

BEFORE THE HEARING PANEL

IN THE MATTER of the Resource Management Act 1991

AND

IN THE MATTER of Proposed Plan Change 5 to the Operative Hamilton
City District Plan

STATEMENT OF EVIDENCE OF GREGORY RODERICK CARSTENS

Dated 11 October 2022

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INTRODUCTION

1. My full name is Gregory Roderick Carstens and I am the Growth Funding and Analytics Manager for Hamilton City Council (**HCC**). I have held this position for six years and have been employed by HCC for 11 years.
2. I have a Bachelor of Commerce and Administration majoring in economics and commercial law and a Bachelor of Science majoring in statistics and operations research from Victoria University of Wellington.
3. Other positions I have held at HCC include four years as a senior strategic policy analyst and a secondment to the role of City Planner in 2018. Prior to HCC, I held roles in corporate and commercial banks in New Zealand and Australia.
4. In my current role, I am responsible for the development and application of HCC's development contribution policies in addition to the investigation and development of other infrastructure funding tools such as targeted rates, private developer agreements, and the various central government infrastructure funding tools such as the Housing Infrastructure Fund, and more recently the Housing Acceleration Fund for which HCC has recently made a funding bid.
5. I also manage HCC's growth analytics functions which includes the development and operation of HCC's growth and funding models, and the presentation of strategic data and insights to internal and external stakeholders for decision-making purposes. I also oversee HCC's economic development programme.
6. I confirm that the issues addressed in this evidence are within my area of expertise and I have not omitted to consider material facts known to me that might alter or detract from the opinions expressed in my evidence. I have read the Code of Conduct for Expert Witnesses contained in the

Environment Court's Practice Note dated 1 December 2014 and confirm my adherence to the code.

7. I am authorised to provide this statement of evidence on behalf of HCC as the proponent of PC5.

BACKGROUND

8. I have recently been briefed by the HCC planning team on matters arising in the Plan Change 5 (**PC5**) hearing process, and in particular the issues relating to ecological effects compensation.
9. I am advised that the urbanisation of land within the Peacocke Structure Plan Area (**Peacocke**) is likely to give rise to ecological effects on Long-tailed bats and their habitat, and that while these effects will be avoided and mitigated where possible, residual effects will remain. To address these residual effects, action will need to be taken by HCC to compensate for lost habitat. I am advised that compensation may come in many forms, such as land acquisition for bat habitat, land and habitat improvements, riparian and gully enhancement and planting, and pest control. Those actions will occur within Peacocke, and in other areas of the City, and even possibly outside the HCC territorial boundary (**Peacocke compensation programme**).
10. I have been asked to provide clarity on the various funding sources available to HCC to enable the Peacocke compensation programme to occur. I must preface my evidence by saying that all of these funding decisions will require a detailed analysis of the drivers behind the Peacocke compensation programme, and will be subject to elected member approval. What I am setting out are potential funding options, to illustrate that the Peacocke compensation programme is capable of being funded via orthodox local government funding and financing tools.

FUNDING SOURCES

11. The first step will be for HCC to determine the nature and extent of the Peacocke compensation programme, how it is to be delivered, and over what timeframe. This will then be reflected in HCC's 10 Year Long- Term Plan (**LTP**)¹. The LTP will identify the capital and operational programme, including estimated budgeted costings.
12. Once in the LTP, the Peacocke compensation programme will then be progressively rolled out and reflected in HCCs annual budgets, called the Annual Plan.
13. There will be a range of funding sources available to HCC in respect of the Peacocke compensation programme, such as rates, financial contributions, development contributions, fees and charges, and third-party contributions, for example from central government agencies such as Waka Kotahi.
14. In determining which of these funding sources, and in what combination, should be relied on for any particular capital or operational activity, HCC is required to meet the requirements of s 101(3) of the Local Government Act 2022 (**LGA**) which provides:

The funding needs of the local authority must be met from those sources that the local authority determines to be appropriate, following consideration of,—

- (a) in relation to each activity to be funded,—
 - (i) the community outcomes to which the activity primarily contributes; and
 - (ii) the distribution of benefits between the community as a whole, any identifiable part of the community, and individuals; and
 - (iii) the period in or over which those benefits are expected to occur; and
 - (iv) the extent to which the actions or inaction of particular individuals or a group contribute to the need to undertake the activity; and

¹ Development contributions may be recovered for growth costs outside the LTP but for simplicity I refer to LTP costs only here.

- (v) the costs and benefits, including consequences for transparency and accountability, of funding the activity distinctly from other activities; and
- (b) the overall impact of any allocation of liability for revenue needs on the current and future social, economic, environmental, and cultural well-being of the community.

15. Accordingly, it will be important to break down the various components of the Peacocke compensation programme in terms of the s 101(3) considerations. I have read the supplementary evidence of Jamie Sirl dated 22 September 2022 which sets out a possible framework for implementing the Peacocke compensation programme. Based on that evidence, I consider that the two most suitable and likely forms of funding are via development contributions and rates. Each is addressed below.

Development Contributions

16. It is clear that a substantial component of the programme will be the acquisition of land which can be used for ecological restoration and enhancement. Land is a capital item. So too are land improvements, such as restoration and planting. Applying the s 101(3) factors, I consider these activities eligible to be funded by development contributions.
17. A development contribution is a payment made by developers, usually upon the grant of a subdivision and /or land use consent. The development contribution is calculated in accordance with HCC's development contributions policy. Under the policy HCC recovers from each development a fair and equitable share of growth-related costs, such as land acquisitions within the Peacocke compensation programme. These development contribution charges can be allocated to the Peacocke catchment, and also on a city-wide basis. This would enable those developers within Peacocke to contribute more to these growth-related costs than developers in other parts of the city.
18. A determination will need to be made as to the extent to which growth-related capital costs could be recovered through development

contributions. Costs that relate to renewals, rectifying or improving levels of service, or benefits enjoyed by those outside the city are excluded under HCC's development contributions policy through what is called the cost allocation process. Typically, costs not recovered by development contributions are funded by rates.

19. A detailed analysis will need to be undertaken to understand the cost components of the Peacocke compensation programme so that these cost allocations can be determined robustly in accordance with the statute. However, despite this evidence being at the early stages of a detailed process, the characteristics of the Peacocke compensation programme as described allow some reasonable estimations about recovery of its costs through development contributions – which is that a significant portion of the Peacocke compensation programme may be recoverable through development contributions based on the following high-level observations:
 - a) If no development occurred in Peacocke I presume the Peacocke compensation programme would not be needed, therefore the growth causation test is likely to be met strongly;
 - b) I expect the renewals component will be small if any, because the Peacocke compensation programme is a new and unique programme. But, increased or remedied level of service will need investigation;
 - c) Residents in the Peacocke catchment are likely to be the predominant beneficiaries of the programme, with some benefits accruing elsewhere.

Rates

20. In addition to development contributions, HCC could also use rates as a source of revenue to fund the Peacocke compensation programme. A rate could be targeted to properties within the Peacocke area, or could be

applied more widely, if there were wider community benefits that justified this approach.

21. Because development contributions can only be applied to capital expenditure, in addition to the non-growth-related costs referred to above, a rate revenue would be useful for funding those elements of the Peacocke compensation programme which are considered operational costs, such as pest control, education programmes, and functions undertaken by the group described in Mr Sirl's evidence as the Bat Ecology Panel.

Other funding sources

22. Other funding sources exist that may be suitable for recovering Peacocke compensation programme costs, but in my view would be less effective and efficient than development contributions. Examples include an Infrastructure Funding and Financing Act levy which is a complex process and requires Ministerial approval, or Financial Contributions which are viable but are unlikely to provide the scale of funding required.

CONCLUSION

23. Based on the information available to me, my estimation is that the two most suitable and likely mechanisms to recover growth-related costs in the Peacocke compensation programme are development contributions and rates, and that development contributions could make up a significant portion of those costs.

Gregory Roderick Carstens

11 October 2022