

Development Contributions Policy Update

DUNEDIN CITY COUNCIL | kaunihera a-rohe o Ōtepoti

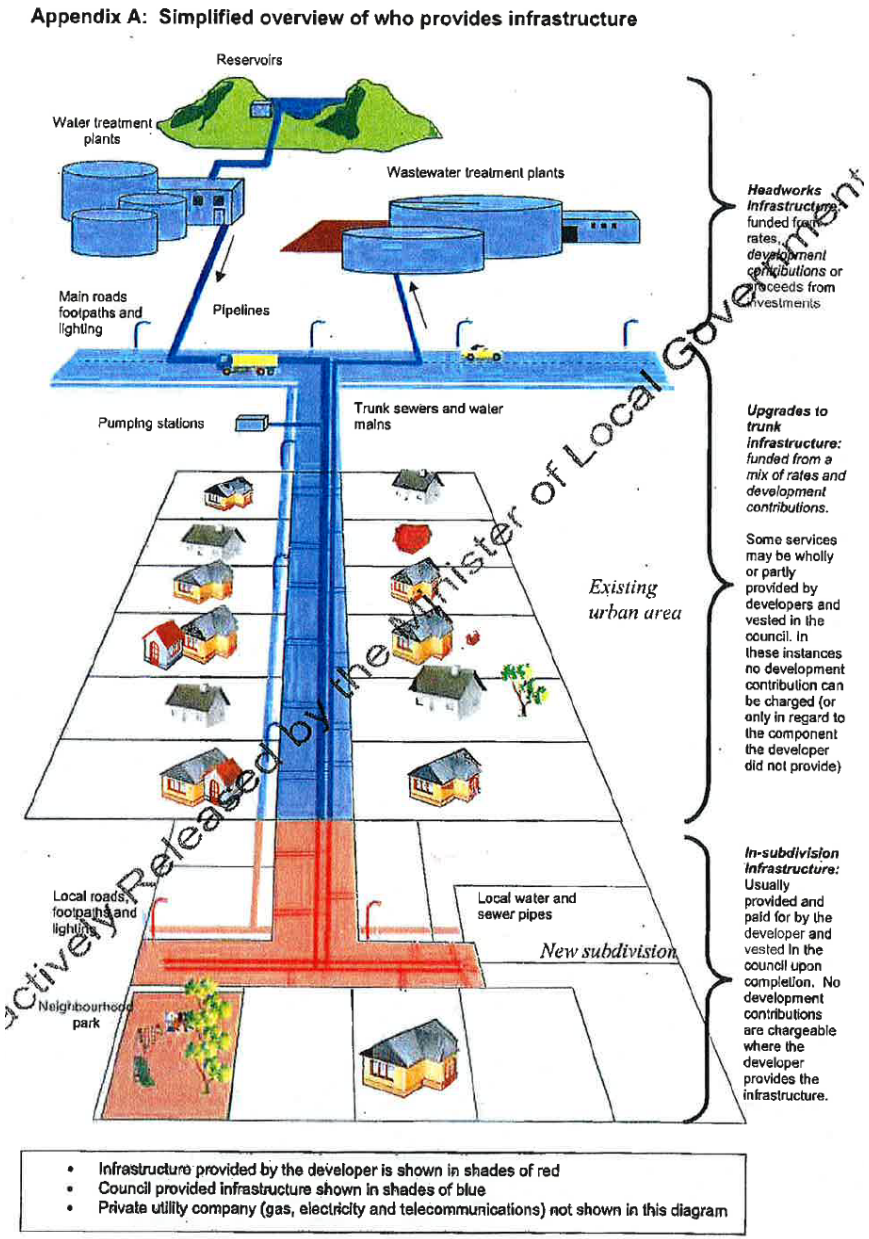
Agenda

1. DCs 101
2. Recent financials
3. Potential policy changes
    1. Remissions
    2. Land use differentials
    3. Contributing area maps
    4. Timing of assessment for non-residential
    5. Policy update frequency
4. Charges

DCs 101

DC Philosophy – growth pays for growth

- Infrastructure 101 – build assets big enough to provide capacity for the future.
  - Too small = inefficient delivery, hinder development.
  - Too big = long term debt, unsold capacity, funding gaps.
- Councils are an infrastructure banker.
- DCs are all about the blue.
  - Network infrastructure – WS, WW, SW, Transport.
  - Community infrastructure – halls, event centres, public toilets, pools, libraries – any public amenity.
  - Reserve land and improvements.



DCs 101

DC Purpose and Principles

Purpose = a funding tool to recover a proportionate share of capital costs from developers.

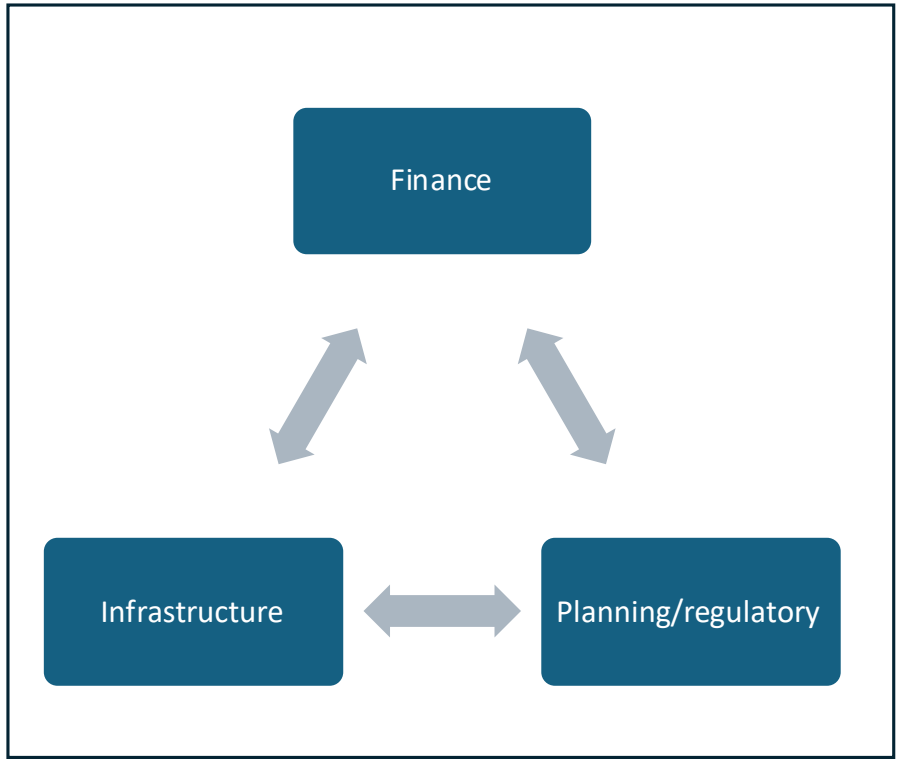
Principles:

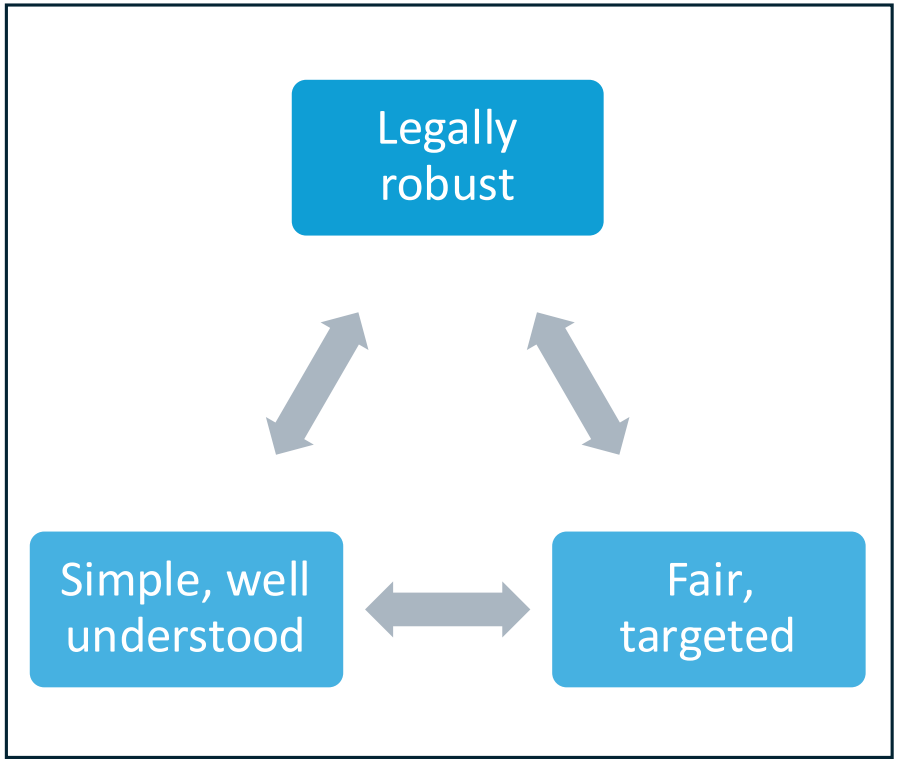
- DCs used only to fund capital costs to provide assets with capacity to enable development,
- Calculation linked to the capacity life of assets,
- Growth costs should be proportionate to other beneficiaries,
- Used for the activity and in the location where they were taken,
- Transparent information must be provided,
- Predictable and consistent with LGA,
- Can be grouped by assets or geographic area - balance administrative efficiency and fairness/equity.
- Other tools being considered by council's; HIF, IAF, IFFA, PPP/PDA

DCs 101

DC Policy is a balancing act

- Two key triangles – intra council and a good DCP





- The objective is a fair, transparent and workable funding policy.

DCs 101

DC Methodology – forecast and uncertainty; lots of variables

- Capital cost – capex and interest
- Growth portion – LoS, renewal
- Inflation
- Interest rates
- Timeline, rate and form of development
- Human behaviour – demand/pax now and in the future
- Asset performance – now and in the future.
- Central government funding, assistance and regulations.



- **Growth Pays for growth – it's the objective but its not perfect cost recovery**

DCs 101

DC Methodology – used since ~2009

- There are a range of different methods across the country eg WICs = 5 models.
- DCC = long run average cost of growth.
- Includes both historical and future growth capex and allocates the capacity over the life of the asset.
- EHU = Equivalent Household Unit; what a typical houses uses;

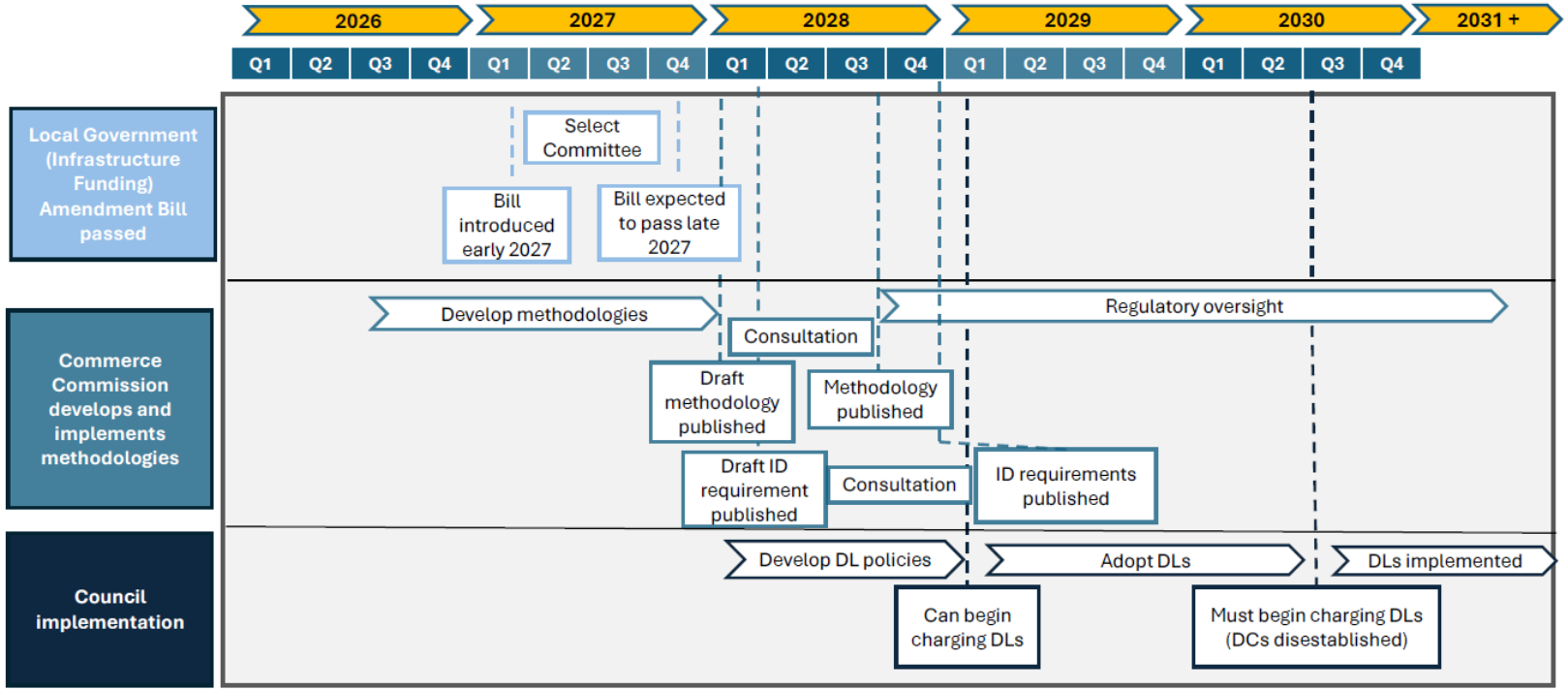
  L/day, vpd, ISA

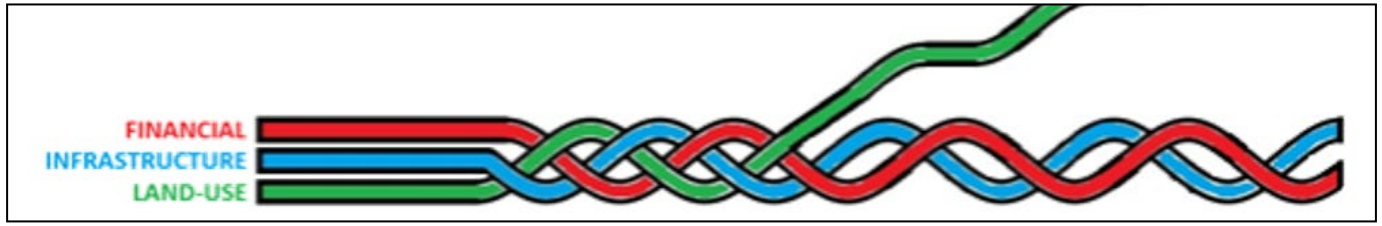
$$\textbf{Standard Contribution} = \frac{\textit{Sum of Growth Costs Consumed in Analysis Period}}{\textit{Sum of New Equivalent Household Units in Analysis Period}}$$

DC 101

- Prescriptive DL models from DIA.
- Nation wide standard approach to funding growth costs.
- Audited by Commerce Commission.
- Available 1 Jan 2029 – maybe!

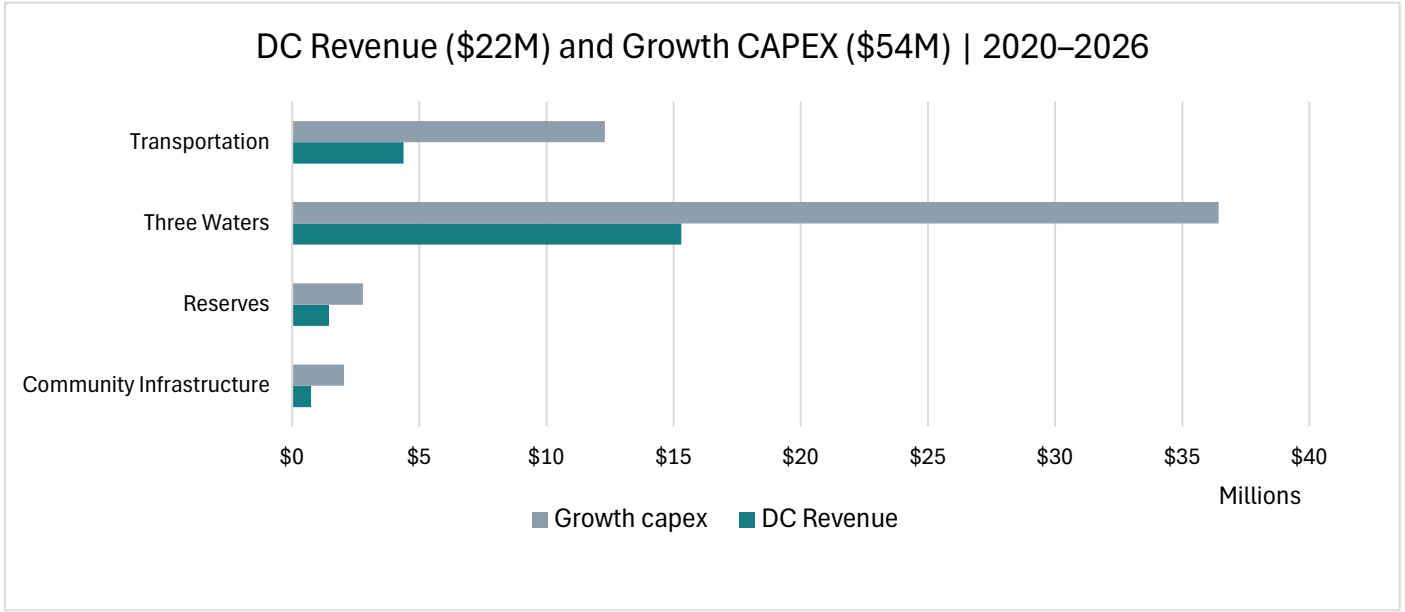
*Indicative timeline subject to the parliamentary process

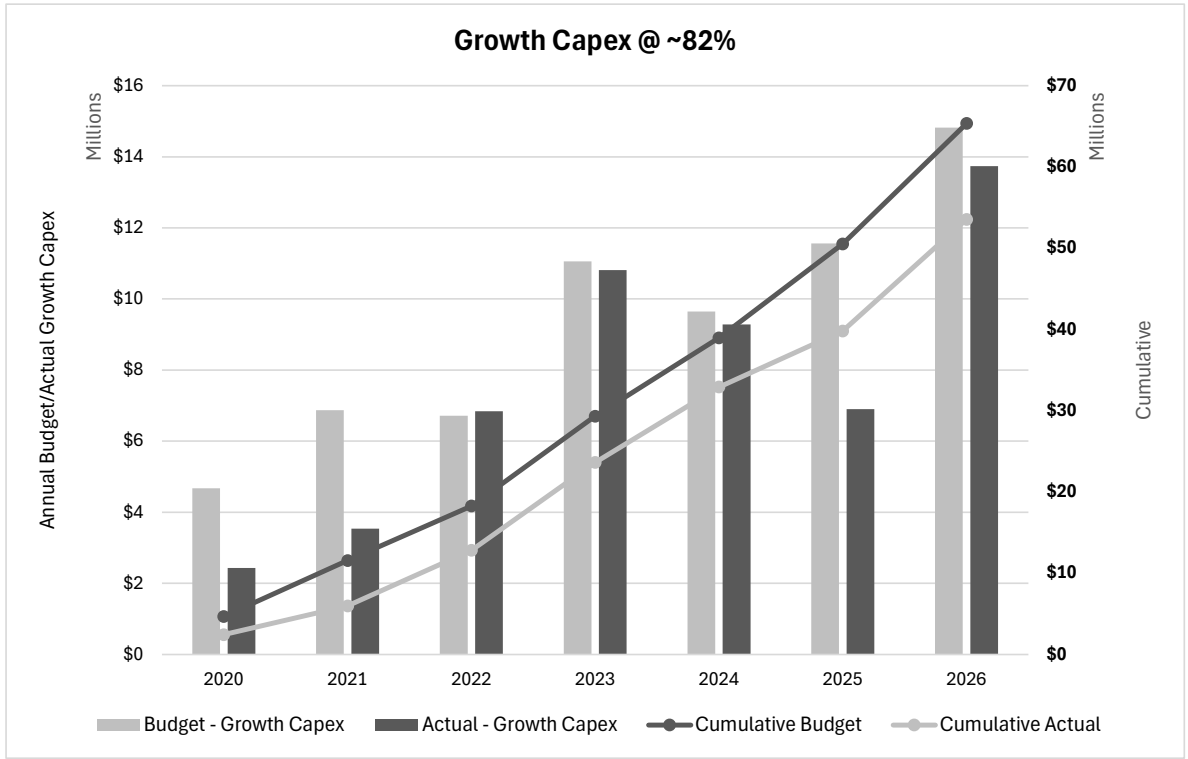


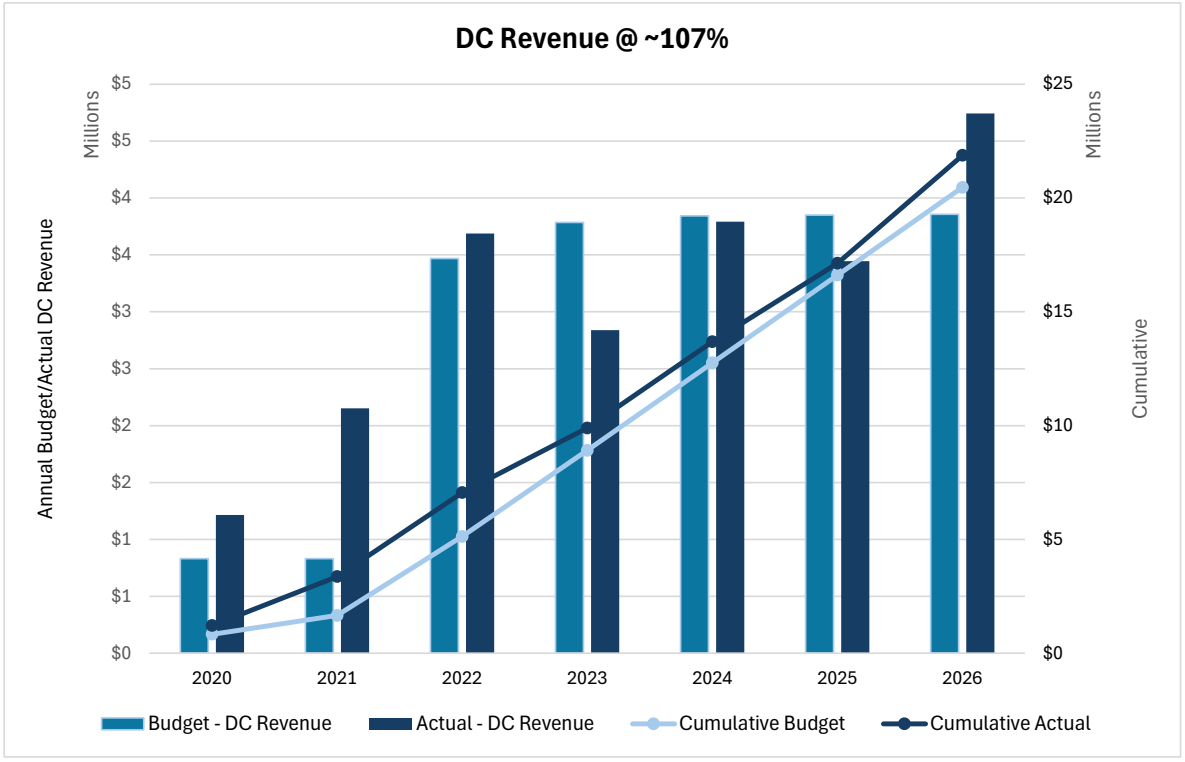


Recent Financials

- Growth capex higher than DC Revenue – infrastructure banker.
- Actuals to budget are ok.







Potential policy changes

Policy change = light touch

1. Remissions, refund and postponement clauses; superseded by Reconsiderations, Objections, Special Assessments and Private Developer Agreements.
2. Land use conversion factors:
    1. Commercial and Industrial Transportation @ 5.42 and 2.75 EHU per 100m^2
    2. Retirement Village = 0.5 EHU per villa/apartment
3. Timing of assessment - non-residential; LUC v BC.
4. Tidy up maps - Mosgiel PC Areas now obsolete.
5. Update frequency - Tri-annual or annual policy changes and/or PPI.

Potential policy changes

Remissions, postponement and refund

A policy clause is required under LGA 2002.

"the conditions and criteria (if any) that will apply in relation to the remission, postponement, or refund of development contributions, or the return of land;"

Current DCP ground for Remissions	Proposed policy approach	Outcome
Where the applicant will fund or otherwise provide for the same reserve, network infrastructure, or community infrastructure	Deal with through Private Developer Agreement	Remove from Remissions
Where the projects indicated in this policy are no longer to be undertaken	Not required under DCC DCP 'network' approach – it is not project specific	Remove from Remissions
Where the DCC determines that a Development Contribution will not be charged.	Not required and too vague	Remove from Remissions

Potential policy changes

Remissions, postponement and refund

What other council's do:

- CCC - Exceptional, unique developments that cannot be addressed by Special Assessment.
- TCC - No general remission, except exceptional circumstances approved by the Chief Executive or delegate, consistent with the policy's intent or elected-member direction. Community groups may seek grants to offset DCs through separate funding processes.
- HCC - Retains targeted remissions for materially reduced actual infrastructure demand, central-city development (50%), high-rise central-city development (100%) and eligible community housing (up to 100%).

Community/charitable housing or Heritage is the most common genuine remission ground – this is best achieved via a grant.

Potential policy changes

Remissions, postponement and refund - Recommendations

- Remissions - Exceptional, unique developments that cannot be addressed by Special Assessment.
- Retain:
  - Reconsideration – informal legal challenge of how policy was applied.
  - Objection – formal legal challenge of how policy was applied, heard by Commissioners.
  - Special assessment – unique development.
  - Private Developer Agreement – provision of infrastructure or staged payment approach.
  - Deferral – case by case basis, cost neutral, PDA or statutory provisions
  - Refund – only as defined in LGA.

Potential policy changes

Land Use Conversion Factors

- Retain status quo
- Amend some/all
- Recommendation
  - Retain until Development Levies are introduced.
  - DLs to include prescriptive land use categories and conversion factors.

Table 4: Equivalent Household Unit Conversion Factors for each Land Use Category

Land Use Category	Equivalent Household Units (EHU) per Unit of Measure									
	Water Supply		Wastewater	Stormwater	Transportation		Reserves		Community Infrastructure	
	Working Charge	Network Charge			Dunedin Metropolitan	Dunedin Other	Dunedin Metropolitan	Dunedin Other	Dunedin Metropolitan	Dunedin Other
Residential unit 3 or more habitable rooms	1 EHU per unit		1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	1 EHU per unit	
Residential unit 2 habitable rooms	0.75 EHU per unit		0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	0.75 EHU per unit	
Residential unit 1 habitable room	0.5 EHU per unit		0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	
Rural Residential	0.86 EHU per dwelling	0.41 EHU per property	1.48 EHU per dwelling	0.34 EHU per 100m² ISA	1.57 EHU per dwelling	0.83 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling	1 EHU per dwelling
Retirement Housing	0.5 EHU per unit		0.5 EHU per unit	0.34 EHU per 100m² ISA	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit	0.5 EHU per unit
Aged Care Facility	0.45 EHU per unit		0.45 EHU per unit	0.34 EHU per 100m² ISA	0.2 EHU per unit	0.2 EHU per unit	0.28 EHU per unit	0.28 EHU per unit	0.15 EHU per unit	0.15 EHU per unit
Visitor Accommodation	0.56 EHU per 100m² GFA	0.93 EHU per property	0.99 EHU per 100m² GFA	0.34 EHU per 100m² ISA	0.29 EHU per 100m² GFA	0.37 EHU per 100m² GFA	0.30 EHU per 100m² GFA	0.30 EHU per 100m² GFA	0.66 EHU per 100m² GFA	0.60 EHU per 100m² GFA
Commercial	0.19 EHU per 100m² GFA	0.94 EHU per property	0.31 EHU per 100m² GFA	0.34 EHU per 100m² ISA	5.42 EHU per 100m² GFA	3.17 EHU per 100m² GFA			0.05 EHU per 100m² GFA	0.05 EHU per 100m² GFA
Farming	0.86 EHU per dwelling	0.41 EHU per property	1.48 EHU per dwelling	0 EHU per 100m² ISA	4.47 EHU per 100Ha	2.28 EHU per 100 Ha	0.50 EHU per dwelling	0.50 EHU per dwelling	0.50 EHU per dwelling	0.50 EHU per dwelling
Industrial	0.36 EHU per 100m² GFA	0.90 EHU per property	0.58 EHU per 100m² GFA	0.34 EHU per 100m² ISA	2.75 EHU per 100m² GFA	3.48 EHU per 100m² GFA			0.03 EHU per 100m² GFA	0.03 EHU per 100m² GFA
Otago University /Polytechnic – Other	0.16 EHU per 100m² GFA	0.94 EHU per property	0.28 EHU per 100m² GFA	0.34 EHU per 100m² ISA	1.85 EHU per 100m² GFA				0.05 EHU per 100m² GFA	
Otago University /Polytechnic – Accommodation	0.61 EHU per 100m² GFA	0.93 EHU per property	1.09 EHU per 100m² GFA	0.34 EHU per 100m² ISA	0.69 EHU per 100m² GFA		0.60 EHU per 100m² GFA		0.82 EHU per 100m² GFA	

Potential policy changes

3. Timing of Assessment – non-residential

- Residential development =OK; assess at Subdivision consent stage, invoice before 224 (c)
- non-residential development
- Currently levy under policy in place at the time resource consent was lodged
  - Timelines can be long, eg development yet to start is still paying under 2021 DCP.
  - Assessing under building consent would get DCC more DC income.
  - Assessing DC under building consent may lead to delay in income.

Potential policy changes

Policy change = light touch

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2025 DC Policy Charges: Capped & Phased

Area of Benefit	Total Contribution 2021-31 Policy $	Capped Contribution $	Increase in Contribution from 2021-31 $	Annual Increase in contributions $	Year 1 2025/26 $	Year 2 2026/27 $	Year 3 2027/28 $
Allanton	3,900	5,130	1,230	No phasing	5,130	5,130	5,130
Dunedin Central Brownfields	13,660	23,460	9,800	3,267	16,927	20,193	23,460
Dunedin Central Greenfields	15,540	27,170	11,630	3,877	19,417	23,293	27,170
Outram	7,060	12,510	5,450	No phasing	12,510	12,510	12,510
Waitati	5,200	10,250	5,050	No phasing	10,250	10,250	10,250
Warrington	14,740	27,170	12,430	4,143	18,883	23,027	27,170
Seacliff	8,750	27,170	18,420	6,140	14,890	21,030	27,170
Merton	5,200	10,250	5,050	No phasing	10,250	10,250	10,250
Karitane	4,940	27,170	22,230	7,410	12,350	19,760	27,170
Waikouaiti	4,940	27,170	22,230	7,410	12,350	19,760	27,170
Middlemarch	11,010	27,170	16,160	5,387	16,397	21,783	27,170
Rockland Rural	2,040	2,870	830	No phasing	2,870	2,870	2,870
West Taieri	12,020	13,690	1,670	No phasing	13,690	13,690	13,690
All other Dunedin Metropolitan properties	6,520	7,670	1,150	No phasing	7,670	7,670	7,670
All other Dunedin other properties	2,040	2,870	830	No phasing	2,870	2,870	2,870

In the 2025 policy update, Council applied capping so that no area should pay a development contribution for 1 EHU greater than those charged in total to the Dunedin Central Greenfields area of benefit.

Phasing of increases in development contribution charges has been set over a period of 3 years. Only increases greater than $6,000 per Equivalent Household Unit (excluding GST) for any area of benefit have been considered for phasing.

Next Steps

- Draft charges are being refined.
- 2027 DC charges are expected to increase per EHU due to lower growth assumptions in the short term, and will be impacted by Council decisions on the capital programme.
- Council may need to consider capping and phasing options.
- Draft policy update is due to be presented to Council in January 2027 prior to public consultation.



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