of investment in Drury, Inner Northwest, and the AHP areas over a thirty-year period. Analysis of the investment required in the City centre IPA is planned for 2025. Development occurring now in these areas will benefit from and cause the need for investments we will make over the next three decades.



The model therefore does not provide fully for growth outside PIAs or for maintaining the value of all common resources that are shared by all people and maintained by Councils but not easily added to such as, coastal areas, regional parks, lakes, rivers, streams and reserves. Nor does it allow for the impacts of increased population on roads connecting communities or regional assets, or the impacts of intensification of farming or business activities which increase utilisation of common assets (e.g. roads) and thus expansion and maintenance costs of these assets.

There is a disconnect between planning and implementation. ACs strategy and 10 Yr Plan don't provide infrastructure investment in Rodney as a priority before 2034, yet Commissioners and the Environment Court have approved Plans and Consents for developments well in advance of necessary infrastructure, with some developments proceeding anyway. This is contrary to sound growth management and produces undesirable outcomes.

Rodney needs its own DCs allocated for investment in Rodney to provide infrastructure for the population and housing growth that has been approved before the houses are built. Local organisations (such as the Warkworth Area Liaison Group and One Mahurangi) have separately made the case for proper District-wide Development Planning to repair the damage, waste and chaos being caused by out of time and unplanned growth and development.

Charging visitors for asset and facilities use

AC has promoted a bed tax for tourists and visitors to help pay for the cost of facilities and assets used by them.

Government has considered possible ways of charging tourists and visitors to help pay for facilities and assets they use. Border levies are retained by Government and allocation is discretionary. Charges, licences or permits for access to regional parks and facilities have been proposed but not yet implemented. Some Councils use parking fees at tourist spots to help fund facilities such as toilets and waste disposal. None of these are in use in Rodney and AC ratepayers have to fund regional park development and facilities.

While a substantial case can be made for a user/visitor pays approach to funding access to, or use of, tourist and visitor attractions, in the absence of any such funding, that cost must equitably be shared across all AC ratepayers.

What should DC's be based on in mainly rural areas with small urban settlements?

The cost of maintaining and managing the level of common resources (assets and facilities) as population and use grows falls equitably across existing and new ratepayers if new HEUs pay to cover any increase they generate in those costs or the value of those assets. (LGA principle). This expenditure is necessary to maintain the quality of access to shared assets and facilities for both existing ratepayers and new residents.

Planned investment levels are a poor proxy for infrastructure provision in rural and coastal settlement and recreation areas, as these are not AC's priority areas for compact urban development.

The best proxy is to seek to maintain the level of access to assets and facilities that existing ratepayers enjoy (in many cases that was their reason for locating there).

Providing funding to pay for Council assets and facilities are the purpose of DC's. This includes assets and services that Councils provide to private owners and developers, such as roads (and reticulation in urban areas) as well as common shared-use resources owned by Council.

Central Government provides many assets, facilities and services for communities (e.g. heath, safety, education, welfare) and these must be planned along with Council assets, but are paid for out of taxes, not paid for by ratepayers or residents.

Why higher DCs for New HEUs in Rodney?

Infrastructure Demand

Approved developer plans will add up to 7,500 additional HEUs in Warkworth over the next 20 years. Watercare and AT are already behind in providing infrastructure to meet existing demand. Warkworth's Structure Plan anticipated the bulk of the 20,000 extra people coming mainly after 2028 (through to 2037), but the current population of around 7,000 doubling by 2028. AC's current Long Term Plan (LTP) to 2034 has no funding for infrastructure to support that, so charging appropriate DC's to fund infrastructure is now urgent.

The construction of new HEUs in Rodney requires significant investment in infrastructure, including transportation networks and associated stormwater management, water infrastructure (for drinking and waste) including reticulation, and public amenities. It also increases the demand on and use of common resources, which must be maintained and have investment in facilities to support increased use. Setting a development contribution at $200,000 ensures that the costs associated with this growth are borne equitably by developers and new residents, rather than placing an undue burden on existing ratepayers.

Economic Justification

Rodney's housing market demonstrates high demand, with escalating prices reflecting the region's desirability for new developments. A contribution of $200,000 is necessary to maintain the economic value to people of living in the District and enjoying its assets and facilities, ensuring that the community retains financial capacity to support growth without compromising existing services.

The higher DC relative to inner-city DCs also supports ACs development strategy. It incentivises builders and home owners to locate in more compact urban areas, where DCs are lower because development of infrastructure for growth is cheaper; community

facilities designed to cope with growth are already provided; jobs are more likely to be available; transport costs are lower; public transport is available and growing congestion on outer community- city or inter-suburb routes is minimised.

Fairness Principle

Equity is a key consideration in urban planning. By setting this contribution, Rodney ensures that new developments contribute their fair share toward the costs of expansion, maintaining fairness across all stakeholders while incentivizing responsible development practices.

Why $200,000 for HEUs?

An analysis of available data relating asset values to population in Rodney is provided in APPENDIX 1. This suggests a DC of $200,000 for each HEU for Rodney is currently appropriate to maintain the level and quality of community (AC owned and managed) assets and facilities per resident.

AC may wish to rework these numbers on more recent assessments. We welcome any work to identify the pro-forma financial situation of AC's Local Board Areas (LBAs), but if Rodney's AC assets have appreciated by more than the CPI rate of inflation or population growth in the LBA (which we expect) this will justify a DC of more than $200,000 per HEU for the District.

Where do the DC's go?

AC has not been able to date to provide DC values collected for Rodney as these are collected on a project basis. Also AC does not allocate DC's directly to projects – these monies are used generally to help finance projects as programmed in the capital expenditure of the 10 yr LTP.

Maintaining the value of assets and facilities for ratepayers as population grows suggests allocation to categories of assets following the breakdown of asset values shown in the APPENDIX 1. (updated of course).

Its time for AC to provide a progamme for assets and facilities expansion and upgrading for the Rodney LBA, funded by DCs, to cope with the expanded population expected. Ideally this must be part of a District Development Plan that covers the whole District and is committed to by all communities and development parties and not varied capriciously by special interests. The Warkworth Area Liasion Group, One Mahurangi and other groups are supporting a pilot initiative to produce a Development Plan for the Warkworth/Mahurangi area, including the Warkworth Town Centre – which was left out of consideration in forming the Warkworth Structure Plan.

Proportional Adjustments

Capital Value Increases Beyond Inflation for existing HEUs

For HEUs constructed within the past five years, where capital values are regarded as rising (relative to inflation) due to the effect of a significant DC, such as proposed, it is reasonable to apply proportional increases in rates or payments. In fairness to new builders paying the higher DC, anyone benefitting from capital value increases from the DC decision should be expected to contribute some of that gain towards the infrastructure growth needed. Such a policy recognises the enhanced capacity of these properties to contribute to the community's financial needs and ensures that windfall gains are balanced with a shared responsibility for infrastructure funding.

Equity Among Property Owners

Properties with significant capital value increases benefit from improved infrastructure, market conditions, and community growth. Proportional adjustments ensure that all property owners contribute equitably to the region's development and ongoing maintenance.

Preventing Ratepayer Imbalance

Without proportional adjustments, the financial burden of maintaining and upgrading infrastructure would fall unfairly only on those who happened to be caught by the timing of implementation of the increased DCs. Adjusting contributions to include contributions from recently constructed HEUs protects the overall fairness and sustainability of Rodney's funding model.

What is fair to recent HEU builders?

The perception of what is fair will be contested by those who think they are being treated unfairly. This paper outlines an approach we think is fair, but AC may wish to approach the question of fairness differently. However the effects on existing residents and ratepayers of a significant increase in DCs on new builds should not be ignored.

Our proposal for charging a proportionate additional Development Contribution (these build will already have paid an earlier DC) against HEU constructions completed before the date of implementation of a new higher DC is shown in APPENDIX 2.

We suggest that this is best implemented as a targeted rate (under new provisions proposed by Government) as the HEUs are already built; owners may prefer to pay their contribution as either an annual rate charge or a lump sum; and these properties will already be receiving rate demands.

Timing and Land Speculation Concerns

Concern has been expressed that developers speculate on property by buying land and applying to have it rezoned in order to then on-sell and take revaluation gains. In Warkworth the recent Arvida plan change proposal rejected by AC attracted those criticisms.

Where private development proposals seek zoning scheme changes and consents for developments outside the scope of the Unitary Plan requirements, there may be many years between developers' Plan Change applications, Consent approvals (with or without conditions) and construction (which may also take many years).

To discourage speculation and help AC finance infrastructure provision earlier than after construction, earlier receipt of DCs may be appropriate. Fairness suggests that if developers receive a land value uplift from approvals (as shown by independent valuations) some share of that should be paid at the time of the approval - towards the DCs expected from the HEUs to be constructed.

AC is responsible for planning zoning and standards, and for changes in these as required to adjust to growth needs. AC also sets rules for compliance in its Unitary Plan (UP) that must be followed. It is thus appropriate that developers should pay, as they do, for the costs of pursuing developments that seek to change zoning (through Plan Changes) or UP conditions (through Consent Applications).

We suggest that rather than just seeking to counter property speculation by rejecting applications, AC might well explore this policy further to discourage property development proposals that are a front for property speculation; neutralise financial incentives for speculation; and advance the funding of infrastructure developments which cater for the impacts of the proposed HEU growth.

Implementation Strategy

Stakeholder Engagement

Property owners, developers, and community members should be consulted throughout the process to build consensus and create an understanding of the rationale behind these measures.

Phased Approach for existing HEUs

The higher DC's on new builds (and partial contribution of DC's at earlier approval stages if that policy is adopted) should be introduced ASAP. However, introducing potential additional changes for recent builds over a reasonable but fixed timeline,

allows stakeholders to adapt; relevant property valuations to be provided; and provides a predictable framework for financial planning.

Conclusion

Setting development contributions for new HEUs in Rodney at $200,000 and implementing proportional targeted rate adjustments for HEUs with capital value increases beyond inflation is both a practical and equitable approach. Requiring earlier partial contributions of DC's at approval stages assist AC with funding infrastructure earlier and helps discourage speculation. These measures ensure that the region's growth is sustainable, infrastructure costs are shared fairly, and existing ratepayers are not disproportionately burdened. By adopting these strategies, Rodney can continue to thrive as a vibrant and well-supported set of connected communities.

The policy forms a natural part of AC's strategy to support the development of compact cities and more intensive urban housing and business; it incentivises housebuilders and homeowners to locate closer to urban centres where facilities are already provided, jobs are more likely, transport costs are less and costs of infrastructure development for growth are lower. It also provides funding to ensure that unique and common resources that can't easily be added to (like rivers, coastal areas and major regional parks and reserves) are managed and protected for the benefit and enjoyment of local people, visitors and tourists alike.

Bill Foster
Chair Northern Action Group Inc

APPENDIX 1

What are AC's assets in Rodney and how to set a fair DC?

For many years Rodney people and their Councillor have sought pro-forma accounts for local board areas, for transparency - so people can see where their rate money and other charges are going. AC has consistently declined to provide these but back in 2016 when NAG was arguing for a separate Unitary Authority for North Rodney, AC provided an estimate of North Rodney assets:

SUMMARY

Valuation:

Asset Class	Area	Information Provided By	Latest Revaluation	Recognition Basis	$000's
Operational Land	North Rodney	Finance Dept	Jun-14	Valuation at Cost	16,017
Operational Buildings	North Rodney	Finance Dept	Jun-14	Depreciated Replacement Cost	14,312
Operational Buildings	Regional Parks North Rodney	Finance Dept	Jun-14	Depreciated Replacement Cost	2,638
Restricted buildings	North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	6,126
Restricted buildings	Regional Parks North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	1,852
Land Parks	North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	69,496
Land Parks	Regional Parks North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	102,017
Accessways	North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	200
Small reserves	North Rodney	Finance Dept	Jun-15	Depreciated Replacement Cost	10,669
Land under roads	North Rodney	Auckland Transport	Jun-14	Depreciated Replacement Cost	410,365
Roading network	North Rodney	Auckland Transport	Jun-14	Depreciated Replacement Cost	372,423
Stormwater Reticulation	North Rodney	Stormwater Dept	Jun-15	Depreciated Replacement Cost	84,921
Combined Reticulation	North Rodney	Stormwater Dept	Jun-13	Depreciated Replacement Cost	
Water/Wastewater	North Rodney	Watercare		Depreciated Replacement Cost	121,403
Structures Parks	North Rodney	Parks Dept		Replacement Cost	72,198
Structures Parks	Regional Parks North Rodney	Parks Dept	Jun-13	Replacement Cost	20,831
				TOTAL	1,305,466

Assumptions:

It has not been possible to provide a like-for-like valuation summary therefore the following summary has been based upon information available with all valuation methods stated and dates provided.

Please note that land is not depreciated therefore valued at cost plus any subsequent additions at cost.

Depreciated values and Net Book Values are calculated on the same basis.

The North Rodney population at the time was around 22,000.

Giving an Asset/population ratio of $59,000 (rounded).

The CPI increase (2016-2024) has been 29.4%

Giving an estimated current value of 2016 Assets/2016 population of $76,800.

At 2.7 people per dwelling that is **$206,000** per dwelling.

Now Rodney LBA (RLBA) population has grown 35% (2015-2023).

And AC Total Assets have grown 66.4% (2016-2024 Annual reports).

Without any valuation estimates its not possible to show if RLBA assets have grown more or less than AC's assets in general, but it is reasonable to assume AC's city focussed spending since 2015 (CRL, cycleways, PIA investments) has seen AC's assets in other LBAs grow more than in the RLBA.

If the value of assets in the RLBA relative to population **has** relatively increased along with AC's asset growth, that provides an argument for a higher DC.

And if the value of land and other assets had fallen relative to population growth (which is unlikely) that produces just as much argument for **increased DC's** to provide a fair "catch-up") rather an a lesser amount.

The breakdown of assets across categories shows the following:

Asset Category	Proportion (%)
Operational Land and Buildings	3.1
Parks & Reserves and accessways (land and Buildings)	21.1
Transport	60.0
Water	9.3
Stormwater	6.5
TOTAL	100.0

Transport (roads and the road network) still continues to dominate infrastructure requirements and investment. As a check on the reasonableness of the $200,000 DC charge, AT in its Business case for Rodney roading showed an infrastructure cost of $120,000 per HEU in Warkworth and $340,000 in Riverhead/Kumeu/Huapai. https://at.govt.nz/media/1991311/cost-per-household-bcr-auckland-transport.pdf

Even if the higher value is put aside, $120,000 is 60% of $200,000.

The 9.3% Water (drinking and waste) can be set aside as Watercare now has its own IGCs, but given the variability in the asset based assessment and the relatively high growth of AC assets values generally, a DC of $200,000 still appears reasonable.

APPENDIX 2

Suggested proposal for DC adjustments for recent HEU builds

A targeted rate for the DC on recent HEU builds would apply from the time of implementation of the new DCs. At least a year should be allowed for payment, or an alternative annual targeted rate charge could be selected as an option[1]

An reasonable (but necessarily arbitrary) timeframe for application is necessary to limit application of a targeted rate on recent HEU builds completed before the implementation date. 5 years seems a reasonable starting point.

Scaling back the DC contribution required linearly is easiest to understand. i.e from 80% in the last year prior to the implementation date, at 20% each year, to 0% in the fifth year prior to implementation date.

Then previously paid DC's must be recognised.

It's also unfair to ask for contributions from owners whose capital values have not increased by more than the rate of inflation, or by less than the amount of a DC. The reference date for considering any increase in value should be the most recent valuation before the policy is announced – then compared with a valuation after the implementation date.

HEU owners should be allowed to get their own valuations if they wish to dispute AC valuations.

Examples are shown in the following table assuming a DC of $200,000 per new HEU:

Years Built before implementation	1	2	3	4
DC before adjustment	$160,000	$120,000	$80,000	$40,000
Most recent Valuation before Implementation	$800,000	$800,000	$800,000	$800,000
Valuation after implementation	$1,000,000	$1,300,000	$900,000	$2,000,000
% CPI Change since build	2.3%	4.7%	7.1%	9.5%
Previous DC paid	$30,000	$25,000	$20,000	$10,000
DC	$0	$95,000	$0	$30,000
Equivalent Annual Targeted rate	$0	$4,786	$0	$1,511

[1] Allowing a 100 year infrastructure timeframe and a 5% interest rate, an annual rate equivalent to the DC required would be 0.050383 cents in the $ or $5,038 annually instead of a $100,000 DC. This should be adjusted annually for inflation.