

QLDC Council  
6 October 2016

**Report for Agenda Item: 5**

**Department: Finance & Regulatory**

**Proposed Amendment to Policy on Development Contributions**

**Purpose**

To update Council on the process to amend the Policy on Development Contributions in order to recover the growth related capital costs of the Eastern Access Road (Frankton Flats) from development contributions.

**Recommendation**

That Council:

1. **Note** the contents of this report; and
2. **Approve** the Council entering into consultation on the proposed amendment to the Policy on Development Contributions in accordance with section 102 (4) (b) of the Local Government Act 2002.

Prepared by:



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Acting Chief Executive

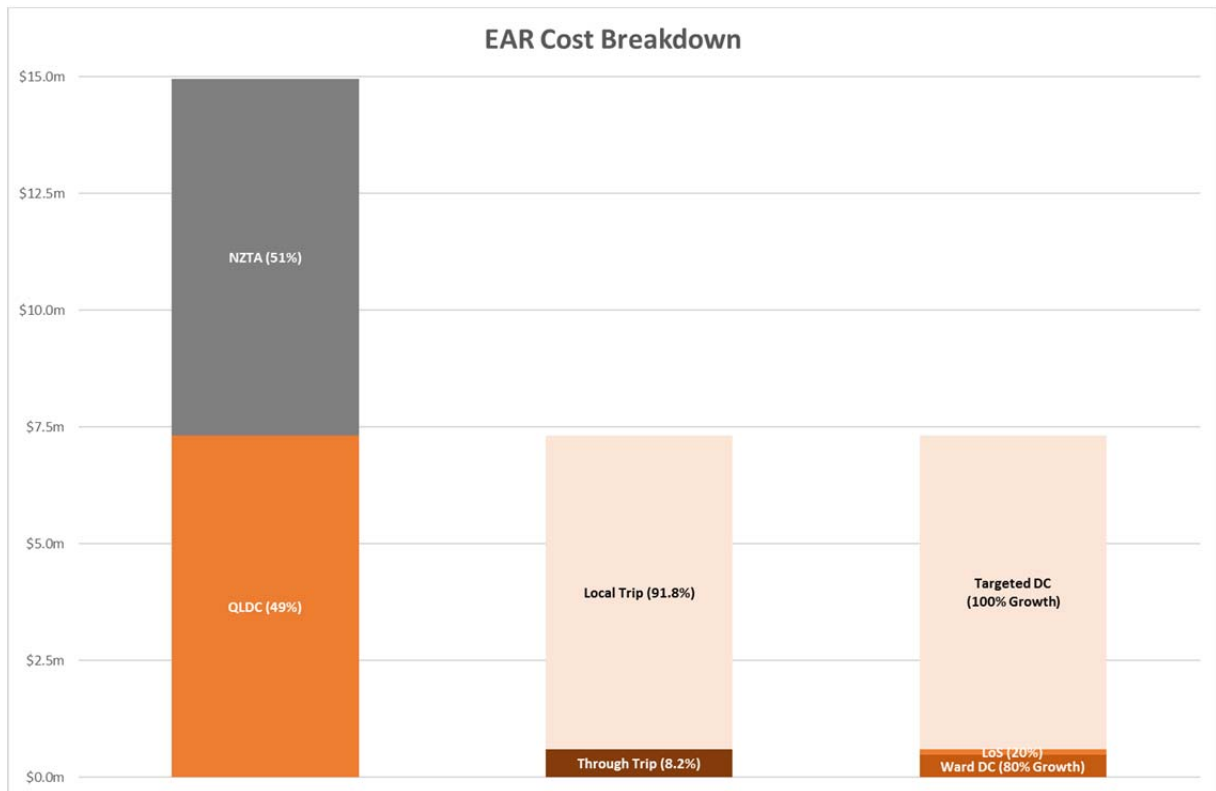
26/09/2016

**Background**

- 1 The Eastern Access Road was consulted on, and included within the 2015 – 2025 Long Term Plan (LTP) for delivery by the 2017/2018 financial year. The original budget for the construction of the roading portion is included in the LTP at a total cost of \$13.3m.
- 2 The funding assumption included in the LTP was that NZTA would contribute 51% and that the balance would be funded by capital contributions from developers benefitting from the road.
- 3 On 12 September 2016 QLDC secured funding from the New Zealand Transport Agency (NZTA) for 51% of the roading component of the project.

- \$13.24M (Construction and Design Cost) – NZTA share \$6.75M
  - \$1.67M (Property Purchase) – NZTA share \$0.85M
- 4 On 29 September, 2016 Council delegated authority to the Chief Executive to award the construction contract to a value up to the Engineers Estimate.
  - 5 Significant analysis based on traffic modelling has provided a basis for QLDC to calculate the relative benefits for the landowners serviced by the proposed road. This analysis has provided the basis for a new targeted developer contribution for the Frankton Flats as well as a lump sum payment option.
  - 6 Discussions have commenced on this basis with the major landowners; Queenstown Airport Corporation (QAC); Remarkable Park Limited (RPL) and Queenstown Central Limited (QCL).
  - 7 It is our intention to amend the existing Development Contribution Policy to allow for the introduction of a new targeted transport development contribution for the Frankton Flats and for an increase to the existing ward based transport development contribution as soon as is practicable.
  - 8 The Local Government Act 2002 (LGA) allows Council to amend the Policy on Development Contributions at any time in accordance with section 102 (4) (b) of the Local Government Act 2002.
  - 9 The proposed funding scenario for the \$14.95m capital cost of the EAR is as follows:

Funding Mechanism	Funding (\$)
NZTA	7,624,500
QLDC	7,325,500
<i>Targeted EAR DC</i>	<i>6,724,809</i>
<i>Wakatipu Ward Transportation DC</i>	<i>480,553</i>
<i>Rates</i>	<i>120,138</i>
<b>Total</b>	<b>\$14,950,000</b>



## Options

10 This report identifies and assesses the following reasonably practicable options for assessing the matter as required by section 77 of the Local Government Act 2002.

11 Option 1 – Agree to the consultation on the proposal to amend the Development Contribution Policy

### *Advantages:*

12 Agreement to the proposal will allow the consultation to commence immediately.

13 Affected parties may submit on the proposal within the next month.

### *Disadvantages:*

14 None

15 Option 2 – Do not agree to the consultation on the proposal to amend the Development Contribution Policy

### *Advantages:*

16 Saving of costs associated with running the consultation process.

### *Disadvantages:*

- 17 Delay in finalising the funding arrangements for the local share of the EAR.
- 18 Potential loss of income from Development Contributions for the EAR.
- 19 The report recommends that the Council agree to the proposal to enter into consultation on the proposal to amend the Development Contribution Policy. The funding assessment that has been completed by Rationale Ltd focusses on the most reasonable way to apportion the local share (see Attachment A: Statement of Proposal to Amend the Development Contribution Policy). The fundamental principle of this cost apportionment is that those who benefit from the EAR should be the ones to pay for it. Given the funding tools available to QLDC, it is more efficient to target property owners who generate the demand for trips rather than vehicle owners. Therefore, a targeted development contribution was considered the most appropriate funding mechanism.

### ***Significance and Engagement***

- 20 This matter is of medium significance, as determined by reference to the Council's Significance and Engagement Policy because of its importance to the Queenstown Lakes District and community.

### ***Risk***

- 21 This matter relates to the operational risk SR1 Current and future development needs of the community, as documented in the Council's risk register. The risk is classed as moderate. This matter relates to this risk because it impacts the ability of the QLDC to recover the growth related capital costs of the proposed Eastern Access Road on the Frankton Flats.
- 22 The recommended option considered above mitigates the risk by treating the risk through the amendment of the Policy to provide for additional development contribution income.

### **Financial Implications**

- 23 The proposed amendment to the Development Contribution Policy provides the necessary mechanism to recover the growth related capital costs of the EAR. This equates to \$7.2m of future income (excluding interest component).

### **Council Policies, Strategies and Bylaws**

- 24 The following Council policies, strategies and bylaws were considered:

- 2015-25 Long Term Plan
- 2016/17 Policy on Development Contributions

### **Consultation**

- 25 The LGA allows Council to amend the Policy on Development Contributions at any time in accordance with section 102 (4) (b) of the Local Government Act

2002. The consultation undertaken must be accordance with Sec 82 Principles of Consultation (see extract below).

## 26 *82 Principles of consultation*

*(1) Consultation that a local authority undertakes in relation to any decision or other matter must be undertaken, subject to subsections (3) to (5), in accordance with the following principles:*

*(a) that persons who will or may be affected by, or have an interest in, the decision or matter should be provided by the local authority with reasonable access to relevant information in a manner and format that is appropriate to the preferences and needs of those persons:*

*(b) that persons who will or may be affected by, or have an interest in, the decision or matter should be encouraged by the local authority to present their views to the local authority:*

*(c) that persons who are invited or encouraged to present their views to the local authority should be given clear information by the local authority concerning the purpose of the consultation and the scope of the decisions to be taken following the consideration of views presented:*

*(d) that persons who wish to have their views on the decision or matter considered by the local authority should be provided by the local authority with a reasonable opportunity to present those views to the local authority in a manner and format that is appropriate to the preferences and needs of those persons:*

*(e) that the views presented to the local authority should be received by the local authority with an open mind and should be given by the local authority, in making a decision, due consideration:*

*(f) that persons who present views to the local authority should have access to a clear record or description of relevant decisions made by the local authority and explanatory material relating to the decisions, which may include, for example, reports relating to the matter that were considered before the decisions were made.*

27 There is no requirement to use the Special Consultative Procedure (SCP), however, we do intend to handle the consultation in a similar manner:

- 6 October – Approval to commence consultation
- 10 October – Commence consultation
- 10 November – Consultation ends
- Mid November – Hearing of submissions
- End of November – Final decision on proposal

## **Local Government Act 2002 Purpose Provisions**

28 The recommended option:

- Will help meet the current and future needs of communities for good-quality local infrastructure, local public services, and performance of regulatory functions in a way that is most cost-effective for households and businesses by ensuring that the local share of the EAR project is funded in an appropriate manner;

- Can be implemented through current funding under the 10-Year Plan and Annual Plan;
- Is consistent with the Council's plans and policies; and
- Would not alter significantly the intended level of service provision for any significant activity undertaken by or on behalf of the Council, or transfer the ownership or control of a strategic asset to or from the Council.

### **Attachments**

- A Statement of Proposal to Amend the Development Contribution Policy
- B Extract from LGA on consultation requirements