

Property Council New Zealand

Submission on

Draft Hamilton City Council Development Contributions Policy Update 2022

13/04/2022

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Hamilton City Council Development Contributions Policy Update 2022

1. Summary

1.1 Property Council New Zealand Central Branch (“Property Council”) welcomes the opportunity to provide feedback on the proposed Hamilton City Council (HCC) [Development Contributions Policy Update 2022](#). While we support the majority of the proposed Policy Update, there are elements of serious concern to us. Our recommendations would address our concerns and contribute to a more effective and equitable update to HCC’s Development Contribution Policy.

2. Recommendations

2.1 Property Council supports the following elements of the proposed HCC Development Contributions Policy Update 2022:

- The proposed exclusion from the definition of GFA of building overhangs and eaves of up to 1m on residential properties, the proposed exclusion of resource consented buildings and structures that have a duration of two years or less as well as the proposed exclusion of carparking to directly service the development;
- The proposed reduction of Stormwater Development Contributions for multi-level dwellings with four or more bedrooms; and
- The proposed partial development contribution remission for state-integrated schools that provide public access to their amenities.

2.2 We do not support the proposed expansion of the definition of Gross Floor Area (“GFA”) to include both the area beneath permanent outdoor structures and canopies, as well as parking that is provided on a commercial basis. We recommend not extending the definition of the GFA.

2.3 We also recommend that building overhangs and eaves on commercial properties are excluded in their entirety from the definition of GFA.

3. Introduction

3.1 Property Council is the leading not-for-profit advocate for New Zealand’s most significant industry, property. Our organisational purpose is, “Together, shaping cities where communities thrive”.

3.2 The property sector shapes New Zealand’s social, economic and environmental fabric. Property Council advocates for the creation and retention of a well-designed, functional and sustainable built environment, in order to contribute to the overall prosperity and well-being of New Zealand.

3.3 Property is the second largest industry in the Waikato. There are around \$130.4 billion in property assets across the Waikato, with property providing a direct contribution to GDP of \$2.8 billion (12 percent) and employment for 18,030 Waikato residents.

- 3.4 Property Council is the collective voice of the property industry. We connect property professionals and represent the interests of 86 Waikato based member companies across the private, public and charitable sectors.
- 3.5 This document provides Property Council's feedback on the proposed update to. Comments and recommendations are provided on issues relevant to Property Council's members

4. Changes to the definition of Gross Floor Area (GFA)

- 4.1 HCC has proposed several changes to the definition of GFA contained within the [Development Contribution Policy Update 2022](#), as outlined below:

- 4.1.1 The expansion of the definition of GFA to include the area beneath permanent outdoor structures and canopies and to areas of the site used to provide parking on a commercial basis.
- 4.1.2 The exclusion from the definition of GFA of building overhangs and eaves of up to 1m, parking that directly services the development as well as resource consented buildings and structures that have a duration of two years or less.

- 4.2 Property Council believes that any definition of GFA should only include those parts of a property or structure that have a tangible impact on the demand for infrastructure. Our view is consistent with the Local Government Act 2002, which sets out that the legislative purpose of development contributions:

*“...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.”*

- 4.3 We are deeply concerned about the proposal to expand the definition of GFA to include both outdoor structures and canopies as well as parking provided on a commercial basis. The expanded definition of GFA would increase the floor area that potential development contributions are levied on, increasing the financial cost of a development contribution. It is our view that neither of the two factors have a tangible impact on the demand for infrastructure, which development contributions are intended to pay for, and would therefore be inconsistent with the principles set out in the Local Government Act 2002.
- 4.4 Whether or not a new build dwelling has an outdoor structure or canopy, will not influence the number of people living in the property and therefore will not impact the demand for infrastructure.
- 4.5 Similarly, commercial car parks will not significantly influence overall demand for infrastructure. Infrastructure demand that results from commercial development is better viewed as a function of the internal floor space of a commercial structure, which dictates both the use and capacity of a particular development. This is covered by the existing definition of GFA. We are further concerned that the proposed definition expansion could result in development contributions being levied on empty lots that are used for commercial parking. Given that an empty lot, by definition, has not had development occur, we would consider this to be an inequitable outcome.
- 4.6 The proposed expansion of the definition of GFA is incompatible with the relevant legislative principles applicable to development contributions.
- 4.7 Furthermore, in 2018, HCC commissioned an independent report by Insight Economics on the market impacts of increased development contributions. The report found that:

“As DCs increase, the cost of land development rise, and thus its profitability falls...In other words, land developers (who physically pay the DC) will seek to share some of the cost with raw landowners by paying them less for their land...it is unlikely that the resulting fall in land prices will be sufficient to fully compensate them. As a result, the increase in DCs will also increase the total cost of land development...”

“In summary, economic theory predicts that the imposition of higher DCs will impact most, if not all, participants in the wider property market.”

- 4.8 Given the report’s findings, we conclude that any increase in development contributions that result from the expanded the definition of GFA will have a detrimental effect on development in Hamilton and ultimately result in higher house prices for consumers. A secondary impact of new GFA definition would be a financial incentive for developers to reduce the amenities, such as canopies, provided for in new build houses. We would consider this to be a perverse policy outcome.
- 4.9 We therefore recommend that HCC not proceed with the proposed expansion of the definition of GFA to include outdoor structures and canopies as well as parking provided on a commercial basis.
- 4.10 Given our approach of limiting the definition of GFA to those parts of a property or structure that have a tangible impact on the demand for infrastructure, we therefore are in favour of efforts to exclude building overhangs and eaves from the definition of GFA.
- 4.11 However, we are concerned that limiting exclusion to overhangs and eaves to those 1m or less in size, could unintentionally impact particular commercial properties. Hamilton’s District Plan calls for retail premises to have canopies. Some commercial properties will be developed that will canopies larger than 1m. Commercial overhangs and eaves should not be covered by the revised definition of GFA. Accordingly, we recommend that HCC adopt the proposed 1m threshold for residential properties but exclude commercial building overhangs and eaves in their entirety.
- 4.12 We also support the exclusion from the GFA definition of temporary structures. Temporary structures, such as temporary industrial storage buildings or pop-up hospitality facilitates, play an important role in the built environment of Hamilton and should not be financially penalised by development contributions. Temporary storage buildings support industrial property users who otherwise might choose to invest in other cities if the cost of new investment in Hamilton proves too high. Pop-up hospitality facilitates have shown themselves, both in New Zealand and internationally, to be a valuable tool in encouraging the restoration of a vibrant and prosperous CBD. The impact on infrastructure demand of temporary structures is, by nature, transient. It is our view that given the benefits of temporary structures, it would be unwise to financially penalise them with development contributions.

5. Changes to Stormwater Development Contributions for Multi-level Houses

- 5.1 HCC has proposed a change to the calculation of stormwater development contributions that would see a reduction in stormwater development contributions paid by residential dwellings with more than one level and with four or more bedrooms, from a rate of 1.29 Household Unit Equivalent (HUE) down to 1 HUE.
- 5.2 We support the proposed reduction in stormwater development contributions. As established by the Insight Economics report, higher development contributions ultimately result in higher prices for consumers. Accordingly, we are pleased to see to reduced stormwater development contributions for larger multistorey dwellings, which will create positive financial incentives that

will incentivise future development of higher density housing. We note that HCC is working to intensify development in the city and note that this is positive step in that direction.

- 5.3 We would also like to reiterate our view that the assumption that new builds with more bedrooms create greater pressure on infrastructure is flawed. Often, smaller dwellings with less bedrooms such as apartments and townhouses tend to have higher occupancy rates than larger dwellings.
- 5.4 Put in practical terms, a two-bedroom rental apartment could very easily be rented by two young couples and therefore have higher occupancy than a four-bedroom owner-occupied home that might only have two to three occupants.

6. Partial Development Contribution Remission for State-Integrated Schools

- 6.1 HCC is proposing a partial discount in development contributions for future development at state-integrated schools that provide for the minimum level of public access and community benefit.
- 6.2 While this proposal is outside the direct scope of Property Council's focus, in general terms we are supportive and view it as an opportunity to unlock greater community access to local amenities. We would note the importance of ensuring that the level of discount available to state-integrated schools is commensurate to the level of public access provided.

7. Conclusion

- 7.1 Property Council supports elements of the proposed HCC Development Contributions Policy Update 2022, however there are also areas of concern. In light of our concerns, we have proposed changes to the policy proposal that we believe that would minimise the external impact of the policy.
- 7.2 Property Council members invest, own, and develop property in Hamilton. We wish to thank Hamilton City Council for the opportunity to submit on the Development Contributions Policy Update 2022 as this gives our members a chance to have their say on the future of our city. We would like to make an oral submission to Hamilton City Council in support of our position.
- 7.3 Any further enquires do not hesitate to contact Logan Rainey, Advocacy Advisor, via email: Logan@propertynz.co.nz or cell: 021410787.

Yours Sincerely,



Brian Squiar
Central Committee Chair