



# Funding growth in Hamilton Kirikiriroa

## Development Contributions Policy and Growth Funding Policy Consultation Document 2024

**Share your voice by 21 April 2024**

To read our policies and proposed  
changes and updates, go to  
[hamilton.govt.nz/haveyoursay](https://hamilton.govt.nz/haveyoursay)



**Hamilton  
City Council**  
Te kaunihera o Kirikiriroa



## Welcome/Nau mai

**Hamilton Kirikiriroa is a fantastic river city and one of the fastest growing metros in New Zealand. We are now a city of 185,000 people and, in 10 years, we expect to be home to 215,000 people.**

This growth will create exciting opportunities for our city but it also presents us with challenges, as we experience increased demand for core services, infrastructure and community facilities.

Hamilton City Council's proposed 2024-34 Long-Term Plan doesn't ignore these challenges. We are currently borrowing to pay for some everyday costs and our plan is to "balance the books" in 2026/27. During March and April, we are talking to the community about the key issues facing our city over the next 10 years. Your feedback is important.

Alongside our Long-Term Plan, we are also consulting on other policies which support the Plan and the wider vision and strategy for our city. This includes our Development Contributions Policy (DC Policy) and our Growth Funding Policy. We want your views on the changes and updates we are recommending for both policies.

Our DC Policy sets out how we share the costs of growth in Hamilton between

the development sector and the general ratepayer. Currently, we collect DCs for water, wastewater, stormwater, reserves, community infrastructure and transport activities. Based on the capital expenditure requirements in the proposed 2024-34 Long-Term Plan, the current DC charges for these activities are expected to increase.

In addition to these increases, there are a number of changes we are proposing to the current DC Policy which are explained further in this Consultation Document.

Please note, the DC charges are indicative only and are subject to change. Charges will be finalised alongside the Long-Term Plan.

Our Growth Funding Policy directs Council's decision-making for growth projects and associated infrastructure where those projects are not aligned with Council's Long-Term Plan. It supports Council in making decisions about unfunded growth in a way that is affordable and fair to ratepayers. We're proposing to make amendments to the Policy.

Detail on the draft policies, and how you can have your say is included in this Consultation Document.

This information is also available at [hamilton.govt.nz/haveyoursay](https://hamilton.govt.nz/haveyoursay).

## Key dates

### 19 March - 21 April 2024

Consultation with the community

### 15-17 May 2024

Verbal submissions

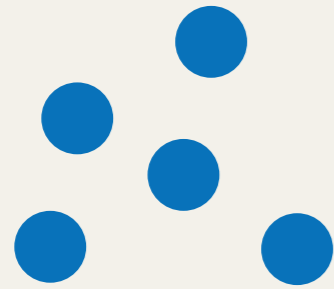
### 4-6 June 2024

Mayor and Councillors discuss feedback from the community

### 4 July 2024

2024/2025 DC Policy and Growth Funding Policy adoption





## Give us your feedback

### 1. Have a query?

If you would like clarification on any information in this consultation document, please email staff at [growthfunding@hcc.govt.nz](mailto:growthfunding@hcc.govt.nz).

### 2. Share your voice

You can share your thoughts online at [hamilton.govt.nz/haveyoursay](https://hamilton.govt.nz/haveyoursay) or use the hard copy submission form with this consultation document.

We recommend you take the time to read the draft DC Policy and draft Growth Funding Policy to identify all changes and updates.

You can make a submission on any part of the draft policy, not just the proposed changes and updates.



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# Ratepayers and developers - sharing the cost of growth

Over the past decade, our city has experienced significant growth and this is projected to continue. More people want to call our city home and we're an increasingly attractive place to do business.

Enabling our city to grow means we need to plan and fund new or upgraded roads, new parks and sportsgrounds, and more water and wastewater pipes. This infrastructure to enable development is paid for through a combination of rates from existing ratepayers, rates from future ratepayers (via loans), a charge on the developers and government subsidies.

Council's DC Policy sets how we work out the costs to enable development in different areas of the city, and how much of those costs are charged to developers. The developer charge is called a development contribution, or DC and is a one-off charge. Contributions vary depending on which area of the city a development is in, as well as the type of development and how much demand it is expected to place on the network. Growth costs not covered by DCs or external funding become a cost to the ratepayer.

It's important to note that over the past two years, the cost of delivering growth infrastructure has been significantly impacted by factors outside of Council's

control, such as high inflation, rising interest rates and growing compliance demands imposed by central government. In short, it's become more expensive to provide and fund infrastructure to service growth.

Council has a financial principle that "those who benefit from growth pay a fair share of the cost of that growth." In setting its DC Policy, Council considers how enabling growth benefits the developer, but also the wider benefit to the people of the city. New infrastructure may benefit the wider community such as a new playground and so it's appropriate they also contribute to the costs - a balance needs to be struck.

Our Growth Funding Policy sets out the commitments a developer needs to make and what Council will consider, in order for development to occur in unplanned or unfunded areas of the city. If development of this nature goes ahead, it will be agreed in a way that minimises the impact on ratepayers, and will be recorded in a developer agreement.

Our approach is to develop policy that is fair to the development community, considers the wellbeing of the city's residents, and balances the cost of growth now and in the future.



## Getting the balance right

Typically, reduced DC charges will mean the allocation of growth related costs to the general ratepayer is increased. It is important Council finds a fair and appropriate balance to the way the costs of growth are shared. Our policy must also consider the long-term effects of cost allocation for the city and all ratepayers and residents.

For example, higher DC charges for developers may reduce the amount ratepayers contribute to enable growth but could also mean developers are less likely to invest in Hamilton if these costs are comparatively higher than elsewhere. This may mean less growth, fewer jobs and a weaker local economy. It could also mean a reduced housing supply, which makes housing less affordable.

A decision by Council to reduce certain DC charges could mean faster growth

and a stronger economy but would mean a greater share of the costs of growth are paid by existing ratepayers. A reduction in DC charges in one area does not necessarily mean developers in another area pay more.

In some areas we currently cap non-residential DC charges to prevent high charges from deterring development, particularly in new greenfield areas.

Council can also encourage or subsidise development by reducing DCs for some types of development or in certain areas of the city. These reductions are called remissions and can be set at different levels. For example, a 50% remission in one area would mean developments in this area would only pay half of the DC charge assessed. This is based on the expectation that the longer-term wellbeing benefits of a targeted approach to growth in certain areas will outweigh the short-term financial benefit of increased DC revenue.

# Development Contributions Policy

## Change 1

# Te Ture Whenua Maori Act 1993 remission

## What are we proposing?

**We are proposing a remission for all development on Maaori customary and freehold land and for papakainga\* on any land.**

An amendment was made to the Local Government Act 2002 (LGA) in July 2021 and Council's DC Policy must now support the principles set out in the Te Ture Whenua Maori Act 1993.

We are proposing to support the principles by providing a 100% remission for all development on Maaori customary and freehold land; and for the development of papakainga. This would support the occupation, development and utilisation of Maaori land as required under the preamble of Te Ture Whenua Maori Act 1993.

**Advantages:** The proposed remission supports development on Maaori land which, in turn, supports the principles of Te Ture Whenua Maori Act and meets legislative requirements.

**Considerations:** Commercial development and developments on Maaori land that have commercial benefit (for profit) are excluded, as well as development by the government, for example, Kāinga Ora. Because of the scale and number of new developments, it is difficult to estimate what the financial impact might be over time, which presents a financial risk to the city of unexpectedly large rates funded remission being given.

**Example:** Due to the small number of land holdings that this provision would apply to, and the nature of developments covered by the remission, we expect remissions to be infrequent. A new 150m<sup>2</sup> building could pay \$41,000 in DCs on average. A papakainga development with 20 homes and 200m<sup>2</sup> of community space could pay \$1.22 million in DCs.

### We want to know

*Should Council grant a remission of up to 100% to development on Maaori land, and for the development of purpose built papakainga on any land?*

\* Papaakainga means a community where tangata whenua live, primarily clustered around marae and other places of significance. The definition may also extend to include 'taura here' communities who establish modern/urban papakainga.

\*\*\* For te reo Maaori, Hamilton City Council uses double vowels (uu) in place of vowels with a macron (ū) to represent a long vowel sound. This spelling approach is the preference of tangata whenua in Hamilton Kirikiriroa and Waikato iwi for te reo Maaori words. The names of legislation are shown in their original form.

## Change 2

# Central city remission

## What are we proposing?

**We are proposing to extend the DC remission in the central city (formerly the CBD remission) for a further three years (ending 30 June 2027). However, we're proposing to reduce the remission from 50% to 33%.**

The current CBD remission is due to expire on 30 June 2024. Council has made shaping a central city where people love to be a priority and a remission is one way to support new development.

The remission was introduced in 2013 to encourage development in the central city and since then has resulted in \$15 million being remitted. Overall, the central city has experienced significant growth since the remission's introduction.

**Advantages:** The remission makes it cheaper to develop in the central city, which is likely to encourage development, and create more employment opportunities. Reducing the remission for developments under six storeys from 50% to 33% recognises the momentum that has already built up in the central city.

**Considerations:** A remission in one area benefits developers in the central city over those developing elsewhere. Development costs not collected through DCs are funded largely through Council's general rate.

**Example:** Without a remission, a new four storey office block in the central city could pay \$800,000 in DC charges, while a new boutique retail store or café could pay \$23,000. With a 33% remission, it could cost \$528,000 for the office block and \$15,000 for the shop, noting that any existing buildings would be credited against the charge.

### We want to know

*Should Council extend the existing central city remission for a further three years? Do you think the percentage of the remission should be reduced from 50% to 33%?*

## Change 3

# Central city high-rise building remission

## What are we proposing?

**We are proposing to extend the current 100% remission for buildings six storeys and above to encourage developers to build higher density in the central city, providing more capacity on the same building footprint and supporting the benefits of increased density.**

Growing up instead of out reduces the amount of land we need for development. Increased density also supports the viability of public transport services and provides new residential living opportunities. Having more inner-city development encourages shops, eateries and services into the central city to service this community.

**Advantages:** The remission would reduce the cost to develop in the central city which is likely to encourage development, create more employment opportunities and provide new residential living opportunities. This proposal supports Council's vision to create a central city where people love to be.

**Considerations:** Development of this nature requires long term investment. The high-rise remission and associated eligibility criteria has only been in effect since 2021. Extending the remission would allow central city developers to factor in the requirements into the planning stages of their development and provide greater certainty over a longer timeframe. After discussions with developers, it's clear the remission does impact their decision-making by improving a project's feasibility.

**Example:** A new 10,600m<sup>2</sup> six storey office building in the central city could pay \$2.3 million in DC charges excluding any credit. With a 100% remission, they would not pay any DCs.

### We want to know

*Should Council extend the existing 100% high-rise remission of DCs for central city developments with six or more storeys for a three-year period?*

# Non-residential capped charges

## What are we proposing?

**Council is proposing to reduce the coverage of non-residential capped charges to only include small scale retail and commercial development in neighbourhood centres (identified as Business Zone 6 in the Operative District Plan).**

Capped DC charges for non-residential developments were first introduced in Rotokauri in 2019 as charges there were significantly higher than in comparable parts of Hamilton and other major centres. From 2021, the cap was applied to all non-residential DC charges, regardless of a development's location in the city.

The intention of the proposed capping charges is to prevent high DC charges deterring development, particularly of neighbourhood centres in new greenfield areas.

Council is also proposing to increase the level of capped charge rates by \$20,000 to reflect increased costs. Commercial developments in neighbourhood centres would now pay no more than \$50,000 (exclusive of GST) per 100m<sup>2</sup> of gross floor area and retail developments pay no more than \$60,000 (exclusive of GST) per 100m<sup>2</sup> of gross floor area. DC charges for stormwater are calculated on a site area basis. Large-scale retail developments such as supermarkets would be excluded.



**Advantages:** Capped charges can support the feasibility of new neighbourhood centres where high charges are otherwise prohibitive. This refined provision will prevent developments over and above neighbourhood centres from benefiting from this discount while still supporting growth in greenfield areas where Council is investing significantly. It supports the balanced development of a community with access to local shops and services.

**Considerations:** Costs above the capped DC charge still need to be recovered and are funded by ratepayers. This proposal will increase the complexity of the DC

system. There are likely to be only a few developments in neighbourhood centres during the next three years. If DC charges are uncapped, we're likely to see significant DC charge increases in some areas, upwards of \$20,000 per 100m<sup>2</sup> of gross floor area.

**Example:** There are likely to be only a few developments in neighbourhood centres over the next three years. A development similar to those in existing neighbourhood centres might include a 3000m<sup>2</sup> site with shops and offices. It could pay \$2 million in DCs under the draft policy but under this provision, the charge could be \$1.3 million.



### We want to know

*Should Council revise the non-residential capped charges to only include commercial and retail development in neighbourhood centres?*

*Should Council increase the level of the proposed capped charges from those in the current DC Policy by \$20,000 to reflect the increased cost of funding growth?*

## Change 5

# Social housing remission

## What are we proposing?

We are proposing to change the remission criteria to ensure our community benefits. We are also proposing to rename the provision from 'social housing remission' to 'community housing remission', to better reflect the intention to support community housing providers.

Since 2021, Council has provided a 100% remission of residential DCs for registered community housing providers (excluding Kāinga Ora) developing social and affordable rental housing.

We are proposing to add the following to the remission criteria:

- 1) that land must be owned by the community housing provider
- 2) that the development provides community housing for the long-term (in perpetuity)
- 3) that the remission must benefit the community and not private parties
- 4) that the developer will enter an agreement with Council that secures the community housing outcomes.

We are proposing to exclude commercial lease agreements.

Importantly, these changes will ensure the benefits of the remission lead to a long-term increase in the city's community housing stock.

**Advantages:** This remission reduces the cost of building community housing in Hamilton. Refining the criteria will ensure a long-term increase in social housing and increasing housing to support those with financial difficulties.

**Considerations:** Community housing providers who purchase a prebuilt house from a third party are not eligible for this remission. A remission is forgone revenue ultimately paid by ratepayers.

Financial benefits of a remission should exist in perpetuity. Any mechanism used to do this needs to be robust to prevent developers taking unfair advantage of this remission in a way that adversely affects the community.

**Example:** A development with 10 new three-bedroom homes could pay \$440,000 in DCs. Under this remission there would be no charge.

### We want to know

Should Council retain the existing social housing remission as a community housing remission and amend the eligibility criteria to include:

- more targeted requirements
- securing long-term benefits through binding agreement?

## Change 6

# Calculating stormwater charges

## What are we proposing?

We're proposing to standardise the stormwater charge across all residential developments, regardless of their size.

Stormwater DC charges fund growth infrastructure such as pipes, erosion control and ponds. When calculating a stormwater charge, one Household Unit Equivalent (HUE) will be applied to each residential dwelling regardless of bedroom numbers.

Previously, Council applied a higher or lower HUE per dwelling depending on bedroom numbers, on the assumption that the more bedrooms, the higher the stormwater demand. Bedroom numbers may not always be reliable for determining relative stormwater demand (which is mostly influenced by

impermeable surfaces) given different housing typologies and storeys. Accordingly, Council proposes to remove any distinction based on size or number of bedrooms, and simply apply a single standard HUE to each dwelling.

**Advantages:** This change will create a fair and consistent approach to charging stormwater and is simple to understand.

**Considerations:** The stormwater charge applied will result in an increase in the DC charge for one and two-bedroom dwellings.

**Example:** On average, the stormwater charge for a new three-bedroom home is \$5300 whereas a new two-bedroom home would be \$3700. In reality, they could both generate the same amount of stormwater.

### We want to know

Should Council charge residential development a uniform flat stormwater charge for all dwellings, regardless of bedroom numbers or size of dwelling?



# Milestones at which DCs are required

## What are we proposing?

**Council can require DCs at different stages in the development process. We're proposing to provide more detail in the Policy about how we make decisions on when to require a DC so it's more transparent for our customers.**

Under the Local Government Act 2002 (LGA), Council has discretion to determine whether to require a DC at granting of a resource consent or building consent, or at the time of application for service connection or Certificate of Acceptance. The wording in the LGA (section 198) which identifies these options is simply stated in the current DC Policy. The proposed change is intended to improve transparency, and provide developers more context about how Council determines at which point a DC requirement is made.

**Advantages:** The proposed change provides greater clarity to developers on how Council determines which milestone to require the DC charge. The change outlines some of the key considerations, including benefits and costs; whether there

are Council funded assets not reflected in a current DC Policy; the nature and scale of the development and whether it spans multiple policy periods; any legally binding commitments to a particular milestone; and, fairness and equity for all stakeholders, including the ratepayer.

**Considerations:** The standard process is that DCs are usually required at the first opportunity – often resource consent – but Council has the flexibility to require DCs at a later consenting stage. The effect of this can be that the DCs for a particular development are calculated under a future DC Policy which has higher charges. It can be a long time from when a subdivision consent is lodged to when a building consent for a new home is granted. A developer has up to eight years from when their subdivision consent is granted until they need to issue titles for the individual sections, so there could be several policy iterations in that time.

**Example:** If a 300-lot subdivision with multiple stages was lodged, Council may elect to require DCs at building consent rather than when the subdivision or land use consent was lodged.

### We want to know

*Should Council outline the factors it considers when determining when to require a DC within the Policy?*

# Other changes

In addition to the key changes above, Council is recommending some other changes to the draft DC Policy in relation to the following areas:

- **Gross floor area definition:** Update the definition of gross floor area (GFA) to remove 6d) in relation to incidental/temporary loading or service areas. Loading and servicing areas are part of business activity and should pay DCs.
- **Bedroom definition:** Update the bedroom area definition to avoid ambiguity and provide clarity.
- **Special assessments:** Clarification and improved transparency relating to Council initiated special assessments.
- **Updated:** maps, references, information, dates and grammar.

To read the draft DC Policy go to [hamilton.govt.nz/haveyoursay](https://hamilton.govt.nz/haveyoursay).

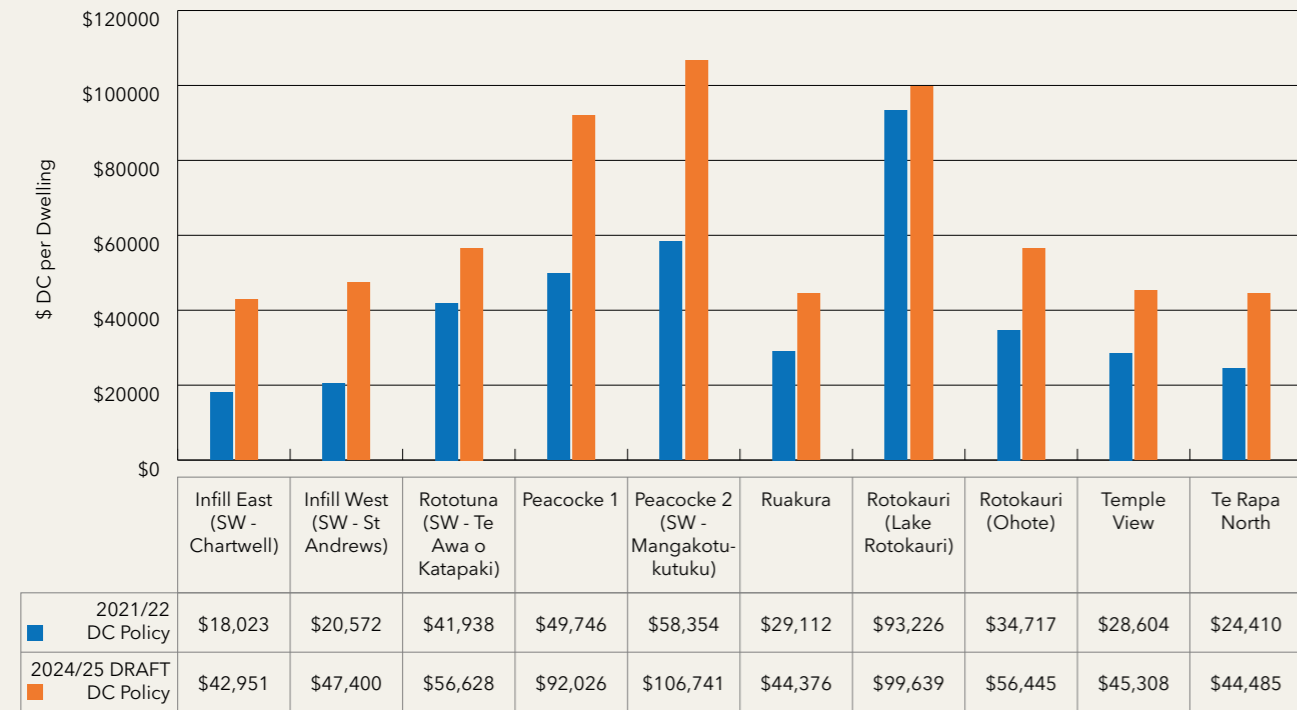


# Summary of draft DC charges

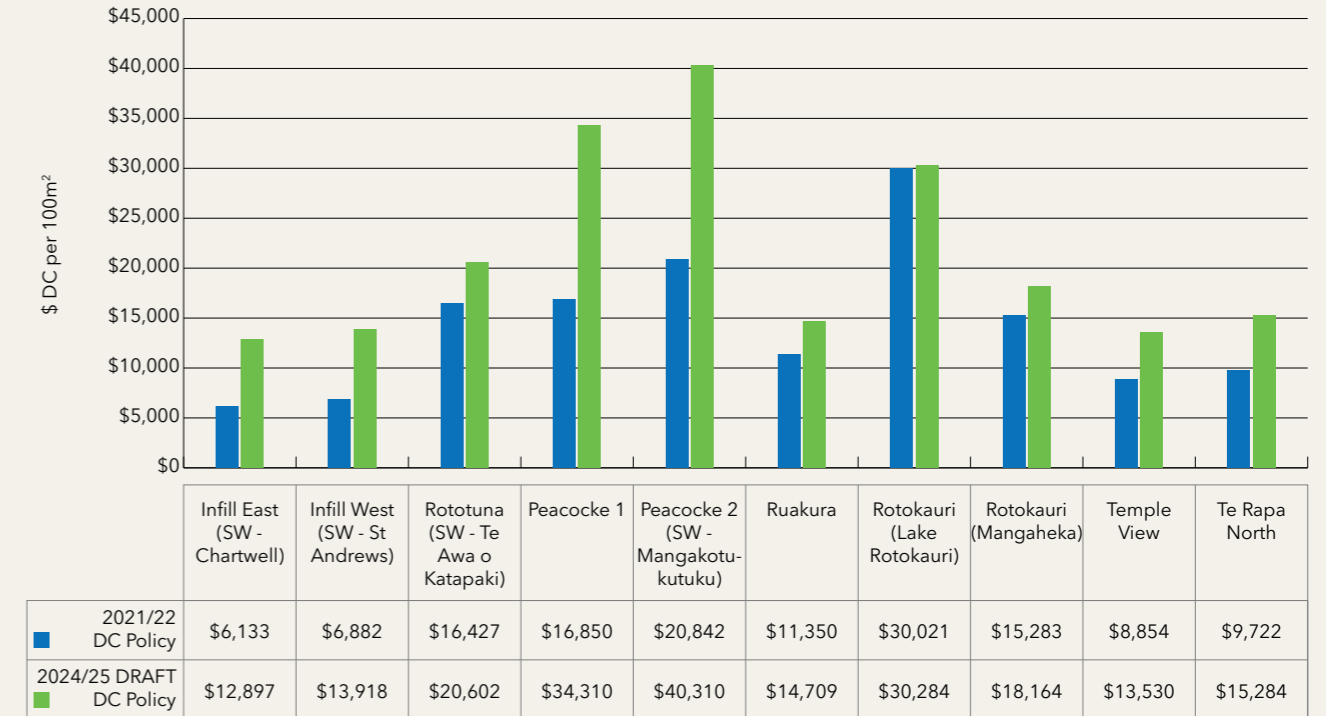
Please note:

- the information below shows the most common development areas in the city, with associated combinations of catchments. Please refer to the full schedule of charges in the draft 2024/25 DC Policy for all charges.
- the DC charges are indicative only and are subject to change. Charges will be finalised alongside the LTP. Refer to Schedule in the Draft DC Policy for draft charges.

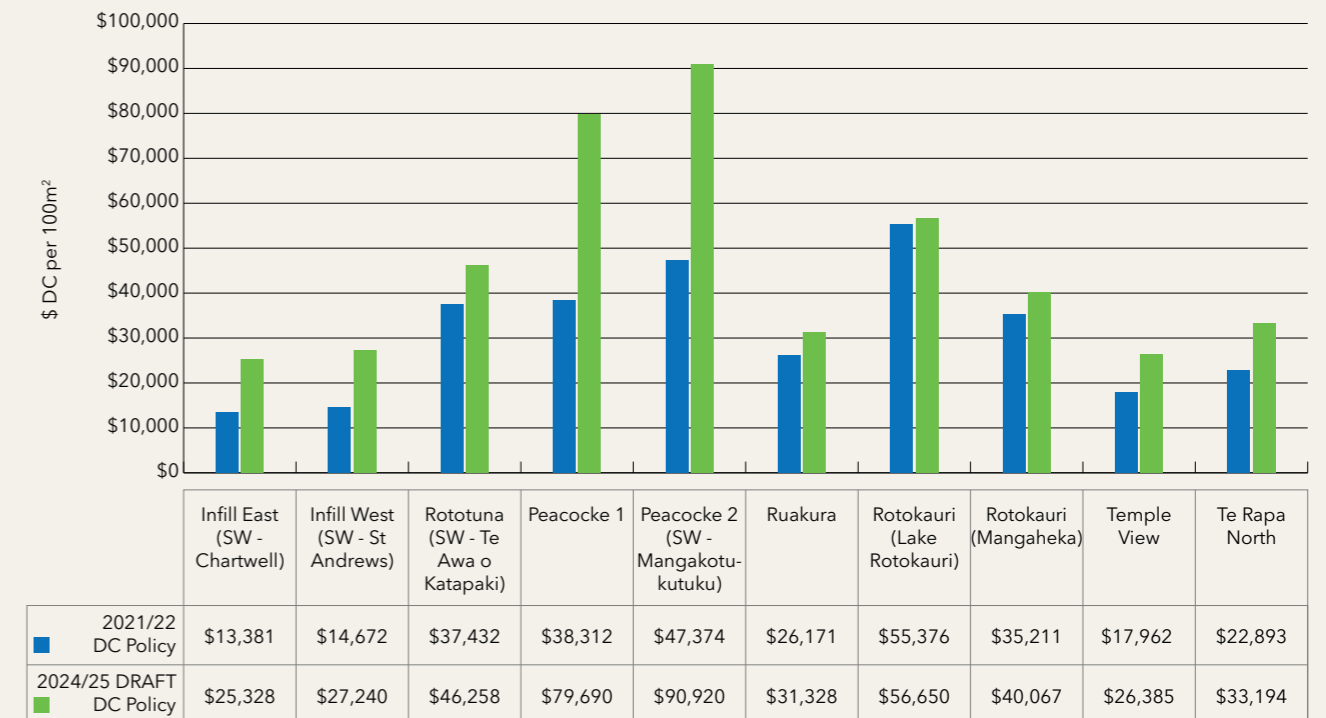
## Standard residential charge per dwelling



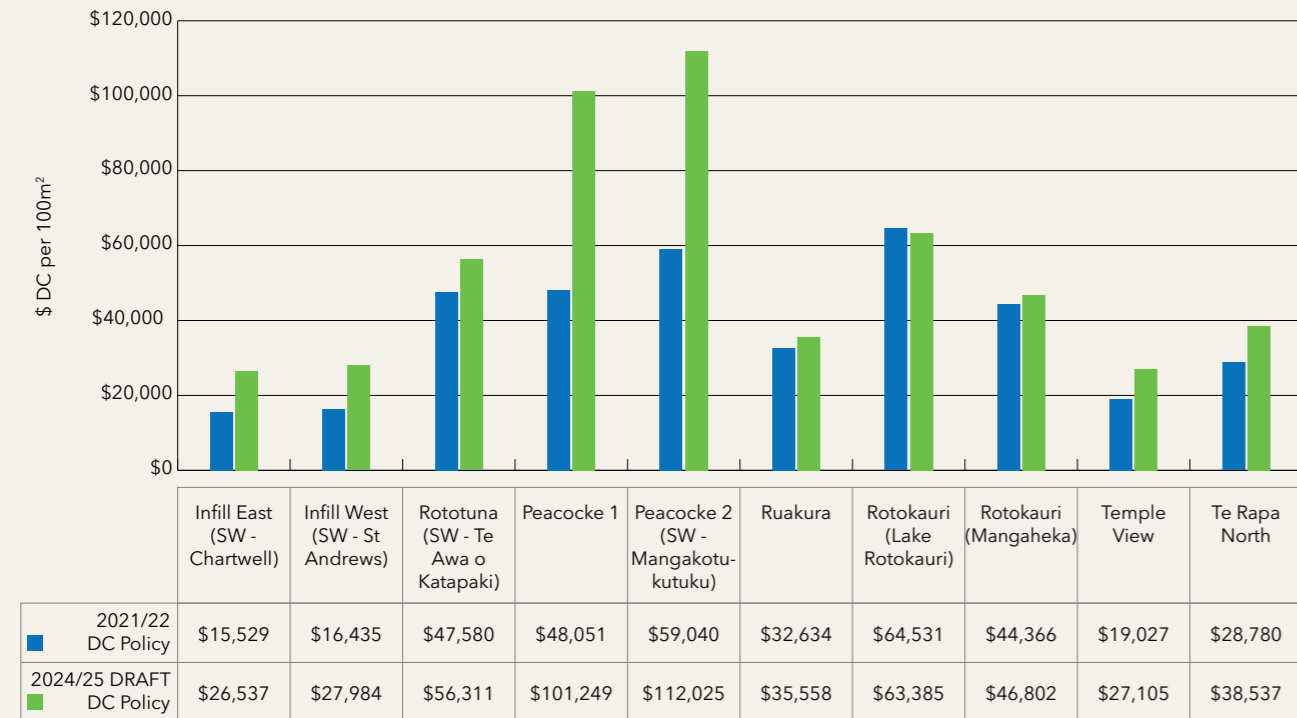
## Industrial \$DC per 100m<sup>2</sup>



## Commercial \$DC per 100m<sup>2</sup>



## Retail \$DC per 100m<sup>2</sup>



# Growth Funding Policy

Hamilton City Council (Council) has reviewed its Growth Funding Policy and is recommending amendments to the policy which include:

- reference to the principles for out-of-boundary development as set out in the Hamilton Urban Growth Strategy
- clarifying considerations relating to the value accruing to landholdings created by Council decisions
- simplifying the benefits recognition provisions
- removing or amending several redundant or outdated provisions.

### We want to know

*Do you agree with the proposed changes to the Growth Funding Policy?*


To read the draft Growth Funding Policy go to [hamilton.govt.nz/haveyoursay](https://hamilton.govt.nz/haveyoursay).



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